

# COVER SHEET

SEC Registration Number

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**COMPANY NAME**

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

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

1	0	6		S	C		B	L	D	G		C	A	R	L	O	S		P	A	L	A	N	C	A		S	T
L	E	G	A	S	P	I		V	I	L	L	A	G	E		M	A	K	A	T	I		C	I	T	Y		

Form Type

1	7	-	Q
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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**COMPANY INFORMATION**

<p style="text-align: center; font-size: small;">Company's Email Address</p> <p style="text-align: center; font-weight: bold; font-size: large;">legal@ptt.com.ph</p>	<p style="text-align: center; font-size: small;">Company's Telephone Number</p> <p style="text-align: center; font-weight: bold; font-size: large;">(02) 8815-996</p>	<p style="text-align: center; font-size: small;">Mobile Number</p> <p style="text-align: center; font-weight: bold; font-size: large;">+63 917 893 8601</p>
<p style="text-align: center; font-size: small;">No. of Stockholders</p> <p style="text-align: center; font-weight: bold; font-size: large;">3,635</p>	<p style="text-align: center; font-size: small;">Annual Meeting (Month / Day)</p> <p style="text-align: center; font-weight: bold; font-size: large;">Last Friday of June</p>	<p style="text-align: center; font-size: small;">Fiscal Year (Month / Day)</p> <p style="text-align: center; font-weight: bold; font-size: large;">12/31</p>

**CONTACT PERSON INFORMATION**

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

<p style="text-align: center; font-size: small;">Name of Contact Person</p> <p style="text-align: center; font-weight: bold; font-size: large;">Angelo Miguel Isip</p>	<p style="text-align: center; font-size: small;">Email Address</p> <p style="text-align: center; font-weight: bold; font-size: large;">miguel.isip@ptt.com.ph</p>	<p style="text-align: center; font-size: small;">Telephone Number/s</p> <p style="text-align: center; font-weight: bold; font-size: large;">(02) 8818-4482</p>	<p style="text-align: center; font-size: small;">Mobile Number</p> <p style="text-align: center; font-weight: bold; font-size: large;">N/A</p>
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**CONTACT PERSON'S ADDRESS**

Spirit of Communications Center, 106 C. Palanca Street, Legaspi Village, Makati City
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**NOTE 1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.  
**2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**

(Company's Full Name)

**Spirit of Communications Centre,  
106 C. Palanca Jr. St., Legaspi Village, Makati City**

(Company's Address)

**(632) 8815-9961**

(Telephone Number)

**December 31**

(Calendar Year Ending)

(month & day)

**Form 17-Q**

Form Type

\_\_\_\_\_  
Amended Designation (if applicable)

**March 31, 2022**

Period Ended Date

\_\_\_\_\_  
(Secondary License Type and File No.)



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

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## **PART I – FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION  
For the quarter ended: March 31, 2022.  
INTERIM CONDENSED FINANCIAL STATEMENTS

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION****Statement of Financial Position**

(In Thousand pesos)

	Interim unaudited as of March 31, 2022	Audited as of December 31, 2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	48,014	33,151
Receivables – net	127,380	139,363
Due from related parties	39,143	43,261
Other current assets	68,214	38,155
Non-current assets held for sale	368,594	368,594
<b>Total Current Assets</b>	<b>651,345</b>	<b>622,524</b>
<b>Non-current Assets</b>		
Property, plant, and equipment at cost – net	173,504	174,941
Right-of-use assets – net	48,785	50,273
Investment Properties at cost	171,984	171,984
Intangible assets at cost – net	1,837	1,966
Deferred Tax asset	2,543	2,543
Other non-current assets -net	41,227	42,123
<b>Total Non-current Assets</b>	<b>439,880</b>	<b>443,829</b>
<b>TOTAL ASSETS</b>	<b>1,091,224</b>	<b>1,066,353</b>

	Interim unaudited as of March 31, 2022	Audited as of December 31, 2021
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables	341,260	319,677
Statutory obligations	607,461	609,673
Accrued interests, expenses, and other liabilities	284,906	282,946
Lease liabilities - current portion	30,799	27,467
Loans payable - current portion	1,105	1,448
Due to related parties	315,345	304,798
Income tax payable	9,258	9,258
<b>Total Current Liabilities</b>	<b>1,590,134</b>	1,555,268
<b>Non-current Liabilities</b>		
Lease liabilities - net of current portion	26,326	26,326
Loans payable - net of current portion	3,886	3,886
Deposit for future stock subscription	8,841,737	8,841,737
Retirement benefits liability	143,221	141,510
Deferred income tax liability	36,739	36,739
<b>Total Non-current Liabilities</b>	<b>9,051,909</b>	9,050,197
<b>Total Liabilities</b>	<b>10,642,043</b>	10,605,465
<b>Capital Deficiency</b>		
Share capital	2,224,255	2,224,255
Revaluation surplus	109,395	109,395
Accumulated actuarial gain on retirement benefits	827	827
Unrealized valuation loss on equity investments	(189)	(189)
Deficit	(11,885,107)	(11,873,400)
<b>Total Capital Deficiency</b>	<b>(9,550,819)</b>	(9,539,111)
<b>TOTAL LIABILITIES AND CAPITAL DEFICIENCY</b>	<b>1,091,224</b>	1,066,353

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION****Statement of Income (Loss)**

(In thousand pesos except per share data)

	<b>Interim unaudited for three-months ended March 31, 2022</b>	Interim unaudited for three-months ended March 31, 2021
<b>REVENUES</b>	<b>125,186</b>	110,170
<b>INCOME (LOSSES)</b>		
Rent income	<b>451</b>	-
Other income	<b>543</b>	186
	<b>126,180</b>	110,356
<b>COST AND EXPENSES</b>		
Selling, general and administrative Expenses	<b>90,790</b>	83,532
Leased channel	<b>12,110</b>	7,906
Cost of sales	<b>11,016</b>	7,690
Depreciation and amortization	<b>17,830</b>	17,654
Penalty and surcharge	<b>203</b>	5
Interest expense	<b>5,939</b>	7,130
	<b>137,888</b>	123,917
<b>LOSS BEFORE INCOME TAX</b>	<b>(11,708)</b>	(13,561)
<b>INCOME TAX</b>	<b>-</b>	-
<b>NET INCOME (LOSS)</b>	<b>(11,708)</b>	(13,561)
WEIGHTED AVERAGE COMMON STOCK	1,500,000	1,500,000
<b>INCOME (LOSS) PER SHARE</b>		
Basic	<b>(0.01)</b>	(0.01)
Diluted	<b>(0.01)</b>	(0.01)

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**

Statement of Comprehensive Income

(In thousand pesos except per share data)

	<b>Interim unaudited for three-months ended March 31, 2022</b>	Interim unaudited for three-months ended March 31, 2021
<b>NET LOSS</b>	<b>(11,708)</b>	(13,561)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Unrealized valuation gain on AFS investments	-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(11,708)</b>	(13,561)

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**

**Statement of Changes in Equity**

(In thousand pesos)

