COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2	1	8	1	7						

COMPANY NAME

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,635	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 AND TELEPHONE CORPORATION
(Company's Full Name)

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

(632) 8815-9961
(Telephone Number)

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

Form 17-A
Form Type

_____
Amended Designation (if applicable)

December 31, 2021
Period Ended Date

____
(Secondary License Type and File No.)

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

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

1. For the calendar year ended **December 31, 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
Address of principal office

1229
Postal Code

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

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

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

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

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

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

12. Indicate by check mark whether the issuer:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

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

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

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

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

Yes [x] No [ ]

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION (PT&T)

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SEC FORM 17-A

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview

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 the amended articles of incorporation extending the corporate term for another 50 years until November 14, 2062, which was subsequently approved by the SEC on November 26, 2012.

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

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

The Company was also granted with certificate of registration as a value-added service ("VAS") provider by the NTC. As a registered VAS provider, the Company offers internet access service; virtual private network, electronic mail (e-mail), messaging services, web hosting, electronic commerce, firewall service, e-learning, business application, network security, business resiliency, and data and analytics. The Company's VAS is valid until 05 September 2026.

The Company is currently focused on broadband internet access services as a result on growth of wireless/mobile systems and the rise of broadband internet demand. As such, the Company's main source of revenue is broadband internet access services. 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 corporate, business and residential customers.

Recent Developments

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

Menlo immediately sought the implementation of the more important directives of the approved Rehabilitation Plan. In particular, PT&T conducted a Stockholders' Meeting last September 20, 2018. Prior to this, the last stockholders meeting conducted by PT&T was in 2003.

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 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 an Order holding the Company administratively liable for its failure to conduct an annual stockholders' meeting and on its failure to file the required reports and 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 its Amended Registration Statement and other required documents and reports in compliance with the MSRD's Order dated June 5, 2018.

On April 29, 2021, the Company Registration and Monitoring Department (CRMD) issued a certification relating to PT&T's good standing with the SEC.

On July 28, 2021, the Company filed an Amended Registration Statements to update the SEC on the events that occurred from October 3, 2018. After its responses to the comments and questions of MSRD and the Office of the General Accountant of the SEC, the MSRD issued Order dated August 04, 2021, lifting the suspension of the Company's Registration Statement.

Increase in Authorized Capital Stock

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

On October 09, 2018, the Company filed with the SEC an application to amend Article 7 of its Amended Articles of Incorporation to increase authorized capital stock from ₱3,800,000,000 to ₱15,600,000,000. The amendment was approved by the SEC on October 31, 2018. On February 24, 2021, the Company voluntarily requested for the reversal of the previously approved increase of its authorized capital. On April 27, 2021, the CRMD issued an Order approving the request of the Company thereby reverting the Company's authorized capital stock back to ₱3,800,000,000.

Third Telco Bidding

On November 7, 2018, the Company joined the selection for the new major player in the Philippine Telecommunication Market ('Third Telco Bidding") but the Company was subsequently ordered disqualified by the Selection Committee of the NTC.

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

As approved by the Board of Directors, the Company filed a Petition for Certiorari with the SC on November 16, 2018 to assail the decision of the Selection Committee in disqualifying the Company. On December 12, 2018, the Board of Directors of the Company approved the filing of an Amended Petition for Certiorari with the SC. The amendments intend to supplement and further strengthen the arguments previously raised in the Petition for Certiorari. The Amended Petition was filed with the SC on December 12, 2018. While the respondents have already filed their respective Comments and Oppositions, the SC have not rendered a decision on the Amended Petition as of the date of this report. 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.

Court Rehabilitation Developments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Entry of MENLO as the new owner of the Company and its impact.
- Capabilities and credentials of MENLO which will enable the Company to fulfill its obligations under the court-approved Rehab Plan.
- The Company is envisaged as the third player in telecommunications industry.
- The Philippine telecommunications market is in need of more competition in order that the Filipino people can avail of efficient, greater capacity internet broadband connectivity with low latency at very affordable rates.

- The Company has the competitive edge to compete in the broadband market place. The Company is not saddled with the legacy investments in 2G/3G networks, thereby enabling it to leapfrog to the next 5G generation network.

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

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

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

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

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

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

On October 09, 2018, the Company filed with the SEC an application to amend Article 7 of its Amended Articles of Incorporation to increase authorized capital stock from ₱3,800,000,000 to ₱15,600,000,000. The amendment was approved by the SEC on October 31, 2018. On February 24, 2021, the Company voluntarily requested for the reversal of the previously approved increase of its authorized capital. On April 27, 2021, the CRMD issued an Order approving the request of the Company thereby reverting the Company's authorized capital stock back to ₱3,800,000,000.

On March 1, 2018, the Company filed an Omnibus Motion with the NTC requesting for a re-computation of NTC's SRF assessment as contained in its Resolution dated March 31, 2017. This Omnibus Motion for re-computation was subsequently denied by the NTC on September 28, 2018.

On October 1, 2018, the Company filed a Petition for Review with the CA assailing the amount of the SRF assessed by the NTC. On November 27, 2019, the Court of Appeals rendered a Decision in favor of NTC. The Company's Motion for Reconsideration was likewise denied by the Court of Appeals in a Resolution dated August 20, 2020.

On October 20, 2020, the Company filed a Petition for Review with the Supreme Court to assail the Decision and Resolution of the Court of Appeals. The NTC likewise filed its own Petition for Review with the SC on the Decision and Resolution of the CA.

As at date of this report, the said petitions are still pending with the Supreme Court.

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

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

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

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

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

On May 24, 2019, the CA issued a Resolution consolidating the two petitions filed by the creditors. The petition of one of the creditors was subsequently dismissed for failure to comply with the resolution of CA. The Motion for Reconsideration filed by the said creditor was likewise denied.

Impact of Coronavirus disease 2019 (Covid-19)

On March 8, 2020, Presidential Proclamation No. 922 was issued, declaring a State of Public Health Emergency throughout the Philippines due to Covid-19. In a move to contain the Covid-19 pandemic, on March 12, 2020, the Office of the President of the Philippines issued a memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020.

On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months from March 17, 2020, unless earlier lifted or extended as circumstances may warrant.

On March 24, 2020, RA No. 11469, otherwise known as the "Bayanihan to Heal as One Act", was signed into law, declaring a state of national emergency over the entire country, and authorizing the President of the Philippines to exercise certain powers necessary to address the Covid-19 pandemic.

On September 15, 2020, RA No. 11494 or the "Bayanihan to Recover as One Act" took effect, providing for Covid-19 response and recovery interventions and providing mechanisms to accelerate the recovery and bolster the resiliency of the Philippine economy, providing funds therefore and for other purposes. Apart from authorizing the President to exercise powers necessary to undertake certain Covid-19 response and recovery interventions, RA No. 11494 also affirmed the existence of a continuing national emergency, in view of unabated spread of the Covid-19 virus and the ensuing economic disruption therefrom (see Note 30).

On September 16, 2020, Presidential Proclamation No. 1021 was issued, extending the State of Calamity throughout the Philippines due to Covid-19 for a period of one-year effective September 13, 2020, to September 12, 2021, unless earlier lifted or extended as circumstances may warrant.

Various proclamations and memorandums directive to impose stringent social distancing throughout the country were released during the year. These and other measures have affected and caused disruption to businesses and economic activities, and its impacts on businesses continue to evolve. Significant impact on the Company's financial statement includes but not limited to Amendments to PFRS 16, Leases, Covid-19 Related Concessions and Estimating allowance for expected credit losses (ECL) (see Note 6.02).

As disclosed to the SEC and PSE on March 13, 2020, the Company is business as usual despite the community quarantine brought upon by Covid-19. The Company had initiatives in terms of ensuring the clients' health and safety by providing various payment channels to settle accounts without any inconvenience. Despite the pandemic, the Company made sure that customer services are available 24/7, and the technical team was constantly providing service amidst the threat of Covid-19 to ensure that the facilities were up and running, hence ensuring customer satisfaction.

The Company has taken additional measures to ensure that all stakeholders –clients, employees, and partners alike– are not exposed to unnecessary or additional risk. The Company purchased personal protective equipment for front liners and safety kits for all its employees.

As at the date of this report, Covid-19 has continued to spread globally, with the number of reported cases and related deaths increasing daily and exponentially.

The Management has considered the impact of Covid-19 on future performances but due to the evolving nature of Covid-19 and the uncertainty it has produced around the world, the Management believes that it is impossible to predict the Covid-19's cumulative and ultimate impact on the future business, results of operations, and financial condition and therefore on the measurement of some assets and liabilities or on liquidity that might be significant and might therefore require disclosure in the financial statements. However, the Management has determined that these do not create a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern.

Item 2. Properties

A. Description of Property

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

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

	Property Location	Address	Lot Area
1	SCC Bldg. Carlos Palanca, Makati	106 SCC Bldg., C. Palanca Street, Legaspi Village, Makati City	858 sqm lot with 7-storey bldng
2	Tuba, Benguet	Mountain of Sto Tomas, Tuba, Benguet	2,000 sqm
3	Mabalacat, Pampanga	Lot #018 McArthur Highway, Brgy. Camachile Mabalacat Pampanga	665 sqm
4	Antipolo City, Brgy Mayamot, Marcos Highway	Brgy. Mayamot, Marcos Highway Antipolo	1,923 sqm
5	St. Anthony Village, Cainta Rizal	Ipil St. cor Duhat St., Saint Anthony Subdivision Cainta Rizal	589 sqm
6	Taytay Rizal, Kaytikling Bo. Dolores	Cabrera Road, Sitio Kaytikling, Brgy. Dolores, Taytay Rizal	2,675 sqm
7	Lores / Bo. Balimbing Antipolo City, Rizal	Lores Country Homes, Brgy. Dalig, Antipolo City	1,199 sqm
8	La Montana Estates, Antipolo City	Lot18 Blk 3, La Montana Estates, Andes St. cor Everest, Brgy. Sta. Cruz, Antipolo City	445 sqm
9	Angono, Rizal	Col Guido St., Brgy. San Roque, Angono Rizal	1,000 sqm
10	Binangonan Rizal	Calumpang Binangonan Rizal	1,000 sqm
11	San Mateo Rizal	143 Daang Bakal St., Guitnang Bayan 2, San Mateo Rizal	1,403 sqm
12	Tanay Rizal	Sampalok Road, Plaza Aldea, Tanay Rizal	1,640 sqm
13	Biñan Laguna, National Road, Bo. Tubigan	Lot 1 A National Road, Tubigan, Binan, Laguna	1,439 sqm (raw land)
14	Cabuyao Laguna, El Sol Subd., Bo. Sala	Lot 1-B-3 Elsol Subdivision, Brgy. Sala, Cabuyao, Laguna	1,032 sqm
15	Calamba Laguna, National Highway, Bo. Real	8002 National Highway, Brgy. Real, Calamba, Laguna	2,152 sqm
16	San Pedro, Pacita Complex,Laguna	Lot 4 Blk. 12 Pacita Ave, Brgy. San Vicente, San Pedro, Lag	1,605sqm
17	San Pedro (Sampaguita) Laguna	Sampaguita United Bayanihan, San Pedro, Laguna	1,254 sqm
18	Los Baños, Laguna	Brgy. Batong Malake, Los Baños, Laguna	1,156 sqm
19	Calauan, Laguna	Kaunlaran Road, Calauan, Laguna	972 sqm
20	Paete, Laguna	J.P Rizal Street, Brgy. Macumbo, Paete, Laguna	479 sqm
21	Sta. Cruz, Laguna	Lot 1568 - A Bagumbayan, Sta. Cruz, Laguna	1,839 sqm
22	San Pablo City Laguna	National Highway, Brgy. San Roque, San Pablo, Laguna	944 sqm
23	Cavinti, Laguna	Caliraya	3,725 sqm
24	Tacloban City, Anibong Dist	Lot 1713, Barrio of San Jose, City of Tacloban, Leyte	400 sqm
25	Carmen, North Cotabato	North Cotabato	949 sqm

B. Mortgage, lien or encumbrance

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

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

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

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

C. Lease Agreements

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

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

Item 3. Legal Proceedings

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

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

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

The Company also filed before the Court of Appeals a petition against the NTC assailing the amount of the Supervision and Regulatory Fee ("SRF") the NTC is collecting from the Company. The Court of Appeals partially granted the petition of the Company but remanded the case to the NTC for the re-computation of the SRF. The Company filed a Motion for Partial Reconsideration while the NTC filed its own Motion for Reconsideration. The Company's Motion for Partial Reconsideration and the NTC's Motion for Reconsideration were denied by the Court of Appeals in a Resolution dated August 20, 2020.

On October 20, 2020, the company filed a Petition for Review with the Supreme Court to assail the Decision and Resolution of the Court of Appeals. The NTC likewise filed its own Petition for Review with the Supreme Court.

As of the date of this report, the said petitions are still pending with the Supreme Court.

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

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

1. Market Information

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

2. Holders

The number of shareholders of record as of December 31, 2021, is 3,635.

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

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

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

3. Dividends

The Company has not declared any dividends for its common equity in the last two (2) fiscal years. The Company is not in a position to declare dividends due to its accumulated deficits amounting to ₱11,873,399,752 as of December 31, 2021. Moreover, the Company is undergoing rehabilitation and should first settle its obligations before it can declare any dividends to its stockholders.

4. Recent Sales of Unregistered Securities

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

B. Description of Registrant's Securities

1. Capital stock

The Company's authorized capital stock as of December 31, 2021, is as follows:

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

The Company's issued and subscribed capital stock as of December 31, 2021, consists of

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

On September 24, 2021, the stockholders approved the increase in authorized capital stock of the Company to an additional amount not exceeding ₱11,800,000,000 composed of:

	Shares	Amount
Common Stock - ₱1.00 per share	3,000,000,000	₱3,000,000,000
Series "A" Serial Redeemable Preferred Stock - ₱1.00 per share	6,750,000,000	6,750,000,000
Series "B" Serial Redeemable Preferred Stock - ₱1.00 per share	1,800,000,000	1,800,000,000
Series "C" Serial Redeemable Preferred Stock - ₱1.00 per share	250,000,000	250,000,000

a. Common Stock

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

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

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

b. Preferred Stock

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

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

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

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

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

In its approved Rehabilitation Plan, the Company was required to issue Series "A", "B" and "C" Serial Redeemable Preferred Stocks through debt-to-equity conversion to pay the debts of the Company in an amount indicated in Note 15 of the Company's Audited Financial Statement under respective classifications as shown below:

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

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

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

A. Management Discussion and Analysis

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited financial statements and the related notes as at December 31, 2021 and 2020 included elsewhere in this Annual Report. This discussion contains forward-looking statements that reflect our current views with respect to future events and our future financial performance. These statements involve risks and uncertainties, and our actual results may differ materially from those anticipated in these forward-looking statements.

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

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

Results of Operations based on Audited Financial Statements

	Audited	Audited	Audited	Audited			Audited
	One-year period	One-year period	One-year period	Six-month period	Six-month period	Six-month period	One-year period
(in '000 Philippine pesos)	**December 31, 2021**	**December 31, 2020**	**December 31, 2019**	**December 31, 2018**	**June 30, 2018**	**December 31, 2017**	**June 30, 2018**
REVENUES	497,405	408,344	396,044	129,572	115,949	84,865	200,814
OTHER INCOME	23,343	30,280	8,645	3,900	5,192	6,378	11,571
	520,748	**438,624**	**404,688**	**133,472**	**121,141**	**91,243**	**212,385**
Core expenses							
SG&A	321,670	292,711	287,241	127,546	83,195	49,044	132,238
Leased channel	7,674	19,452	18,055	14,302	2,470	2,287	4,757
Cost of sales	92,513	36,925	48,351	-	-	-	-
CORE EXPENSES	**421,856**	**349,088**	**353,646**	**141,848**	**85,665**	**51,331**	**136,996**
CORE EBITDA	**98,892**	**89,536**	**51,042**	**(8,376)**	**35,476**	**39,913**	**75,389**
CORE EBITDA %	**18.99%**	**20.41%**	**12.61%**	**(6.28%)**	**29.28%**	**43.74%**	**35.50%**
Depreciation and amortization	73,202	53,885	43,731	20,909	15,631	14,110	29,741
Interest expense	4,908	3,352	2,996	233	-	-	-
CORE EARNINGS	**20,782**	**32,299**	**4,315**	**(29,518)**	**19,845**	**25,803**	**45,648**
Non-core charges							
Penalties and fines	-	3,800	-	3,825	7,088	-	7,088
Non-core expense	9,402	19,350	13,909	34,930	11,366	-	11,366
Rehab interest expense	35,134	36,676	39,935	19,879	13,594	13,951	27,545
Non-core income	-	-	-	-	-	(53,880)	(53,880)
NON-CORE CHARGES	**44,536**	**59,825**	**53,845**	**58,634**	**32,048**	**(39,929)**	**(7,881)**
TOTAL EARNINGS (LOSSES)	**(23,754)**	**(27,526)**	**(49,529)**	**(88,153)**	**(12,203)**	**65,732**	**53,529**
Income tax expense/benefit	(969)	3,795	2,873	-	-	28,800	28,800
NET INCOME (LOSS)	**(22,785)**	**(31,321)**	**(52,403)**	**(88,153)**	**(12,203)**	**36,933**	**24,729**

Financial Highlights based on calendar year financial statements

	December 31, 2021				December 31, 2020				December 31, 2019			
(in '000 Philippine pesos)	**Broadband Services**	**IT Services**	**Others**		**Broadband Services**	**IT Services**	**Others**		**Broadband Services**	**IT Services**	**Others**	
REVENUES[1]	422,617	74,788	-	497,405	384,007	24,337	-	408,344	353,784	42,260	-	396,044
OTHER INCOME	-	-	23,343	23,343	-	-	30,280	30,280	-	-	8,645	8,645
	422,617	74,788	23,343	520,748	384,007	24,337	30,280	438,624	353,784	42,260	8,645	404,688
Core expenses												
SG&A	276,600	45,029	-	321,629	258,676	28,179	5,856	292,711	253,427	16,626	17,188	287,241
Leased channel[2]	7,231	442	-	7,674	19,452	-	-	19,452	18,055	-	-	18,055
Cost of sales	35,292	57,220	-	92,513	15,117	21,807	-	36,925	16,582	31,769	-	48,351
CORE EXPENSES	319,124	102,691	-	421,815	293,246	49,986	5,856	349,088	288,064	48,395	17,188	353,646
CORE EBITDA[1]	103,494	(27,903)	23,343	98,933	90,761	(25,649)	24,424	89,536	65,720	(6,134)	(8,543)	51,042
CORE EBITDA %	24.49%	-37.31%	100.00%	19.00%	23.64%	-105.39%	80.66%	20.41%	18.58%	(14.5%)	(98.8%)	12.61%
Depreciation	70,511	2,691	-	73,202	52,857	1,028	-	53,885	42,061	1,629	41	43,731
Interest expense	4,710	198	-	4,908	-	-	3,352	3,352	2,650	222	123	2,996
CORE EARNINGS	28,272	(30,792)	23,343	20,823	37,904	(26,676)	21,072	32,299	21,008	(7,986)	(8,707)	4,315
Non-core charges												
Penalties and fines	40	1	-	41	-	-	3,800	3,800	-	-	-	-
Non-core expense	-	-	9,402	9,402	-	-	19,350	19,350	-	-	13,909	13,909
Rehab interest expense	-	-	35,134	35,134	-	-	36,676	36,676	-	-	39,935	39,935
Non-core income	-	-	-	-	-	-	-	-	-	-	-	-
NON-CORE CHARGES	40	1	44,536	44,577	-	-	59,825	59,825	-	-	53,845	53,845
TOTAL EARNINGS (LOSSES)	28,232	(30,793)	(21,193)	(23,754)	37,904	(26,676)	(38,753)	(27,526)	21,008	(7,986)	(62,552)	(49,529)
Income tax expense	-	-	(969)	(969)	-	-	3,795	3,795	-	-	2,873	2,873
NET INCOME (LOSS)	28,232	(30,793)	(20,224)	(22,785)	37,904	(26,676)	(42,548)	(31,321)	21,008	(7,986)	(65,425)	(52,403)

[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

Results of Operations (in '000 Philippine pesos)	December 31, 2021	December 31, 2020	December 31, 2019
REVENUES	497,405	408,344	396,044
OTHER INCOME	23,343	30,280	8,645
	520,748	438,624	404,688
Core expenses			
Selling, general and administrative expenses	321,629	292,711	287,241
Leased channel and interconnect cost	7,674	19,452	18,055
Cost of sales	92,513	36,925	48,351
CORE EXPENSES	421,815	349,088	353,646
CORE EBITDA	98,933	89,536	51,042
CORE EBITDA %	19.00%	20.41%	12.61%
Depreciation and amortization	73,202	53,885	43,731
Interest expense	4,908	3,352	2,996
CORE EARNINGS	20,823	32,299	4,315
Non-core charges			
Penalties and fines	41	3,800	-
Non-core expense	9,402	19,350	13,909
Rehab interest expense	35,134	36,676	39,935
Non-core income	-	-	-
NON-CORE CHARGES	44,577	59,825	53,845
TOTAL EARNINGS (LOSSES)	(23,754)	(27,526)	(49,529)
Income tax expense/benefit	(969)	3,795	2,873
NET INCOME (LOSS)	(22,785)	(31,321)	(52,403)

Revenue

For the year ended December 31, 2021, the Company improved its growth rate in the number of data services circuits over the prior years 2020 and 2019. It recorded a total of 2,226 circuits as of December 31, 2021, compared to 2,016 and 1,760 as of years 2020 and 2019, respectively. The increase in the number of data circuits resulted in operating revenues of ₱497.4 million for the year ended December 31, 2021, compared to ₱408.3 million and ₱396.0 million in 2020 and 2019, respectively.

Additionally, new revenue stream from IT Services made a significant impact on the revenue performance as the Company was able to generate additional ₱74.8M in revenues. IT Services is expected to provide new opportunities for the Company in the coming years.

Cost and expenses

In 2019, the Company enhanced its organizational capabilities in the technical and support areas to sustain the growth in operations, translating to personnel related expenses amounting to ₱203.8 million. For the year ended December 31, 2020, personnel related expenses decreased to ₱193.1 million driven by the decrease in salaries due to the pandemic. However, in 2021, this grew to ₱222.0 million as the Company prepares its workforce in sustaining growth in connectivity and IT services despite the ongoing pandemic. The number of personnel increased from 232 at the start of the year to 249 at year-end.

Premises-related expenses continuously increased to ₱26.9 million in 2021 from ₱24.5 million in 2020 and ₱21.4 million in 2019. In 2021, other selling, general and administrative expenses amounted to ₱72.7 million, lower than the previous year at ₱76.9 million as the Company recognized higher provisions for doubtful accounts to consider its subscribers that were affected by the pandemic in 2020, and significantly higher than 2019 since the Company has invested in software to streamline its processes in the last 2 years. Efforts to implement cost-effective measures for upstream connections and international connectivity contributed to the decrease in leased channel expenses to ₱7.7 million from ₱19.5 million in 2020. Lastly, cost of sales contributed ₱92.5 million in core expenses indicating more product offerings provided by the Company to its growing customer base.

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

Profitability Performance

Over the past three years, the Company has produced core EBITDA during the years 2021, 2020 and 2019 in the respective amounts of ₱98.9 million, ₱89.5 million and ₱51.0 million. Since 2019, EBITDA margin performance has been increasing due to the initiatives for growth. Investment in people assets and network operations, which are necessary expenditures to grow the business, limited the core EBITDA margin in 2019 to 12.6%. Consequently, due to these investments, the Company experienced an improvement in core EBITDA margin in 2020 and 2021.

The Company posted ₱22.8 million net loss for the year ended December 31, 2021 compared to net loss of ₱31.3million in 2020.

Financial Condition ***(in '000 Philippine pesos)***	**December 31, 2021**	December 31, 2020	December 31, 2019
Current assets	**622,524**	521,318	486,941
Non-current assets	**443,829**	491,116	454,966
ASSETS	**1,066,353**	1,012,434	941,907
Current liabilities	**1,555,268**	1,448,012	1,388,749
Non-current liabilities	**9,050,197**	369,835	329,894
LIABILITIES	**10,605,465**	1,817,846	1,718,643
Share capital	**2,224,255,313**	10,935,992	10,935,992
Retained deficit	**(11,873,400)**	(11,850,615)	(11,819,295)
Other equity items	**110,033**	109,211	106,567
EQUITY	**(9,539,111)**	(805,412)	(776,736)
LIABILITIES AND EQUITY	**1,066,353**	1,012,434	941,907

The Company's total assets amounted to ₱1,066.3 million as of December 31, 2021, compared to ₱1,012.4 million and ₱941.9 million as of December 31, 2020, and December 31, 2019, respectively. The increase in assets is driven by an increase in working capital from growth in fixed broadband operations and new IT Services business, and investments in fixed and plant assets to support the expansion of the Company's business.

