



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)815-9961
(Telephone Number)

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

Form 17-A
Form Type

Amended Designation (if applicable)

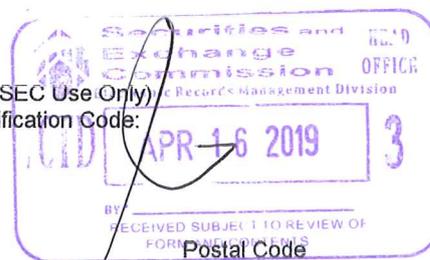
December 31, 2018
Period Ended Date

(Secondary License Type and File No.)

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

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

1. For the calendar year ended December 31, 2018
2. SEC Identification Number 21817
3. BIR Tax Identification No. 470-000-530-631
4. Philippine Telegraph and Telephone Corp. (PT&T)
Exact name of issuer as specified in its charter.
5. Metro Manila, Philippines
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code: 1229
7. Spirit of Communication Centre Building,
106 Carlos Palanca Jr. St., Legaspi Village, Makati City
Address of principal office
8. (632)815-9961 to 65
Issuer's telephone number, including area code
9. Not Applicable
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA



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

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

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Philippine Stock Exchange (PSE) – Common Stock
12. Indicate by check mark whether the issuer:
 - (a) has filed all reports required to be filed by Section 17 of the SRC and the SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):
Yes No
 - (b) has been subject to such filing requirements for the past ninety (90) days.
Yes No
13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

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

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

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.
Yes No

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION (PT&T)
TABLE OF CONTENTS
SEC FORM 17-A

PART I - BUSINESS AND GENERAL INFORMATION	4
Item 1. Business	4
Item 2. Properties	8
Item 3. Legal Proceedings	9
Item 4. Submission of Matters to a Vote of Security Holders	10
PART II - OPERATIONAL AND FINANCIAL INFORMATION	11
Item 5. Market for Issuer's Common Equity and Related Stockholder Matters	11
Item 6. Management's Discussion and Analysis and Plan of Operation	14
Item 7. Financial Statements	16
Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	16
PART III - CONTROL AND COMPENSATION INFORMATION	17
Item 9. Directors and Executive Officers	17
Item 10. Executive Compensation	20
Item 11. Security Ownership of Certain Beneficial Owners and Management	21
Item 12. Certain Relationships and Related Transactions	22
PART IV - CORPORATE GOVERNANCE	23
Item 13. Corporate Governance	23
PART V - EXHIBITS AND SCHEDULES	23
Item 14. Exhibits and Reports on SEC Form 17-C.	23
SIGNATURES	24
LIST OF SUPPLEMENTARY INFORMATION	26
INDEX TO EXHIBITS	27

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Business Development

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

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

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

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

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

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

- i. Modification of the rehabilitation period from 15 years to a 2-year moratorium and 12-year debt payment period;
- ii. Waiver of any and all interest, penalties and surcharges on all obligations of the Company to all claimants listed in the Rehab Plan except the legal interest of 6% from the approval of the plan until the full payment of the obligation;
- iii. Each of the petitioners to: (i) immediately settle, out of the proceeds of the liberated escrow account pursuant to the Rehab Court's orders dated September 3, 2010 and October 20, 2010, the petitioners' obligations to the SSS in accordance with the SSS Condonation Law of 2009 and SSS Circular No. 2010-2004 for delinquent premium contributions and SSS Circular No. 2010-2005 for delinquent loan amortizations, including, but not limited to, delinquent employees compensation contributions through the SSS; (ii) immediately settle out of the proceeds from the recovery of any advances and deposits or garnished/levied assets and the proceeds of the sale of the petitioners' other assets pursuant to the pertinent orders issued by the courts, all unpaid wages, salaries and benefits inclusive of whatever amount have been deducted from said wages and salaries which the petitioners have not remitted to the appropriate contractual entity such as, but not limited to, the SSS and the PAG-IBIG Fund, of all existing and resigned/retired or separated employees, pursuant to law and to respective petitioners' employment policies including, but not limited to, collective bargaining agreements; and (iii) to immediately settle out of the proceeds from the recovery of any advances and deposits or garnished/levied assets and the proceeds of the sale of the sale of the petitioners' other assets pursuant to the pertinent orders issued by the Rehab Court, all unpaid retirement/separation pay for the retired or separated employees, pursuant to law and to the respective petitioners' employment policies including, but not limited to, collective bargaining agreement;
- iv. The petitioners to avail, whenever necessary, financing and advances from owners to finance their working capital requirements prior to the entry of the new investor, which financing and advances from owners shall be payable/repaid out of the new money to be infused by the new investor;