	Paid up capital		Deposit for subscription in accordance with the court-approved rehabilitation plan	Revaluation Surplus	Accumulated actuarial gain (loss) on retirement benefits	Unrealized valuation loss on equity investments	Deficit	Total
	Common Stock	Preferred Stock						
Balance as of December 31, 2021	2,224,255	-	-	109,395	827	(189)	(11,873,400)	(9,539,111)
Net loss for three-months period							(11,708)	(11,708)
<b>Balance as of March 31, 2022</b>	<b>2,224,255</b>	<b>-</b>	<b>-</b>	<b>109,395</b>	<b>827</b>	<b>(189)</b>	<b>(11,885,108)</b>	<b>9,550,819</b>
Balance as of December 31, 2020	2,224,255	970	8,710,767	102,102	7,379	(270)	(11,850,615)	(805,412)
Net loss for three-months period							(13,561)	(13,561)
<b>Balance as of March 31, 2021</b>	<b>2,224,255</b>	<b>970</b>	<b>8,710,767</b>	<b>102,102</b>	<b>7,379</b>	<b>(270)</b>	<b>(11,864,176)</b>	<b>(818,973)</b>

SEC Form 17-Q

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION****Statement of Cash Flows**

(In thousand pesos)

	Interim unaudited for three months ended March 31, 2022	Interim unaudited for three months ended March 31, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(11,708)	(13,561)
Adjustments for:		
Depreciation and amortization	17,829	4,598
Interest expense	9,814	14,622
Movement in retirement benefit liability	2,755	2,439
Other income and charges	-	7,093
	<b>18,690</b>	<b>15,191</b>
Decrease (increase) in operating assets:		
Accounts receivables	1,061	3,567
Other current assets	(25,941)	(23,609)
Other non-current assets	-	4,119
Increase (decrease) in current liabilities:		
Trade and accounts payable	21,585	16,012
Statutory obligations	7,306	(3,995)
Accrued interest, expenses, and other liabilities	(5,442)	(14,235)
Other liabilities,	(2,569)	4,159
<b>NET CASH PROVIDED (USED) FROM OPERATING ACTIVITIES</b>	<b>14,690</b>	<b>1,209</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment & other fixed (net)	(8,875)	(4,916)
Other non-current assets	896	-
<b>NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES</b>	<b>6,711</b>	<b>(4,916)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances (from) to related parties, net	8,495	-
Payment of loans	(343)	-
<b>NET CASH PROVIDED (USED) FROM FINANCING ACTIVITIES</b>	<b>8,152</b>	<b>-</b>
<b>NET INCREASE IN CASH</b>	<b>14,863</b>	<b>(3,707)</b>
<b>CASH BALANCE, Beginning</b>	<b>33,151</b>	<b>46,981</b>
<b>CASH BALANCE, Ending</b>	<b>48,014</b>	<b>43,274</b>

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
**Aging Schedule of Receivables**  
**As of March 31, 2022**  
(In thousand pesos)

<b>SERVICES</b>	<b>CURRENT TO 30 DAYS</b>	<b>31 TO 60 DAYS</b>	<b>61 TO 90 DAYS</b>	<b>OVER 91 DAYS</b>	<b>TOTAL</b>
Trade Receivables	38,766	5,114	5,987	68,395	118,262
Less: Allowance for doubtful accounts					16,820
<b>NET TRADE RECEIVABLES</b>					<b>101,442</b>
Other Receivables					25,938
<b>RECEIVABLES, net of allowance for doubtful accounts</b>					<b>127,380</b>

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
**Selected Explanatory Notes to the Financial Statements**  
**(UNAUDITED)**

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**1. CORPORATE INFORMATION**

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

PT&T was incorporated on November 14, 1962, under the laws of the Philippines.

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

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

The Company has various Certificates of Public Convenience and Necessities ("CPCNs") and Provisional Authorities ("PAs") granted by the National Telecommunications Commission ("NTC") for the conduct of its telecommunications activities. These CPCNs and PAs include, 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 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 (e-mail) service, messaging services, web hosting, electronic commerce, firewall service, e-learning, business application, network security, business resiliency, and data analytics. The Company's VAS registration is valid until 05 September 2026.

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

Public Hearing on Franchise

The Company is a grantee of the franchise to establish, install, maintain and operate wire and/or wireless telecommunications systems, lines, circuits and stations throughout the Philippines for public and international communications. On February 20, 2018, the Subcommittee on Oversight of the Committee on (Legislative Franchises) (the "Subcommittee") of the House of Representatives conducted an inquiry in the acquisition by Menlo Capital Corporation ("Menlo") of a substantial interest in the Company without the approval by Congress. Under Section 14 of RA No. 10894 the grantee (PT&T) is not supposed to 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. Moreover, the grantee is required to inform Congress 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. The failure to report to Congress such change of ownership shall render the franchise ipso facto revoked.

During the inquiry, 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 acquire shareholdings in 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 Company have not received any response or any resolution from the Subcommittee. 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 and the management is also of the opinion that the said inquiry does not have an impact on the Company's operations.

## **Recent Developments**

### Entry of New Investor

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

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

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 April 29, 2021, CRMD issued in favor of the Company a Certificated of Good Standing certifying PT&T's status as a corporation.

### Status with the SEC

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 the show cause letters explaining the alleged violations and/or deficiencies and the reason why the Company should not be held administratively liable by the SEC. On June 05, 2018, the MSRD issued an Order finding the Company administratively liable. The MSRD imposed a fine and required the Company to submit, among others, annual and quarterly reports. After complying with the June 05, 2018, Order, the MSRD lifted the suspension of the Company in an Order dated August 04, 2021.

### 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") where it was subsequently disqualified by the Selection Committee of the NTC. On November 9, 2018, the Company filed a Motion for Reconsideration before the Selection Committee but the same was denied on November 12, 2018.

The Company filed a Petition for Certiorari with the Supreme Court ("SC") on November 16, 2018 to assail the decision of the Selection Committee in disqualifying the Company. On December 12, 2018, the Board of Directors of the Company approved the filing of an Amended Petition for Certiorari with the SC. The amendments intend to supplement and further strengthen the arguments previously raised in the Petition for Certiorari. The Amended Petition for Certiorari was filed with the SC on December 12, 2018. As at the date of this report, the Amended Petition is still pending with the SC. While the respondents have already filed their respective Comments and Oppositions, the SC have not rendered a decision on the Amended Petition. Considering that the Amended Petition pertains to the Company's participation in government procurement, the management is of the opinion that this case does not have an impact on the Company's operations.

### IT Services Business

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

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

## 2. CORPORATE REHABILITATION

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

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

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

After the Debt Restructuring Agreements failed to materialize, RETELCOM, the Company, Philippine Wireless, Inc. ("PWI"), Capitol Wireless, Inc. ("CWI"), and Wavenet Philippines, Inc. ("WPI") (collectively "RETELCOM Group") jointly filed a Petition for Corporate Rehabilitation and Suspension of Payments on August 20, 2009. The petition was assigned to the Regional Trial Court of Makati City, Branch 66 (now, assigned to Branch 148, "Rehabilitation Court"). On August 24, 2009, the Rehabilitation Court appointed a Rehabilitation Receiver and issued a Stay Order restraining the enforcement of all claims, whether for money or otherwise, against the RETELCOM Group.

On April 1, 2011, the Rehabilitation Court issued an Order approving the RETELCOM Group's Rehabilitation Plan. The approved Rehabilitation Plan is immediately executory and provides for the following:

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

- 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.

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

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

### **3. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES**

#### Basis of Preparation

This Company's interim financial statement has been prepared in accordance with Philippine Accounting Standard (PAS) 34 *Interim Financial Reporting*.