The increase in total liabilities pertains to payables to suppliers and other accrued operating expenses, and accrued interest payable under the rehabilitation plan.

B. Plan of Operation

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

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

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

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 services 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.

Our connectivity strategic focal points are:

- *Organic Expansion and WiFi projects.* PT&T will upgrade and use existing network in CALABARZON with a potential of additional 39,800 fiber kilometers and implement last mile (including WiFi) projects. Capital expenditure to complete the project is ₱1,340 million. The residential business is an important facet of the Company's future growth as a major telco player and will be a key undertaking in its network expansion plans. To enable the Company's growth aspirations in this segment, the Company have established pilot areas in a few communities in NCR so it can build a scalable model which PT&T plans to deploy upon rollout particularly in CALABARZON where demand continues to be underserved. In addition to these investments, the Company is also developing the process and systems that will allow for a simple customer journey for its residential service.

- *Nationwide Network Backbone.* PT&T aims to build a nationwide backbone for both enterprise and wholesale and carrier markets with a potential of additional 51,800 fiber kilometers, requiring future capital expenditure of ₱5,790 million. This development may take time, but the Company have built the foundations required to scale the Company's business successfully. Included here are plans which will allow us to serve an even larger market with much needed, improved internet services in the country. In the near-term, the Company is prioritizing network rollout inside industrial parks in CALABARZON such as Calamba Premiere International Park, Cavite Export Processing Zone Authority, First Philippine Industrial Park, and in new buildings within the Central Business District areas (Makati, Ortigas, and Bonifacio Global City) targeting SMEs and large enterprises.

PT&T is also teaming up with strategic partners for domestic backbone expansion covering Luzon, Visayas and Mindanao as well as international presence in the Asia and in the US.

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's IT Services business unit will focus on projects, services, and applications such as but not limited to:

- Offer a "One Stop E-Center". Another large project in *the Company's* pipeline is providing a common IT infrastructure to host all kinds of e-services. This includes e-learning, e-government, e-commerce, telemedicine and applications in order to fully support the government's initiatives as well as the increasing requirements and demands of the private sector.

- Build Data Centers. Over time, data centers have evolved from traditional vendor-specific hardware and software appliances to common-off-the-shelf server hardware and open-source software hosting individual network functions and services. Accordingly, *the Company* is building data centers that will shelter fixed broadband, IT, and mobile telecom infrastructure for contents, applications, and other network services. PT&T will employ the latest data center technology to reduce total cost of ownership across the different network domains and to offer end-to-end services to its customers. Specifically, *the Company* plans to deploy software through Network Function Virtualization (NFV), and for virtualization to scale, *the Company* will set up a cloud environment that will enable automated network operations and can save significant operational costs. And because the service is implemented entirely in software, the Company will be able to innovate more rapidly and drive new service revenues. New IT Services offerings will include co-location / hosting services, cloud solutions such as Infrastructure-As-A-Service (IaaS), Software-As-A-Service (SaaS), DR-As-A-Service (DRaaS) and other Managed Services.

- Offer Security and "Cyber Security" Services and Applications. PT&T aims to dramatically simplify IT security and compliance with best-in-class solutions that leverage next generation SIEM platform combined with crowdsourced global intelligence. The combination of this infrastructure with PT&T security experts provides enterprises unparalleled security protection and threat awareness. The Company have partnered with the leading security services provider with a complete set of security tools and services offering a variety of flexible delivery options that allow us to serve customers of all sizes and complexity. *The Company's* various alliances with global IT Security experts aims to develop and maintain an ecosystem of best of breed technology partnerships and alliances that result in a world-class IT Security solution stack and consulting services that offers best-fit technology and support requirements of its customers.

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

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

As of December 31, 2021, the Company has a total of 249 employees and the Company projects that the said number will increase to 286 by the end of 2022.

C. Key Performance Indicators

Key Performance Indicators	Full year ended December 31, 2021	Full year ended December 31, 2020	Full year ended December 31, 2019
Net income (loss)	(22,784,704)	(31,320,531)	(52,402,835)
Core EBITDA	98,932,811	89,536,171	51,042,053[1]
Core EBITDA %	19.00%	20.41%	12.61%
Operating Revenue Growth	21.81%	3.11%	61.31%
Operating Revenue	497,405,293	408,344,051	396,043,723
Number of Active Circuits	2,206	2,016	1,760
ARPU (in ₱)	15,659	15,100	14,426
Recurring Revenue (in ₱)	414,536,730	365,296,397	304,682,660

[1]*Non-core items include fees for the rehab-related initiatives.*
[2]*Non-core items include accrued penalties, rehab-related initiatives and third telco initiatives.*

Net income

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

PT&T made significant investments in network and operations to build sustainable growth since 2019. These investments to rehabilitate and rehabilitate its network and improve the Company's operational capabilities have resulted in an increase in expenses that affected the net income. However, because of the new IT services revenue stream and the continuously growing fixed broadband business, the Company reduced its net loss in 2021 to 27% of the previous year.

Core EBITDA and Core EBITDA Margin

Core EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) is calculated as operating revenues and income fewer 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 of how well the core business of the Company is performing before considering those initiatives being subsidized by operations. Core EBITDA has been adjusted for prior years to reflect changes in accounting standards to improve comparability.

Core EBITDA remains positive throughout the years. The company started investing in its people assets and network operations which lowered the core EBITDA in 2019 but was able to achieve almost 75% growth in 2020. This growth is attributable to the increase in revenues and savings in operating expenses. This continued in 2021 as the Company experienced an 11% growth in Core EBITDA despite the ongoing pandemic.

Operating Revenue Growth

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

For the past 3 years, the Company has consistently achieved positive revenue growth. In 2019, it experienced a steady revenue growth of 61% mainly due to the growing subscribers of the Company and the launch of IT services as a new revenue stream. In 2020, operating revenue growth significantly decreased to 3% due to the impact of the COVID-19 pandemic. In 2021, revenue growth increased to 22% as the Company continues its operations 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 25% for the past 2 years, contributing greatly to revenue growth. Enterprise subscribers comprised 63% 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.

The Company's ARPU has slowly increased since 2019 indicating an increase in value of newly acquired subscribers.

Item 7. Financial Statements

The Audited Financial Statements for the year ended December 31, 2021, are attached for reference.

Item 8. Information on Independent Auditors and Other Related Matters

Independent Auditors' Fees and Services

The external auditor of the Company is the audit firm of Alas, Oplas & Co. ("AOC"). The Board approved the reappointment of AOC as the Company's independent auditor for 2021 based on its performance and qualifications. The re-appointment of AOC was presented and approved to the stockholders last June 28, 2019.

The company paid ₱990,000 for the audit of the financial statements for full year ending December 31, 2020. In the same manner, the company accrued ₱990,000 for its December 31, 2021, calendar year audit.

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

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

A. Directors, Executive Officers, Promoters and Control Persons

As of December 31, 2021, the name, age, citizenship and period of service of each of the current directors, including independent directors, of PT&T are as follows:

Name of Director	Age	Citizenship	Period of service
Salvador B. Zamora II	75	Filipino	August 10, 2017 to present
James G. Velasquez	56	Filipino	March 1, 2018 to present
Salvador T. Zamora III	45	Filipino	Since August 25, 2017
Serafin C. Ledesma, Jr.	80	Filipino	Since July 30, 2018
Roberto B. Ortiz	69	Filipino	Since July 30, 2018
Miguel Marco A. Bitanga	39	Filipino	Since July 2, 2018
Bienvenido S. Santos	64	Filipino	Since June 28, 2019
Ma. Cristina Z. Borra	48	Filipino	Since September 25, 2020
Carlos Andres V. Reyes	46	Filipino	Since September 25, 2020

As of December 31, 2021, the name, age, position, citizenship and period of service of the executive officers of PT&T are as follows:

Name of Officer	Position	Age	Citizenship	Period Served
James G. Velasquez	President and Chief Executive Officer	56	Filipino	Since March 1, 2018 (as Director) Since July 2, 2018 (as President & CEO)
Miguel Marco A. Bitanga	Chief Operating Officer and Treasurer	39	Filipino	Since August 25, 2017
Concepcion D.S. Roxas	Chief People & Culture Officer	61	Filipino	Since July 2, 2018
Angelo Miguel R. Isip	Chief Finance Officer	29	Filipino	Since January 3, 2020
Patrick Vincent G. Pena	SVP – Corporate Affairs	56	Filipino	Since July 2, 2018
Ella Mae Ortega	General Manager, IT Services	46	Filipino	Since January 4, 2019
Jeffrey E. Julian	Chief Technical Officer	47	Filipino	Since June 1, 2019
Juanita C. Rimando	VP - Carrier & Wholesale Business	51	Filipino	Since October 16, 2018
Alberto P. Ambuyo	Chief Information Officer	50	Filipino	Since November 23, 2020
Kenneth Joey H. Maceren	Corporate Secretary	42	Filipino	Since February 1, 2018
Maria Nikita N. Espiritu	Asst. Corporate Secretary	30	Filipino	Since November 23, 2020

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

Roberto B. Ortiz
Chairman of the Board

Mr. Ortiz has served as Chairman of PT&T since September 2021. He has been an Independent Director of the Company since July 2018. He has over 27 years of experience in Finance, Corporate Governance, and Investment Banking.

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

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

Currently, Mr. Ortiz is a Director and CFO of Premiere Horizon Alliance Corporation (PHA) formerly Premiere Entertainment Philippines, Inc. He is also the Chairman of the Board of Goshen Land Capital Inc., a major real property developer in Baguio and Benguet. Due to his expertise and extensive experience in finance, he also serves as a financial advisor of various companies engaged in fintech and stock market investment.

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

James G. Velasquez
Director, President and Chief Executive Officer

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

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

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

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

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

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

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

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

Salvador B. Zamora II
Director

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

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

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

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

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

Salvador T. Zamora III
Director

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

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

Serafin C. Ledesma, Jr.
Independent Director

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

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

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

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

Bienvenido S. Santos
Independent Director

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

Ma. Cristina Z. Borra
Director

Ms. Borra's work experience spans 24 years. She started her career in 1996 as a part-time Executive Assistant at Hinatuan International Inc. In 1998, she conducted research on both local and international political issues and institutional policies for the Zamora Research Group. She started teaching Literature classes in 2000 for freshmen, sophomore, and graduate students at the University of Asia & the Pacific (UA&P). Deepening her career in teaching, she moved to Manresa School in 2015 as a full-time English Teacher. Most recently, Ms. Borra taught a fully online class for the Junior Academic Assistance Program of UA&P under Wordprime Reading Lab where she guided students in writing academic essays.

Ms. Borra received her Bachelor of Arts Degree in Humanities from the Center for Research and Communication — College of Arts and Sciences (CRC-CAS), now University of Asia & the Pacific. She took her master's degree in Liberal Studies under the Draper Program of New York University.

Carlos Andres V. Reyes
Independent Director

Mr. Reyes has been an Independent Director of PT&T since September of 2020. He is currently the Assistant Vice President for Metro Manila Sales of Bluefire LPG Marketing.

Mr. Reyes received his Bachelor of Science Degree in Business Administration Major in Marketing Management from De La Salle College of Saint Benilde.

Concepcion D.S. Roxas
Chief People & Culture Officer

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

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

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

Angelo Miguel R. Isip
Chief Finance Officer

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

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

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

Patrick Vincent G. Peña
SVP – Corporate Affairs

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

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

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

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

Ella Mae Ortega
General Manager - IT Services

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

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

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

Jeffrey E. Julian
Chief Technical Officer

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

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

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

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

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

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

Alberto "Ambo" P. Ambuyo
Chief Information Officer

Ambo is a graduate of Meralco Foundation Institute where he completed his Electronics Technology course. He has chalked up twenty plus (20+) years of leadership experience in the IT industry, with companies such as Fritz and Macziol Asia as Vice President for Technology, SAHI Technologies as Assistance Vice President for Systems Operations, IBM Philippines as Country Technical Manager, among others. He has successfully managed large scale IT projects, including data warehousing, business intelligence, country-wide network and business solutions integration.

Kenneth Joey H. Maceren
Corporate Secretary

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

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

Maria Nikka N. Espiritu
Assistant Corporate Secretary

Atty. Maria Nikka N. Espiritu is a corporate lawyer and is the Assistant Corporate Secretary of PT&T. She reports directly to PT&T's Legal Counsel and Corporate Secretary, Atty. Kenneth Joey H. Maceren.

Before joining PT&T, Atty. Espiritu worked as an Associate Legal Counsel for the publicly listed firm Megawide Construction Corporation where she handled commercial transactions, real property acquisitions, and project claims. She was also in charge of managing Megawide's labor and administrative issues. Before working for Megawide, Atty. Espiritu was an Associate Lawyer of Puregold Priceclub, Inc. representing the company in various civil and criminal cases.

Atty. Espiritu obtained her bachelor's degree in Political Science from the De La Salle University in 2011. She graduated Bachelor of Laws from San Beda University in 2016 and was admitted to the Bar the following year.

B. Significant Employees

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

C. Family Relationship

Salvador Zamora III and Ma. Cristina Z. Borra are children of Salvador Zamora II.

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

D. Involvement of Directors and Officers in Certain Legal Proceedings

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

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

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

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

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

Item 10. Executive Compensation

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

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

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

	Year	Salary	Bonus	Other Annual Compensation Income
Chief Executive Officer and four (4) highest compensated officers	2022 Projected	27,978,946	none	1,583,248
	2021 Actual	27,962,127	none	1,490,440
	2020 Actual	24,562,814	none	1,185,417
All other officers and directors as a group unnamed	2021 Projected	19,033,662	none	889,959
	2021 Actual	17,611,112	none	710,520
	2020 Actual	15,391,849	none	533,552

Item 11. Security Ownership of Certain Beneficial Owners and Management

A. Security Ownership of Certain Record and Beneficial Owners

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

B. Security Ownership of Management

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

C. Voting Trust Holders of 5% or More

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

D. Changes in Control

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

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[1] The Board of Directors of Menlo Capital Corporation has the power to decide how its shares in the Company are to be voted.

[2] The Board of Directors of Telectronic Systems Inc. has the power to decide how its shares in the Company are to be voted.

[3] The Board of Directors of Republic Telecommunications Holdings, Inc. has the power to decide how its shares in the Company are to be voted.

[4] The Board of Directors of Timco Holdings, Inc. has the power to decide how its shares in the Company are to be voted.

Item 12. Certain Relationships and Related Transactions

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

PART IV - CORPORATE GOVERNANCE

Item 13. Corporate Governance

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

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

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PART V - EXHIBITS AND SCHEDULES

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

Please refer to accompanying Index to Exhibit and Reports on SEC Form 17-C.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati, Metro Manila, Philippines on APR 13 2022 2022.

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

JAMES G. VELASQUEZ
President and Chief Executive Officer

ANGELO MIGUEL R. ISIP
Chief Finance Officer

KENNETH JOEY H. MACEREN
Corporate Secretary

APR 13 2022

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

NAMES	PASSPORT NO.
James G. Velasquez	P7618208B
Angelo Miguel R. Isip	P5067379B

NAMES	DRIVERS LICENSE NO.
Kenneth Joey H. Maceren	NO1-19-021235

Doc No: 137
Page No : 29
Book No : 143
Series of : 2022

FELIPE I. ILEDAN JR.
Notary Public for and in Makati City
Until Dec. 31, 2022, Appt. No. M-09
Roll No. 27625, TIN 136897808
ı. 412, 4th Flr. VGP Center, Ayala, Makati City
2022 PTR No. MLA 0097542
IBP No. 119432, 06/17/2020
MCLE Compliance No. VI-0012066

Notary Public

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
INDEX TO FINANCIAL STATEMENTS

FORM 17-A, Item 7

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION (PT&T)
LIST OF SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021

*****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.

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION (PT&T)
INDEX TO EXHIBITS

FORM 17-A

* These Exhibits are either not applicable to the Company or require no answer.

Philippine Telegraph & Telephone Corporation
Financial Statements
MAKATI CITY – PHILIPPINES

FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

CONTENTS

PT&T

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at December 31, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

ROBERTO B. ORTIZ
Chairman of the Board

JAMES G. VELASQUEZ
Chief Executive Officer

ANGELO MIGUEL R. ISIP
Chief Financial Officer

Signed this APR 13 2022 day of ________ 2022

MAKATI CITY APR 13 2022

SUBSCRIBED AND SWORN to before me this ____day of _______ 2022 affiants exhibiting to me their government issued IDs, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Roberto B. Ortiz	P8784505B	January 27, 2022	Manila
James G. Velasquez	P7618208B	September 16, 2021	Manila
Angelo Miguel R. Isip	P5067379B	March 07, 2020	Manila

NOTARY PUBLIC

Doc No : 136
Page No : 29
Book No : 143
Series of : 2022

FELIPE L. ILEDAN JR.
Notary Public for and in Makati City
Until Dec. 31, 2022, [illegible]
Roll No. 27535, [illegible]
1412, 4th Flr. [illegible]
2022 PTR No. [illegible]
IBP No. 119432, [illegible]
MCLE Compliance No. [illegible]

Alas Oplas & Co., CPAs
Makati Head Office
10/F Philippine AXA Life Centre
1286 Sen. Gil Puyat Avenue
Makati City, Philippines 1200
Phone: (632) 7759-5090 / 92
Email: aocheadoffice@alasoplascpas.com
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Independent Member of
BKR International

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION** (the "Company"), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of loss, statements of comprehensive loss, statements of changes in capital deficiency and statements of cash flows for the years ended December 31, 2021, 2020, and 2019 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021, 2020, and 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company has incurred net losses amounting to ₱22,784,703, ₱31,320,532, and ₱52,402,835 in 2021, 2020, and 2019, respectively, resulting to accumulated deficit amounting to ₱11,873,399,752 and ₱11,850,615,049 as at December 31, 2021 and 2020, respectively, and capital deficiency amounting to ₱9,539,111,435 and ₱805,412,028, as at December 31, 2021 and 2020, respectively.

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

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

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

- Infusing significant capital expenditures, through its owners, MENLO, to improve, modernize and increase the capacity of its existing broadband assets;
- Use of internally generated cash, in addition to above, to implement area roll outs to expand the Company's fiber footprint and network into Greater Metropolitan Area and surrounding areas;
- New products and services in the information technology space to offer services beyond connectivity and to attract new customers to serve the needs of the market; and
- Foreign partnership to recapitalize the Company and scale up its broadband business model on a nationwide coverage using the latest state-of-the-art fixed and mobile broadband infrastructure and enter into agreements with the Philippine government, through National Telecommunications Commission to use its nationwide fiber optic assets.

In addition, The Company plans to invest $250 million in the next few years to expand its broadband footprint in Luzon through debt and equity fundraising in 2022. This would allow the Company's broadband services to reach around seven million households and businesses, and expand in areas of information technology and managed services for businesses as well.

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

Key Audit Matters

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

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

Accounting for Court-Approved Rehabilitation Plan

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

Audit Response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Alas Oplas & Co., CPAs

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Ma. Criselda S. Oplas.

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022
BIR A.N. 08-001026-000-2021, issued on January 11, 2021; effective until January 10, 2024
SEC A.N. (Firm) 0190-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period
TIN 002-013-406-000

By:

Ma Criselda S Oplas

MA. CRISELDA S. OPLAS
Partner
CPA License No. 0063314
BIR A.N. 08-001026-002-2021, issued on January 11, 2021; effective until January 10, 2024
SEC A.N. (Individual) 63314-SEC, Group A, issued on November 17, 2020; valid for 2020 to 2024 audit period
TIN 132-466-039-000
PTR No. 8852802, issued on January 4, 2022, Makati City

April 13, 2022
Makati City, Philippines

LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 27 2022
REGISTERED
MA. GRACIA AURORA L. CASTILLO

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
In Philippine Pesos

	Notes	2021	2020
ASSETS			
Current Assets			
Cash	7	**33,150,864**	46,981,468
Receivables – net	8	**139,363,331**	60,499,438
Due from related parties	24	**43,260,647**	11,457,404
Other current assets	9	**38,154,795**	33,785,534
Non-current assets held for sale	10	**368,594,244**	368,594,244
Total Current Assets		**622,523,881**	521,318,088
Non-current Assets			
Property and equipment at cost – net	12	**174,940,714**	151,010,894
Right-of-use assets – net	31	**50,272,792**	76,934,406
Investment properties at cost	13	**171,984,268**	212,100,808
Intangible assets at cost – net	14	**1,965,850**	2,343,583
Deferred tax asset	30	**2,542,549**	–
Other non-current assets – net	15	**42,123,314**	48,726,539
Total Non-current Assets		**443,829,487**	491,116,230
TOTAL ASSETS		**1,066,353,368**	1,012,434,318

BUREAU OF ...
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 27 2022
REGISTERED
MA. GRACIA AURORA L. CASTILLO

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
In Philippine Pesos

	Notes	2021	2020
LIABILITIES AND CAPITAL DEFICIENCY			
Current Liabilities			
Trade and other payables	16	**319,677,145**	237,530,463
Statutory obligations	17	**609,673,439**	606,037,286
Accrued interests, expenses and other liabilities	18	**282,946,213**	270,680,964
Lease liabilities – current portion	31	**27,467,164**	26,901,555
Loans payable – current portion	19	**1,448,323**	1,214,441
Due to related parties	24	**304,797,904**	296,389,480
Income tax payable		**9,257,523**	9,257,523
Total Current Liabilities		**1,555,267,711**	1,448,011,712
Non-current Liabilities			
Lease liabilities – net of current portion	31	**26,325,586**	52,277,000
Loans payable – net of current portion	19	**3,886,158**	3,904,523
Deposit for subscription in accordance with the court-approved rehabilitation plan	20	**8,841,736,581**	130,000,000
Retirement benefits liability	21	**141,510,008**	136,707,747
Deferred tax liabilities	30	**36,738,759**	46,945,364
Total Non-current Liabilities		**9,050,197,092**	369,834,634
TOTAL LIABILITIES		**10,605,464,803**	1,817,846,346
Capital Deficiency			
Share capital	22	**2,224,255,313**	10,935,991,894
Revaluation surplus	11	**109,395,000**	102,102,000
Accumulated actuarial gain on retirement benefits	21	**827,472**	7,379,307
Unrealized valuation loss on financial asset at FVOCI	15	**(189,468)**	(270,180)
Deficit		**(11,873,399,752)**	(11,850,615,049)
Total Capital Deficiency		**(9,539,111,435)**	(805,412,028)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY		**1,066,353,368**	1,012,434,318

See accompanying Notes to the Financial Statements.

BUREAU OF ...
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ...
Date APR 27 2022
REGISTERED
MA. GRACIA AURORA L. CASTILLO

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF LOSS
IN 2021, 2020, AND 2019
In Philippine Pesos

	Notes	2021	2020	2019
REVENUES	25	**497,405,293**	408,344,053	396,043,723
OTHER INCOME				
Rent	13,31	–	687,258	1,578,240
Other income – net	26	**23,342,715**	29,687,103	6,719,104
		23,342,715	30,374,361	8,297,344
COST AND EXPENSES				
Cost of sales	25	**57,220,382**	21,807,105	31,768,838
Selling, general, and administrative expenses	27	**330,879,688**	311,965,734	300,725,766
Depreciation and amortization	12,14,31	**73,201,860**	53,885,207	43,731,398
Upstream internet connectivity	18	**42,965,844**	34,569,447	34,636,552
Interest expenses	29	**40,041,986**	40,027,393	42,930,558
Penalty and surcharge		**192,270**	3,989,457	77,318
		544,502,030	466,244,343	453,870,430
LOSS BEFORE INCOME TAX		**(23,754,022)**	(27,525,929)	(49,529,363)
INCOME TAX	30	**969,319**	(3,794,603)	(2,873,472)
NET LOSS		**(22,784,703)**	(31,320,532)	(52,402,835)
BASIC LOSS PER SHARE	23	**(0.02)**	(0.02)	(0.03)

See accompanying Notes to the Financial Statements.

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF COMPREHENSIVE LOSS
IN 2021, 2020, AND 2019
In Philippine Pesos

	Notes	2021	2020	2019
NET LOSS		**(22,784,703)**	(31,320,532)	(52,402,835)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss in subsequent periods				
Unrealized valuation gain (loss) on financial asset at FVOCI	15	**80,712**	60,192	(23,427)
Actuarial gain (loss) on retirement benefits liability – net of tax	21	**(7,078,928)**	2,583,951	(10,102,876)
		(6,998,216)	2,644,143	(10,126,303)
TOTAL COMPREHENSIVE LOSS		**(29,782,919)**	(28,676,389)	(62,529,138)

See accompanying Notes to the Financial Statements.