- v. The full conversion of all outstanding liabilities into 12-year serial redeemable preferred shares except for statutory obligations, financing and advances from owners and certain liabilities in the nature of suppliers' credits, and that the corresponding amount will be lodged in the petitioner's books as "Deposit for Subscription" pending approval by the SEC of the increase in authorized capital stock;
- vi. The Company, within a reasonable time from receipt of the Rehab Order, to amend its articles of incorporation increasing its authorized capital stock from PHP3,800,000,000 (consisting of 1,500,000,000 common shares at PHP1 par value and 230,000,000 serial cumulative convertible redeemable preferred shares at PHP10 par value) to PHP10,187,150,000 (consisting of 1,387,150,000 common shares at PHP1 par value and 7,500,000 serial cumulative convertible preferred shares at PHP10 par value and 8,800,000,000 serial redeemable preferred shares at PHP1 par value), and to immediately issue the corresponding stock certificates to the claimants concerned;
- vii. The Company to enroll and list all of its authorized Series "A", Series "B" and Series "C" redeemable preferred shares as freely "tradable" stocks with the PSE;
- viii. The SEC shall approve the Company's request for temporary exemptive relief under the SRC Rule 72.2, without sanctions or penalties whatsoever, monetary or otherwise, and the PSE to lift the suspension of the trading of the Company's common shares without any sanctions or penalties whatsoever, monetary or otherwise, and the Company shall faithfully comply with all the applicable rules and regulations of the SEC and PSE so that the trading of all the authorized shares of the Company shall not in any way be suspended or restricted except as provided by law;
- ix. Immediately settle obligations to petitioners such as salaries, wages and benefits out of escrow account; and
- x. Any sale or disposition of the petitioner's properties, whether real or personal shall also be subject to the Rehab Court's evaluation and approval.

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

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

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

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

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

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

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

- Rehabilitation proceeding is a relief that is accorded to financially distressed corporations, partnerships, and associations. As opposed to liquidation, rehabilitation is preferred relief. The rationale of a rehabilitation proceeding is to effect feasible and viable rehabilitation by preserving a foundering business as going concern, because the assets of a business are often more valuable when so maintained than they would be when liquidated;
- The Company is on the road to financial vigor. The Company is talking to potential investors to form strategic partnerships with the aim of becoming a major player in the Philippine market which is a sign of its way to financial recovery. To scuttle these plans by

outright rejecting them through the dismissal of its Rehab Plan would mean injustice not only to its investors but to its employees, creditors, stockholders, and the general public;

- The said creditors who filed the petition before the CA represent only 8.5% and 12.8% of the secured and unsecured creditors, respectively, and that it will be a grave injustice to the remaining 91.5% and 87.2% of the other secured and unsecured creditors, respectively, to resort to the Company's liquidation, especially in the light of recent developments in the takeover of the Company's management. These creditors have shown continuous support for the ongoing rehabilitation and have not actually opposed the order dated April 1, 2011; and
- The Company's improved, and still improving, fortunes provide the needed breathing room for their rehabilitation and have created an attractive business environment, thereby opening the Company to interested third parties that are very keen on participating in the development of broadband internet service to serve underdeveloped and underserved needs of our country.

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

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

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

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

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

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

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

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

B. Legislative Franchise and Business of the Issuer

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

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

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

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

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

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.

Item 2. Properties

A. Description of Property

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

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

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

B. Mortgage, lien or encumbrance

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

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

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

C. Lease Agreements

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

The Company's investment properties consist of land and improvements in various locations in NCR, and Regions 3 and 4. Some of the land with improvements, which are not being used by the Company for its operations, are rented out in the ordinary course of business for a fee to third parties for one (1) to five (5) years lease term and are renewable subject to mutual consent of both parties, while others are held for capital appreciation.