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

#### Changes in Accounting Policies and Disclosures

The Company has adopted all applicable accounting standards effective as of January 1, 2020. The accounting policies adopted are consistent with prior years. The adoption of new accounting standards did not have any significant impact on the Company's financial position or performance.

### **SIGNIFICANT ACCOUNTING POLICIES**

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

### 3.01 Financial Instruments

#### 3.01.01 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.

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

The Company does not have any financial assets at FVOCI with recycling of cumulative gains and losses and financial assets at FVPL as at March 31, 2022 and December 31, 2021.

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

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

#### *Derecognition*

A financial asset is primarily derecognized when:

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

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

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

### **Financial Liabilities**

#### *Initial recognition and Measurement*

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

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

The Company does not designate any financial liabilities at FVPL as of March 31, 2022, and December 31, 2021.

#### *Subsequent Measurement*

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

#### *Financial liabilities at amortized cost (loans and borrowings)*

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

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

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

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

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

#### *Derecognition*

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

#### 3.01.02 Offsetting of Financial Instruments

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

### **3.02 Fair Value Measurement**

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate 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.

### **3.03 Other Current Assets**

Other current assets include prepayments and creditable withholding taxes (CWTs), final withholding value-added tax (FWV's) 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 (EWT). CWTs can be utilized as payment for income taxes provided that they are properly supported by certificates of creditable withholding tax withheld at source subject to the rules in Philippine income taxation. CWTs are expected to be utilized as payment for income taxes within twelve (12) months and are classified as current assets.

#### *FWV's*

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 certificated 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 purchases 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.

### **3.04 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.

### **3.05 Property and Equipment**

#### *Cost Model*

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

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

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:

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

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

Property and equipment is depreciated from the moment the assets are available for use and after the risks and rewards are transferred to the Company. Depreciation 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 each end of the reporting period.

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

*Revaluation Model*

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

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

### *Derecognition*

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

### **3.06 Leases**

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

#### *The Company as a Lessee*

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

#### *Right-of-Use-Assets*

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

<b>Type of Asset</b>	<b>Estimated Useful Life in Years</b>
Network equipment	1-10
Other work equipment	1-10

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

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

#### *Lease Liabilities*

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

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

#### *The Company as a Lessor*

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

### **3.07 Investment Properties**

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

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

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

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

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

### **3.08 Intangible Asset**

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

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

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

### **3.09 Other Non-current Assets**

Other non-current assets include long-outstanding trade receivables, plant supplies and refundable security deposits. These are carried at historical cost and classified as non-current since the Company expects to utilize the assets beyond 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.

### 3.10 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 is 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 recognized in accordance with the applicable standards. Any impairment loss is recognized 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 recognized 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 values of the said assets may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the assets 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 each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying 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 amount, less any residual value, on a systematic basis over its remaining useful life.

### 3.11 Provisions and Contingencies

#### *Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

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

#### *Contingencies*

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

Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

### **3.12 Retirement Benefits Liability**

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

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

Retirement benefits costs comprise the following:

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

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

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

### **3.13 Capital Deficiency**

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

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

### **3.14 Other Comprehensive Income (Loss)**

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

### **3.15 Deposit for Subscription**

Deposit for subscription pertains to debts to be converted into equity as serial redeemable preferred shares based on the court-approved Rehab Plan.

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 filled with the SEC.

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

### **3.16 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.

### **3.17 Revenue from Contracts with Customers**

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

#### *Broadband Internet Access Services Contracts*

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

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

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

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

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

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

#### *Information Technology (IT) Services Contracts*

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

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

#### *Contract Balances*

- **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.

### **3.18 Costs and Expense Recognition**

Cost and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss in the following manner:

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

### **3.19 Foreign Currency Transactions and Translation**

Transactions in currencies other than Philippine Peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date the fair value was determined.

Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities when the gains and losses of such non-monetary items are recognized directly in equity.

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

### **3.20 Related Parties and Related Party Transactions**

#### *Related Party Relationship*

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

#### *Related Party Transactions*

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

### **3.21 Income Taxes**

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

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

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

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

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

### 3.22 Value-Added Tax

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

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

### 3.23 Events after the Reporting Period

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

## 4. ESTIMATES AND ASSUMPTIONS

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

#### *Estimation of Allowance for ECL on Receivables (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.

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, ₱7,986,290 2021 and 2020, respectively.

As at December 31, 2021 and 2020, the carrying values 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.

#### *Estimation of Impairment of Non-Financial Assets*

##### *Other Current Assets*

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

The carrying values of other current assets amounted to ₱38,154,795 and ₱33,785,534 as at December 31, 2021 and 2020, respectively.

#### *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 marketplace 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.

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

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

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.

*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.

*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.

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.

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

Depreciation and amortization expense are as follows:

	<b>2021</b>	2020	2019
Property and equipment	<b>37,443,325</b>	33,935,455	31,420,643
Right-of-use assets	<b>35,284,802</b>	19,918,335	12,310,755
Intangible assets	<b>473,733</b>	31,417	–
	<b>73,201,860</b>	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.

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.

#### *Estimation of Retirement Benefits*

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

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

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

#### *Assessment of Realizability of Deferred Income Tax Assets*

The Company reviews the carrying values of deferred income taxes assets at the end of each reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Accordingly, the Company did not recognize deferred tax assets in respect of deductible temporary differences and unused tax losses. As at December 31, 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.

#### *Estimation of Provisions and Contingencies on Legal Proceedings*

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

#### *Estimation of Accrued Interest Based on Court-Approved Rehab Plan*

The Company determines the accrued interest based on the outstanding balances of its unpaid obligations to all claimants listed in the Rehab Plan. These obligations are subject to 6% legal interest in accordance with the court-approved Rehab Plan. 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. Interest expense recognized in 2021, 2020 and 2019 amounted to ₱22,805,466, ₱23,343,152, and ₱27,500,155, respectively.

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

*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.

**5. CASH**

	<b>March 31, 2022</b>	December 31, 2021
Cash on hand	<b>265,000</b>	265,000
Cash In banks	<b>47,748,719</b>	32,885,864
	<b>48,013,719</b>	33,150,864

Cash in banks earn interest at the respective bank deposit rates. Interest income earned amounted to ₱10,270 and ₱45,714 for the three-month ended March 31,2022 and year ended December 31, 2021.

**6. RECEIVABLES - net**

	<b>March 31, 2022</b>	December 31, 2021
Trade receivables		
Third parties	<b>86,514,194</b>	119,102,783
Related party	<b>15,039,175</b>	12,641,110
Long-outstanding trade receivables	<b>1,381,525,501</b>	1,381,525,501
Advances to suppliers	<b>25,091,622</b>	6,839,381
Contract asset	<b>3,857,697</b>	4,933,457
Others	<b>13,697,628</b>	12,666,895
	<b>1,525,725,817</b>	1,537,709,127
Allowance for ECL	<b>(1,398,345,796)</b>	(1,398,345,796)
	<b>127,380,021</b>	139,363,331

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:

	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	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	5,290,644	–	(2,834)	5,287,810
<b>Balance at December 31, 2021</b>	<b>16,213,497</b>	<b>1,381,525,501</b>	<b>606,798</b>	<b>1,398,345,796</b>

## 7. OTHER CURRENT ASSETS

	March 31, 2022	December 31, 2021
Deposit	<b>54,446,508</b>	25,365,484
Deferred Input VAT	<b>6,183,558</b>	7,428,764
CWT's	<b>5,411,951</b>	3,683,849
FWV's	<b>68,401</b>	481,408
Prepaid expenses	<b>57,892</b>	27,910
Others	<b>2,045,450</b>	1,167,380
	<b>68,213,760</b>	38,154,795

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.