BUREAU OF ...
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ...
Date APR 27 2022
REGISTERED
MA. GRACIA AURORA L. CASTILLO

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
IN 2021, 2020, AND 2019
In Philippine Pesos

	Paid-up capital (Note 22)		Deposit for subscription in accordance with the court-approved rehabilitation plan (Note 22)	Revaluation surplus (Note 11)	Accumulated actuarial gain (loss) on retirement benefits (Note 21)	Unrealized valuation gain (loss) on financial asset at FVOCI (Note 15)	Deficit	Total
	Common	Preferred						
Balances at December 31, 2019	2,224,255,313	–	8,711,736,581	102,102,000	4,795,356	(330,372)	(11,819,294,517)	(776,735,639)
Issuance of share capital		969,695	(969,695)	–	–	–	–	–
Net loss for the year	–	–	–	–	–	–	(31,320,532)	(31,320,532)
Other comprehensive income	–	–	–	–	2,583,951	60,192	–	2,644,143
Total comprehensive income (loss)	–	–	–	–	2,583,951	60,192	(31,320,532)	(28,676,389)
Balances at December 31, 2020	2,224,255,313	969,695	8,710,766,886	102,102,000	7,379,307	(270,180)	(11,850,615,049)	(805,412,028)
Deposit for future stock subscription	–	–	(8,711,736,581)	–	–	–	–	(8,711,736,581)
Issuance of share capital	–	(969,695)	969,695	–	–	–	–	–
Net loss for the year	–	–	–	–	–	–	(22,784,703)	(22,784,703)
Other comprehensive income	–	–	–	–	(7,078,928)	80,712	–	(6,998,216)
Effect of CREATE	–	–	–	7,293,000	527,093	–	–	7,820,093
Total comprehensive income (loss)	–	–	–	7,293,000	(6,551,835)	80,712	(22,784,703)	(21,962,826)
Balances at December 31, 2021	**2,224,255,313**	**–**	**–**	**109,395,000**	**827,472**	**(189,468)**	**(11,873,399,752)**	**(9,539,111,435)**

See accompanying Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 27 2022
RECEIVED
MA. GRACIA A. CASTILLO

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF CASH FLOWS
IN 2021, 2020, AND 2019
In Philippine Pesos

	Notes	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(23,754,022)**	(27,525,929)	(49,529,363)
Adjustments for:				
Depreciation and amortization	12,14,31	**73,201,860**	53,885,207	43,731,398
Interest expense	29	**40,041,986**	40,027,393	42,930,558
Reversal of liabilities	26	**(12,103,707)**	(11,922,857)	(552,894)
Retirement benefit expense	28	**10,908,564**	9,816,117	8,219,990
Gain on sale of properties – net	26	**(9,415,617)**	(13,106,100)	–
Provision for ECL – net	27	**5,287,810**	7,986,290	780,496
Unrealized forex gain (loss) – net	26	**1,009,215**	(1,187,545)	(1,308,981)
Interest income	26	**(45,714)**	(85,283)	(71,532)
Dividend income	26	**(14,022)**	(13,167)	(12,312)
Loss on asset written off	27	**–**	495,158	–
Operating income before working capital changes		**85,116,353**	58,369,284	44,187,360
Decrease (increase) in operating assets:				
Receivables – net		**(84,151,705)**	5,199,680	(30,573,610)
Due from related parties		**(31,803,243)**	(9,251,009)	4,571,285
Other current assets		**(3,426,811)**	(29,597,865)	7,578,749
Other non-current assets		**(22,847,405)**	(13,478,920)	(15,433,109)
Increase (decrease) in operating liabilities:				
Trade and other payables		**66,316,107**	(23,765,398)	101,613,370
Statutory obligations		**4,970,997**	11,672,410	(19,149,159)
Accrued interests, expenses and other liabilities		**(979,059)**	14,771,898	8,219,953
Net cash generated from operations		**13,195,234**	13,920,080	101,014,839
Benefits paid	21	**(15,544,874)**	(2,730,614)	(3,435,845)
Interest paid		**(7,846,235)**	(209,833)	(11,147,339)
Interest received	7	**45,714**	85,283	71,532
Income tax paid		**–**	–	(5,933,414)
Net cash generated from (used in) operating activities		**(10,150,161)**	11,064,916	80,569,773
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property and equipment	12,36	**(16,238,690)**	(19,173,114)	(13,922,139)
Proceeds from sale of properties	10,13	**49,532,157**	36,800,000	–
Acquisition of intangible asset	14	**(96,000)**	(2,375,000)	–
Dividend received	26	**14,022**	13,167	12,312
Net cash generated from (used in) investing activities		**33,211,489**	15,265,053	(13,909,827)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of lease liabilities	31,36	**(38,296,076)**	(21,668,316)	(13,330,841)
Proceeds from loans	19,36	**1,574,400**	4,224,000	–
Payments of loans	19,36	**(1,308,587)**	(650,295)	(1,074,910)
Proceeds from (payments to) related parties	36	**1,129,333**	14,831,572	(40,182,533)
Net cash used in financing activities		**(36,900,930)**	(3,263,039)	(54,588,284)
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE IN CASH	7	**8,998**	(1,682)	(3,372)
NET INCREASE (DECREASE) IN CASH		**(13,830,604)**	23,065,248	12,068,290
CASH AT BEGINNING OF YEAR	7	**46,981,468**	23,916,220	11,847,930
CASH AT END OF YEAR	7	**33,150,864**	46,981,468	23,916,220

See accompanying Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 27 2022
REGISTERED
MA. GRACIA AURORA L. CASTILLO

1. CORPORATE INFORMATION

1.01 Company Profile

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

On February 21, 2019, Republic Act 11232, or the Act Providing for the Revised Corporation Code of the Philippines, was signed into law by the President. It amends a 38-year-old Corporation Code in an effort to improve the ease of doing business in the Philippines. Under Section 11, Corporate Tem, A corporation shall have perpetual existence unless its articles of incorporation provides otherwise. The Company has not notified the Commission that it elects to retain its specific corporate term pursuant to its articles of incorporation, thus, by default, the Company has perpetual existence.

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

The registered office address of the Company is Spirit of Communications Center, 106 C. Palanca, Street, Legaspi Village, Makati City and is domiciled in the Philippines.

Legislative Franchise

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

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

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

The Company is also registered as a value-added service (VAS) provider with the NTC. As a registered VAS provider, the Company offers internet access service; virtual private network, electronic mail service, messaging services, web hosting, electronic commerce, firewall service, e-learning, business application, network security, business resiliency, and data and analytics. The Company's VAS is valid until September 5, 2026.

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 of 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 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.

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

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

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

On September 7, 2017, the PSE responded to the Company’s request dated August 29, 2017 mentioning that without the SEC approval of the temporary exemptive relief, the Company may be found non-compliant with the structured reportorial requirements of the PSE given the Company’s non-submission of the annual and quarterly reports. Furthermore, the PSE requested additional information from the Company which include, among others, updates on the implementation of the court-approved rehabilitation plan (the “Rehab 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 an Order holding the Company administratively liable for its failure to conduct an annual stockholders’ meeting and on its failure to file the required reports and 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 its Amended Registration Statement and other required documents and reports in compliance with MSRD’s Order dated June 5, 2018.

On 29 April 2021, the Company Registration and Monitoring Department (CRMD) issued a certification relating to the Company’s good standing with the SEC.

On 28 July 2021, the Company filed an Amended Registration Statements to update the SEC on the events that occurred from October 3, 2018. After its responses to the comments and questions of MSRD and the Office of the General Accountant of the SEC, the MSRD issued Order dated August 4, 2021 lifting the suspension of the Company’s Registration Statement.

Status of Operations

In 2008, the Company adopted to the changes in technology and shifted its products and services to offer broadband data services, fixed wireless services, Point to Point and Point to Multipoint Wireless Communications Services and Network Operations Center using the same LEC Network (see Note 33).

The Company is currently focused on broadband internet access services as a result on growth of wireless/mobile systems and the rise of broadband internet demand. As such, the Company’s main source of revenue is broadband internet access services (see Note 25). The Company offers dedicated or shared internet access service, via fiber or wireless, and operates a broadband network across the NCR, and Regions III and IV catering corporate, business and residential customers.

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

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

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

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

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

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

On May 19, 2017, the CA rendered a Decision ("CA Decision") reversing the Rehab Court's approval of the Company's Rehab Plan.

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

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

- Entry of MENLO as the new owner of the Company and its impact.
- Capabilities and credentials of MENLO which will enable the Company to fulfill its obligations under the court-approved Rehab Plan.
- The Company is envisaged as the third player in telecommunications industry.

- The Philippine telecommunications market is in need of more competition in order that the Filipino people can avail of efficient, greater capacity internet broadband connectivity with low latency at very affordable rates.
- The Company has the competitive edge to compete in the broadband marketplace. The Company is not saddled with the legacy investments in 2G/3G networks, thereby enabling it to leapfrog to the next 5G generation network.

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

On December 4, 2017, the RETELCOM Group filed Petition for Certiorari before the SC requesting the SC to review the CA Decision citing that the CA erred in dismissing the petition for Corp Rehab indicating the following arguments:

- Rehabilitation proceeding is a relief that is accorded to financially distressed corporations, partnerships, and associations. As opposed to liquidation, rehabilitation is preferred relief. The rationale of a rehabilitation proceeding is to effect feasible and viable rehabilitation by preserving a foundering business as going concern, because the assets of a business are often more valuable when so maintained than they would be when liquidated.

- The Company is on the road to financial vigor. The Company is talking to potential investors to form strategic partnerships with the aim of becoming a major player in the Philippine market which is a sign of its way to financial recovery. To scuttle these plans by outright rejecting them through the dismissal of its Rehab Plan would mean injustice not only to its investors but to its employees, creditors, stockholders, and the general public.

- The said creditors who filed the petition before the CA represent only 8.5% and 12.8% of the secured and unsecured creditors, respectively, and that it will be a grave injustice to the remaining 91.5% and 87.2% of the other secured and unsecured creditors, respectively, to resort to the Company’s liquidation, especially in the light of recent developments in the takeover of the Company’s management. These creditors have shown continuous support for the ongoing rehabilitation and have not actually opposed the order dated April 1, 2011.

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

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

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

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

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

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

On May 24, 2019, the CA issued a Resolution consolidating the two petitions filed by the creditors. The petition of one of the creditors was subsequently dismissed for failure to comply with the resolution of CA. The MR filed by the said creditor was likewise denied. On February 17, 2020, the CA issued a resolution denying the MR of the TRO and dismissing the Petitions of Certiorari.

Coronavirus disease 2019 (Covid-19)
In a move to contain the Covid-19 pandemic, the Office of the President of the Philippines issued various proclamation and memorandums directive to impose stringent social distancing throughout the country. These and other measures have affected and caused disruption to businesses and economic activities, and its impacts on businesses continue to evolve. Significant impact on the Company's financial statement includes but not limited to Income Taxes, Bayanihan to Recover as One Act (see Note 30) and Estimating allowance for expected credit losses (ECL) (see Note 6.02).

As disclosed to the SEC and PSE on March 13, 2020, the Company is business as usual despite the community quarantine brought upon by Covid-19. The Company had initiatives in terms of ensuring the customers health and safety by providing various payment channels to settle accounts without any inconvenience. Despite the pandemic, the Company made sure that customer services are available 24/7, and the technical team was constantly providing service amidst the threat of Covid-19 to ensure that the facilities were up and running, hence ensuring customer satisfaction.

The Company has taken additional measures to ensure that all stakeholders –customers, employees, and partners alike– are not exposed to unnecessary or additional risk. The Company purchased personal protective equipment to front liners and safety kit for all its employees.

The management has considered the impact of Covid-19 on future performances and its evolving nature and the uncertainty it has produced around the world. As at the date of this report, a continuing decreasing trend has been observed in the number of cases reported since the peak in early January 2022 and the vaccination coverage has been steadily approaching the government's target population to achieve herd immunity. As such, the management has determined that these do not create a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern.

Going Concern
The Company has incurred net losses amounting to ₱22,784,703, ₱31,320,532, and ₱52,402,835 in 2021, 2020, and 2019, respectively, resulting to accumulated deficit amounting to ₱11,873,399,752 and ₱11,850,615,049 as at December 31, 2021 and 2020, respectively, and capital deficiency amounting to ₱9,539,111,435, and ₱805,412,028, as at December 31, 2021 and 2020, respectively. These events or conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern.
The Company's management, to achieve effective implementation of the court-approved Rehab Plan and exit in the Corp Rehab status, is undertaking the following action plans, to attain sustainable financial stability, improve its financial position, and to restore and reinstate to its former position of successful operation and solvency through, among others:

- Infusing significant capital expenditures, through its new owners, MENLO, to improve, modernize and increase the capacity of its existing broadband assets;
- Use of internally generated cash, in addition to above, to implement area roll outs to expand the Company's fiber footprint and network into Greater Metropolitan Area and surrounding areas;
- New products and services in the information technology (IT) space to offer services beyond connectivity and to attract new customers to serve the needs of the market; and
- Foreign partnership to recapitalize the Company and scale up its broadband business model on a nationwide coverage using the latest state-of-the-art fixed and mobile broadband infrastructure and enter into agreements with the Philippine government, through NTC, to use its nationwide fiber optic assets (see Note 18).

In addition, The Company plans to invest $250 million in the next few years to expand its broadband footprint in Luzon through debt and equity fundraising in 2022. This would allow the Company's broadband services to reach around seven million households and businesses, and expand in areas of information technology and managed services for businesses as well.

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

Authorization for Issue of the Financial Statements
The financial statements of the Company as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020, and 2019, were authorized for issue on April 13, 2022.

2. CORPORATE REHABILITATION

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

1. Modification of the rehabilitation period from 15 years to a 2-year moratorium and 12-year debt payment period;
2. Waiver of any and all interest, penalties and surcharges on all obligations of the Company to all claimants listed in the Rehab Plan except the legal interest of 6% from the approval of the plan until the full payment of the obligation (see Note 17);
3. Each of the petitioners to: (i) immediately settle, out of the proceeds of the liberated escrow account pursuant to the Rehab Court’s orders dated September 3, 2010 and October 20, 2010, the petitioners’ obligations to the SSS in accordance with the SSS Condonation Law of 2009 and SSS Circular No. 2010-2004 for delinquent premium contributions and SSS Circular No. 2010-2005 for delinquent loan amortizations, including, but not limited to, delinquent employees compensation contributions through the SSS (see Notes 1 and 17); (ii) immediately settle out of the proceeds from the recovery of any advances and deposits or garnished/levied assets and the proceeds of the sale of the petitioners’ other assets pursuant to the pertinent orders issued by the courts, all unpaid wages, salaries and benefits inclusive of whatever amount have been deducted from said wages and salaries which the petitioners have not remitted to the appropriate contractual entity such as, but not limited to, the SSS and the Pag-Ibig Fund, of all existing and resigned/retired or separated employees, pursuant to law and to respective petitioners’ employment policies including, but not limited to, collective bargaining agreements; and (iii) to immediately settle out of the proceeds from the recovery of any advances and deposits or garnished/levied assets and the proceeds of the sale of the sale of the petitioners’ other assets pursuant to the pertinent orders issued by the Rehab Court, all unpaid retirement/separation pay for the retired or separated employees, pursuant to law and to the respective petitioners’ employment policies including, but not limited to, collective bargaining agreement;
4. The petitioners to avail, whenever necessary, financing and advances from owners to finance their working capital requirements prior to the entry of the new investor, which financing and advances from owners shall be payable/repaid out of the new money to be infused by the new investor (see Note 24);
5. The full conversion of all outstanding liabilities into 12-year serial redeemable preferred shares except for statutory obligations, financing and advances from owners and certain liabilities in the nature of suppliers’ credits, and that the corresponding amount will be lodged in the petitioner’s books as “Deposit for Subscription” pending approval by the SEC of the increase in authorized capital stock (see Note 20);

6. The Company, from receipt thereof, to amend its articles of incorporation increasing its authorized capital stock from ₱3,800,000,000 (consisting of 1,500,000,000 common shares at ₱1 par value and 230,000,000 serial cumulative convertible redeemable preferred shares at ₱10 par value) to ₱10,187,150,000 (consisting of 1,387,150,000 common shares at ₱1 par value and 7,500,000 serial cumulative convertible preferred shares at ₱10 par value and 8,800,000,000 serial redeemable preferred shares at ₱1 par value), and to immediately issue the corresponding stock certificates to the claimants concerned (see Note 22);
7. The Company to enroll and list all of its authorized Series “A”, Series “B” and Series “C” redeemable preferred shares as freely “tradable” stocks with the PSE;
8. The SEC shall approve the Company’s request for temporary exemptive relief under the SRC Rule 72.2, without sanctions or penalties whatsoever, monetary or otherwise, and the PSE to lift the suspension of the trading of the Company’s common shares without any sanctions or penalties whatsoever, monetary or otherwise, and the Company shall faithfully comply with all the applicable rules and regulations of the SEC and PSE so that the trading of all the authorized shares of the Company shall not in any way be suspended or restricted except as provided by law;
9. Immediately settle obligations to petitioners such as salaries, wages and benefits out of escrow account; and
10. Any sale or disposition of the petitioner’s properties, whether real or personal shall also be subject to the Rehab Court’s evaluation and approval.

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

In a meeting dated July 30, 2018, the Board of Directors (BOD) of the Company approved to increase the authorized capital stock of the Company from ₱3,800,000,000 to ₱15,600,000,000. On September 20, 2018, in the Company’s Annual Stockholders’ Meeting , the stockholders approved and ratified the following items:

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

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

a) 4,500,000,000 common shares at ₱1 par value per share;
b) 230,000,000 Serial Cumulative Convertible Redeemable Preferred Shares at ₱10 par value per share;
c) 6,750,000,000 Series A Serial Redeemable Preferred Shares at ₱1 par value per share;

d) 1,800,000,000 Series B Serial Redeemable Preferred Shares at ₱1 par value per share; and
e) 250,000,000 Series C Serial Redeemable Preferred Shares at ₱1 par value per share.

On October 31, 2018, the SEC approved the increase in authorized capital stock filed by the Company allowing the issuance of Series "A", Series "B" and Series "C" Preferred Shares and the implementation of the Company's debt-to-equity conversion as ordered by the Rehab Court amounting to ₱8,711,736,581.

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

On February 24, 2021, the Company voluntarily requested for the reversal of the previously approved increase of its authorized capital.

On April 27, 2021, the CRMD issued an Order approving the request of the Company thereby reverting the Company’s authorized capital stock back to ₱3,800,000,000. With the reversal of the increase in authorized capital, the previously issued ₱969,695 Series “B” Serial Redeemable Preferred Shares in 2020 is automatically reversed (see Note 20).

3. FINANCIAL REPORTING FRAMEWORK

3.01 Statement of Compliance

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

3.02 Basis of Preparation

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

3.03 Presentation and Functional Currency

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

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

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

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

4.01 New and Amended Accounting Standards Effective on January 1, 2021

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

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts*, and PFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR), is replaced with an alternative nearly risk-free interest rate (RFR).

  - Practical expedients expedient for changes in the basis for determining the contractual cash flows as a result of IBOR Reform;
  - Relief from discontinuing hedging relationships; and
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component;

  The Company also disclose information about:

  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and must be applied retrospectively, however, the Company is required to restate prior periods. These amendments will apply to some of the financial instruments which are linked to the old interest rate benchmark. The Company is anticipating the discontinuance of LIBOR as benchmark by 2022. Therefore, the amendments will have no significant impact on the Company.

- Amendments to PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.
  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

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

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

  The amendments are not applicable to the Company since it has no activities that are predominantly connected with insurance or issue insurance contacts.

Effective Beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations, Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements,* issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. An exception to the recognition principle of PFRS 3 was added to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37 or IFRIC 221 *Levies,* if incurred separately.

  At the same time, the existing guidance in PFRS 3 for contingent assets that would not be affected was clarified by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 16, *Property, Plant and Equipment*: *Proceeds before Intended Use*

  In May 2020, Property, Plant and Equipment — Proceeds before Intended Use was issued, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* – Onerous Contracts – Costs of Fulfilling a Contract

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRS Standards 2018-2020 Cycle

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* – Subsidiary as a first-time adopter

  The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- PFRS 9, *Financial Instruments* – Fees in '10 per cent' test for derecognition of financial liabilities

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

- PFRS 16, *Lease Incentives*

  The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- PAS 41, *Agriculture* – Taxation in fair value measurements

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

Effective Beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  In January 2020, amendments were issued to paragraphs 69 to 76 of the Standard to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Deferred Effective Date

Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES

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

5.01 Financial Instruments

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

Financial Assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15 (see Note 5.16).

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 marketplace (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 asset at FVOCI with recycling of cumulative gains and losses (debt instruments)
c) Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at FVPL

The Company does not have any financial asset at FVOCI with recycling of cumulative gains and losses (debt instruments) and financial assets at FVPL as at December 31, 2021 and 2020.

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

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

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

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

- Cash

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

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

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

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

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

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

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

- Due from related parties

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

- Refundable security deposits

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

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

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

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

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

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 the end of each reporting period. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Derecognition
A financial asset is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Financial Liabilities

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

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

The Company does not designate any financial liabilities at FVPL as at December 31, 2021 and 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 EIR amortization process.

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

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

The Company’s financial liabilities include trade and other payables excluding non-refundable other payables and contract liability, due to related parties, deposit for subscription in accordance with the court-approved rehabilitation plan, accrued interest, expenses, and other liabilities, lease liabilities, and loans payable.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying value is recognized in the statements of profit or loss.

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

5.02 Fair Value Measurement

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 35.

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

5.03 Other Current Assets

Other current assets include deposit, prepayments, creditable withholding taxes (CWTs), final withholding value-added tax (FWVs) and deferred input VAT.

Deposit
Deposit pertains to non-refundable down payment made for future acquisition of capital asset which will be applied as part of payments upon execution of sale. This is recognized at cost.

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. 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.

FWVs
FWVs are tax withheld from are tax withheld from vatable sale to government. FWVs can be utilized as payment for net value-added tax (VAT) payable provided that they are properly supported by certificates of final withholding VAT withheld at source subject to the rules in Philippine taxation and declared in the ‘creditable value-added tax withheld’ portion of the VAT return. FWVs are expected to be utilized as payment for income taxes within 12 months and are classified as current assets.

Deferred Input VAT
Deferred input VAT includes input VAT on purchase of capital goods exceeding ₱1,000,000. The related input VAT is amortized over 5 years or the useful life of the capital goods, whichever is shorter and unpaid purchase of services.

5.04 Non-current Assets Held for Sale

The Company classifies non-current assets and disposal groups as held for sale if their carrying value 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 value and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

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

Non-current assets that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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

5.05 Property and Equipment

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

The initial cost of property and equipment comprises the purchase price or construction cost, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property and equipment, if the recognition criteria are met. All other repairs and maintenance are charged to current operations during the financial period in which these are incurred.

Items such as major spare parts, stand-by equipment and servicing equipment qualify as Property and Equipment when they are expected to be used during more than one annual period.

Construction in progress (CIP) is stated at cost. This includes cost of construction of property and equipment and other direct costs. CIP 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 value 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 value 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 value of the asset and are recognized in the statements of 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 the end of each 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 ceases 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 the end of each 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 value. The increase of the carrying value of the land as result of a revaluation is credited directly to other comprehensive income under "revaluation surplus" account, unless it reverses a revaluation decrease previously recognized as an expense, in which case it is credited in profit or loss. A revaluation decrease is charged directly against any related revaluation surplus, with any excess being recognized as an expense in profit or loss.

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

5.06 Leases

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

The Company as a Lessee

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

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

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

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

  The right-of-use assets are also subject to impairment following the accounting policy on Impairment of non-financial assets (see Note 5.09).

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

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

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

5.07 Investment Properties

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

The carrying value 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 loss in the year of retirement or disposal.

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

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

5.08 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.

5.09 Other Non-current Assets

Other non-current assets include 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 12 months from the end of the reporting period.

Plant supplies pertain to capitalizable assets used for the installation of cable and wires facilities. Once capitalized, plant supplies are transferred to Property and Equipment as they are expected to be used during more than one annual period.

Plant supplies are stated at cost less accumulated impairment in value, if any.

Cost of plant supplies comprise all costs of purchase and other costs incurred in bringing the plant supplies to their present location and condition. A regular review is undertaken to determine the extent of any provision for obsolescence. The Company provides allowance for impairment losses when the asset becomes obsolete.

5.10 Impairment of Non-financial Assets

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

Non-current Assets Held for Sale
Impairment is considered both at the time of classification as held for sale and subsequently:
At the time of classification as held for sale, impairment is measured and recognised in accordance with the applicable standards. Any impairment loss is recognised in profit or loss unless the asset had been measured at revalued amount, in which case the impairment is treated as a revaluation decrease. After classification as held for sale. Impairment loss is calculated based on the difference between the adjusted carrying amounts of the asset and fair value less costs to sell. Any impairment loss that arises by using the measurement principles in PFRS 5 are recognised in profit or loss.