	Lessee	Location	Monthly Rent	Expiration Date
1	Paket Santiago	Antipolo City, Brgy. Mayamot, Marcos Highway	21,500.00	January 31, 2019
2	Rowena De Guzman	Lores Country Homes, Brgy. Dalig, Antipolo City	25,000.00	November 30, 2018
3	Formerge Integrated School	Col Guido St., Brgy. San Roque, Angono Rizal	28,500.00	September 15, 2018
4	NRP General Merchandise	143 Daang Bakal St., Guitnang Bayan 2, San Mateo Rizal	35,765.82	December 31, 2018
5	CarBuffXpress	Lot 6 Blk. 12 Pacita Ave, Brgy. San Vicente, San Pedro, Laguna	30,602.00	June 30, 2018
6	Go JT Trading	Lot 10 Blk. 12 Pacita Ave, Brgy. San Vicente, San Pedro, Laguna	47,500.00	June 30, 2018
7	Ruben F. Diolata	Sampaguita United Bayanihan, San Pedro, Laguna	16,772.00	March 15, 2019
8	Remnant Bible Baptist	Calamba Real, Laguna	20,000.00	May 30, 2018

Item 3. Legal Proceedings

The Company is involved in 39 labor cases. All these labor cases stemmed from the financial difficulties experienced by the Company which led to the filing of a Petition for Rehabilitation in 2009. As consequence of the Stay Order issued by the Rehab Court, proceedings in all these labor cases are suspended. The possible liability of the Company arising from the labor disputes is indicated in Note 13 of the Company's Audited Financial Statements.

The Company is likewise a party in 45 civil cases which are primarily collection cases. All these cases stemmed from the financial difficulties experienced by the Company which led to the filing of a Petition for Rehabilitation. As consequence of the Stay Order issued by the Rehabilitation Court, proceedings in all these cases are suspended. The amount involved in these cases are part of or are included in the obligations mentioned in Note 16 of the Audited Financial Statements which are to be settled through debt-to-equity conversion with the issuance of Series "A", "B" and "C" Preferred Stocks.

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

1. Market Information

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

2. Holders

The number of shareholders of record as of December 31, 2018 is 3,627.

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

NAME	CITIZENSHIP	NO. OF SHARES	PERCENTAGE
1. Menlo Capital Corporation	Filipino	560,000,000	37.33%
2. Telectronic Systems, Inc.	Filipino	300,000,241	20.00%
3. Republic Telecommunications Holdings, Inc.	Filipino	278,873,526	18.59%
4. PCD Nominee Corporation	Filipino	150,336,825	10.00%
5. Timco Holdings, Inc.	Filipino	121,126,474	8.08%
6. PCD Nominee Corporation	Non-Filipino	7,485,164	0.50%
7. Lim, Ernesto B.	Filipino	2,500,000	0.17%
8. Pioneer Insurance and Surety Corporation	Filipino	2,148,000	0.14%
9. Tan, Felix L.	Filipino	1,808,500	0.12%
10. Ang, Teresa W.	Filipino	1,448,000	0.10%
11. Knights of Columbus Fraternal Association of the Philippines	Filipino	986,664	0.07%
12. G&L Sec. Co., Inc.	Filipino	923,667	0.06%
13. David Go Securities Corporation	Filipino	855,830	0.06%
14. Yan, Lucio W.	Filipino	850,000	0.06%
15. Pioneer Intercontinental Insurance Corp.	Filipino	850,000	0.06%
16. Santiago, Severina M.	Filipino	818,260	0.06%
17. Caedo, Jose Jr. P.	Filipino	811,963	0.05%
18. Camarines Minerals Inc.	Filipino	800,000	0.05%
19. Lopez-Santiago, Eleanor M.	Filipino	729,926	0.05%
20. Santiago, Virginia M.	Filipino	729,926	0.05%

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

3. Dividends

The Company has not declared any dividends for its common equity in the last two (2) fiscal years. The Company is not in a position to declare dividends due to its accumulated deficits amounting to PhP11,766,891,682 as of December 31, 2018. Moreover, the Company is undergoing rehabilitation and should first settle its obligations before it can declare any dividends to its stockholders.

4. Recent Sales of Unregistered Securities

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

B. Description of Registrant's Securities

1. Capital stock

The Company's authorized capital stock as of December 31, 2018 is as follows:

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

The Company's issued and subscribed capital stock as of December 31, 2018 consists of

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

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

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

a. Common Stock

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

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

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

b. Preferred Stock

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

In addition to the existing Preferred Stocks, the Company will issue the following additional Preferred Stocks:

- a.) 6,750,000,000 Series "A" Serial Redeemable Preferred Stocks at PhP 1.00 per stock;
- b.) 1,800,000,000 Series "B" Serial Redeemable Preferred Stocks at PhP 1.00 per stock; and
- c.) 250,000,000 Series "C" Serial Redeemable Preferred Stocks at PhP 1.00 per stock.