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

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

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

## 8. NON-CURRENT ASSETS HELD FOR SALE

	March 31, 2022	December 31, 2021
Land at revalued amounts	<b>360,360,000</b>	360,360,000
Property and equipment at cost – net	<b>8,234,244</b>	8,234,244
	<b>368,594,244</b>	368,594,244

### Land

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

### Property and equipment

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

### *Investment properties*

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

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

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

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 prospective buyers of the company.

## **9. LAND**

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

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

Accordingly, as at date of revaluation, the Company recognized an increase of ₱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.

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

As at 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, respectively. Tax effect caused by CREATE Law amounted to ₱7,293,000 in 2021.

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

## 10. PROPERTY AND EQUIPMENT AT COST – net

Telecommunications Equipment					
March 31, 2022	Network equipment	Cable and wire Facilities	Other work equipment	Building and Improvements	Total
Cost:					
Balance at beginning of year	253,141,187	267,664,165	48,571,131	6,317,536	575,694,019
Additions	-	5,381,437	2,255,910	1,238,096	8,875,443
Balance at end of year	253,141,187	273,045,601	50,827,041	7,555,632	584,569,462
Accumulated depreciation:					
Balance at beginning of year	229,426,842	146,719,303	24,561,114	46,046	400,753,305
Depreciation	3,717,490	4,385,145	2,150,184	59,094	10,311,913
Balance at end of year	233,144,333	151,104,448	26,711,298	105,140	411,065,218
<b>Net book value</b>	<b>19,996,855</b>	<b>121,941,154</b>	<b>24,115,743</b>	<b>7,450,492</b>	<b>173,504,244</b>

Additions to property and equipment amounting to ₱8,875,443 were paid in cash.

Service vehicles under “Other work equipment” with carrying value amounting to ₱6,423,481 as of December 31, 2021, serve as collaterals for the chattel mortgage for the loan acquired from a local bank and a financial institution. Aside from the service vehicles, no amount of property and equipment has been pledged to secure borrowings as at March 31, 2022 and December 31, 2021.

Fully depreciated properties still in use amounted to ₱212,248,157 as at March 31, 2022 and December 31, 2021. There are no idle property and equipment as at March 31, 2022 and December 31, 2021.

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.

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.

## 11. INVESTMENT PROPERTIES AT COST

	March 31, 2022	December 31, 2021
Balance at beginning of year	212,100,808	212,100,808
Disposals during the year	(40,116,540)	(40,116,540)
	<b>171,984,268</b>	171,984,268

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.

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.

In 2021, the Company sold investment properties with related cost at ₱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.

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

For the years ended December 31, 2021, and 2020, the Company recognized rental income from these investment properties amounting to ₱687,258 and ₱1,578,240, respectively.

As at March 31, 2022 and December 31, 2021, the Company has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance, or enhancements.

## 12. INTANGIBLE ASSET AT COST – net

	March 31, 2022	December 31, 2021
<b>Cost:</b>		
Balance at beginning of year	2,471,000	2,375,000
Additions	-	96,000
Balance at end of year	<b>2,471,000</b>	2,471,000
Accumulated amortization:		
Balance at beginning of year	505,150	31,417
Amortization	129,050	473,733
Balance at end of year	<b>634,200</b>	505,150
Net carrying value	<b>1,836,800</b>	1,965,850

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

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.

### 13. OTHER NON-CURRENT ASSETS - net

	March 31, 2022	December 31, 2021
Plant supplies	93,027,155	93,920,240
Refundable security deposits	13,877,633	13,881,057
Financial asset at FVOCI	309,852	309,852
	<b>107,214,640</b>	108,111,149
Less: Allowance for ECL and impairment	<b>(65,987,835)</b>	(65,987,835)
	<b>41,226,805</b>	42,123,314

As at March 31, 2021 and December 31, 2021, the carrying value of plant supplies amounted to ₱27,039,320 and ₱27,932,405, 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.

Financial assets at FVOCI as at March 31, 2022 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.

### 14. TRADE AND OTHER PAYABLES

	March 31, 2022	December 31, 2021
Trade	165,125,977	145,123,533
Customers' deposits	152,912,712	152,416,924
Contract liability	23,149,639	22,064,026
Others	72,662	72,662
	<b>341,260,990</b>	319,677,145

Trade payables are non-interest bearing and are settled on a 30 to 120 days' term. Included in the trade payables are suppliers' credits under corporate rehabilitation amounted to ₱15,726,642 as at March 31, 2022 and December 31, 2021.

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

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

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

## 15. STATUTORY OBLIGATIONS

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

	March 31, 2022	December 31, 2021
<i>Covered by Corporate Rehabilitation</i>		
Labor-related	<b>161,128,381</b>	161,379,509
BIR	<b>138,514,480</b>	138,514,480
NTC	<b>54,724,945</b>	54,724,945
Home Development Mutual Fund (HDMF)	<b>28,448,186</b>	28,448,186
SSS	<b>15,101,233</b>	15,101,233
Philippine Health Insurance Corporation (PHIC)	<b>12,145,658</b>	12,145,658
National Home Mortgage Finance Corp. (NHFMC)	<b>1,132,874</b>	1,132,874
Other government agencies	<b>7,231,637</b>	7,231,637
	<b>418,427,394</b>	418,678,522
<i>Outside Corporate Rehabilitation:</i>		
NTC	<b>134,418,130</b>	137,306,870
BIR	<b>44,432,301</b>	43,981,132
SSS	<b>816,567</b>	793,723
Labor-related	<b>510,827</b>	510,767
PHIC	<b>504,529</b>	251,043
HDMF	<b>198,274</b>	87,034
Other government agencies	<b>8,152,674</b>	8,064,348
	<b>189,033,301</b>	190,994,917
	<b>607,460,695</b>	609,673,439

### 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.

The Company settled labor-related statutory obligations covered by corporate rehabilitation amounting to ₱1,459,120 and ₱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 to ₱3,112,818 in 2019.

### 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.

## NHFMC

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

## Other government agencies

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

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

## **16. ACCRUED INTERESTS, EXPENSES AND OTHER LIABILITIES**

	<b>March 31, 2022</b>	December 31, 2021
Accrued interests	<b>259,920,243</b>	243,419,332
Accrued upstream internet connectivity	<b>3,734,023</b>	22,178,327
Accrued expenses	<b>19,306,707</b>	16,280,741
Accrued retainers and professional fees	<b>778,469</b>	858,692
Others	<b>1,166,746</b>	209,121
	<b>284,906,188</b>	282,946,213

Pursuant to the order of the Rehab Court to pay 6% legal interest from the approval of the Rehab Plan until full payment of the obligation. Interest expense for the three-month period ended March 31, 2022, and year ended December 31, 2021, amounted to ₱5,939,066 and ₱22,805,466, respectively.

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

The Company entered into a contract agreement with an international telecommunication company and a local company to install and provide additional upstream internet connectivity. Upstream internet connectivity pertains to fees incurred for a leased channel, a premium internet connectivity product, normally delivered over fiber, which provides uncontended, symmetrical bandwidth with full-duplex traffic used to provide internet services to the customers. The Company recognized upstream internet connectivity amounting to ₱12,110,193 and ₱42,965,844 for the three-month period ended March 31, 2022 and year ended December 31, 2021, respectively, as presented in the statements of loss.