Property and Equipment, Right-of-Use Assets, Investment Properties, Intangible Assets and Plant Supplies
The Company assesses at each reporting period whether there is an indication that an asset may be impaired when events or changes in circumstances indicate that the carrying value 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 are written down to their recoverable amounts. An asset's recoverable amount is the higher of an asset'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 loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying value of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying value 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 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 value, less any residual value, on a systematic basis over its remaining useful life.

5.11 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 the end of each 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 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 loss, net of any reimbursement.

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

5.12 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 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 loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

5.13 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.

5.14 Other Comprehensive Income (Loss)

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

5.15 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 (see Notes 2 and 20).

It is presented as equity if it meets all the following requirements:

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- there is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- there is stockholder’s approval of said proposed increase, and;
- the application for the approval of the proposed increase has been filed with the SEC.

Deposit for future stock subscription is classified as a liability if not all the above requirements have been met.

5.16 Loss Per Share

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

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

5.17 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 the modem and performance of modem installation. The related incremental costs are recognized in the same manner in the statements of comprehensive loss, if such costs are expected to be recovered.

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

Upon signing of subscription agreement, customers are required to make payments equivalent to 2 months advance and 1 month deposit of internet broadband monthly subscription fee. These customers' deposits are refundable and/or to be applied to unpaid receivables of the customers. The Company recognized these advance payments and deposit as contract liability and "Customers' deposits" as part of liabilities, respectively (see Note 16).

IT Services Contracts
The Company also provides IT services and products from IT infrastructure, applications, network security, and others.

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

Contract Balances

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

  Contract assets are subject to impairment assessment.
- Trade Receivables
  A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

- 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.

5.18 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.

5.19 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 the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities when the gains and losses of such non-monetary items are recognized directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

5.20 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 more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting entity, or between and/ or among the reporting entity and its key management personnel, directors, and stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

5.21 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 and regulations. Deferred tax is income tax payable (recoverable) in respect of the taxable profit (loss) for future reporting periods as a result of past transactions or events. The past transactions or events are those that have not yet been included in the Company’s income tax return although they have been included when measuring profit or loss in conformity with PFRSs or have been included in the Company’s income tax return although they have been not yet been included when measuring profit or loss in conformity with PFRSs.

The Company recognizes a deferred tax asset or liability for tax recoverable or payable in future periods as a result of past transactions or events. Such tax arises from the difference between the amounts recognized for the Company’s assets and liabilities in the statements of financial position and the recognition of those assets and liabilities by the tax authorities, and the carry-forward of currently unused tax losses and tax credits. In most cases, those differences between the amounts in the statements of financial position and the amounts recognized by the tax authorities are accompanied by corresponding differences between profit or loss as measured by PFRSs and taxable profit or loss. If the Company expects to recover the carrying value of an asset or settle the carrying value 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 end of the reporting period. 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 (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 value of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying value of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that recognized deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

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

5.22 Value-Added Tax

Revenues, expenses and assets are recognized, net of the amount of VAT except:

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

5.23 Events after the Reporting Period

Post year-end events that provide additional information about the Company's position at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material (see Note 38).

6. INFORMATION ABOUT KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGMENTS

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

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

6.01 Critical Judgments in Applying Accounting Policies

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

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

Classification of building improvements on non-current assets held for sale (*NCAHFS) as Property and Equipment*
The Company has renovations on non-current assets held for sale which is intended to improve the property while it is being used, thus , upon completion, the CIP was reclassified as building improvements and will be subsequently reclassified as leasehold improvements when the planned sale and leaseback is consummated (see Note 12).

Classification of Financial Instruments
The Company exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

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

Settlement of Obligations Through Conversion to Equity
The Company determines whether an obligation is settled if the obligation is replaced by another from the same lender on substantially different terms, or terms of an existing liability are substantially modified, such an exchange or modification is considered as settlement of the original liability. As such, conversion of obligations to equity, in accordance with the court-approved Rehab Plan, is considered as full settlement of the obligation as the terms with the same creditor are substantially modified. Thus, creditors will be considered as owners of the Company upon actual issuance of the serial redeemable preferred shares. As at December 31, 2021 and 2020, deposit for subscription in accordance with the court-approved Rehab Plan amounted to ₱8,711,736,581 and ₱8,710,766,886, as at December 31, 2021 and 2020, respectively (see Note 20 and 22).

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

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

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

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

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

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

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

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

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

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

6.02 Estimates and Assumptions

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

Estimation of Allowance for ECL on Receivables (excluding Advances to Suppliers) The Company uses a provision matrix to calculate ECLs for receivables (excluding advances to suppliers). The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns by service type and customer type and rating. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 34.02.

There have been no significant changes in the provision matrix used by the Company for calculating ECL on receivables (excluding advances to suppliers). 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 – net amounted to ₱5,287,810 and ₱7,986,290 in 2021 and 2020, respectively (see Notes 8 and 27).

As at December 31, 2021 and 2020, the carrying value of receivables (excluding advances to suppliers) amounted to ₱132,523,950 and ₱55,399,763, respectively, net of allowance for ECL amounting to ₱1,398,345,796 and ₱1,393,057,986, respectively (see Note 8).

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 value and determined that there is no indication that the assets have suffered impairment loss.

The carrying value of other current assets amounted to ₱38,154,795 and ₱33,785,534 as at December 31, 2021 and 2020, respectively (see Note 9).

Property and Equipment, Right-of-Use Assets, Investment Properties, Intangible Assets and Plant Supplies
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 in 2021 and 2020.

The carrying value of property and equipment amounted to ₱174,940,714 and ₱151,010,894 as at December 31, 2021 and 2020, respectively (see Note 12).

The carrying value of investment properties amounted to ₱171,984,268 and ₱212,100,808 as at December 31, 2021 and 2020, respectively (see Note 13).

The carrying value of intangible assets amounted to ₱1,965,850 and ₱2,343,583 as at December 31, 2021 and 2020, respectively (see Note 14).

The carrying value of plant supplies amounted to ₱27,932,405 and ₱35,657,708, as at December 31, 2021 and 2020, respectively, net of allowance for impairment losses amounting to ₱65,987,835 as at December 31, 2021 and 2020 (see Note 15).

Non-current Assets Held for Sale
The Company recalculates any impairment loss based on the difference between the adjusted carrying amounts of the asset and fair value less costs to sell. No impairment loss was recognized by the Company in 2021 and 2020.

The carrying value of assets classified as NCAHFS amounted to ₱368,594,244 as at December 31, 2021 and 2020 (see Note 10).

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 in 2021 and 2020.

The carrying value of property and equipment amounted to ₱174,940,714 and ₱151,010,894 as at December 31, 2021 and 2020, respectively (see Note 12).

The carrying value of right-of-use assets amounted to ₱50,272,792 and ₱76,934,406 as at December 31, 2021 and 2020, respectively (see Note 31).

The carrying value of intangible assets amounted to ₱1,965,850 and ₱2,343,583 as at December 31, 2021 and 2020, respectively (see Note 14).

In Philippine Peso

Depreciation and amortization expense are as follows:

	Notes	**2021**	2020	2019
Property and equipment	12	**37,443,325**	33,935,455	31,420,643
Right-of-use assets	31	**35,284,802**	19,918,335	12,310,755
Intangible assets	14	**473,733**	31,417	–
		73,201,860	53,885,207	43,731,398

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, 2021 and 2020, the fair value of the NCAHFS amounted to ₱450,000,000, which is the agreed selling price as negotiated with the prospective buyers of the Company (see Note 10).

As at December 31, 2021 and 2020, the fair value of the investment properties as determined using the sales comparison approach amounted to ₱570,568,990 and ₱502,434,000, respectively (see Note 13).

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 the end of each reporting period.

Retirement benefits costs amounted to ₱10,908,564, ₱9,816,117, and ₱8,219,990 in 2021, 2020, and 2019 respectively (see Notes 21 and 28). Retirement benefits liability amounted to ₱141,510,008 and ₱136,707,747 as at December 31, 2021 and 2020, respectively (see Note 21).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit retirement liability. Further details about the assumptions used are provided in Note 21.

Assessment of Realizability of Deferred Income Tax Assets
The Company reviews the carrying value 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. As at December 31, 2021 and 2020, unrecognized deferred income tax assets amounted to ₱513,332,023 and ₱509,518,936, respectively, as the Company believes that the carry forward benefit would not be realized in the future prior to their expiration (see Note 30).

In Philippine Peso

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 (see Note 32).

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, 2021 and 2020, accrued interest on these obligations amounted to ₱243,419,332 and ₱221,948,710, respectively (see Note 18). Interest expense recognized in 2021, 2020, and 2019 amounted to ₱22,805,466, ₱23,343,152, and ₱27,500,155, respectively (see Notes 18 and 29).

The Company settled labor-related statutory obligations covered by Corp Rehab amounting to ₱1,459,120 and ₱8,884,890 in 2021 and 2020 (see Notes 17).

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 or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. The carrying values of right-of-use assets amounted to ₱50,272,792 and ₱76,934,406 as of December 31, 2021 and 2020, respectively, and lease liabilities amounted to ₱53,792,750 and ₱79,178,555 as of December 31, 2021 and 2020, respectively (see Note 31).

7. CASH

	2021	2020
Cash on hand	**265,000**	240,000
Cash in banks	**32,885,864**	46,741,468
	33,150,864	46,981,468

Cash in banks earn interest at the respective bank deposit rates. Interest income earned amounted to ₱45,714, ₱85,283 and ₱71,532 in 2021, 2020 and 2019, respectively (see Note 26).

In Philippine Peso

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

		2021		2020
Foreign currency denominated	**$**	**23,055**	$	15,101
Philippine peso equivalents	**₱**	**1,170,597**	₱	725,380

The Company recognized unrealized foreign exchange gain (loss) from translating foreign currency denominated cash amounting to ₱8,998, (₱1,682), and (₱3,372) in 2021, 2020, and 2019, respectively, recorded as part of unrealized foreign exchange gain (loss) – net (see Note 26).

8. **RECEIVABLES** – net

	Note	**2021**	2020
Trade			
Third parties		**119,102,783**	59,918,717
Related party	24	**12,641,110**	5,105,238
Long-outstanding trade receivables		**1,381,525,501**	1,381,525,501
Advances to suppliers		**6,839,381**	5,099,675
Contract asset		**4,933,457**	–
Others		**12,666,895**	1,908,293
		1,537,709,127	1,453,557,424
Allowance for ECL		**(1,398,345,796)**	(1,393,057,986)
		139,363,331	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.

Long-outstanding trade receivables represent due from customers related to the LEC business (landline-based telephone and long-distance service) of the Company which were fully provided an allowance for ECL.

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

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.

Others consist of receivables from pole and space rental and revenue-share from resell of digital subscriber line.

Movements in allowance for ECL of receivables are as follow:

	Notes	**Trade receivables**	**Long-outstanding trade receivables**	**Other receivables**	**Total**
Balance at December 31, 2019		2,984,006	1,381,525,501	562,189	1,385,071,696
Provision for ECL for the year	27	7,938,847	–	47,443	7,986,290
Balance at December 31, 2020		10,922,853	1,381,525,501	609,632	1,393,057,986
Provision (reversal of provision) for ECL for the year	27	5,290,644	–	(2,834)	5,287,810
Balance at December 31, 2021		**16,213,497**	**1,381,525,501**	**606,798**	**1,398,345,796**

In Philippine Peso

9. OTHER CURRENT ASSETS

	2021	2020
Deposit	**25,365,484**	23,266,667
Deferred input VAT	**7,428,764**	6,013,691
CWTs	**3,683,849**	854,619
FWVs	**481,408**	1,906,600
Prepaid expenses	**27,910**	1,717,248
Others	**1,167,380**	26,709
	38,154,795	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.

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

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

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

In 2020, the Company has written-off portion of CWTs and FWVs totaling to ₱495,158, recorded as part of loss on asset written off (see Note 27).

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

10. NON-CURRENT ASSETS HELD FOR SALE

	Notes	**2021**	2020
Land	11	**360,360,000**	360,360,000
Property and equipment	12	**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 on 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 was measured at the lower of its carrying value and fair value less estimated cost to sell at the time of reclassification (see Notes 11, 12 and 13).

In 2020, the Company sold its properties 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 – net (see Note 26).

As at date of this report, sale of land and property and equipment under NCAHFS are not yet perfected due to delays caused by events beyond the Company's control including but not limited to processing of required documentary requirements. The management remains committed to its plan to sell the asset and is actively in contact with the prospective buyer.

As at December 31, 2021 and 2020, the fair value of the NCAHFS amounted to ₱450,000,000, which is the agreed selling price as negotiated with the prospective buyers of the Company.

11. 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 ₱102,102,000 which was directly credited to revaluation surplus, net of deferred income tax amounting to ₱43,758,000.

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 (see Note 10).

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 (see Note 10).

As at December 31, 2021 and 2020, revaluation surplus of the revalued land amounted to ₱109,395,000 and ₱102,102,000, net of ₱36,465,000 and ₱43,758,000 deferred income tax tax, respectively. Tax effect caused by CREATE Law (see Note 30) amounted to ₱7,293,000 in 2021.

The revaluation surplus is not available for distribution to stockholders until this is realized through sale.

In Philippine Peso

12. PROPERTY AND EQUIPMENT AT COST – net

2021	**Building and Improvements**	**Telecommunications Equipment: Network Equipment**	**Telecommunications 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	**–**	**1,352,383**	**44,705,927**	**12,806,118**	**2,508,717**	**61,373,145**
Transfers	**6,317,536**	**–**	**–**	**–**	**(6,317,536)**	**–**
Balance at end of year	**6,317,536**	**253,141,187**	**267,664,165**	**48,571,131**	**–**	**575,694,019**
Accumulated depreciation:						
Balance at beginning of year	**–**	**214,309,348**	**130,811,455**	**18,189,177**	**–**	**363,309,980**
Depreciation	**46,046**	**15,117,494**	**15,907,848**	**6,371,937**	**–**	**37,443,325**
Balance at end of year	**46,046**	**229,426,842**	**146,719,303**	**24,561,114**	**–**	**400,753,305**
Net carrying value	**6,271,490**	**23,714,345**	**120,944,862**	**24,010,017**	**–**	**174,940,714**

2020	Building and Improvements	Telecommunications Equipment: Network equipment	Telecommunications Equipment: Cable and wire Facilities	Other work equipment	Construction in progress	Total
Cost:						
Balance at beginning of year	–	249,689,284	208,601,901	27,506,257	–	485,797,442
Additions	–	2,099,520	14,356,337	8,258,756	3,808,819	28,523,432
Balance at end of year	–	251,788,804	222,958,238	35,765,013	3,808,819	514,320,874
Accumulated depreciation:						
Balance at beginning of year	–	199,309,619	115,796,141	14,268,765	–	329,374,525
Depreciation	–	14,999,729	15,015,314	3,920,412	–	33,935,455
Balance at end of year	–	214,309,348	130,811,455	18,189,177	–	363,309,980
Net carrying value	–	37,479,456	92,146,783	17,575,836	3,808,819	151,010,894

In Philippine Peso

CIP 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. On December 2021, the construction of the CIP was completed and transferred to building improvements as it is intended to improve the property while it is being used (see Note 6).

Additions to property and equipment amounting to ₱16,238,690 and ₱19,173,114 in 2021 and 2020, respectively, were paid in cash.

Service vehicles under other work equipment with carrying value amounting to ₱6,797,424 and ₱6,423,481 as at December 31, 2021 and 2020, respectively serve as collaterals for the chattel mortgage for the loan acquired from a local bank and a financial institution (see Note 19). Aside from the service vehicles, no amount of property and equipment has been pledged to secure borrowings as at December 31, 2021 and 2020.

Fully depreciated properties still in use amounted to ₱212,248,157 and ₱190,229,658 as at December 31, 2021 and 2020. There are no idle property and equipment as at December 31, 2021 and 2020.

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 (see Note 10).

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

13. INVESTMENT PROPERTIES AT COST

	2021	2020
Balance at beginning of year	**212,100,808**	225,708,208
Disposals	**(40,116,540)**	(13,607,400)
Balance at end of year	**171,984,268**	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 mutual consent of both parties, while others are held for capital appreciation.

The Company assessed that the highest and best use of the parcels of land are for commercial use. Based on the appraisals made in December 28, 2021 and November 11, 17, and December 1, 2020 covering valuation date as at December 31, 2021 and 2020, the fair value of the investment properties as determined using the sales comparison approach amounted to ₱570,568,990 and ₱502,434,000, respectively.

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.

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 (see Note 10).

In Philippine Peso

In 2020, the Company sold an investment property with related cost of ₱13,607,400 for ₱19,100,000 (net of costs to sell shouldered by the buyer) resulting to gain amounting to ₱5,492,600, recorded as part of gain on sale of properties – net (see Note 26).

In 2021, the Company sold investment properties with related cost of ₱40,116,540 for ₱49,532,157 (net of costs to sell shouldered by the buyers) resulting to net gain amounting to ₱9,415,617, recorded as part of gain on sale of properties – net (see Note 26).

There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.

In 2021, 2020, and 2019, the Company recognized rental income from these investment properties amounting to nil, ₱687,258, and ₱1,578,240, respectively (see Note 31).

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

14. INTANGIBLE ASSET AT COST – net

	2021	2020
Cost:		
Balance at beginning of year	**2,375,000**	–
Additions	**96,000**	2,375,000
Balance at end of year	**2,471,000**	2,375,000
Accumulated amortization:		
Balance at beginning of year	**31,417**	–
Amortization	**473,733**	31,417
Balance at end of year	**505,150**	31,417
Net carrying value	**1,965,850**	2,343,583

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

All additions in 2021 and 2021 are paid in cash.

As at December 31, 2021, 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.

15. OTHER NON-CURRENT ASSETS – net

	2021	2020
Plant supplies	**93,920,240**	101,645,543
Refundable security deposits	**13,881,057**	12,839,691
Financial asset at FVOCI	**309,852**	229,140
	108,111,149	114,714,374
Allowance for impairment	**(65,987,835)**	(65,987,835)
	42,123,314	48,726,539

In Philippine Peso

As at December 31, 2021 and 2020, the carrying value of plant supplies amounted to ₱27,932,405 and ₱35,657,708, respectively, net of allowance for impairment losses of ₱65,987,835.

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

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

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

		2021		2020
Foreign currency denominated	**$**	**76,000**	$	76,000
Philippine peso equivalents	**₱**	**3,858,824**	₱	3,650,736

The Company recognized unrealized foreign exchange gain (loss) from translating foreign currency denominated refundable security deposits amounting to ₱356,744, (₱354,464), and (₱148,656) in 2021, 2020, and 2019, respectively, recorded as part of unrealized foreign exchange gain (loss) – net (see Note 26).

Financial asset at FVOCI as at December 31, 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 of financial asset at FVOCI are as follows:

	2021	2020
Balances at beginning of year	**229,140**	168,948
Unrealized valuation gain	**80,712**	60,192
Balances at end of year	**309,852**	229,140

The cumulative net unrealized valuation loss on changes in fair values of financial asset at FVOCI account as at December 31, 2021 and 2020 is recognized as a separate component under the equity section in the statements of financial position.

Movements of unrealized valuation loss on financial asset at FVOCI:

	2021	2020
Balances at beginning of year	**(270,180)**	(330,372)
Changes in fair value of financial asset at FVOCI	**80,712**	60,192
Balances at end of year	**(189,468)**	(270,180)

In 2021, 2020, and 2019, the Company recognized dividend income from financial asset at FVOCI amounting to ₱14,022, ₱13,167, and ₱12,312, respectively (see Note 26).

In Philippine Peso

16. TRADE AND OTHER PAYABLES

	2021	2020
Trade	**145,123,533**	79,274,918
Customers' deposits	**152,416,924**	148,640,307
Contract liability	**22,064,026**	9,319,330
Others	**72,662**	295,908
	319,677,145	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 Corp Rehab amounting to ₱15,726,642 as at December 31, 2021 and 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.

17. STATUTORY OBLIGATIONS

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

	2021	2020
Covered by Corporate Rehabilitation (Note 2)		
Labor-related	**161,379,509**	162,838,629
BIR	**138,514,480**	138,514,480
NTC	**54,724,945**	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
	418,678,522	431,137,641
Outside Corporate Rehabilitation:		
NTC	**137,306,870**	124,845,901
BIR	**43,981,132**	28,180,203
SSS	**793,723**	619,831
Labor-related	**510,767**	10,843,927
PHIC	**251,043**	228,001
HDMF	**87,034**	63,735
Other government agencies	**8,064,348**	10,118,047
	190,994,917	174,899,645
	609,673,439	606,037,286

In Philippine Peso

Labor-related
This pertains to unpaid salaries and wages of employees, and National Labor Relation Commission (NLRC) fees. NLRC, as arbiter, is handling labor-related cases against the Company. Some of these cases are already carried up to the courts (see Note 32).

The Company settled labor-related statutory obligations covered by Corp Rehab amounting to ₱1,459,120, ₱8,884,890 and ₱17,324,413 in 2021, 2020 and 2019, respectively, with waiver on interest amounting to both nil in 2021 and 2020 and ₱3,112,818 in 2019 (see Note 26).

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 Supervision and Regulation Fee and Spectrum User Fees charged by the NTC to telecommunications company with valid legislative franchise.

The Company settled NTC fees covered by Corp Rehab amounting to ₱11,000,000 and nil in 2021 and 2020, respectively.

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

SSS
This pertains to unremitted employer and employee contributions, and employee loans.

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 (see Notes 1 and 2).

NHFMC
This pertains to unremitted employee housing loans 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 Corp Rehab are current obligations which are incurred after the Rehab Plan was filed with the Rehab Court. These obligations are paid on a regular basis as part of its normal business operations on a 5 to 30 days' term.

18. ACCRUED INTERESTS, EXPENSES AND OTHER LIABILITIES

	2021	2020
Accrued interests	**243,419,332**	221,948,710
Accrued expenses	**22,178,327**	14,651,248
Accrued upstream internet connectivity	**16,280,741**	30,535,650
Accrued retainers and professional fees	**858,692**	1,996,111
Others	**209,121**	1,549,245
	282,946,213	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 (see Note 2). Interest expense in 2021, 2020, and 2019, amounted to ₱22,805,466, ₱23,343,152, and ₱27,500,155, respectively (see Note 29).

In Philippine Peso

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 ₱42,965,844, ₱34,569,447, and ₱34,636,552 in 2021, 2020, and 2019, 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 are as follows:

		2021		2020
Foreign currency denominated	**$**	**213,370**	$	281,649
Philippine peso equivalents	**₱**	**10,833,657**	₱	13,529,270

The Company recognized unrealized foreign exchange gain (loss) from translating foreign currency denominated accrued upstream internet connectivity amounting to (₱584,208), ₱762,704 and ₱770,764 in 2021, 2020, and 2019, respectively, recorded as part of unrealized foreign exchange gain (loss) – net (see Note 26).

The Company has derecognized unreversed long outstanding accruals amounting to nil, ₱11,922,857and ₱552,894, in 2021, 2020, and 2019, respectively recorded as part of reversal of liabilities (see Note 26).

19. LOANS PAYABLE

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

	Principal amount	**Annual interest rate**	**Maturity date**	**Amount outstanding**		**Monthly amortization**	**Term (months)**
				2021	2020		
Loan 1	780,000	18.59%	12/13/2022	**209,727**	429,126	22,801	48
Loan 2	780,000	18.59%	12/13/2022	**209,727**	429,126	22,801	48
Loan 3	746,400	12.17%	12/02/2025	**615,831**	752,887	16,018	60
Loan 4	746,400	12.17%	12/02/2025	**615,831**	752,887	16,018	60
Loan 5	902,400	12.07%	12/02/2025	**744,539**	910,242	19,360	60
Loan 6	914,400	12.05%	12/02/2025	**754,434**	922,348	19,624	60
Loan 7	914,000	12.05%	12/02/2025	**754,434**	922,348	19,624	60
Loan 8	1,574,400	10.43%	05/01/2026	**1,429,958**	922,348	33,787	60
				5,334,481	6,041,312		

In Philippine Peso

See below carrying value and movements of loans payable:

	Note	2021	2020
Balance at beginning of year		**5,118,964**	1,512,251
Additions		**1,574,400**	4,224,000
Accretion of interest	29	**616,881**	242,841
Payments		**(1,975,764)**	(860,128)
Balance at end of year		**5,334,481**	5,118,964

The outstanding balances of the Company's loans payable as at December 31, 2021 and 2020 are as follows:

	2021	2020
Current	**1,448,323**	1,214,441
Non-current	**3,886,158**	3,904,523
	5,334,481	5,118,964

As at December 31, 2021 and 2020, the carrying value of service vehicles recorded as part of other work equipment pledged as collaterals for the chattel mortgages amounted to ₱6,797,424 and ₱6,423,481, respectively (see Note 12).