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

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

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

Pursuant to the Petition for Rehabilitation filed by the Company, Rehabilitation Court issued the Rehab Order approving the Company's Rehabilitation Plan. In the approved Rehabilitation Plan, the Company was required to issue Series "A", "B" and "C" Serial Redeemable Preferred Stocks to be used in conducting a debt-to-equity conversion to pay the debts of the Company in an amount indicated in Note 16 of the Company's Audited Financial Statement under respective classifications as shown below:

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

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

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

A. Management Discussion and Analysis

The following discussion and analysis should be read in conjunction with the accompanying financial statements and the related notes. PT&T's financial statements and the financial information discussed below have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The Company has selected and applied accounting policies so that financial statements will comply with all the requirements of Statement of Financial Accounting Standard and Interpretations. If there are no specific requirements, management has developed policies to ensure that the financial statements provide relevant and reliable information.

The Company maintains and adopted no change in accounting principle or practice, or in the method of applying any accounting principle or practice which affects relevance, reliability and comparability of the financial statements with those of prior periods.

The Company has no significant change in accounting estimates of the amount reported during the interim period of the financial year and in the other interim period or changes in estimates of amounts reported in prior financial years.

Since the last audited annual balance sheet date as of June 30, 2018, the Company has no change in contingent liabilities and contingent assets during the interim financial period reported.

The Company is contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments, which are being contested. Additional details of the disclosures are disclosed in the SEC Form 17-A and its attachments previously submitted.

During the interim period, there is no change in the Company's composition with regards to business combination, acquisition or disposal of subsidiaries and long-term investments and discontinuing operations, other than the explanations presented in Items 1 and 2 and Notes to Financial Statements.

Financial Highlights

Results of Operations (in Philippine pesos)	December 31, 2018	June 30, 2018	June 30, 2017
Revenues and income	133,471,825	266,264,880	136,337,420
Operating revenues	129,571,642	200,813,899	124,474,173
Other income	3,900,183	65,450,981	11,863,247
Operating expenses	193,444,037	165,243,383	103,066,668
Earnings before interest, taxes, depreciation and amortization (EBITDA)	(59,972,212)	101,021,497	33,270,752
EBITDA Margin	(45%)	38%	24%
Depreciation	14,716,397	19,947,611	31,407,888
Interest and other charges	13,463,929	27,545,130	28,511,051
Income tax expense/benefit	-	(28,799,624)	257,773
Net income (Loss)	(88,152,538)	24,729,132	(26,905,960)

Revenue

For the six months ended December 31, 2018, the Company improved its growth rate in the number of data services circuits over the prior fiscal years 2018 and 2017. It recorded a total of 1,200 circuits as of December 31, 2018 compared to 1,041 and 603 as of fiscal years 2018 and 2017, respectively. The increase in number of data circuits resulted in operating revenues of ₱129.6 million for the six months ended December 31, 2018 compared to ₱200.8 million and ₱124.5 million for FY 2018 and FY 2017, respectively.

Cost and expenses

To support the growth in operations, the Company enhanced its organizational capabilities in the technical and support areas. The number of personnel increase from 71 at the start of FY 2017 to 218 at the end of CY 2018. In addition, mobility for the sales and technical crews were continuously improved through the acquisition of service vehicles. Nevertheless, the increase in operating cost and expenses is manageable and aligned with the growth in revenue, and is necessary as the Company expands its operations.

Profitability Performance

Over the past two and a half years, the Company has produced EBITDA during fiscal year 2017, 2018 and six months ended December 31, 2018 in the respective amounts of ₱33.3 million, ₱101.0 million and a negative ₱59.9 million. The EBITDA margin performance has significantly improved from 24% in fiscal year 2017 to 38% in fiscal year 2018.

The Company posted ₱88.1 million net loss for the six months ended December 31 2018 compared to net income of ₱24.7million and net loss of ₱26.9 million in FY 2018 and FY 2017, respectively.