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

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

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

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

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

<b>Type of Redeemable Serial Preferred Shares</b>	<b>Type of obligation</b>
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.

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.

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 remains lodged as, "Deposit for subscription".

Total deposit for subscription under non-current liabilities as at March 31, 2022 and December 31, 2021 amounted to ₱8,841,736,581.

## 18. RETIREMENT BENEFITS LIABILITY

The Company has a noncontributory 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 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.

## 19. SHARE CAPITAL

### 19.01 Paid-up Capital

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

	March 31, 2022	December 31, 2021
Common shares - ₱1 par value		
Authorized - 4,500,000,000 shares		
Issued - 1,500,000,000 shares	1,500,000,000	1,500,000,000
Subscribed - nil shares		
-APIC	724,255,313	724,255,313
	<b>2,224,255,313</b>	<b>2,224,255,313</b>

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

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

## 20. BASIC/DILUTED LOSS PER SHARE

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

Loss per share are as follows:

	<b>March 31, 2022</b> <b>(Three months)</b>	December 31, 2021 (Twelve months)
Net income (loss) shown in the statements of comprehensive income (loss)	<b>(11,707,763)</b>	(22,784,703)
Weighted average number of common shares for basic and diluted earnings (loss) per share	<b>1,500,000,000</b>	1,500,000,000
Basic and diluted earnings (loss) per share	<b>(0.01)</b>	(0.02)

## 21. RELATED PARTY TRANSACTIONS

### 21.01 Related Party Relationships

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with 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
MENLO	Entity with significant influence over the Company	Advances to/from
CWI	Affiliate	Advances to/from
PWI	Affiliate	Advances to/from
RETELCOM	Affiliate	Advances to/from
TIMCO	Affiliate	Advances to/from
WPI	Affiliate	Advances to/from
Stockholders	Other related party	Advances to/from

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

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

### 21.02 Related Party Transactions

Transactions and outstanding balances with related parties as at March 31, 2022 and December 31, 2021 which consist mainly of advances intended for working capital requirements are as follows:

Category	Notes	Year	Volume/ Amount	Outstanding Balance	Terms	Conditions
<u>Entities with significant influence over the Company</u>						
<i>TSI</i>						
Revenues /		2022	2,398,065	15,039,175	Due and	
Receivables		2021	6,996,530	12,641,110	demandable, cash settled	Unimpaired
Due to related parties		2022	83,402	43,737,731	Due and	
		2021	1,834,008	43,654,330	demandable, cash settled	Unsecured
<i>MENLO</i>						
Due from related parties		2022	(4,150,000)	31,375,574	Due and	
		2021	32,977,074	35,525,574	demandable, cash settled	Unimpaired
Due to related parties		2022	8,411,353	31,777,265	Due and	
		2021	12,073,849	23,365,912	demandable, cash settled	Unsecured
<u>Affiliates</u>						
<i>CWI</i>						
Due from related parties		2022	12,680	3,481,691	Due and	
		2021	12,680	3,469,011	demandable, cash settled	Unimpaired
Due to related parties		2022	-	440,000	Due and	
		2021	-	440,000	demandable, cash settled	Unsecured
<i>PWI</i>						
Due from related parties		2022	10,808	4,201,933	Due and	
		2021	486,278	4,191,125	demandable, cash settled	Unimpaired
Due to related parties		2022	-	20,819,003	Due and	
		2021	824,003	20,819,003	demandable, cash settled	Unsecured
<i>RETELCOM</i>						
Due to related parties		2022	-	7,616,064	Due and	
		2021	501,180	7,616,064	demandable, cash settled	Unsecured
<i>TIMCO</i>						
Due to related parties		2022	-	38,355,000	Due and	
		2021	-	38,355,000	demandable, cash settled	Unsecured
<i>WPI</i>						
Due from related parties		2022	8,252	68,189	Due and	
		2021	-	59,937	demandable, cash settled	Unimpaired
<u>Other related parties</u>						
<i>Other individual and corporate stockholders</i>						
Due from related parties		2022	-	15,000	Due and	
		2021	(1,672,789)	15,000	demandable, cash settled	Unimpaired
Due to related parties		2022	-	145,517,146	Due and	
		2021	(13,312,958)	145,517,146	demandable, cash settled	Unsecured
Interest expenses / Due to related parties – accrued interest		2022	2,052,839	27,083,289	6% interest rate per annum	
		2021	12,328,360	25,030,449		
<b>Revenues</b>		2022	2,398,065	15,039,175		
<b>Receivables</b>		2021	6,996,530	12,641,110		
<b>Due from related parties</b>		2022	(4,118,260)	39,142,386		
		2021	31,803,243	43,260,647		
<b>Due to related parties</b>		2022	10,547,594	315,345,498		
		2021	8,408,425	304,797,904		
<b>Interest expenses</b>	29	2022	2,052,840			
		2021	12,328,360			

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

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

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

	<b>March 31, 2022</b>		December 31, 2021	
Foreign currency denominated	\$	<b>288,805</b>	\$	288,806
Philippine peso equivalents	₱	<b>14,662,630</b>	₱	14,662,630

## 21. FINANCIAL RISK DISCLOSURE

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

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

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

### Financial Risks

#### *Foreign Currency Risk*

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

#### *Interest Rate Risk*

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

#### *Liquidity Risk*

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

#### *Credit Risk*

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

The aging of the receivables shows that the receivable as of March 31, 2022, of ₱127 million is adequately covered by the provisions.

## 22. OTHER MATTERS

### **Seasonality or cyclicity of interim operations**

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

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

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

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

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

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

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

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

### Management Discussion and Analysis

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with 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.

### Financial Highlights

#### Segment Reporting

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

	March 31, 2022				March 31, 2021			
	Broadband Services	IT Services	Others	TOTAL	Broadband Services	IT Services	Others	TOTAL
<i>(in '000 Philippine pesos)</i>								
<b>REVENUES<sup>1</sup></b>	109,460	16,268	-	125,728	99,885	10,353	-	110,237
<b>OTHER INCOME</b>	-	-	(466)	(466)	-	-	(35)	(35)
<b>Core expenses</b>	109,460	16,268	(466)	125,262	99,885	10,353	(35)	110,202
SG&A <sup>2</sup>	72,103	13,983	-	86,086	66,659	9,597	-	76,256
Leased channel	2,713	-	-	2,713	1,668	39	-	1,707
Cost of sales	9,397	11,016	-	20,413	6,199	7,690	-	13,889
<b>CORE EXPENSES</b>	84,213	24,999	-	109,212	74,526	17,325	-	91,852
<b>CORE EBITDA</b>	25,247	(8,731)	(466)	16,050	25,358	(6,973)	(35)	18,350
<b>CORE EBITDA %</b>	23.06%	-53.67%	100.00%	12.81%	25.39%	-67.35%	100.00%	16.65%
Depreciation	15,648	2,181	-	17,829	17,305	350	-	17,654
Interest expense	716	105	-	820	1,161	24	-	1,185
<b>CORE EARNINGS</b>	8,883	(11,017)	(466)		6,892	(7,346)	(35)	
<b>Non-core charges</b>								(489)
Penalties and fines	3	-	-	3	4	-	-	4
Non-core expense	-	-	-	-	-	-	3,000	3,000
Rehab interest expense	-	-	9,105	9,105	-	-	10,068	10,068
Non-core income	-	-	-	-	-	-	-	-
<b>NON-CORE CHARGES</b>	3	-	9,105	9,108	4	-	13,068	13,072
<b>TOTAL EARNINGS (LOSSES)</b>	8,880	(11,017)	(9,572)	(11,708)	6,888	(7,346)	(13,103)	(13,561)
Income tax expense/benefit	-	-	-	-	-	-	-	-
<b>NET INCOME (LOSS)</b>	8,880	(11,017)	(9,572)	(11,708)	6,888	(7,346)	(13,103)	(13,561)