Payments attributable to loan principal amounted to ₱1,308,587 and ₱650,295 in 2021 and 2020, respectively.

Amount of principal repayment required in each of the 5 years are as follows:

	Loan 1	Loan 2	Loan 4	Loan 5	Loan 6	Loan 7	Loan 8	Total
2022	209,727	209,727	134,284	134,284	162,352	164,518	268,914	1,283,806
2023	–	–	148,979	148,979	180,119	182,521	298,342	958,940
2024	–	–	165,282	165,282	199,830	202,495	330,990	1,063,879
2025	–	–	167,287	167,287	202,239	204,899	367,212	1,108,924
2026	–	–	–	–	–	–	164,500	164,500

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

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

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

The Company sent confirmation letters to all claimants concerned that the principal amount of their debts/liabilities have been fully converted to equity, by way of 12-year serial redeemable preferred shares and that the corresponding amount of ₱8,841,736,581 was lodged in the Company's books as "Deposit for subscription". The Company has filed with the SEC the increase in authorized capital stock on October 9, 2018. The increase in authorized capital was approved by the SEC on October 31, 2018.

In Philippine Peso

On February 24, 2021, the Company voluntarily requested for the reversal of the previously approved increase of its authorized capital. On April 27, 2021, the CRMD issued an Order approving the request of the Company thereby reverting the Company's authorized capital stock back to ₱3,800,000,000. With the reversal of the increase in authorized capital stock, the previously issued ₱969,695 Series "B" Serial Redeemable Preferred Shares is automatically reversed (see Note 22.02).

Pending the full implementation of the Company's debt-to-equity conversion as ordered by the Rehab Court the debts/liabilities amounting to ₱8,711,736,581 (see Note 22.02) remains lodged as, "Deposit for subscription". No oppositions were made by the creditors except as discussed in Note 2.

Total deposit for subscription under liabilities as at December 31, 2021 and 2020 amounted to ₱8,841,736,581 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.

21. RETIREMENT BENEFITS LIABILITY

The Company has a non-contributory defined benefit plan covering all regular and permanent employees. Benefits are based on 130% of the final plan salary for every year of service for normal retirement upon reaching the age of 60 or completion of 35 years of service and on the employee's final plan salary ranging from 12.5% to 130% for early retirement at the age of 55, voluntary separation (subject to consent of the Company), death, or total and permanent disability, and at least 10 years of service.

The latest actuarial valuation report as at December 31, 2021 is determined using the projected unit credit actuarial cost method. Currently, the Company has no plan asset established for the funding of the retirement benefits liability.

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

Retirement benefits costs are as follows:

	Note	**2021**	2020	2019
Current service cost		**9,227,209**	7,993,610	6,279,902
Interest expense on defined benefit plan		**1,681,355**	1,822,507	1,940,088
	28	**10,908,564**	9,816,117	8,219,990

Retirement benefits cost attributable to key management personnel amounted to ₱3,260,790, ₱2,334,402, and ₱2,459,211 in 2021, 2020, and 2019, respectively (see Note 24).

In Philippine Peso

Accumulated actuarial gain on retirement benefits in the statements of financial position pertains to the cumulative actuarial gains on non-contributory defined benefit plan:

	2021	2020
Balance at beginning of year	**7,379,307**	4,795,356
Actuarial gains (losses) due to:		
Experience adjustments	**(14,139,287)**	6,915,438
Changes in demographic assumptions	**–**	–
Changes in financial assumptions	**4,700,716**	(3,224,080)
Actuarial gain (loss) recognized for the year	**(9,438,571)**	3,691,358
Tax effect	**2,359,643**	(1,107,407)
Actuarial gain (loss) recognized for the year – net of tax	**(7,078,928)**	2,583,951
Effect of CREATE Law – lower rate of 25%	**527,093**	–
Balance at end of year	**827,472**	7,379,307

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

	2021	2020
Balance at beginning of year	**136,707,747**	133,313,602
Current service cost	**9,227,209**	7,993,610
Interest expense on retirement benefits liability	**1,681,355**	1,822,507
Actuarial losses (gains) due to:		
Experience adjustments	**14,139,287**	(6,915,438)
Changes in demographic assumptions	**–**	–
Changes in financial assumptions	**(4,700,716)**	3,224,080
Benefits paid	**(15,544,874)**	(2,730,614)
Balance at end of year	**141,510,008**	136,707,747

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

As at December 31, 2021 and 2020, the Company has retirement benefits liability attributable to separated employees amounting to ₱83,370,733.

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

	2021	2020	2019
Discount rate	**5.08%**	3.85%	4.92%
Salary increase rate	**5.00%**	5.00%	5.00%
Mortality rate	2017 Philippine Intercompany Mortality Table		
Disability rate	1952 Disability Study, Period 2, Benefit 5		
Turnover rate	A scale ranging from 17% at age 18 to 0% at age 60		

In Philippine Peso

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2021, assuming all other assumptions were held constant:

	Increase (decrease)	Active	Deferred benefit	Total
Discount rates	**6.08% (Actual + 1.00%)**	**138,221,933**	**–**	**138,221,933**
	6.08% (Actual + 1.00%)	**141,510,008**	**–**	**141,510,008**
	4.08% (Actual - 1.00%)	**145,285,061**	**–**	**145,285,061**
Salary increase rate	**6.00% (Actual + 1.00%)**	**145,505,538**	**–**	**145,505,538**
	5.00% (Actual)	**141,510,008**	**–**	**141,510,008**
	4.00% (Actual - 1.00%)	**137,965,275**	**–**	**137,965,275**

Shown below is the maturity analysis of the Company's undiscounted benefit payments as at December 31, 2021:

	Normal retirement	Other than normal retirement	Deferred benefit	Total
Less than 1 year	**9,933,338**	**89,213,445**	**–**	**99,146,783**
1 to less than 5 years	**29,605,697**	**2,825,730**	**–**	**32,431,427**
5 to less than 10 years	**27,564,924**	**6,320,844**	**–**	**33,885,768**
10 to less than 15 years	**30,182,007**	**6,320,844**	**–**	**36,502,851**
15 to less than 20 years	**34,282,190**	**6,320,844**	**–**	**40,603,034**
20 years and above	**135,192,706**	**6,320,844**	**–**	**141,513,550**
	266,760,862	**117,322,551**	**–**	**384,083,413**

The average duration of the retirement benefits liability as at December 31, 2021 and 2020 is 13.69 and 16.87 years, respectively.

22. SHARE CAPITAL

22.01 Paid-up Capital

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

	2021
Common shares – ₱1 par value	
Authorized – 4,500,000,000 shares	
Issued – 1,500,000 shares	**1,500,000,000**
Subscribed shares – nil shares	**–**
APIC	**724,255,313**
	2,224,255,313

In Philippine Peso

	2020
Common shares – ₱1 par value	
Authorized – 4,500,000,000 shares	
Issued – 1,500,000 shares	1,500,000,000
Subscribed shares – nil shares	–
APIC	724,255,313
	2,224,255,313
Preferred shares	
Authorized	
Preferred – ₱10 par value – 230,000,000 shares	
Series "A" – ₱1 par value – 6,750,000,000 shares	
Series "B" – ₱1 par value –1,800,000,000 shares	
Series "C" – ₱1 par value – 250,000,000 shares	
Issued	
Preferred – ₱10 par value – nil shares	–
Series "A" – ₱1 par value – nil shares	–
Series "B" – ₱1 par value – 969,695 shares	969,695
Series "C" – ₱1 par value – nil shares	–
	969,695
	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.

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

As discussed in Note 2 to the financial statements, the Rehab Plan directs the Company to increase its authorized capital stock to accommodate the debt-to-equity conversion amounting to ₱8,711,736,581.

The Company has filed with the SEC the increase in authorized capital stock from ₱3,800,000,000 to ₱15,600,000,000 on October 9, 2018, which was approved on October 31, 2018. On February 24, 2021, the Company voluntarily requested for the reversal of the previously approved increase of its authorized capital. On April 27, 2021, the CRMD issued an Order approving the request of the Company thereby reverting the Company's authorized capital stock back to ₱3,800,000,000. With the reversal of the increase in authorized capital, the previously issued ₱969,695 Series "B" Serial Redeemable Preferred Shares is automatically reversed (see Note 20).

In Philippine Peso

23. 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:

	2021	2020	2019
Net loss shown in the statements of comprehensive loss	**(22,784,703)**	(31,320,532)	(52,402,835)
Weighted average number of common shares for basic and diluted loss per share	**1,500,000,000**	1,500,000,000	1,500,000,000
Basic and diluted loss per share	**(0.02)**	(0.02)	(0.03)

24. RELATED PARTY TRANSACTIONS

24.01 Related Party Relationships

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

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 / Resell of data transport
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.

In Philippine Peso

24.02 Related Party Transactions

Transactions and outstanding balances with related parties as at December 31, 2021 and 2020 which consist mainly of advances intended for working capital requirements are as follows:

Category	Notes	Year	Volume/ Amount	Outstanding Balance	Terms	Conditions
Entities with significant influence over the Company						
TSI						
Revenues /		**2021**	**6,996,530**	**12,641,110**	Due and demandable,	Unimpaired
Receivables		2020	6,636,913	5,105,238	cash settled	
Due to related parties		**2021**	**1,834,008**	**43,654,330**	Due and demandable,	
		2020	1,123,863	41,820,322	cash settled	Unsecured
MENLO						
Due from related parties		**2021**	**32,977,074**	**35,525,574**	Due and demandable,	
		2020	2,548,500	2,548,500	cash settled	Unimpaired
Due to related parties		**2021**	**12,073,849**	**23,365,912**	Due and demandable,	
		2020	(7,721,550)	11,292,063	cash settled	Unsecured
Affiliates						
CWI						
Due from related parties		**2021**	**12,680**	**3,469,011**	Due and demandable,	
		2020	2,571,100	3,456,331	cash settled	Unimpaired
Due to related parties		**2021**	**–**	**440,000**	Due and demandable,	
		2020	–	440,000	cash settled	Unsecured
PWI						
Due from related parties		**2021**	**486,278**	**4,191,125**	Due and demandable,	
		2020	2,432,614	3,704,847	cash settled	Unimpaired
Due to related parties		**2021**	**824,003**	**20,819,003**	Due and demandable,	
		2020	19,995,000	19,995,000	cash settled	Unsecured
RETELCOM						
Due to related parties		**2021**	**501,180**	**7,616,064**	Due and demandable,	
		2020	501,180	7,114,884	cash settled	Unsecured
TIMCO						
Due to related parties		**2021**	**–**	**38,355,000**	Due and demandable,	
		2020	–	38,355,000	cash settled	Unsecured
WPI						
Due from related parties		**2021**	**–**	**59,937**	Due and demandable,	
		2020	11,006	59,937	cash settled	Unimpaired
Other related parties						
Other individual and corporate stockholders						
Due from related parties		**2021**	**(1,672,789)**	**15,000**	Due and demandable,	
		2020	1,687,789	1,687,789	cash settled	Unimpaired
Due to related parties		**2021**	**(13,312,958)**	**145,517,146**	Due and demandable,	
		2020	13,484,726	158,830,104	cash settled	Unsecured

In Philippine Peso

Category	Notes	Year	Volume/ Amount	Outstanding Balance	Terms	Conditions
Interest expenses / Due to related parties – accrued interest		**2021**	**12,328,360**	**25,030,449**	6% interest rate per annum	
		2020	13,332,635	18,542,106		
Revenues	25	**2021**	**6,996,530**	**12,641,110**		
Receivables	8	2020	6,636,913	5,105,238		
Due from related parties		**2021**	**31,803,243**	**43,260,647**		
		2020	**9,251,009**	11,457,404		
		2021	**8,408,425**	**304,797,904**		
Due to related parties		2020	**28,369,242**	296,389,480		
	29	**2021**	**12,328,360**			
Interest expenses		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 financing and advances from related parties obtained by the Company mainly for working capital requirements prior to the entry of the new investor in accordance with the court-approved Rehab Plan (see Note 2).

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

		2021		2020
Foreign currency denominated	**$**	**288,805**	$	288,805
Philippine peso equivalents	**₱**	**14,662,630**	₱	13,873,037

The Company recognized unrealized foreign exchange gain (loss) from translating foreign currency denominated due to related parties amounting (₱790,749), ₱780,987, and ₱690,245 in 2021, 2020, and 2019, respectively, recorded as part of unrealized foreign exchange gain (loss) – net (see Note 26).

In 2021, the Company derecognized due to related parties amounting to ₱12,103,707 recorded as part of reversal of liabilities (see Note 26).

24.03 Key Management Remuneration

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

	Note	**2021**	2020
Short-term employee benefits		**36,243,951**	34,132,109
Retirement benefits cost	21	**3,260,790**	2,334,402
		39,504,741	36,466,511

The Company recognized short-term employee benefits of key management personnel recorded as part of personnel cost (see Note 27).

In Philippine Peso

25. REVENUES AND COST OF SALES

The components of revenues are as follows:

	2021	2020	2019
Broadband internet access services:			
Direct customers	**394,417,304**	338,822,910	304,163,387
Resellers	**24,117,569**	39,999,767	41,766,571
Information technology services	**66,008,892**	24,337,379	42,260,011
Other services	**12,861,528**	5,183,997	7,853,754
	497,405,293	408,344,053	396,043,723

Revenue Sharing Agreement with IPS, Inc. (IPS)
The Company and IPS entered into an agreement where IPS is allowed to use the Company's last mile as local transport, as compensation, the Company collects monthly recurring rate depending on the bandwidth transported as agreed on subscription agreements.

Collection Agent Agreement with IPS
The Company agreed to act as the collecting agent of IPS. The Company shall perform the billing and collection of monthly subscription fee on behalf of IPS. In return, the Company shall be compensated equivalent to 3% of the gross receipts, net of VAT.

Facilities Exchange and Revenue Sharing Agreement with TSI
On February 13, 2013, the Company and TSI entered into a Memorandum of Understanding where both parties agree to exchange usufruct including, but not limited to, the Company's fiber facilities, capacities, and upgrades which were funded by TSI, TSI's multiplex and other equipment upgrades. These facilities shall be used to provide data transport facilities to customers for which the Company and TSI shall share revenue based on gross receipts. TSI and the Company's revenue sharing varies from 30:70, 50:50 and 40:60, respectively. TSI shall be an authorized reseller of the Company's data transport services. The Memorandum of Understanding shall be effective for a period of 15 years from the execution date.

Revenue disaggregation are as follows:

	Note	**2021**	2020	2019
Contracts:				
Revenue with IPS		**887,134**	11,918,647	25,177,451
Company's revenue-share from resell of data transport	24	**6,996,530**	6,636,913	16,589,121
Other individual and corporate contracts		**489,521,629**	389,788,493	354,277,151
		497,405,293	408,344,053	396,043,723

In Philippine Peso

	2021	2020	2019
Type of customers:			
Government	**22,064,670**	63,700,677	58,064,700
Non-government	**475,340,623**	344,643,376	337,979,023
	497,405,293	408,344,053	396,043,723

Timing of recognition of revenue:			
Over time	**427,414,914**	378,612,448	346,288,274
At a point in time	**69,990,379**	29,731,605	49,755,449
	497,405,293	408,344,053	396,043,723

Geographical markets:			
Metro Manila	**402,276,851**	316,384,972	289,788,118
Luzon	**86,432,392**	82,526,333	98,846,675
Visayas	**5,214,788**	3,756,765	3,292,858
Mindanao	**3,481,262**	5,675,982	4,116,072
	497,405,293	408,344,052	396,043,723

Cost of sales related to information technology services earned from IT services contracts consists of costs incurred in the delivery of IT services and products for IT infrastructure, applications, network security, and others. This account includes costs of equipment or software placed and installed at the customer's location.

	2021	2020	2019
IT services	**13,565,155**	9,357,052	14,613,665
IT equipment and software	**43,655,227**	12,450,053	17,155,173
	57,220,382	21,807,105	31,768,838

IT equipment and software issued and installed for IT services are purchased based on contractual agreements as necessity arises. Furthermore, the Company do not maintain inventories related to IT services.

26. **OTHER INCOME** – net

The components of other income are as follows:

	Notes	**2021**	2020	2019
Reversal of liabilities	18,24	**12,103,707**	11,922,857	552,894
Gain on sale of properties – net	10,13	**9,415,617**	13,106,100	–
Rack rental income	31	**1,753,532**	2,608,356	1,372,581
Unrealized foreign exchange gain (loss) – net	7,15,18,24	**(1,009,215)**	1,187,545	1,308,981
Realized foreign exchange loss – net		**(58,288)**	(45,158)	(195,142)
Interest income	7	**45,714**	85,283	71,532
Dividend income	15	**14,022**	13,167	12,312
Interest waived from labor-related statutory obligations	17	**–**	–	3,112,818
Miscellaneous		**1,077,626**	313,288	483,128
		23,342,715	29,191,438	6,719,104

In Philippine Peso

Unrealized foreign exchange gain (loss) recognized are as follows:

	Notes	2021	2020	2019
Cash	7	**8,998**	(1,682)	(3,372)
Accrued upstream internet connectivity	15	**356,744**	(354,464)	770,764
Refundable security deposit	18	**(584,208)**	762,704	(148,656)
Due from related parties	24	**(790,749)**	780,987	690,245
		(1,009,215)	1,187,545	1,308,981

27. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

The components of selling, general, and administrative expenses are as follows:

	Notes	2021	2020	2019
Personnel cost	28	**222,001,987**	193,173,112	203,824,120
Utilities and supplies		**21,899,921**	19,444,011	21,656,070
Taxes, licenses, and other fees		**21,205,977**	22,055,924	14,458,986
Outside services		**15,102,677**	14,142,541	9,493,864
Professional and other contracted services		**14,562,513**	10,752,615	16,079,410
Marketing and commission		**7,032,258**	7,053,941	11,117,342
Representation and entertainment		**6,784,869**	9,296,449	6,808,727
Provision for ECL – net	8	**5,287,810**	7,986,290	780,496
Software licenses		**4,301,786**	3,373,725	1,479,295
Repairs and maintenance		**2,441,933**	1,553,795	1,882,800
Seminar expense		**1,193,374**	1,094,649	917,330
Insurance expense		**427,169**	548,316	845,277
Trustee fee		**–**	13,187,500	5,312,500
Loss on asset written off	9	**–**	495,158	–
Miscellaneous expense		**8,637,414**	7,312,043	6,069,549
		330,879,688	311,470,069	300,725,766

Outside services pertain to expenses from janitorial, security and other services acquired from third party.

Trustee fee pertains to the amount paid by the Company in relation with the transfer of records of its Mortgage Trust Indenture wherein a trustee was appointed to act as an impartial intermediary between the Company and its creditors in the administration of properties securing the Company's loans.

Miscellaneous includes association dues, membership fees, postage and mailing, access fee, bank charges, and other incidental business expenses of the Company.

28. PERSONNEL COST

The components of personnel cost are as follows:

	Note	2021	2020	2019
Salaries and wages		**164,254,795**	140,892,674	144,714,467
Retirement benefit costs	21	**10,908,564**	9,816,117	8,219,990
Other benefits		**46,838,628**	42,464,321	50,889,663
		222,001,987	193,173,112	203,824,120

In Philippine Peso

Other benefits include government contributions, short-term compensated absences, bonuses, non-monetary benefits and other short-term benefits.

29. INTEREST EXPENSES

The components of interest expenses are as follows:

	Notes	**2021**	2020	2019
Corporate rehabilitation obligations	18	**22,805,466**	23,343,152	27,500,155
Due to related parties	24	**12,328,360**	13,332,635	12,434,887
Lease liabilities	31	**4,287,083**	2,963,754	2,227,216
Bank loans	19	**616,881**	242,841	385,432
Others		**4,196**	145,011	382,868
		40,041,986	40,027,393	42,930,558

Others pertain to interest expenses paid by the Company to various suppliers.

30. INCOME TAX

30.01 Income Tax Recognized in Profit or Loss

The components of income tax expense are as follows:

	2021	2020	2019
Income tax expense – current (MCIT)	**2,542,549**	3,769,799	2,873,472
Effect of CREATE in 2020	**(942,450)**	–	–
	1,600,099	3,769,799	2,873,472
Income tax expense – deferred	**(2,567,352)**	24,804	–
Effect of CREATE in 2020	**(2,066)**	–	–
	(2,569,418)	24,804	–
Income tax reported in the statements of loss	**(969,319)**	3,794,603	2,873,472

The reconciliation of income tax computed at the statutory income tax rate to provision for income tax as shown in the statements of loss is as follows:

	2021	2020	2019
Loss at statutory income tax rate	**(5,938,506)**	(8,257,780)	(14,858,809)
Income tax effects of:			
Change in unrecognized deferred income tax assets	**3,813,088**	14,089,294	16,595,787
Gain on disposal of parcels of land subjected to capital gains tax	**(2,386,104)**	(3,931,830)	–
Expired NOLCO	**2,486,742**	–	–
Non-deductible expenses	**2,019,045**	1,924,454	1,161,648
Interest income subjected to final tax	**(11,429)**	(25,585)	(21,460)
Effect of CREATE	**(948,649)**	–	–
Dividend income	**(3,506)**	(3,950)	(3,694)
	(969,319)	3,794,603	2,873,472

In Philippine Peso

Upon enactment of CREATE Act in 2021, corporate income tax rate was reduced from 30% to 25%. This resulted to lower provision for current income tax for the year ended December 31, 2020 and lower tax payable as of December 31, 2020. The reduced amount was reflected in the Company's 2020 annual income tax return and recognized the effect for financial reporting purposes in 2021 financial statements.

Net deferred income tax recognized in the statements of financial position are as follows:

	2021	2020
Deferred income tax asset		
Balance at beginning of year	**–**	–
Movement directly charged to profit (loss):		
MCIT	**2,542,549**	–
Balance at end of year	**2,542,549**	–

	2021	2020
Deferred income tax liabilities		
Balance at beginning of year	**46,945,364**	45,813,153
Effect of CREATE	**(10,480,364)**	
Movement directly charged to profit (loss):		
Unrealized foreign exchange gain	**–**	24,804
Effect of CREATE in 2020	**(2,066)**	–
Movement directly charged to other comprehensive income:		
Actuarial gain on retirement benefits	**275,825**	1,107,407
Balance at end of year	**36,738,759**	46,945,364

As at December 31, 2021 and 2020, no deferred income tax assets have been recognized on the following tax bases because management believes that it is not probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

	Notes	**2021**	2020
Allowance for ECL and impairment	15	**1,447,513,336**	1,447,513,336
Accrued interests	18	**243,419,332**	221,948,710
Retirement costs	19	**142,613,304**	147,249,614
NTC outside Corp Rehab	17	**137,306,870**	124,845,901
Due to related parties – accrued interest	24	**25,030,449**	18,542,107
Provision for ECL on receivables	8	**16,820,295**	11,532,485
NOLCO		**9,398,792**	37,245,480
Leases – PFRS 16		**3,643,411**	2,420,903
Unrealized foreign exchange loss	26	**1,009,215**	204,118
		2,026,755,004	2,011,502,654
MCIT		**6,643,271**	6,643,271
Total		**2,033,398,275**	2,018,145,925

In Philippine Peso

Unrecognized deferred tax assets are as follows:

	2021	2020
Allowance for ECL and impairment	**361,878,334**	361,878,334
Accrued interests	**60,854,833**	55,487,178
Retirement costs	**35,653,326**	36,812,404
NTC outside Corp Rehab	**34,326,718**	31,211,475
Due to related parties – accrued interest	**6,257,612**	4,635,527
Provision for ECL on receivables	**4,205,074**	2,883,121
NOLCO	**2,349,698**	9,311,370
Leases – PFRS 16	**910,853**	605,226
Unrealized foreign exchange loss	**252,304**	51,030
	506,688,752	502,875,665
MCIT	**6,643,271**	6,643,271
Total	**513,332,023**	509,518,936

As at December 31, 2021, the Company has NOLCO that can be claimed as deductions from future taxable income as follows:

Period of recognition	Availment period	NOLCO	Applied	Expired	Balance
2018	2019-2021	27,846,688	(18,622,578)	(9,224,110)	–
2019	2020-2022	9,398,792	–	–	9,398,792
		37,245,480	**(18,622,578)**	**(9,224,110)**	**9,398,792**

30.02 Republic Act No. 11494 otherwise known as "Bayanihan to Recover as One Act"

Under Section 34(D)(3) of the NIRC of 1997, as amended, the net operating loss of the business or enterprise for any taxable year, except taxable years 2020 and 2021, which had not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss. For taxable years 2020 and 2021, the net operating loss incurred shall be carried over as a deduction from the gross income for the next five (5) consecutive years following the year of such loss under Section 4 of RA No. 11494, otherwise known as the "Bayanihan to Recover as One Act".