Financial Condition (in Philippine pesos)	December 31, 2018	June 30, 2018	June 30, 2017
Current Assets	78,726,033	28,362,789	71,816,733
Non-current Assets	805,767,958	781,566,476	687,644,011
Total Assets	884,493,991	800,929,265	759,460,744
Current Liabilities	1,302,965,794	1,147,418,499	1,113,139,798
Non-current Liabilities	295,734,698	9,016,704,711	9,020,460,431
Total Liabilities	1,598,700,492	10,164,123,210	10,133,600,229
Capital Deficiency	(714,206,501)	(9,354,193,945)	(9,374,139,485)
Total Liabilities and Capital	884,493,991	809,929,265	759,460,744

The Company's total assets amounted to ₱884.4 million as of December 31, 2018 compared to ₱800.9 million and ₱759.5 million as of June 30, 2018 and 2017, respectively. The increase in assets is driven by investments in fixed and plant assets to support the expansion of the Company's business. Furthermore, the Company recognized deferred tax assets pertaining to deductible temporary differences and unused tax losses in 2018 as the management believes that there will be available sufficient future taxable income to allow the deferred income tax assets to be utilized.

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

Improvement in equity is brought about by the increase in authorized capital stock.

B. Plan of Operation

In the next 12 months, the Company will aggressively work towards exiting from rehabilitation. The Company was recently granted by the Rehab Court an early exit, subject to certain conditions, last August 6, 2018. This early exit allows the Company to grow its footprint in its Broadband/Fiber Business. The Company is currently serving Metro Manila and the nearby CALABARZON area and will continue to expand in Region III and IV-A. In addition, the Company will implement its plans in building a nationwide backbone in the next 2 years. The Company will also participate in the bidding and selection for the New Major Player in the Public Telecommunications Market ("3rd Telco Bidding") of the Department of Information and Communications Technology ("DICT") which is in line with the Company's aspiration to be a nationwide mobile and digital services provider.

While current operations are sufficiently funded by internally-generated cash flows, capital expenditures and one-off expenses related to the approved Rehab Plan and the resulting statutory obligations needs to be funded by advances from shareholders. Expansion into new areas, increasing capacity and new businesses to be undertaken in the next 12 months will also require raising capital through debts and equity.

The Company will also be offering additional services in line with its core Broadband/Fiber Business. These additional services will include information technology and telecommunications services. Broadband and corporate data products will be updated as may be necessary given

market developments, availability of new technology or feedback from customers. Assuming plans on the fiber transmission backbone pushes through, the Company could potentially launch a wholesale bandwidth business.

The Company is considering the sale of some of its properties located in different areas in the Philippines. The proceeds of the sale of these selected properties will be used to settle the Company's statutory obligations and to fund the operational requirements of the Company.

As of December 31, 2018, the Company has a total of 218 employees and the Company projects that the said number will increase to 400 by the end of 2019. Once the Company commence the expansion of its operations in the next 12 months and assuming that the Company will be successful in the 3rd Telco Bidding, the Company expects to further increase its manpower complement.

Item 7. Financial Statements

The Audited Financial Statements for the six months ended December 31, 2018 are attached for reference.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

We have no disagreements with our independent auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

A. Directors, Executive Officers, Promoters and Control Persons

As of December 31, 2018, the following are the directors and executive officers of the Company:

Name of Director	Position	Age	Citizenship	Period Served
Salvador Zamora II	Chairman	71	Filipino	Since August 10, 2017 (as Director) Since August 25, 2017 (as Chairman)
Renato B. Garcia	Director and Executive Vice President	66	Filipino	Since March 2018 (as Director and Executive Vice President)
James G. Velasquez	President and Chief Executive Officer	52	Filipino	Since March 01, 2018 (as Director) Since July 02, 2018(as President & CEO)
Salvador T. Zamora III	Independent Director	41	Filipino	Since August 25, 2017
Serafin C. Ledesma, Jr.	Independent Director	77	Filipino	Since July 30, 2018
Roberto B. Ortiz	Independent Director	66	Filipino	Since July 30, 2018
Alfredo T. Divino, Jr.	Treasurer & Chief Finance Officer	51	Filipino	Since July 02, 2018
Henry T. Galingan	Chief Technical Officer	70	Filipino	Since March 1, 2018
Concepcion D.S. Roxas	Chief People & Culture Officer	58	Filipino	Since July 02, 2018
Patrick Vincent G. Peña	General Manager, Fixed Broadband	54	Filipino	Since July 02, 2018
Kenneth Joey H. Maceren	Corporate Secretary	39	Filipino	Since September 30, 2018
Ma. Christina R Gonzales	Asst. Corporate Secretary	65	Filipino	Since July 2006

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

Salvador Zamora II Chairman of the Board

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

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

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

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

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

James G. Velasquez Director and President & Chief Executive Officer

Mr. Velasquez was a Senior Executive for IBM Global Technology Services, Asia Pacific with 30 years experience in running several business units in the Philippines, ASEAN and in Asia Pacific focusing on P&L, IT business management, Operations, IT Infrastructure Management and

Regional Sales. He was previously the President and Country General Manager for IBM Philippines where he was responsible for the overall IBM business operations and led both domestic and global delivery growth.