<sup>1</sup>Revenue allocation among segments has been adjusted in the prior years to improve comparability

<sup>2</sup>SG&A channel allocation among segments has been adjusted in the prior years to improve comparability

#### Broadband Business

The Fixed Broadband business is the Company's main segment which offers internet connectivity to subscribers. The Broadband business contributed 87% of the Company's total revenues by offering connectivity subscriptions to enterprise, residential, wholesale and carrier customers. For the three months ending March 31, 2022, its subscriber base grew by 7% translating to an increase of broadband revenues from ₱99.9 million to ₱108.9 million.

Expenses in Broadband business include sales and technical related costs, nodal related costs, taxes and permits incurred in saturating areas, and cost of sales and leased channel expense incurred to provide bandwidth across its subscribers. Profitability of Broadband business is steady at ₱25.2 million while, Core EBITDA margin slightly dipped from 25.4% to 23.1%.

#### *Information Technology Services*

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

Expenses in IT Services business include sales and technical related costs and cost of sales incurred to be able to offer a wide variety IT solutions. Investments to fortify the business by growing its product offerings impacted its profitability from (₱7.0) million to (₱8.7) million. However, Core EBITDA margin improved from -67.3% to -53.7% indicating a healthy opportunity for the Company.

#### *Other Initiatives*

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

### **Financial Performance and Condition**

<b>Results of Operations (in '000 Philippine pesos)</b>	<b>3 months ended March 31, 2022</b>	<b>3 months ended March 31, 2021</b>
<b>REVENUES</b>	125,728	110,237
<b>OTHER INCOME</b>	(466)	119
	125,262	110,356
<b>Core expenses</b>		
Selling, general and administrative expenses	86,086	76,414
Leased channel and interconnect cost	2,713	3,278
Cost of sales	20,413	12,318
<b>CORE EXPENSES</b>	109,212	92,010
<b>CORE EBITDA</b>	16,050	18,346
<b>CORE EBITDA %</b>	12.81%	16.62%
Depreciation and amortization	17,829	17,654
Interest expense	820	1,185
<b>CORE EARNINGS</b>	(2,599)	(493)
Non-core charges		
Non-core expenses (net of non-core income)	3	3,000
Rehabilitation-related interest	9,105	10,068
<b>NON-CORE CHARGES</b>	9,108	13,068
<b>TOTAL EARNINGS (LOSSES)</b>	(11,708)	(13,561)
Income tax expense/benefit	-	-
<b>NET INCOME (LOSS)</b>	(11,708)	(13,561)

#### *Revenue*

The Company, for the three months ending March 31, 2022, reported total revenues and income of ₱125.3 million, or an improvement of 13.7% as compared to the previous year's revenue of ₱110.2 million. The Company ended the quarter with 2,226 data services circuits, notably broadband connections, which is a key performance indicator for an increase of 7% over the prior last year. For the three-month period ending March 31, 2022, operating revenues for broadband reached ₱109.5 million, an 9.6% increase in operating revenue performance vs. last year. Activities for the broadband group included street level saturations on major nodes, optimization of existing infrastructure in commercial buildings

and establishments and account management of existing subscribers.

Another key performance indicator known as monthly recurring revenue (MRR) per each data service circuit was steady at around ₱16,000 per circuit despite being diluted by the significant increase in the number of data circuits.

#### *Cost and expenses*

The Company's personnel related expenses for the three-month period ending March 31, 2022, amounted to ₱57.8 million compared to last year's level of ₱54.1 million as the Company prepares its workforce in sustaining growth in connectivity and IT services despite the ongoing pandemic.

Due to the implementation of work-from-home arrangement and skeletal workforce last year, premises-related expenses increased to ₱10.9 million from ₱9.2 million in the comparative period. Selling, general and administrative expenses went beyond last year's level from ₱12.9 million to ₱17.4 million, together with cost of sales from ₱13.9 million to ₱20.4 million. This increase indicates the Company's ability to adapt to the pandemic by investing in operations to support its growing business.

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

#### *Profitability Performance*

Slower growth in revenues vs core expenses resulted in the decrease in core EBITDA from ₱18.3 million last year to ₱16.1 million in 2022, lowering the Core EBITDA margin to 12.8%. Depreciation and amortization increased to ₱17.8 million vs. ₱17.7 million in the comparative period last year as the Company invests in more property and equipment to support the business.

The Company's net loss for the period ending March 31, 2022, is at ₱11.7 million, lower than the net loss of the previous year due to savings in non-core expenses. Additional expenses such as recognition of the legal interest rate of 6% p.a. on unsettled obligations as directed by the Rehabilitation Court, and rehab-related expenses affected the net loss for the period.

<b>Financial Condition (in '000 Philippine pesos)</b>	<b>March 31, 2022</b>	March 31, 2021
Current Assets	<b>651,344</b>	520,471
Non-current Assets	<b>439,880</b>	490,816
<b>TOTAL ASSETS</b>	<b>1,091,224</b>	1,011,288
Current Liabilities	<b>1,590,135</b>	1,457,987
Non-current Liabilities	<b>9,051,908</b>	372,274
Total Liabilities	<b>10,642,043</b>	1,830,260
Capital Deficiency	<b>(9,550,819)</b>	(818,973)
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>1,091,224</b>	1,011,288

The Company's total assets amounted to ₱1.091 billion as of March 31, 2021. Cash is at ₱48 million, an increase by ₱4.7 million or 11% as compared to March 31, 2021. Accounts receivable of ₱127.4 as of March 31, 2022, increased by ₱70.5 million or 123% as compared to March 31, 2021.

Trade and other payables increased by ₱87.8 million or 26% as of March 31, 2022. A major portion of this account is attributable to trade transactions with suppliers which resulted in total trade payables of ₱147.8 million as of quarter end. Finally, the other payables are generally due to related parties which represent non-interest bearing, unsecured and short-term Philippine currency denominated financing and advances to support the Company's working capital requirements as part of the approved rehabilitation plan of the Company.

Total deficit is at ₱11.9 billion, and the total capital stock deficiency is at ₱9,550.8 million.

Current ratio as of March 31, 2022, is at 0.41:1 as compared to March 31, 2021, of 0.37:1.

## Plan of Operation

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

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

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

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

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

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

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

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

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

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

Lastly, despite the rapidly evolving technology, PT&T is still keen on its interests to provide mobile services in the 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 will substantially reduce cost and implementation period.

As of March 31, 2022, the Company has a total of 249 employees and the Company estimated that the said number will

increase to 286 by the end of 2022. As the Company commences the expansion of its operations, it expects to further increase its manpower complement.