As at December 31, 2021, the Company has MCIT that can be claimed as deductions from future taxable income as follows:

Period of recognition	Availment period	MCIT	Applied	Expired	Balance
2019	2020-2022	2,873,472	–	–	2,873,472
2020	2021-2025	3,769,799	–	–	3,769,799
2021	2022-2026	2,549,778	–	–	2,549,778
		9,193,049	**–**	**–**	**9,193,049**

In Philippine Peso

31. LEASES

a. The Company as a Lessee

The Company has lease contracts for various network equipment for cell sites telecommunications equipment locations and leased poles and other work equipment for car rentals used in its operations which generally have lease terms between 1 and 10 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets and some contracts require the Company to maintain certain financial ratios. There are several lease payments which are further discussed below.

Set out below are the carrying value and movements of right-of-use assets:

2021	**Network equipment**	**Other work equipment**	**Total**
Cost:			
Balance at beginning of year	**106,896,704**	**2,266,792**	**109,163,496**
Additions	**8,472,731**	**150,458**	**8,623,189**
Balance at end of year	**115,369,435**	**2,417,249**	**117,786,684**
Accumulated depreciation:			
Balance at beginning of year	**30,234,784**	**1,994,306**	**32,229,090**
Depreciation	**34,962,164**	**322,638**	**35,284,802**
Balance at end of year	**65,196,948**	**2,316,944**	**67,513,892**
Net carrying value	**50,172,487**	**100,305**	**50,272,792**

2020	Network equipment	Other work equipment	Total
Cost:			
Balance at beginning of year	40,160,065	2,266,792	42,426,857
Additions	66,736,639	–	66,736,639
Balance at end of year	106,896,704	2,266,792	109,163,496
Accumulated depreciation:			
Balance at beginning of year	11,321,656	989,099	12,310,755
Depreciation	18,913,127	1,005,208	19,918,335
Balance at end of year	30,234,783	1,994,307	32,229,090
Net carrying value	76,661,921	272,485	76,934,406

Set out below are the carrying value and movements of lease liabilities:

	Note	**2021**	2020
Balance at beginning of year		**79,178,555**	31,146,478
Additions		**8,623,188**	66,736,639
Accretion of interest	29	**4,287,083**	2,963,754
Payments		**(38,296,076)**	(21,668,316)
Balance at end of year		**53,792,750**	79,178,555

In Philippine Peso

The following is the current and non-current portion of lease liabilities:

	2021	2020
Current	**27,467,164**	26,901,555
Non-current	**26,325,586**	52,277,000
	53,792,750	79,178,555

The maturity analysis of lease liabilities is disclosed below:

2021	**Network and office premises**	**Other work equipment**	**Total**
Lease payments:			
Within 1 Year	**29,872,838**	**53,571**	**29,926,409**
1-2 Years	**21,829,266**	**53,571**	**21,882,837**
2-3 Years	**2,222,608**	**–**	**2,222,608**
3-4 Years	**1,150,598**	**–**	**1,150,598**
4-5 Years	**2,616,741**	**–**	**2,616,741**
	57,692,051	**107,142**	**57,799,193**
Finance charges:			
Within 1 Year	**2,454,530**	**4,715**	**2,459,245**
1-2 Years	**869,714**	**1,701**	**871,415**
2-3 Years	**256,267**	**–**	**256,267**
3-4 Years	**169,821**	**–**	**169,821**
4-5 Years	**249,695**	**–**	**249,695**
	4,000,027	**6,416**	**4,006,443**
Net present values:			
Within 1 Year	**27,418,308**	**48,856**	**27,467,164**
1-2 Years	**20,959,552**	**51,870**	**21,011,422**
2-3 Years	**1,966,341**	**–**	**1,966,341**
3-4 Years	**980,777**	**–**	**980,777**
4-5 Years	**2,367,046**	**–**	**2,367,046**
	53,692,024	**100,726**	**53,792,750**

In Philippine Peso

2020	Network and office premises	Other work equipment	Total
Lease payments:			
Within 1 Year	30,627,926	279,538	30,907,464
1-2 Years	28,817,392	–	28,817,392
2-3 Years	21,980,682	–	21,980,682
3-4 Years	1,777,102	–	1,777,102
4-5 Years	3,635,563	–	3,635,563
	86,838,665	279,538	87,118,203
Finance charges:			
Within 1 Year	3,997,171	8,738	4,005,909
1-2 Years	2,408,612	–	2,408,612
2-3 Years	866,061	–	866,061
3-4 Years	242,569	–	242,569
4-5 Years	416,497	–	416,497
	7,930,910	8,738	7,939,648
Net present values:			
Within 1 Year	26,630,755	270,800	26,901,555
1-2 Years	26,408,780	–	26,408,780
2-3 Years	21,114,621	–	21,114,621
3-4 Years	1,534,533	–	1,534,533
4-5 Years	3,219,066	–	3,219,066
	78,907,755	270,800	79,178,555

The following are the amounts recognized in profit or loss:

	Note	**2021**	2020	2019
Depreciation expense of right-of-use assets		**35,284,802**	19,918,335	12,310,755
Interest on lease liabilities	29	**4,287,083**	2,963,754	2,227,216
		39,571,885	22,882,089	14,537,971

b. The Company as a Lessor

The Company has entered into various lease agreements on its investment properties and telecommunication rack spaces. The operating lease agreements are short-term periods ranging from 1 to 12 months from the date of contracts.

Total rental income earned by the Company from its investment properties amounted to nil, ₱687,258, and ₱1,578,240 in 2021, 2020, and 2019, respectively (see Note 13).

Total rental income earned by the Company from its leased telecommunication rack spaces amounted to ₱1,753,532, ₱2,608,356, and ₱1,372,581 in 2021, 2020, and 2019, respectively (see Note 26).

In Philippine Peso

32. LEGAL CONTINGENCIES

The Company is a party to various legal cases and assessments which are pending in courts or are under protest. The Company's management and the Company's legal counsels, both in-house and external, strongly believe that the liabilities, if any, that may result from the final outcome of these cases and assessments will not materially affect the Company's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these cases and assessments. The disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position and negotiation strategies with respect to these matters. Thus, as allowed by PAS 37, only a general description is provided (see Notes 1 and 2).

33. SEGMENT REPORTING

The Company has only one operating segment which is the broadband internet access services which include, among others: (a) fiber optic dedicated, e-line or shared broadband; (b) wireless dedicated or shared broadband; (c) very small aperture terminal; and (d) gateway peering. Revenues derived from these services consists of fixed monthly subscription rate plus installation charges and other one-time fees associated with the customer service.

The Company shifted its products and services from LEC to broadband data services, fixed wireless services Point to Point and Point to Multipoint Wireless Communications Services and Network Operations Center using the same LEC Network (see Note 1).

The Company monitors the operating results based on earnings before interest, taxes and depreciation and amortization (EBITDA).

The Company's EBITDA are as follows:

	Notes	**2021**	2020	2019
Net loss		**(22,784,703)**	(31,320,532)	(52,402,835)
Interest expenses	29	**40,041,986**	40,027,393	42,930,558
Depreciation	12,14,31	**73,201,860**	53,885,207	43,731,398
Income tax	30	**(969,319)**	3,794,603	2,873,472
		89,489,824	66,386,671	37,132,593

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

34.01 General Risk Management Principles

The Company's principal financial instruments comprise of cash in banks, receivables, due to/from related parties, trade and other payables and loans payables. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial instruments such as refundable security deposits, accrued expenses and other liabilities, which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest risk, and currency risk. The BOD reviews and approves policies for managing each of these risks.

In Philippine Peso

The carrying value of financial assets and liabilities recorded by category are as follows:

	2021	2020
Financial assets:		
Cash in banks	**32,885,864**	46,741,468
Receivables – net*	**127,590,493**	55,399,763
Due from related parties	**43,260,647**	11,457,404
Refundable security deposits	**13,881,057**	12,839,691
Financial asset at FVOCI	**309,852**	229,140
	217,927,913	126,667,466

	2021	2020
Financial liabilities:		
Trade and other payables**	**297,540,457**	227,915,225
Due to related parties	**304,797,904**	296,389,480
Accrued interest, expenses, and other liabilities	**282,946,213**	270,680,964
Lease liabilities	**53,792,750**	79,178,555
Loans payable	**5,334,481**	5,118,964
Deposit for subscription in accordance with the court-approved rehabilitation plan	**8,841,736,581**	130,000,000
	9,786,148,386	1,009,283,188

**Excluding advances to suppliers and contract assets totaling to ₱11,772,838 and ₱5,099,675 as at December 31, 2021 and 2020, respectively.*
**Excluding non-refundable other payables and contract liability of ₱22,136,688 and ₱9,615,238 as at December 31, 2021 and 2020, respectively.*

34.02 Credit and Counterparty Risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument leading to a financial loss. The Company is exposed to credit risk from its operating activities, primarily receivables.

Concentration of credit risk relating to customer receivables is limited due to the large number of customers.

The Company trades only with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis to reduce the Company's exposure to bad debts.

The Company aims to minimize the credit risk of liquid assets and non-current financial assets. Credit limit are set based on each counterparty's size and risk of default. The methodology used to set the credit limit considers the counterparty's credit ratings and default probabilities. Counterparties are monitored regularly, taking into consideration the evolution of the above parameters. The Company's credit quality review process allows it to assess the potential loss as a result of the risks to which it is exposed and to take corrective actions. As a result of this review, changes on credit limits and risk allocation are carried out.

The Company's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Company during the year. The Company has not identified significant risk concentrations arising from the nature, type or location of collateral and other credit enhancements held against the Company's credit exposures.

The maximum exposure to credit risk resulting from financial activities, without considering netting agreements and without taking into account any collateral held or other credit enhancements, is equal to the carrying value of the Company's financial assets.

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Credit risk arising from the inability of a counterparty to meet the terms of the Company's financial instruments is generally limited to the amount, if any, by which the counterparty's obligations exceed the obligation of the Company.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash, financial asset at FVOCI and refundable security deposits, the Company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying value of these instruments.

Credit Risk Exposure

Credit information and maximum exposure of the Company's financial assets are as follows:

	2021	2020
Financial assets:		
Cash in banks	**32,885,864**	46,741,468
Receivables*	**1,530,869,746**	1,448,457,749
Due from related parties	**43,260,647**	11,457,404
Refundable security deposits	**13,881,057**	12,839,691
Financial asset at FVOCI	**309,852**	229,140
	1,621,207,166	1,519,725,452

**Excluding advances to suppliers amounting to ₱6,839,381 and ₱5,099,675 as at December 31, 2021 and 2020, respectively.*

- *Receivables (excluding advances to suppliers)*
  The Company's exposures to credit risk is influenced mainly by the individual characteristics of each customer. The Company maintains a defined credit policy to ensure that the credit is given only to customers with an appropriate credit history. The Company principally transacts with its members.

  The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

  The Company applies the provision matrix in providing for ECL for trade and other receivables which permits the use of the lifetime expected loss provision. The ECL rates are based on Company's observed historical default experience, as well as the future prospects of the industries obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The Company has calculated allowance for ECL of ₱1,398,345,796, and ₱1,393,057,986 as at December 31, 2021 and 2020.

  The Company evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Risk Concentration of the Maximum Exposure to Credit Risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Company's financial strength and undermine public confidence.

Given the Company's diverse base counterparties, it is not exposed to large concentration of credit risks.

In Philippine Peso

Credit Quality of Financial Assets

The credit risk exposure on the Company's trade receivables and contract assets using a provision matrix are as follows:

		Trade Receivables*					
			Past Due				
	Contract assets	**Current**	**<30 days**	**31-60 days**	**61-90 days**	**>90 days**	**Total**
2021:							
Expected Credit Loss Rate	**0%**	**0%-3.7%**	**7.3%-9.20%**	**9.30%-11.70%**	**13.20%-16.50%**	**47.20%-100%**	
Estimated total gross amount at default	**4,933,457**	**64,788,006**	**8,068,249**	**4,427,209**	**2,970,185**	**1,445,682,640**	**1,530,869,746**
Expected Credit Loss	**–**	**733,614**	**1,236,597**	**789,717**	**578,127**	**1,395,007,741**	**1,398,345,796**

**Including long outstanding trade receivables but excluding advances to suppliers amounting to ₱6,839,381.*

		Trade Receivables*					
			Past Due				
	Contract assets	Current	<30 days	31-60 days	61-90 days	>90 days	Total
2020:							
Expected Credit Loss Rate	0%	0%-3.7%	7.3%-9.2%	9.3%-11.7%	13.2%-16.5%	47.2%-100%	
Estimated total gross amount at default	–	21,174,053	13,431,946	4,406,771	4,406,039	1,405,038,940	1,448,457,749
Expected Credit Loss	–	1,065,108	2,610,341	852,123	894,665	1,387,635,749	1,393,057,986

**Including long outstanding trade receivables but excluding advances to suppliers amounting to ₱5,099,675.*

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. The Company manages its credit risk by depositing its cash with high credit quality banking institutions. Investments of surplus funds are made only with the approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's management on an annual basis and may be updated throughout the year subject to approval of the Company's BOD. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

The Company's maximum exposure to credit risk for the components of the statements of financial position as at December 31, 2021 and 2020 is the carrying value of receivables amounting to ₱132,523,950 and ₱55,399,763, excluding advances to suppliers amounting ₱6,839,381 and ₱5,099,675, respectively.

In Philippine Peso

34.03 Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of availments and extensions of advances to and from related parties. The contractual maturity of the Company's trade and nontrade payables is generally within 30 to 90 days after the recognition of the liability.

The maturity profile of the Company's liabilities based on contractual undiscounted repayment obligations are as follows:

2021	**Within 1 Year**	**1 – 5 Years**	**Total**
Financial liabilities:			
Trade and other payables*	**297,540,457**	**–**	**297,540,457**
Due to related parties	**304,797,904**	**–**	**304,797,904**
Accrued interest, expenses and other liabilities	**282,946,213**	**–**	**282,946,213**
Lease liabilities	**27,467,164**	**26,325,586**	**53,792,750**
Loans payable	**1,448,323**	**3,886,158**	**5,334,481**
Deposit for subscription in accordance with the court-approved rehabilitation plan	**–**	**8,841,736,581**	**8,841,736,581**
	914,200,061	**8,871,948,325**	**9,786,148,386**
Financial assets:			
Cash in banks	**32,885,864**	**–**	**32,885,864**
Receivables**	**1,525,936,289**	**–**	**1,525,936,289**
Due from related parties	**43,260,647**	**–**	**43,260,647**
Refundable security deposits	**–**	**13,881,057**	**13,881,057**
	1,602,082,800	**13,881,057**	**1,615,963,857**

**Excluding non-refundable other payables and contract liability of ₱22,136,688.*
***Excluding advances to suppliers totaling to ₱6,839,381.*

2020	Within 1 Year	1 – 5 Years	Total
Financial liabilities:			
Trade and other payables*	227,915,225	–	227,915,225
Due to related parties	296,389,480	–	296,389,480
Accrued interest, expenses and other liabilities	270,680,964	–	270,680,964
Lease liabilities	26,900,191	52,278,364	79,178,555
Loans payable	1,214,441	3,904,523	5,118,964
Deposit for subscription in accordance with the court-approved rehabilitation plan	–	130,000,000	130,000,000
	823,100,301	186,182,887	1,009,283,188
Financial assets:			
Cash in banks	46,741,468	–	46,741,468
Receivables**	1,448,457,749	–	1,448,457,749
Due from related parties	11,457,404	–	11,457,404
Refundable security deposits	–	12,839,691	12,839,691
Financial asset at FVOCI	–	229,140	229,140
	1,506,656,621	13,068,831	1,519,725,452

**Excluding non-refundable other payables and contract liability of ₱9,615,238.*
*** Excluding advances to suppliers totaling to ₱5,099,675.*

The table analyses the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

In Philippine Peso

34.04 Interest Rate Risk

The Company is exposed to interest risk as it borrows funds at both fixed and floating interest rates. For floating rate liabilities, the sensitivity analysis is prepared assuming the amount of liability outstanding at the end of each reporting period and was outstanding for the whole year.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	2021	2020
Profit before tax	**+/-288,486**	+/-421,236
Equity*	**+/-216,365**	+/-294,865

**Equity is based on 75% and 70% of the total exposure in 2021 and 2020, respectively.*

34.05 Currency Risk

The Company undertakes transactions denominated in foreign currencies of United States Dollar (USD); consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying value of the Company's foreign currency denominated monetary assets and monetary liabilities are as follows:

	2021		2020	
	USD	**PHP**	USD	PHP
Financial assets				
Cash in bank (Note 7)	**23,055**	**1,170,597**	15,101	725,380
Refundable security deposits (Note 15)	**76,000**	**3,858,824**	76,000	3,651,040
	99,055	**5,029,421**	91,101	4,376,420
Financial liabilities				
Accrued expenses (Note 18)	**213,370**	**10,833,657**	281,649	13,529,270
Due from related parties (Note 24)	**288,805**	**14,662,630**	288,805	13,873,037
	502,175	**25,496,287**	570,454	27,402,307
Exposure	**(403,120)**	**(20,466,866)**	(479,353)	(23,025,887)

The balances have been restated at ₱50.77 and ₱48.04 per USD, which is based on the reference rate of prevailing market rate as at December 31, 2021 and 2020, respectively.

The Company's sensitivity to a 5% increase and decrease in the PHP against USD are as follows:

	2021	2020
Profit before tax	**+/-1,023,343**	+/-1,151,294
Equity*	**+/-767,507**	+/-805,906

**Equity is based on 75% and 70% of the total exposure in 2021 and 2020, respectively.*

In Philippine Peso

The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

A positive number indicates an increase in profit and other equity where the PHP strengthens 5% against the USD. For a 5% weakening of the PHP against the USD, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the the end of each reporting period exposure does not reflect the exposure during the year. The Company mitigates its exposure to foreign currency risk by monitoring its foreign currency cash flows.

The foreign exchange gain (loss) recognized in the statements of loss are as follows:

	Note	**2021**	2020	2019
Realized foreign exchange loss – net	26	**(58,288)**	(45,158)	(195,142)
Unrealized foreign exchange gain (loss) – net	26	**(1,009,215)**	1,187,545	1,308,981

34.06 Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern, while maximizing the return on investments of stockholders. The Company is currently on Corp Rehab proceedings. The details of the Rehab Plan are disclosed in Note 2. The capital structure of the Company consists of equity comprising of paid-up capital, revaluation surplus, due to related parties, deposit for subscription in accordance with the court-approved Rehab Plan and deficit.

The capital structure of the Company consists of the following:

	2021	2020
Paid-up capital	**2,224,255,313**	2,225,225,008
Revaluation surplus	**109,395,000**	102,102,000
Due to related parties	**304,797,904**	296,389,480
Deposit for subscription in accordance with the court-approved rehabilitation plan	**8,841,736,581**	8,840,766,886
Deficit	**(11,873,399,752)**	(11,850,615,049)
	(393,214,954)	(386,131,675)

In Philippine Peso

35. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

A comparison by category and by class of carrying and fair values of all the Company's financial assets and financial liabilities, other than those with carrying value that are measurable approximations of fair values such as, cash in banks, current and long-term, receivables excluding advances to suppliers and contract asset, due from related parties, trade and other payables excluding non-refundable other payables and contract liability, due to related parties, deposit for subscription in accordance with the court-approved rehabilitation plan, and accrued interest, expenses and other liabilities are as follows:

	Carrying Value	**Fair Value**			
2021		**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Financial assets					
Refundable security deposits	**13,881,057**	**–**	**–**	**13,881,057**	**13,881,057**
Financial asset at FVOCI	**309,852**	**309,852**	**–**	**–**	**309,852**
	14,190,909	**309,852**	**–**	**13,881,057**	**14,190,909**
Financial Liabilities					
Lease liabilities	**53,792,750**	**–**	**53,792,750**	**–**	**53,792,750**
Loans payable	**5,334,481**	**–**	**5,334,481**	**–**	**5,334,481**
	59,127,231	**–**	**59,127,231**	**–**	**59,127,231**

	Carrying Value	Fair Value			
2020		Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservabl e Inputs (Level 3)	Total
Financial assets					
Refundable security deposits	12,839,691	–	–	12,839,691	12,839,691
Financial asset at FVOCI	229,140	229,140	–	–	229,140
	13,068,831	229,140	–	12,839,691	13,068,831
Financial Liabilities					
Lease liabilities	79,178,555	–	79,178,555	–	79,178,555
Loans payable	5,118,964	–	5,118,964	–	5,118,964
	84,297,519	–	84,297,519	–	84,297,519

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate on such date:

Refundable Security Deposits
The fair value of refundable security deposits cannot be readily determined nor reliably measured because the actual timing of the payment cannot be reasonably predicted as these deposits are generally re-deposited every renewal of contracts. The management deemed that the difference of fair value and carrying value of the refundable security deposit is insignificant.

Financial asset at FVOCI under PFRS 9
The fair values of financial asset at FVOCI is determined by reference to quoted market bid prices at the close of business at the end of the reporting period.

In Philippine Peso

Lease Liabilities
The Company recognizes lease liabilities based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Loans Payable
The Company did not discount its outstanding loans payable since the management deemed that the effect of discounting the difference of market rate and interest rate of the loan is insignificant.

Fair Value Hierarchy
The Company has assets for which its fair values are disclosed such as non-current assets held for sale (see Note 10), land (see Note 11), and investment properties (see Note 13). These assets were categorized under Level 1 of the fair value hierarchy, the fair values have been determined based on current market valuations using the sales comparison approach method.

36. NOTES TO CASH FLOWS

The following are the financing activities resulting to changes in the Company's liabilities:

2021	**Beginning of year**	**Cashflows**	**Effect of foreign exchange**	**Others**	**End of year**
Due to related parties	**296,389,480**	**1,129,333**	**790,749**	**6,488,342**	**304,797,904**
Lease liabilities*	**79,178,555**	**(38,296,076)**	–	**12,910,271**	**53,792,750**
Loans payable**	**5,118,964**	**265,813**	–	**(50,296)**	**5,334,481**
	380,686,999	**(36,900,930)**	**790,749**	**19,348,318**	**363,925,135**

**Cashflows include payment of principal and interest portion amounting to ₱34,008,993 and ₱ 4,287,083, respectively (see Note 31).*
***Cashflows is net of ₱1,574,400 proceeds and ₱1,308,587 payment of principal (see Note 19).*

2020	Beginning of year	Cashflows	Effect of foreign exchange	Others	End of year
Due to related parties	269,006,260	14,831,572	(780,987)	13,332,635	296,389,480
Lease liabilities*	31,146,478	(21,668,316)	–	69,700,393	79,178,555
Loans payable**	1,512,251	3,573,705	–	33,008	5,118,964
	301,664,989	(3,263,039)	780,987	83,066,036	380,686,999

**Cashflows include payment of principal and interest portion amounting to ₱18,704,562 and ₱2,963,754, respectively (see Note 31).*
***Cashflows is net of ₱4,224,000 proceeds and ₱650,295 payment of principal (see Note 19).*

2019	Beginning of year	Cashflows	Effect of foreign exchange	Others	End of year
Due to related parties	303,683,544	(40,182,533)	(690,245)	6,195,494	269,006,260
Lease liabilities*	42,250,103	(13,330,841)	–	2,227,216	31,146,478
Loans payable	2,601,644	(1,074,910)	–	(14,483)	1,512,251
	348,535,291	(54,588,284)	(690,245)	8,408,227	301,664,989

**Cashflows include payment of principal and interest portion amounting to ₱11,103,625 and ₱2,227,216, respectively (see Note 31).*

Others include the effect of accretion of loans payable and effect of recognition and accretion of lease liabilities, effect of accrued but not yet paid interest on interest-bearing loans and borrowings as at the end of the reporting period.

In Philippine Peso

36.01 Non-cash Activities

Significant non-cash investing and financing activities of the Company are as follows:

	Notes	**2021**	2020	2019
Transfers from plant supplies to properties and equipment		**29,888,085**	7,176,720	13,979,197
Purchases of property and equipment on account		**15,246,370**	2,173,598	–
Recognition of right-of-use assets	31	**8,623,189**	66,736,639	42,426,857
Recognition of lease liabilities	31	**8,623,189**	66,736,639	42,250,103
Transfers from land to NCAHFS	10,11	**–**	–	360,360,000
Transfers from property and equipment to NCAHFS	10,12	**–**	–	8,234,244
Transfers from investment properties to NCAHFS	10,13	**–**	–	10,086,500

37. EVENTS AFTER THE REPORTING PERIOD

No other events after the reporting period were identified in these financial statements that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and that are indicative of conditions that arose after the reporting period (non-adjusting events).