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

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

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

Renato B. Garcia
Director and Executive Vice-President

Mr. Garcia has been in the IT and telecommunications industry for the past 45 years. He served 14 years in government as IT Director and as the first Assistant Secretary for Telecommunications where he led the preparation of the country's National Telecommunications Masterplan. He launched the first cellular phone system, "consumerized" the handphone market through its nationwide dealers with off-the-shelf phone kits, prepaid, texting and GSM digital SIM packs. He also had stints with the first Philippine outsourcing software company and the Business Processing Industry. He previously led the telecommunications and data systems division of a European manufacturing company that introduced the first ATMs, the branded PC clones and the government municipal telephone project. He was also Consultant to the COMELEC En Banc in the country's first automated elections.

Mr. Garcia has always been an active member of the ICT industry, having been Director and President of the Philippine Electronics and Telecommunications Industry (PETEI), Director and Vice President of the IT Foundation of the Philippines and Member of the Business Processing Association of the Philippines (BPAP). He is a graduate of the Columbia University in New York with concentration in Finance and Operations Management.

He is a graduate of the Jesuit American school, Ateneo de Manila University.

Salvador T. Zamora III
Independent Director

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

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

Serafin C. Ledesma, Jr.
Independent Director

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

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

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

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

Roberto B. Ortiz
Independent Director

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

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

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

Alfredo T. Divino, Jr.
Chief Finance Officer

He is a graduate of the Philippine Military Academy and pursued Masters in Business Administration at the Asian Institute of Management. For 6 years, he served in the Armed Forces of the Philippines, first as Department Head at the Philippine Navy and then as Head of the Project and Evaluation Group under the Office of the Chief Staff.

He then transitioned into the private sector when he joined Resources and Investment Corporate House as Manager for Corporate Finance, which was then followed by a short stint with All Asia Capital. Mr. Divino experience in the telco industry was culled from his 16 year stay with Globe Telecom where he held various positions such as Head of Business Planning, Head of Comptrollership for the Multi Media Business Group and as Chief Financial Officer, first for BPI Globe Banko and then at Globe Fintech Innovation, Inc.

Prior to his joining PT&T, Mr. Divino was the Chief Financial Officer of Oriente Express of the JG Summit Group.

Henry T. Galingan
Chief Technical Officer

Mr. Galingan is a licensed Electronics and Communications Engineer and joined PT&T in August 2017 as a Technical Consultant and later as a full-time Chief Technical Officer bringing with him more than 48 years of actual work experience in the telecommunications field in the Philippines and abroad.

He handled various corporate positions and consultancy services notably with Eastern Telecommunications Philippines, Inc., Telic Phil, Liberty Telecommunications, SMART and San Miguel Corporation, among others. He also shared his telecoms expertise in the academe as an Engineering Professor at De La Salle University and in various lecture forum. He is also a recipient of various distinguished awards and recognitions in the fields of engineering and management including the 1989 Outstanding ECE of the Philippines, and the 1997 Outstanding Professional in ECE and Ten Outstanding Energy Managers of the Philippines (TOEM). In addition, he was member of the Board of Directors of several organizations and is active in professional organizations such as the Institute of Electronics and Communications Engineers of the Phils. (IECEP).

Mr. Galingan received his B.S. in Electronics and Communications Engineering from Feati University and his Master's in Business Administration from Ateneo de Manila University.

Concepción D.S. Roxas
Chief People & Culture Officer

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

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

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

Patrick Vincent G. Peña
GM, Fixed Broadband

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

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

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

Mr. Peña received his B.S. in Industrial Engineering from the University of the Philippines, Diliman.

Kenneth Joey H. Maceren
Corporate Secretary

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

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

Ma. Christina R. Gonzales
Assistant Corporate Secretary

Ms. Gonzales has been in service with PT&T for 43 years and has held various roles, primarily in Administration – General Services prior to assuming her present position. She completed her A.B. in International Studies degree at Maryknoll College, Quezon City. She also served as a Director of Fast Stock Transfers, Inc.