### Key Financial Performance Indicator

Key Performance Indicators	Three months ended March 31, 2022	Three months ended March 31, 2021
Net income (loss) (in ₱ '000)	(11,708)	(13,561)
Core EBITDA <sup>1</sup> (in ₱ '000)	16,050	18,346
Core EBITDA %	12.81%	16.65%
Operating Revenue Growth	14.05%	2.90%
Operating Revenue (in ₱ '000)	125,728	110,237
Number of Active Circuits	2,226	2,080
ARPU (in ₱)	16,191	15,551
Recurring Revenue (in ₱)	108,125	97,039

<sup>1</sup>Non-core items include fees for the rehab-related initiatives.

#### Net income

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

Despite the ongoing pandemic, the Company's net losses decreased from ₱13.6 million to ₱11.7 million this year. Savings due to non-core expenses and growth in revenues positively impacted the Company's net earnings.

#### Core EBITDA and Core EBITDA Margin

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

Slower growth in revenues as compared to the increase in core expenses impacted the Core EBITDA performance from ₱18.3 million to ₱16.1 million. Core EBITDA margin decreased accordingly from 16.7% to 12.8%.

#### Operating Revenue Growth

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

The Company has consistently achieved positive revenue growth. Despite the pandemic, the Company experienced an accelerated operating revenue growth of 14.1% compared to the previous year. This is expected to continue, due to the imperative need to bridge the technological gap of connectivity and IT solutions.

Number of billable/active circuits

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

The number of subscribers increased by 7% contributing greatly to revenue growth. Enterprise clients 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.

In the 1<sup>st</sup> quarter of 2022, the Company's ARPU grew indicating an increase in the value of newly acquired subscribers the Company saturates its wholesale subscribers .

**Other Events**

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

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

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

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

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

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

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

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

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

The Management has no knowledge of any seasonal aspect, events or uncertainties that will have a material impact on the Company's financial position or operation except as those disclosed in Financial Position and Results of Operations and other sections of this report and in SEC Form 17-A previously submitted.

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

Please refer to Item G.

**G.) Whether or not the Company is in default or breach of any note, loan, lease, or other indebtedness of financing**

**arrangement requiring it to make payments.**

Please refer to Part II – Other Information.

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

Please refer to Item G.

**Impact of COVID-19 to the company's operations**

As disclosed to the SEC and PSE last March 13, 2022, PT&T is business as usual despite the community quarantine brought upon by COVID-19. The company ensures continuous and uninterrupted delivery of services to existing and potential clients, despite the circumstances. PT&T has taken additional measures to ensure that all stakeholders –clients, employees, and partners alike– are not exposed to unnecessary or additional risk.

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

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

## **PART II - OTHER INFORMATION**

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

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

- (i.) In accordance with the approved Rehabilitation Plan, the liabilities of the Company that are to be settled by way of its conversion to Serial Redeemable Preferred Shares has been lodged as part of non-current liability representing "deposit for subscription". The Company will be implementing the debt-to-equity conversion mandated under the Rehabilitation Plan in several tranches and only after securing the Deeds of Assignment from the creditors. In instances where the amount of liabilities that were recognized in the rehabilitation proceedings are being challenged, the creditor-shareholders may be entertained by the Company for proper reconciliation of the numbers.
- (ii.) Pursuant to the approved Rehabilitation Plan, the statutory obligations may be settled out of the proceeds of the sale of the Company's assets. For this purpose, the Rehabilitation Court issued an Order allowing the Company to sell its assets and use the proceeds of the sale to settle the Company's statutory obligations.

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

In addition to previous disclosures and clarifications made to the PSE and SEC in the 3rd quarterly report ending September 31, 2021, the Company submitted the following applicable disclosures and clarifications using the required disclosures forms during the 3rd quarter covered by this report:

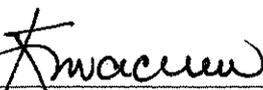
- (i) *Disclosure under SEC Form 17-C and PSE Disclosure Form 4-8 – Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion) submitted on December 09, 2021.*
- (ii) *Disclosure under SEC Form 17-C and PSE Disclosure Form 4-8 – Change in Directors and/or Officers (Resignation, Removal, Appointment, Election and/or Promotion) submitted on February 14, 2022.*
- (iii) *Disclosure under SEC Form 17-C and PSE Disclosure Form 4-30 – Material Information Transactions- submitted on February 22, 2022.*
- (iv) *Disclosure under SEC Form 17-C and PSE Disclosure Form 4-8 – Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion submitted on March 31, 2022.*

**SIGNATURES**

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

By:

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

  
**KENNETH JOEY H. MACEREN**  
Corporate Secretary

13 May 2022



**ANGELO MIGUEL R. ISIP**  
Chief Finance Officer

13 May 2022

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
**INDEX TO FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY SCHEDULES**  
**FOR THE QUARTER ENDED MARCH 31, 2022**

Supplementary Schedules:

Schedule I - Reconciliation of Retained Earnings Available for Declaration\*

Schedule II - Schedule Showing Financial Soundness

Schedule III - A Map Showing the Relationship Between and Among the Company and its Ultimate Parent Company, Middle Parent and its co-Subsidiaries

Schedule IV - Supplementary Schedules Required under Annex 68-E

Schedule A: Financial Assets\*

Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties) \*

Schedule C: Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements\*

Schedule D: Long-term debt

Schedule E: Indebtedness to Related Parties (Long-Term Loans from Related Companies) \*

Schedule F: Guarantees of Securities of Other Issuers\*

Schedule G: Capital Stock

\*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.

**SCHEDULE I**  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**

**As of March 31, 2022**

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
**Spirit of Communications Center, 106 C. Palanca Street, Legaspi Village, Makati City**

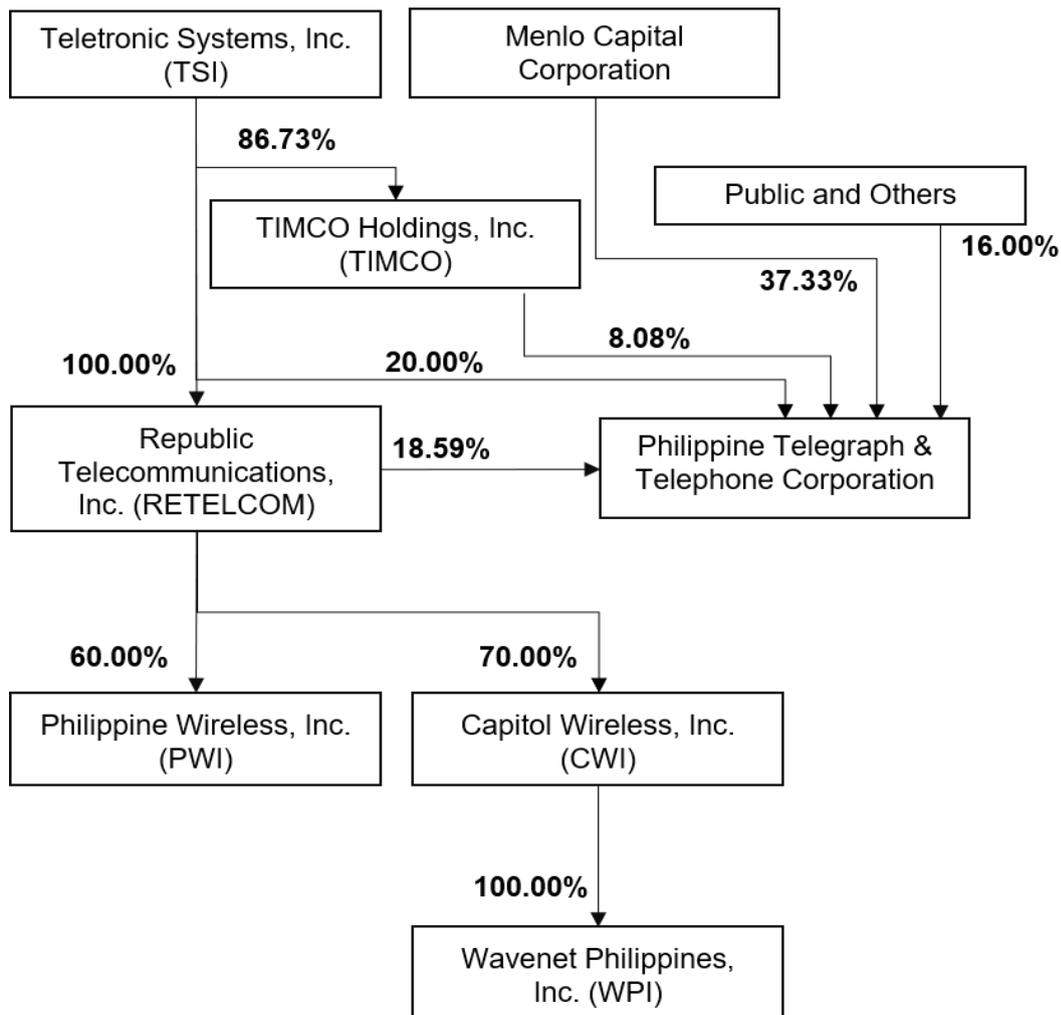
<b>NOT APPLICABLE</b>
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**SCHEDULE II**  
**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
**SCHEDULE SHOWING FINANCIAL SOUNDNESS**  
**PURSUANT TO REVISED SRC RULE 68**