In Philippine Peso

SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS NO. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010, amending certain provisions of RR No. 21-2002, implementing Section 6 (H) of the tax code of 1997, prescribing the manner of compliance with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes and licenses pair or accrued during the period. The Company also reported and/or paid the following types of taxes for the period:

Value-added taxes

The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. Details of the Company's net sales/receipts, output VAT and input VAT accounts are as follows:

Output VAT

Details on the Company's VAT output tax declared are as follows:

	2021		2020	
	Tax base	**Output VAT**	Tax base	Output VAT
Sale of services	**373,321,231**	**44,798,548**	305,577,241	36,669,269
Sales to government	**40,556,653**	**4,866,798**	54,156,010	6,498,721
Exempt	**15,413,352**	**–**	15,269,088	–
	429,291,236	**49,665,346**	375,002,339	43,167,990

The Company's sale of services as reported in the VAT returns are based on actual collections received, hence, such may not be same with amounts accrued in profit or loss.

Exempt pertains to transactions with PEZA-registered entities and educational institutions which are exempt from VAT under Section 109 of the NIRC, as amended.

Input VAT

The amount of VAT input taxes claimed are broken down into:

	2021	2020
Balance at beginning of year		–
Add:		
Current year's domestic purchases/importations for:		
Goods other than capital goods	**1,569,040**	1,218,657
Services	**17,261,468**	7,702,596
Capital goods < 1M	**668,949**	785,165
Capital goods > 1M	**252,615**	–
Input VAT on purchase of capital goods from previous period	**2,061,901**	1,560,099
Sale to government closed to expense	**2,838,966**	3,790,921
Total	**24,652,939**	15,057,438
Application against output tax	**(24,652,939)**	(15,057,438)
Balance at end of year	**–**	–

The input VAT is being deferred when the accumulated purchases of capital goods for each month equals to ₱1,000,000 or more. The input VAT is amortized over 5 years or the life of the capital goods, whichever is shorter.

In Philippine Peso

Taxes and Licenses

Details consist of the following:

	2021	2020
National tax:		
Supervision and Regulation Fee	**11,126,125**	11,121,277
Capital gains tax	**2,694,300**	3,125,700
Spectrum User Fee	**12,000**	–
BIR annual registration fee	**500**	500
Others	**387,812**	145,250
Local tax:		
Permit fees	**3,725,154**	3,117,727
Real property taxes	**2,718,583**	4,469,617
Others	**541,503**	75,853
	21,205,977	22,055,924

Withholding Taxes

Details of withholding taxes are as follows:

	2021	2020
Withholding taxes on compensation	**31,987,928**	24,912,990
Expanded withholding taxes	**4,576,625**	3,265,066
	36,564,553	28,178,056

Others

The Company has no outstanding tax cases in any other court or bodies outside of the BIR as at and for the years ended December 31, 2021 and 2020.

Alas Oplas & Co., CPAs

Alas Oplas & Co., CPAs
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10/F Philippine AXA Life Centre
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Makati City, Philippines 1200
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Independent Member of
BKR International

REPORT ON THE ADDITIONAL COMPONENTS OF FINANCIAL STATEMENTS UNDER REVISED SECURITIES REGULATION CODE RULE 68

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

We have audited the basic financial statements of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION** as at December 31, 2021 and 2020, and in 2021, 2020, and 2019, in accordance with Philippine Standards on Auditing, on which we have rendered the attached report dated April 13, 2022.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are presented for purposes of compliance with the requirements under Revised Securities Regulation Code Rule 68, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards.

Such supplementary information are the responsibility of the management of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022
BIR A.N. 08-001026-000-2021, issued on January 11, 2021; effective until January 10, 2024
SEC A.N. (Firm) 0190-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period
TIN 002-013-406-000

By:

Ma Criselda S Oplas

MA. CRISELDA S. OPLAS
Partner
CPA License No. 0063314
BIR A.N. 08-001026-002-2021, issued on January 11, 2021; effective until January 10, 2024
SEC A.N. (Individual) 63314-SEC, Group A, issued on November 17, 2020; valid for 2020 to 2024 audit period
TIN 132-466-039-000
PTR No. 8852802, issued on January 4, 2022, Makati City

April 13, 2022
Makati City, Philippines

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2021

*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 as included/shown in the related financial statements or in the notes thereto.

SCHEDULE I

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2021

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Spirit of Communications Center, 106 C. Palanca Street, Legaspi Village, Makati City

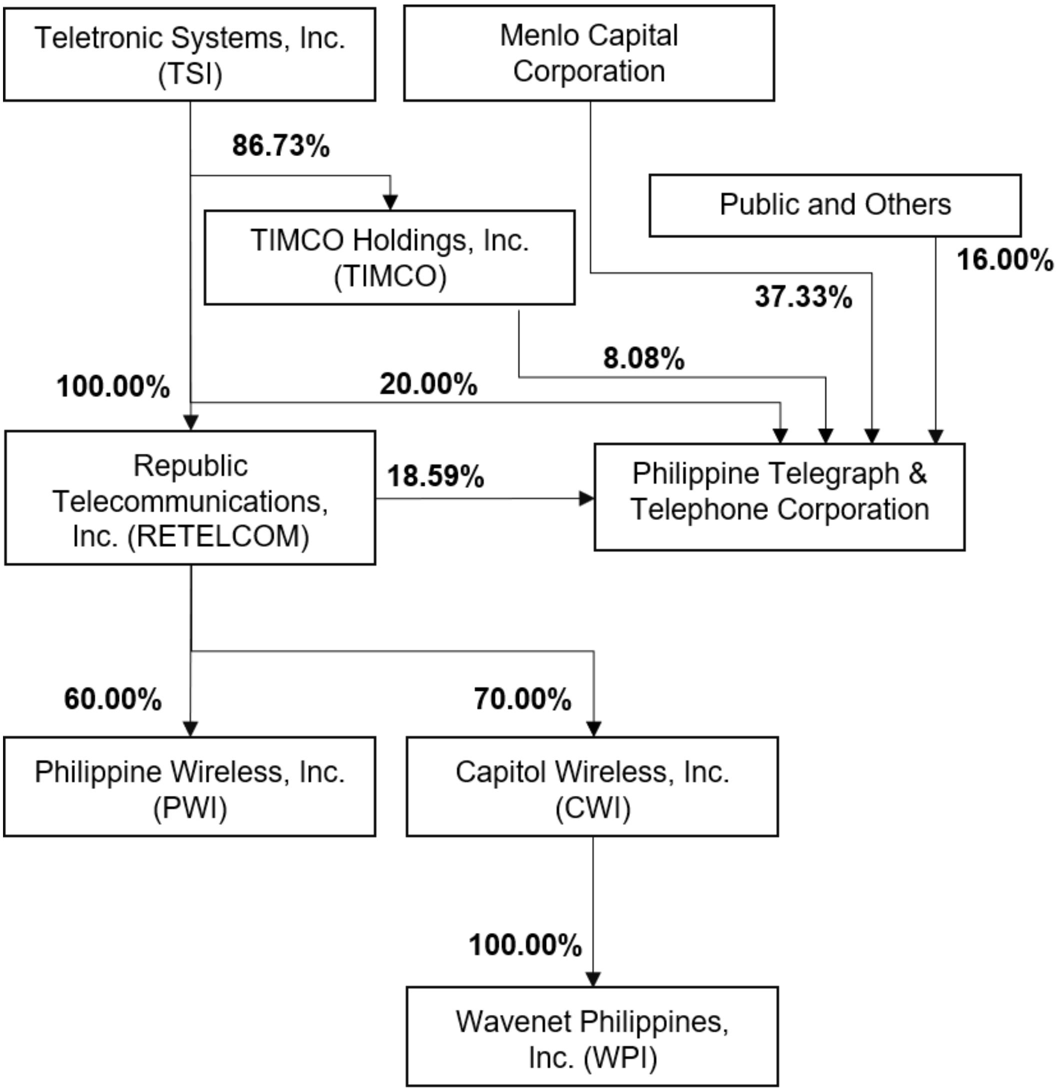
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		(12,460,709,116)
Net loss during the period closed to Retained Earnings	(22,784,703)	
Less: Non-actual/unrealized income net of tax	–	
Equity in net profit of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Add: Non-actual losses		
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	–	
Depreciation on revaluation increment (after tax)	–	
Adjustments due to deviation from PFRS/GAAP – loss	4,882,739	
Loss on fair value adjustment of investment property (after tax)	–	
Net loss actually earned during the period	(17,901,965)	
Add: Net loss actually earned/realized during the period		(17,901,965)
Add (Less):		
Dividend declarations during the period		–
Appropriations of Retained Earnings during the period		–
Reversals of appropriations		–
Effects of prior period adjustments		–
Treasury shares		–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**(12,478,611,081)**

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

Ratio	Formula	As at 2021	As at 2020
Liquidity Ratio:			
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 622,523,881 Divide by: Total Current Liabilities 1,555,267,711 Current ratio 0.40	**0.40:1**	0.36:1
Quick ratio	Quick Assets (*Cash add Receivables – net*) divided by Total Current Liabilities Quick Assets 172,514,195 Divide by: Total Current Liabilities 1,555,267,711 Quick ratio 0.11	**0.11:1**	0.07:1
Solvency Ratio:			
Debt ratio / Debt-to-asset ratio	Total Liabilities divided by Total Assets Total Liabilities 10,605,464,803 Divide by: Total Assets 1,066,353,368 Debt-to-asset ratio 9.95	**9.95:1**	1.80:1
Debt-to-equity ratio	Total Liabilities divided by Total Capital Deficiency Total Liabilities 10,605,464,803 Divide by: Total Capital Deficiency (9,539,111,435) Debt-to-equity ratio (1.11)	**(1.11):1**	(2.26):1
Asset-to-equity ratio	Total assets divided by Total Capital Deficiency Total Assets 1,066,353,368 Divide by: Total Capital Deficiency (9,539,111,435) Asset-to-equity ratio (0.11)	**(0.11):1**	(1.26:1)
Interest Rate Coverage Ratio:	Earnings Before Interest, Taxes and Depreciation and Amortization (EBITDA) divided by Interest Expenses EBITDA 89,489,824 Divide by: Interest Expenses 40,041,986 Interest rate coverage ratio 2.23	**2.23:1**	1.66:1

Ratio	Formula	As at 2021	2020
Profitability Ratios:			
Return on assets	Net Loss divided by Average Total Assets (*Total Assets as of December 31, 2020 add Total Assets as of December 31, 2019 divided by two)* Net Loss (22,784,703) Divide by: Average Total Assets 1,039,393,843 Return on assets (2.19%)	**(2.19%)**	(3.21%)
Return on equity	Net Loss divided by Average Total Capital Deficiency (*Total Capital Deficiency as of December 31, 2021 add Total Capital Deficiency as of December 31, 2020 divided by two)* Net Loss (22,784,703) Divide by: Avg. Total Capital Deficiency (5,172,261,732) Return on equity (0.44%)	**(0.44%)**	(3.96%)
Gross profit margin	Gross Profit (*Revenues less Direct Expenses*) divided by Revenues Gross Loss (232,617,229) Divide by: Revenues 497,405,293 Gross profit margin (46.77%)	**(46.77%)**	51.69%
Activity Ratio:			
Asset turnover	Revenues divided by Average Total Capital Deficiency (*Total Capital Deficiency as of December 31, 2020 add Total Capital Deficiency as of December 31, 2019 divided by two)* Revenues 497,405,293 Divide by: Avg. Total Capital Deficiency (5,172,261,732) Asset turnover (9.62%)	**(9.62%)**	(0.52):1

SCHEDULE III
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
A MAP SHOWING THE RELATIONSHIP
BETWEEN AND AMONG
THE COMPANY AND ITS ULTIMATE PARENT COMPANY,
MIDDLE PARENT AND ITS CO-SUBSIDIARIES
PURSUANT TO REVISED SRC RULE 68
As at December 31, 2021



SCHEDULE IV

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE A
FINANCIAL ASSETS
DECEMBER 31, 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 PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2021

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

NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE C
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE D
LONG TERM DEBT
DECEMBER 31, 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	**5,334,481**	**1,448,323**	**3,886,158**

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE E
INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 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
DECEMBER 31, 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
DECEMBER 31, 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	**1,500,000,000**	**1,500,000,000**	–	**1,260,000,246**	–	**239,999,754**
Preferred	–	–	–	–	–	–
Preferred – Series “A”	–	–	–	–	–	–
Preferred – Series “B”	–	–	–	–	–	–
Preferred – Series “C”	–	–	–	–	–	–
	1,500,000,000	**1,500,000,000**	–	**1,260,000,246**	–	**239,999,754**

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION

Sustainability Report

December 31, 2021

CONTEXTUAL INFORMATION

Company Details	
Name of Organization	Philippine Telegraph & Telephone Corporation (PT&T)
Location of Headquarters	Spirit of Communications Centre, 106 Carlos Palanca St. Legaspi Village, Makati City, Metro Manila, 1229 Philippines
Location of Operations	NCR, Region III, Region IV
Report Boundary: Legal entities (e.g. subsidiaries) included in this report	None
Business Model, including Primary Activities, Brands, Products, and Services	PT&T is a diversified telecommunications entity catering to the public sector, corporate, small/medium business, and residential segments across the country.
Reporting Period	January 01, 2021 to December 31, 2021
Highest Ranking Person responsible for this report	Jhonna Cañeja Investor Relations Manager

MATERIALITY PROCESS

PT&T embarked on Sustainability Report with a consultative materiality assessment process guided by the Global Reporting Initiative (GRI) standards and aligned with the United Nations Sustainable Development Goals (SDG). This process, fully supported by the Board of Directors and Senior Management, determined key areas relevant to our mission, vision, and core values which impact a wide range of our stakeholders, including investors, workforce, customers, suppliers, business partners, communities, regulators, surrounding environment and the overall economy.

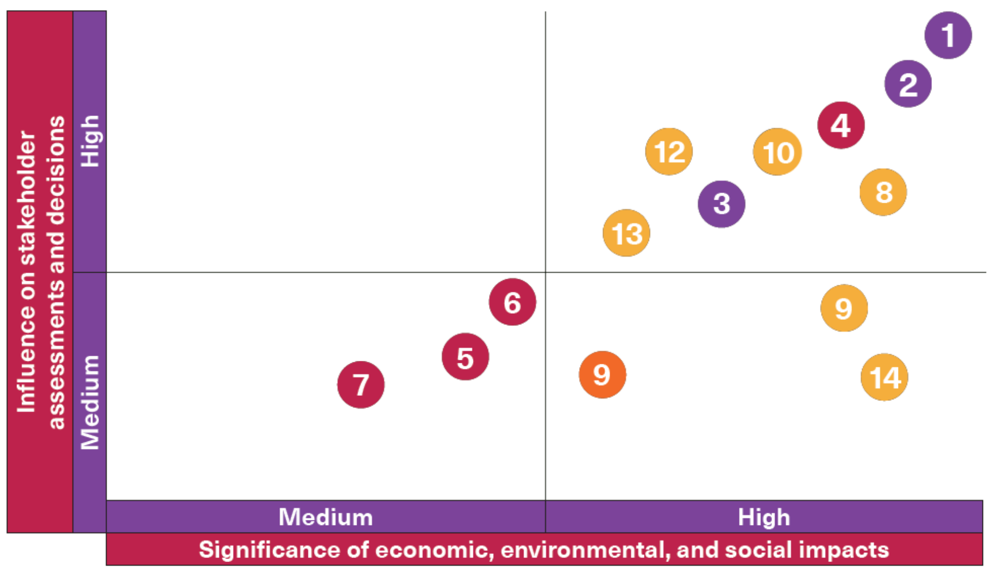
Together with both internal and external stakeholders, we have identified a total of 14 areas of focus and assessed their levels of relevance based on substantive influence on the business and stakeholders vis-à-vis economic, environmental, and social impacts over time.

After a detailed review, the following were then approved as our priority material sustainability themes:

FINANCIAL PERFORMANCE	LEADERSHIP AND GOVERNANCE[1]	BUSINESS CONTINUITY	PEOPLE AND CULTURE[2]
Strengthening financial viability, including risk management towards effective business strategies and efficient decision-making	**promoting sound corporate governance and business integrity, upholding transparency, and compliance**	**preparedness to deal and protect assets in the event of business and operational disruptions**	**a holistic approach to professional development and welfare of its workforce**

[1]Commitment to ethical business operations can be found in the Code of Business Conduct and Ethics available at the PT&T web page www.ptt.com.ph/code-of-business-conduct-and-ethics/.
[2]Commitment to employees, contractors, local community, and environment can be found in company policies available at the PT&T web page www.ptt.com.ph/policies/.

Materiality Matrix for Sustainability Issues



ECONOMIC
1 Economic Impact and Financial Performance
2 Leadership and Governance
3 Procurement Practices

ENVIRONMENTAL
4 Business Continuity and Crisis Management
5 Materials and Efficiency
6 GHG Emissions
7 Waste and Effluents Management

SOCIAL
8 Employee Training and Development
9 Occupational Health and Safety
10 Supply Chain Management
11 Community Relations
12 Customer Service and Retention
13 Marketing and Labelling
14 Customer Privacy and Data Security

SUSTAINABILITY FRAMEWORK

As we outline a way forward that integrates sustainability into the way we work, we have developed a sustainability framework that articulates our commitment to consider the full set of risks and opportunities faced by the business including environmental, social, and governance (ESG) factors. It shows that central to our mission, vision, core values and overall decision-making is our responsibility to be accountable for managing our exposures to ESG risks.

ECONOMIC

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- Procurement Practices

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SOCIAL

- Employee Training and Development
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STAKEHOLDER ENGAGEMENT

We acknowledge that the key to value creation is building trust in the way we conduct business, and that trust is built through quality product and services, strong corporate governance, and effective engagement with internal and external stakeholders. We have therefore instituted ways to facilitate and encourage stakeholder engagement and established appropriate venues and platforms for feedback and business discussions. Our management approach is set out in more detail in the Sustainability Performance of this report.

Employees

It is only possible to achieve our strategic objectives with highly engaged and talented employees. That is why our People and Culture (P&C) Team implement policies and programs to promote a culture of health and safety, fairness and openness, team spirit and professional development among employees.

Towards this goal, our talent management strategies are designed and delivered within the framework of our policies to ensure that our obligations to our shareholders and other stakeholders are clearly understood and met. These policies include: 1) Whistle-Blowing Policy; 2) Conflict of Interest Policy; 3) Insider Trading Policy; 4) Related Party Transactions Policy; 5) Policy and Data Relating to Health, Safety, and Welfare of Employees Including Company Sponsored Trainings; and 6) Non-Discrimination and Anti-Harassment Policy.

Yet a healthy culture is not only established by policies and procedures, but also underpinned by a wider employee engagement experience. Our People Agenda is geared towards creating a performance-based and values driven organization whilst providing an amazing employee experience. To this end, we communicate meaningfully with our employees through a range of formal and informal channels such as new employee onboarding, meetings, development programs, performance reviews, focus group discussions, surveys, our internal PT&T CHAINS Facebook group, and our online learning platform PT&T Academy. We also promote a "fun culture" through thematic employee events.

Customers

Our scope and reach may be on the national level, but we believe that every interaction with each of our customers is valuable, so we continue to seek opportunities to engage directly with them. Part of that customer-centric philosophy is the formation of our Customer Service (CSD) team. They serve as the backbone of our approach to frictionless customer experience. They provide convenience and ease of access to our customers through remote issue resolution via our hotline as well as enhanced client servicing that is measured by customer satisfaction surveys.

Suppliers and Service Providers

Our suppliers and contractors are our partners, and central to our transformation and success. We engage with them through meetings, consultations, workshops, and trade associations. At the same time, we require them to observe our Code of Business Conduct and Ethics following their selection and accreditation process as they fulfill their contractual obligations toward PT&T and ensure compliance with its requirements.

Investors

Although we have yet to relist our shares on the Philippine Stock Exchange, we remain engaged with investors throughout the years, both proactively and upon request, to discuss our performance and developments as well as to gather feedback. Our activities are physical and online one-on-one and group meetings, regulatory reporting including annual and quarterly financial reports and continuing disclosures, annual stockholders' meeting, site visits, as well as an updated company website.

General Public

We employ various engagement initiatives to keep the public updated on company news and events, including our website, news releases, and social media platforms such as Facebook, Twitter, and LinkedIn.

SUSTAINABILITY PERFORMANCE

Our Economic Performance

Direct Economic Value Generated and Distributed

Disclosure (amounts in '000 Philippine pesos)	*2021*
Direct economic value generated	
a. Revenue	497,405
b. Other income	23,343
Direct economic value distributed	
a. Operating costs	161,066
b. Employee wages and benefits	222,002
c. Payments to suppliers, other operating costs	100,186
d. Dividends given to stockholders and interest payments to loan providers	40,042
e. Taxes given to government	20,237
f. Investments to community (e.g. donations, CSR)	-
Economic value retained	(22,785)

Our Business and Leadership

As part of the telecommunications and IT services industry, we play a vital role in making a positive contribution towards economic sustainability for all stakeholders. The very nature of our business — of providing broadband high-speed internet and IT services — is inherently good and fundamental to social and economic development. Take for example the benefits of our solutions to both the public and private sectors. In the government ecosystem, we support improved delivery of services, such as healthcare, safety, and security to the broader population as well as collaboration between agencies. In the private sector, we provide a platform for businesses big and small to expand their markets and improve their operations, creating new enterprises in the process and ultimately driving the country's economy forward.

But to really make a difference, it is not enough that we provide reliable and efficient service at reasonable cost. Living up to our mission also means becoming a responsible company that would contribute to nation-building. To that end, our leadership is passionate about the economic dimension of our sustainability agenda so we could continue delivering and distributing economic value to our stakeholders. Since the new management took over in 2017, our Board of Directors and Senior Management have established and reviewed our business strategy, including risk management for effective decision-making. We have adopted new corporate goals and strategies that are anchored to our mission, vision, and core values. We have employed sound and prudent management of operational investments, strict internal controls in managing our resources, effective risk management program, constant check of efficiency in our day-to-day activities as well as strong quality assurance of our products and services.

As a result, our Connectivity and IT Services business generated ₱521 million in direct economic value in 2021. Of this amount, about ₱222 million was distributed to our employees through wages and benefits, ₱40 million to our capital providers through dividends and interest payments and ₱100 million to our suppliers and service providers through professional fees and contractual payments. We also directly contributed ₱20 million to the government by paying taxes, which enables it to operate and fund its public services.

Our Governance

We believe that the effective and consistent implementation of the principles of corporate governance throughout our operations will not only maximize our Company's resources but also ensure the long-term viability of our Company. In this regard, we have committed ourselves to undertake every effort necessary to operate in accordance with the best practices of corporate governance and create awareness on good governance practices within our organization. In promoting a higher standard of quality and business integrity, we emphasize our commitment to ethical business operations through our Revised Manual on Corporate Governance and our Code of Business Conduct and Ethics which are openly available on our website and widely disseminated to our stakeholders.

While the adoption of the Revised Manual on Corporate Governance institutionalized the principles of good corporate governance within our organization, our Code of Business Conduct and Ethics ensured the implementation of the following policies and approaches on:

1. compliance and regulatory issues;
2. relationship and fair dealing;
3. conflict of interest;
4. confidentiality;
5. risk management;
6. shareholder and investor relations; and
7. corporate social responsibility.

These principles and policies are reinforced with robust processes that are continuously monitored and improved by the Board. For example, our zero-tolerance approach to bribery or corruption is actively communicated through training and information sessions. The effectiveness of this approach is exhibited by the fact that our Company has consistently had zero incidents of corruption throughout 2021.

Training on Anti-corruption Policies and Procedures

Disclosure	
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100%
Percentage of directors and management that have received anti-corruption training	100%
Percentage of employees that have received anti-corruption training	100%

Incidents of Corruption

Disclosure	
Number of incidents in which directors were removed or disciplined for corruption	None
Number of incidents in which employees were dismissed or disciplined for corruption	None
Number of incidents when contracts with business partners were terminated due to incidents of corruption	None
Number of incidents in which directors were removed or disciplined for corruption	None

The Company also secured its ISO 9001:2015 Certification in 2021 which shows our adherence to continuously improving products, services as well as our corporate governance practices.

Our Approach to Procurement

Procurement practices impact our business operations and quality of service and offer areas for us to improve our cost-efficiency. With this in mind, we implement procurement policies that uphold our core values of fairness, accountability, integrity, and transparency in our businesses. In particular, we require our suppliers to undergo an accreditation process before they engage in any activity with our Company.

Our Accreditation Policy summarizes our approach and standards to supplier engagement. It sets the processes of vendor accreditation and competitive bidding as the general rule, while maintaining equal opportunity and honest treatment of suppliers in all business transactions. The policy establishes practices to ensure that contracts are awarded only to qualified and duly accredited suppliers and vendors with proven track record to deliver requirements and who offer the best value for money. Each offer is assessed based on objective criteria and alignment with our business goals, which take into account market intelligence and insight on how we can make informed decisions in key aspects such as which technologies to procure and vendors to partner with.

In 2021, we had a total of 162 suppliers, 152 of which or 94% are local companies.