Ratio	Formula	As at	
		2022	2021
<b>Liquidity Ratio:</b>			
Current ratio	Total Current Assets divided by Total Current Liabilities  Total Current Assets 651,344,131 Divide by: Total Current Liabilities <u>1,590,134,937</u> Current ratio 0.41	<b>0.41:1</b>	0.37:1
Quick ratio	Quick Assets ( <i>Cash add Receivables – net</i> ) divided by Total Current Liabilities  Quick Assets 175,393,740 Divide by: Total Current Liabilities <u>1,590,134,937</u> Quick ratio 0.11	<b>0.11:1</b>	0.07:1
<b>Solvency Ratio:</b>			
Debt ratio / Debt-to-asset ratio	Total Liabilities divided by Total Assets  Total Liabilities 10,642,043,282 Divide by: Total Assets <u>1,091,224,085</u> Debt-to-asset ratio 9.75	<b>9.75:1</b>	1.81:1
Debt-to-equity ratio	Total Liabilities divided by Total Capital Deficiency  Total Liabilities 10,642,043,282 Divide by: Total Capital Deficiency <u>(9,550,819,199)</u> Debt-to-equity ratio (1.11)	<b>(1.11):1</b>	(2.23):1
Asset-to-equity ratio	Total assets divided by Total Capital Deficiency  Total Assets 1,091,224,085 Divide by: Total Capital Deficiency <u>(9,550,819,199)</u> Asset-to-equity ratio (0.11)	<b>(0.11):1</b>	(1.23):1
<b>Interest Rate Coverage Ratio:</b>	Earnings Before Interest, Taxes and Depreciation and Amortization (EBITDA) divided by Interest Expenses  EBITDA 12,526,684 Divide by: Interest Expenses <u>5,939,066</u> Interest rate coverage ratio 2.11	<b>2.11:1</b>	1.58:1

		<b>As at</b>	
<b>Ratio</b>	<b>Formula</b>	<b>2022</b>	2021
<b>Profitability Ratios:</b>			
Return on assets	Net Loss divided by Average Total Assets ( <i>Total Assets as of March 31, 2022 add Total Assets as of March 31, 2021 divided by two</i> )  Net Loss (11,707,763) Divide by: Average Total Assets <u>1,051,255,902</u> Return on assets (1.11%)	<b>(1.11%)</b>	(1.40%)
Return on equity	Net Loss divided by Average Total Capital Deficiency ( <i>Total Capital Deficiency as of March 31, 2022 add Total Capital Deficiency as of March 31, 2021 divided by two</i> )  Net Loss (11,707,763) Divide by: Avg. Total Capital Deficiency <u>(5,184,895,988)</u> Return on equity (0.23%)	<b>(0.23%)</b>	(1.68%)
Gross profit margin	Gross Profit ( <i>Revenues less Cost of Sales</i> ) divided by Revenues  Gross Profit 104,489,184 Divide by: Revenues <u>125,262,162</u> Gross profit margin 84%	<b>84%</b>	87%
<b>Activity Ratio:</b>			
Asset turnover	Revenues divided by Average Total Capital Deficiency ( <i>Total Capital Deficiency as of March 31, 2022 add Total Capital Deficiency as of March 31, 2021 divided by two</i> )  Revenues 114,712,613 Divide by: Avg. Total Capital Deficiency <u>(5,184,895,988)</u> Asset turnover (0.02)	<b>(0.02):1</b>	(0.14):1

**SCHEDULE III**  
**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
**A MAP SHOWING THE RELATIONSHIP**  
**BETWEEN AND AMONG**  
**THE COMPANY AND ITS ULTIMATE PARENT COMPANY,**  
**MIDDLE PARENT AND ITS CO-SUBSIDIARIES**  
**PURSUANT TO REVISED SRC RULE 68**  
**As at March 31, 2022**



**SCHEDULE IV**  
**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
**SCHEDULE A**  
**FINANCIAL ASSETS**  
**MARCH 31, 2022**

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
<b>NOT APPLICABLE</b>			

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
**SCHEDULE B**  
**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL**  
**STOCKHOLDERS (OTHER THAN RELATED PARTIES)**  
**MARCH 31, 2022**

<b>Name and Designation of debtor</b>	<b>Balance at beginning of period</b>	<b>Additions</b>	<b>Amounts collected</b>	<b>Amounts written off</b>	<b>Current</b>	<b>Not Current</b>	<b>Balance at end of period</b>
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**NOT APPLICABLE**

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
**SCHEDULE C**  
**AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**NOT APPLICABLE**

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
**SCHEDULE D**  
**LONG-TERM DEBT**  
**MARCH 31, 2022**

<b>Name of issuer and type of obligation</b>	<b>Total Outstanding Balance</b>	<b>Amount shown under caption "Current portion of long-term debt"</b>	<b>Amount shown caption "Long-term Debt"</b>
<i>Car Loans:</i> Philippine Savings Bank	<b>4,991,169</b>	<b>1,105,011</b>	<b>3,886,158</b>

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
**SCHEDULE E**  
**INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)**  
**MARCH 31, 2022**

<b>Name of the Related Party</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
----------------------------------	---------------------------------------	---------------------------------

**NOT APPLICABLE**

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
**SCHEDULE F**  
**GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
**MARCH 31, 2022**

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
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**NOT APPLICABLE**

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
**SCHEDULE G**  
**CAPITAL STOCK**  
**MARCH 31, 2022**

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	19	239,999,754
Preferred (₱10.00 par value)	230,000,000					
	<b>1,730,000,000</b>	<b>1,500,000,000</b>	<b>–</b>	<b>1,260,000,246</b>	<b>19</b>	<b>239,999,754</b>