Our Risk Management and Business Continuity

Despite the challenging effects brought about by the pandemic, our Company managed to continue its operations and serve the needs of our clients throughout the mandated quarantines. Our resiliency and adaptability are the result of the effective implementation of our risk management program which includes the Company's strategies on enterprise risk management and plans for business continuity. In particular, our risk management framework provides guidelines for dealing with:

1. operational risks;
2. cybersecurity risks;
3. risks from new technologies;
4. risks from competition;
5. regulatory risks;
6. reputational risks; and
7. climate-related risks.

It has been informed by intelligence on new markets, government policies and climate change impacts and is regularly updated to ensure that these risks are constantly examined and addressed to minimize possible financial impacts. Part of our risk management strategies is our Business Continuity Plan (BCP) which identifies potential risks and impacts of various types of business and operational disruptions on the Company's operations, and outlines actions needed to be implemented to mitigate those risks. The plan aims to facilitate immediate recovery and continuity of business operations as well as the protection of personnel and assets, so they can function in the event of any possible operational and climate-related risks. Implementation of this strategy is headed by our Board Risk Oversight Committee (BROC), and assisted by the Head of the Legal Department, Corporate Secretary, Financial Controller, Audit and Risk Officer, and the Chief Technical Officer.

Other actions contained in our BCP that we have started implementing are formation of a Crisis Management Plan considering climate-related risks, provision of incidental expenses associated with such risks, conduct of regular emergency drills and continuation of providing medical insurance to our employees. For incident management, we have equipped contingency vehicles and business continuity responders.

Our Environmental Performance

We only have one planet, so we take it upon ourselves to reduce our negative impacts to the environment. We do this by being mindful of our consumption, enjoining our employees to do the same and investing in new technologies that are environmentally friendly. Examples of our programs and future improvements include:

Environmental Compliance

In 2021, as in previous years, we have not incurred penalties or sanctions for non-compliance with environmental law and regulations. This is a testament to our commitment and actions to ensure compliance with all requirements. While the Environmental Management Bureau (EMB) of the DENR issued us a Certificate of Non-Coverage (CNC) to cover all our operational activities, we still consistently analyze how we can maintain public trust, particularly towards our connection activities. For example, we hold regular meetings on Health, Safety, and Security before and after operational activities to ensure that our fieldwork does not disturb local ecosystems, including cutting of trees, and improper disposal of large volumes of fiber-optic cables.

Non-compliance with Environmental Laws and Regulations

Disclosure	*Quantity*	*Units*
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	None	Php
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	None	#
No. of cases resolved through dispute resolution mechanism	None	#

Consumption

As we are being more mindful of our carbon footprint, we record and monitor our energy and water consumption for the year, as well as the volume of materials we have utilized in our operational activities.

These baseline figures make us aware of how our business contribute to the overall depletion of the planet's resources and would thus be our basis for our reduction targets to ensure sustainability of our operations. In 2021, we have recorded our electricity consumption at 427,440.00 kWh in our head office, diesel consumption at 33,581.96 liters for our fleet, and water use at 8,229 cubic meters.

In managing our energy consumption, the logistics and administration team implements a regular time-based schedule of switching of lights, aircon, workstations, and other electrical equipment to conserve energy. Carpooling is also encouraged on business trips to save on fuel. We also started implementing a once-a-week work-from-anywhere (WFA) arrangement as early as December 2020 for all qualified employees and continue to do so in 2021 as a broad-based remote work arrangement when we were impacted by the COVID-19 pandemic. This has allowed us to significantly lower our carbon footprint and operational costs.

For water consumption, we regard our current performance as an already reduced consumption owing to the measures we have implemented during the year in response to the water supply crisis across Metro Manila in 2019. Among these measures are employee awareness initiatives through email announcements and restroom signages as well as lowered water pressure in all restrooms to control water flow and avoid spillage. Our monthly inspections also aimed to avoid water wastage from faucet and toilet leaks.

Energy consumption within the organization

Disclosure	*Quantity*	*Units*
Energy consumption (renewable sources)	None	GJ
Energy consumption (gasoline)	None	GJ
Energy consumption (LPG)	None	GJ
Energy consumption (diesel)	48,379.28[1]	Liters
Energy consumption (electricity)	419,520.00[2]	kWh

[1]Annual fuel consumption of PT&T's fleet.
[2]Annual electricity consumption at PT&T's head office.

Reduction of energy consumption

Disclosure	*Quantity*	*Units*
Energy reduction (gasoline)	Minimal	GJ
Energy reduction (LPG)	None	GJ
Energy reduction (diesel)	Minimal	GJ
Energy reduction (electricity)	Minimal	kWh

Water consumption within the organization

Disclosure	*Quantity*	*Units*
Water withdrawal	None	Cubic meters
Water consumption	4,976[1]	Cubic meters
8,2Water recycled and reused	None	Cubic meters
Energy reduction (electricity)	Minimal	kWh

[1]Annual water consumption at PT&T's head office.

Materials Used

We use fiber-optic cables that are made from extremely abundant silica (quartz sand) which is considered a rapidly renewable material. We however acknowledge that improper maintenance of fiber-optic cables is a risk and may result in injuries or accidents of employees. We address this risk by providing proper training to employees on care and maintenance procedures of fiber-optic cables. Unused damaged fiber-optic cables are also properly collected and disposed of.

Materials used by the organization

Disclosure	*Quantity*	*Units*
Materials used by weight or volume		
• renewable (batteries)	50	kg/month
• non-renewable (fiber-optic cables)	50	kg/month
Percentage of recycled input materials used to manufacture the organization's primary products and services	10	%

Ecosystems and Biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	*Quantity*	*Units*
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None[1]	
Habitats protected or restored	None	ha
IUCN[17] Red List species and national conservation list species with habitats in areas affected by operations	None	

[1]Prior to setting up fiber-optic cables, DICT/NTC carves out protected areas as per the National Integrated Protected Areas System of DENR.

Environmental Impact Management

Usage of air conditioning (AC) systems release chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs) which both contribute to global warming and ozone depletion. As of 2021, we had 52 units of AC units (mix of window type, floor, and wall mounted) in our head office building that are regularly in operation during work hours (8:00 AM-5:00 PM). To lessen our impact, our logistics and administration team controls the usage of these AC systems and implements routine check and maintenance to ensure efficiency. While exact figures of our GHG emissions are not available at the time of reporting, we are committed to lessen our carbon footprint through shifting to AC systems with HCFCs refrigerants for our future purchases instead of CFCs since the former poses lower impacts to the ozone.

Air Emissions (GHG)

Disclosure	*Quantity*	*Units*
Direct (Scope 1) GHG Emissions	Data not yet available[1]	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	Data not yet available[1]	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	Data not yet available[1]	Tonnes

[1]Although these are not yet included in PT&T's environmental performance index, the Company assures that moving forward, data for GHG will be tracked for Sustainability reporting purposes.

Air Pollutants

Disclosure	*Quantity*	*Units*
NOx	None	kg
SOx	None	kg
Persistent organic pollutants (POPs)	None	kg
Volatile organic compounds (VOCs)	None	kg
Hazardous air pollutants (HAPs)	None	kg
Particulate matter (PM)	None	kg

Solid and Hazardous Waste

We recognize that improper solid waste disposal can cause health risks to our employees, customers, and communities. That is why we strictly comply with the local government's proper solid waste disposal regulations and implement segregation of biodegradable food wastes from nonbiodegradables and recyclables. Collected recyclables are also reused or collected and then sold as scrap materials.

Solid Waste

Disclosure	*Quantity*	*Units*
Total solid waste generated (Food Waste, Cardboards, Papers, Plastic Bottles)	30	kg/month
Reusable (Cardboards, Papers, Plastic Bottles)	4	kg/month
Recyclable (Cardboards, Papers, Plastic Bottles)	9	kg/month
Composted	None	kg
Incinerated	None	kg
Residuals/Landfilled	None	kg

Most of the materials we use are supplies in the office and facilities related to our day-to-day operations and marketing/advertising collaterals. As we faced the new normal in 2021, we implemented Project Zero (going electronic; paperless environment). The strategy saw huge potential as we substantially decreased our CO^2 footprint. This is evident in the 57% decrease in our solid waste per month from 70 kg down to 30 kg, of which 13 kgs are reusable and recyclable including papers, carton boxes, plastic bags, and plastic bottles in the head office which are recycled, sold, or properly collected and disposed of. Other solid waste generated are old tires from the Company's fleet which we sold to third party contractors through proper bidding.

Hazardous Waste

Disclosure	*Quantity*	*Units*
Total weight of hazardous waste generated	None	kg
Total weight of hazardous waste transported	None	kg

Effluents

Disclosure	*Quantity*	*Units*
Total volume of water discharges	None	Cubic meters
Percent of wastewater recycled	None	%

Our Social Performance

Our efforts to positively contribute to the social sector of the country is anchored on our mission to enable Filipinos to enrich their lives and connect communities through digital service. Years 2017 to 2021 have been notably productive years for us in terms of increasing our social impact as we have transitioned during this period to the new PT&T under new ownership, stronger management team and expanded nationwide coverage which covers 40% of the country's population in high growth developing areas.

Employee Management

Our people are our most important resource in bringing PT&T forward and creating lasting value. With this in view, we seek to enhance their development, guarantee full respect for human rights, and uphold the dignity of our human resources. From recruitment to growth, retention and engagement, policies and practices have been put in place to ensure that we maintain fair employment practices that are free from discrimination, harassment and all forms of sexual intimidation and exploitation, and give equal access and opportunities to all employees.

As mindful practitioners of equal opportunity hiring process, prospective employees are selected based on their educational qualifications, professional skills, and relevant work experience. Our recruitment framework adheres to the Labor Code, Code of Conduct and RA 10911 or known as the Anti-Age Discrimination in Employment Act.

We employed 249 individuals in 2021, of which 36.95% are females and 63.05% are males. While the gender-balance ratio reflects the lower labor participation rate of women in the country's workforce, we continue to encourage female talent and support mentoring opportunities from our senior employees to add richness to our diverse and inclusive culture.

Employee data

Disclosure	*Quantity*	*Units*
Total number of employees[1]	249	#
a. Number of female employees	92	#
b. Number of male employees	157	#
Attrition rate[2]	7.05	rate
Ratio of lowest paid employee against minimum wage	N/A	ratio

[1] *Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)*

[2] *Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)*

Diversity and Equal Opportunity

Disclosure	*Quantity*	*Units*
% of female workers in the workforce	36.95%	%
% of male workers in the workforce	63.05%	%
Number of employees from indigenous communities and/or vulnerable sector[1]	9	#

[1]Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

Our remuneration practices are linked to the company's values and to the successful delivery of our long-term goals for the benefit of our shareholders and our wider stakeholders. Our compensation and benefits include a fair base salary, government-mandated benefits, and a provision for foreseeable needs of our employees, including but not limited to medical coverage for their families, calamity fund and life and accident insurance. All our regular employees are entitled to:

• Base Salary;
• Medical Coverage for Employees and their spouses/children;
• Employees' Annual Medical Check-Ups;
• Life and Accident Insurance;
• Annual Vacation Leave – 15 days;
• Annual Sick Leave – 16 days;
• Maternity Benefit;
• Salary Loans;
• Calamity Fund; and
• Flexible Working Arrangement

Utilization of these benefits for the year 2021 has been summarized in the table below.

List of Benefits	*Y/N*	*% of female employees who availed for the year*	*% of male employees who availed for the year*
SSS	Y	14.13%	8.28%
PhilHealth	Y	9.78%	31.58%
Pag-ibig	Y	8.70%	28.07%
Parental leaves	Y	4.35%	1.27%
Vacation leaves	Y	100.00%	92.36%
Sick leaves	Y	46.74%	27.39%
Medical benefits (aside from PhilHealth)	Y	N/A	N/A
Housing assistance (aside from Pag-ibig)	N	N/A	N/A
Retirement fund (aside from SSS)	N	N/A	N/A
Further education support	N	N/A	N/A
Company stock options	N	N/A	N/A
Telecommuting	Y	12.04%	12.04%
Flexible-working Hours	Y	N/A	N/A
CoViD Leave	Y	1.09%	4.46%
Bereavement Assistance	Y	2.06%	5.10%
Bereavement Leave	Y	2.06%	5.10%

As a continued response to the outbreak of COVID-19 during the year, we have identified roles which are critical for our operations at the office and roles that can be executed remotely. We then turned our once-a-week work-from-anywhere (WFA) arrangement into a broad-based remote work policy for 12.85% of our employees. This allowed our employees to continue to work off-site and only report to the office whenever deemed necessary. We plan to continue with this arrangement on account of sustained productivity and positive feedback we have gathered from our employees, but most importantly, to ensure their health and safety amidst the pandemic. As a testament to our efforts into taking care of our employees, we have provided a shuttle service for employees who needs to report to work onsite. This has assured our partners the safety of their going to and from our office.

Employee Training and Development

Disclosure	*Quantity*	*Units*
Total training hours provided to employees	8,151.87	hours
a. Female employees	3,134.15	hours
b. Male employees	5,017.72	hours
Average training hours provided to employees	31.96	hours
a. Female employees	31.97	hours/employee
b. Male employees	31.96	hours/employee

Across the company, our culture and practices determine our approach to recruitment and people management, ensuring that we have access to the appropriate skill sets required across the business and that our people are fully engaged. In the area of development, we have adopted a holistic approach for professional development so both our staff and management can envision and plan their personal growth and career development knowing that they are supported by the organization. To give a sense on how we integrate learning opportunities, the table above shows our training and development data.

At a more detailed level, a total of 249 employees have undergone training on business, leadership, technical, and behavioral courses throughout the year. Our female and male employees equally received an average training hours of 31.96 hours per employee, emphasizing our commitment to providing gender equality in our workforce.

Labor-Management Relations

Disclosure	*Quantity*	*Units*
% of employees covered with Collective Bargaining Agreements	None	%
Number of consultations conducted with employees concerning employee-related policies	None	#

None of our employees are covered by Collective Bargaining Agreements. We ensure that we maintain a working environment that is conducive to open discussion and collaboration, with the goal of enabling everyone to work together towards better working conditions and enhancing the organization's overall productivity. In 2021, we have no reported issues on labor management relations, and we have provided employee engagement activities online and offline to boost employee participation – a testament to our efforts in making our employees feel that they can raise any concerns that may affect their stay with us.

Workplace Conditions, Labor Standards, and Human Rights

We consistently comply with all applicable governmental regulations designed to protect the overall well-being of our employees. We provide health care services directed at prevention of disease, protection from health hazards, and maintenance of health. We implement programs designed to promote a culture of healthy lifestyle and disease prevention and maintain a workplace that is free from drug abuse. In addition, we regularly provide learning sessions to increase the skills of our employees in managing their personal finances, mental health and even their spiritual well-being. Our Policy and Data Relating to Health, Safety, and Welfare of Employees Including Company Sponsored Trainings can be found here: https://www.ptt.com.ph/policies/#health-safety-welfare

We follow both principles of fairness and openness in all our employee-related process. We do not use forced or compulsory labor, and do not use child labor or employ people under minimum employment age limit. We strictly comply to government regulations on basic human rights as provided under the Philippine Constitution and the Universal Declaration of Human Rights. We however recognize the need to explicitly denounce forced labor and child labor in our policies and are committed to enact necessary revisions. We are actively coordinating with several groups, agencies, and organizations that focus on human/labor rights to further shape our current policy and impose the rule of law against forced and child labor.

Occupational Health and Safety

Disclosure	*Quantity*	*Units*
Safe Man-Hours	2,217,178.92[1]	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	None	#
No. of work-related ill-health	0	#
No. of safety drills	1	#

[1]*Since new management took over in August 2017.*

Labor Laws and Human Rights

Disclosure	*Quantity*	*Units*
No. of legal actions or employee grievances involving forced or child labor	None	#

Relationship with Community

Because there is such urgent need for connectivity, we forged some partnerships since 2020 to get involved and help the country navigate this national emergency. This is how PT&T nurtures its relationship with the community by getting involved in local efforts:

1. Department of Health (DOH) – DOH being at the front, back, and center of the COVID-19 pandemic requires stable and highly available network and connectivity. Working with Cisco, PT&T supported DOH's requirement of Network and Connectivity upgrade for fast, secure, and highly reliable connection.
2. City of Manila – PT&T also became a partner of the City of Manila to connect all its barangay health centers in bringing primary healthcare to its community. We also continuously provided direct internet access to our long-time government agency clients.
3. University of Santo Tomas (UST) – PT&T teamed up with the Engineering Department of UST and Lenovo to provide internet and IT services to critical health facilities in Manila and installed internet connections at Delpan Evacuation Center, Belmonte Health Center, and Health Center District Office. These centers monitor and provide support to suspected and confirmed COVID cases in the city.
4. I Am Hope Organization – PT&T also recognize the need to assist our community during this health crisis. We provided logistical support to I Am Hope Organization, a not-for-profit organization aiding frontliners, hospitals, and other sectors of the community in need of assistance.
5. Go Philippines – while COVID-19 has transformed education dramatically when schools shutdown all over the country, we quickly redirected our efforts and acknowledged the distinctive rise of e-learning and the adoption of distance learning tools to overcome the challenges of this pandemic. Partnering with Go Philippines allowed us to offer critical Broadband Internet solutions for the academe, improving user experience for quality education, as well as to support our nation in providing the telecommunications infrastructure for the education sector.

Our affordable rates and customized services have allowed us to realize our goal of connecting communities and empowering Filipinos to enrich their lives through digital service. Our diverse client base is in itself a testament of how we positively contribute to nation-building through our digital services.

As we embark on a network transformation plan, rollouts may have to be made in areas where indigenous people reside. We plan to consult these communities to promote healthy collaboration, support them economically, and build trust-based relationships. We also see an opportunity to focus on our communication and stakeholder engagement while ensuring minimal to no collision with the surrounding local community where projects/plans are to be rolled-out. Beyond compliance, our commitment to sustainability is realized through continuous interactions with the affected stakeholders, most importantly with local communities.

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	*Location*	*Vulnerable groups (if applicable)*[1]	*Does the particular operation have impacts on indigenous people (Y/N)?*	*Collective or individual rights that have been identified that or particular concern for the community*	*Mitigating measures (if negative) or enhancement measures (if positive)*
None	None	None	None	None	None

[1]*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

Customer Management

Navigating the impact of the pandemic in the new normal was quite a big challenge. Armed with new learnings coming from the first year of the global health crisis, PT&T's Customer Service (CSD) became even more determined to provide relief and assistance to alleviate the suffering of our customers.

In addition to carrying over the programs we instituted in 2020, PT&T CSD continued to engage with our subscribers in a more proactive manner thru regular weekly and monthly feedback collection activities coupled with enhancements to the existing outage protocols. This allowed our valued clients more time to make the necessary adjustments on their end while providing plenty of elbow room for a schedule re-set should there be conflicts of activities from them. Further, regular service improvement activities are now given 2 weeks to a month advance notice to subscribers while emergency service improvements require a minimum of 3 days prior notice.

Understanding the need for more personalized service at this crucial time, the CSD conducted several training activities for all frontline support teams to ensure improved customer handling at every stage of the process, from line activation up to regular service maintenance activities.

CSD likewise launched the Expanded Customer Onboarding Program. This program was aimed at reducing the long waiting time for our technical/onsite teams to reach subscribers during service-related trouble, by intensifying our efforts to educate our subscribers and partners on initial fault isolation as well as reminding them of the various payment centers available for the safe and easy settlement of their monthly service fees.

In addition, the program empowers both our existing and new subscribers in identifying possible points of failure on their end, address the issue for prevention, and stop the pain of waiting given the delays caused by the health & safety protocols instituted in the Local Government Units (LGUs) as well as the Homeowners and Building Owners Associations.

For our SME subscribers without IT and our Residential subscribers with no basic technical inclination or knowledge, PT&T's QuickServe solution have served their needs perfectly well during this time, as it allowed our Customer Service agents to conduct initial fault isolation remotely and guide them through the process prior to endorsing the findings to our Network Operations Center (NOC) for level 1 and level 2 support until full resolution.

As a result, PT&T's CSAT Score in 2021 rose by another 15 points, giving us an overall score of 95%.

Customer Satisfaction

Disclosure	*Score*	*Did a third party conduct the customer satisfaction study (Y/N)?*
Customer satisfaction	95%	N

Health and Safety

Disclosure	*Quantity*	*Units*
No. of substantiated complaints on product or service health and safety[1]	None	#
No. of complaints addressed	None	#

[1]Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

PT&T's marketing and labelling efforts are mostly evident through the maintenance of its website at www.ptt.com.ph, which caters to its stakeholders including regulators, clients, customers, and future investors. The Company also does on ground activations where branding messages and labeling are apparent on its marketing materials. PT&T assures that all materials sealed with its branding are clear and concise. The Company also guarantees that it complies with the Department of Trade and Industry's (DTI's) policies and regulations.

PT&T is also present in social media platforms (i.e. Facebook, Twitter, LinkedIn, Youtube). As false information on websites and other social media platforms are becoming rampant, PT&T ensures that all data uploaded and posted on its website and social media platforms are accurate, secured, and up to date.

The impact of digitalization has acted as a catalyst for employment growth and the digital revolution created new roles in the workforce. Thus, the Company sees an opportunity for its employees to learn and explore more about digital marketing. As a telecom and IT services company, PT&T is on its way to improving its marketing and labelling strategies by shaping its employees being in the forefront of digital marketing.

Marketing and Labelling

Disclosure	*Quantity*	*Units*
No. of substantiated complaints on marketing and Labelling[1]	None	#
No. of complaints addressed	34	#

[1]Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

Customer Privacy

Disclosure	*Quantity*	*Units*
No. of substantiated complaints on customer privacy[1]	None	#
No. of complaints addressed	None	#
No. of customers, users, and account holders whose information is used for secondary purposes	None	#

[1]Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

PT&T strictly complies with Republic Act No. 10173 otherwise known as the Data Privacy Act of 2012. Access our Data Privacy Policy here: https://ptt.com.ph/privacy-policy/

PT&T recognizes the importance of maintaining the confidentiality of all its proprietary information and the employees categorically agree to prevent loss, misuse, theft, fraud, and improper access of such confidential and proprietary information. The Company commits to protect all its customers' proprietary and confidential information and ensures that these are strictly adhered by the management and employees as part of the Company's Code of Business Conduct and Ethics.

As trust in all technology-based businesses are declining due to concerns over data privacy, security, and falsification of posted information on website and other social media platforms are becoming rampant, the Company continues to adopt information security measures that outlines policies, procedures, and processes that effectively protect data of its customers from any internal or external security threats. The Company adopts the principle of privacy by design and will ensure that the definition and planning of all new or significantly changed systems that collect, or process personal data will be subject to due consideration of privacy issues, including the completion of one or more privacy impact assessments.

Data Security

Disclosure	*Quantity*	*Units*
No. of data breaches, including leaks, thefts and losses of data	None	#

PT&T is committed towards securing the confidentiality, integrity, and availability of information for the day-to-day business and technical operations covering all business units. The security of information and other assets is therefore regarded as fundamental for the Company's successful business operations. The Company regularly updates its security\software to protect all of its confidential and proprietary information. This also helps show visibility of any possible security threat and stop any possible breach before it actually happens.

As outdated security software triggers vulnerability of the overall data security system of the Company, loss of proprietary and confidential information leads to reputational risk. To prevent this, PT&T guarantees that there is a continuous upgrade of its firewall, endpoint security and anti-virus definition to ensure safety of its servers and workstations. Web Application Firewall (WAF) is also regularly configured for the security of the Company's web-based applications and its data. The Company's Anti-DDOS system also monitors possible network and server threats that can compromise data security. The Company and its employees follow the policy to be fair and proportionate when considering the actions to be taken to inform affected parties of breach or misuse of any sensitive data.

A standardized and well implemented data security management steer clears to any possible additional operational expense and reputational damage to the company. PT&T warrants a regular and constant update of its data security programs. Preventive security measures like data backup, recovery, and firewall are in place. The Company acknowledges the need for continual improvement and has introduced methods to ensure its effectiveness to further strengthen data security processes. The Company also takes precautions and educates its employees not to share any sensitive and confidential information.

UN SUSTAINABLE DEVELOPMENT GOALS

Connectivity Business

We provide connectivity through broadband high-speed internet access via fiber and wireless. We define our value creation by promoting a culture of responsible stewardship so we can empower the public and private sector to advance the Philippine economy's progress and growth. PT&T's Connectivity business is aligned with SDGs 1, 4, 5, 8, 9, 10, 11, 12, 13.

IT Services Business

We aspire to become a digital services provider to offer services beyond connectivity and to attract new clients to serve the needs of an untapped market. We enable corporate and small and medium businesses, as well as the public sector, to be market relevant through our wide range of offerings under Infrastructure, Productivity, Cybersecurity, Resiliency, Communication, Custom Development, and Digitization segments. PT&T's IT Services business is aligned with SDGs 1, 4, 5, 8, 9, 10, 11.