B. Significant Employees

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

C. Family Relationship

Salvador Zamora III is the son of Salvador Zamora II.

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

D. Involvement of Directors and Officers in Certain Legal Proceedings

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

- a. have not filed any bankruptcy petitions or have not had bankruptcy petitions filed against them;
- b. have not been convicted by final judgment or have any pending criminal cases;
- c. have not been subject to any order, judgment or decree, or any court of competent jurisdiction (in a civil action), not subsequently reversed or vacated limiting its involvement in any type of business, securities, commodities or banking activities;
- d. have not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine Securities and Exchange Commission ("SEC") or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law.

Item 10. Executive Compensation

The following are the eight (8) highest compensated officers of the Company:

Name of Executive Officer	Position
James G. Velasquez	President and Chief Executive Officer
Renato B. Garcia	Executive Vice-President
Alfredo T. Divino, Jr.	Treasurer and Chief Finance Officer
Henry T. Galingan	Chief Technical Officer
Concepcion D.S. Roxas	Chief People & Culture Officer
Patrick Vincent G. Pena	GM, Fixed Broadband
Kenneth Joey H. Maceren	Corporate Secretary
Ma. Christina R. Gonzales	Asst. Corporate Secretary

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

	Year	Salary	Bonus	Other Annual Compensation Income
Chief Executive Officer and four (4) highest compensated officers	2019 Projected	25,000,000	NONE	273,000
	Dec 2018 Actual	12,057,075	1,205,035	NONE
	2018 Actual	14,965,499	950,989	170,260
	2017 Actual	12,120,000	1,040,000	476,609
All other officers and directors as a group unnamed	2019 Projected	9,700,000	NONE	639,000
	Dec 2018 Actual	2,384,036	235,806	NONE
	2018 Actual	2,208,000	194,000	62,879
	2017 Actual	1,410,000	127,500	184,106

Item 11. Security Ownership of Certain Beneficial Owners and Management

A. Security Ownership of Certain Record and Beneficial Owners

Class	Name, Address of Owner and Relationship with the Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common Shares	Menlo Capital Corporation Eurovilla 4 Bldg., Arnaiz Avenue, Makati City, Stockholder of Record	Same ¹	Filipino	560,000,000	37.33%
Common Shares	Telectronic Systems Inc. Spirit of Communications Center, 106 C. Palanca St., Legaspi Village, Makati City, Stockholder of Record	Same ²	Filipino	300,000,245	20.00%
Common Shares	Republic Telecommunications Holdings, Inc. 106 C. Palanca St., Legaspi Village, Makati City, Stockholder of Record	Same ³	Filipino	278,873,526	18.59%
Common Shares	PCD Nominee Corporation 37 Tower 1 The Enterprise Center, 6766 Ayala Avenue, Makati City	Various Stockholders	Filipino	149,897,157	9.99%
Common Shares	TIMCO Holdings, Inc. 106 C. Palanca St., Legaspi Village, Makati City, Stockholder of Record	Same ⁴	Filipino	121,126,474	8.08%

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

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

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

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

B. Security Ownership of Management

Class	Name of the Beneficial Owner	Amount and Nature of the Beneficial Ownership	Citizenship	Percentage
Common Stock	Salvador Zamora II (Chairman)	Direct: 1	Filipino	NIL
Common Stock	James G. Velasquez (Director, President and Chief Executive Officer)	Direct: 1	Filipino	NIL
Common Stock	Renato B. Garcia (Director and Executive Vice-President)	Direct: 1	Filipino	NIL
Common Stock	Salvador Zamora III (Independent Director)	Direct: 1	Filipino	NIL
Common Stock	Serafin C. Ledesma, Jr. (Independent Director)	Direct: 1	Filipino	NIL
Common Stock	Roberto B. Ortiz (Independent Director)	Direct: 1	Filipino	NIL

C. Voting Trust Holders of 5% or More

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

D. Changes in Control

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

Item 12. Certain Relationships and Related Transactions

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

PART IV - CORPORATE GOVERNANCE

Item 13. Corporate Governance

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

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

PART V - EXHIBITS AND SCHEDULES

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

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

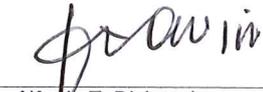
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati, Metro Manila, Philippines on APR 12 2019, 2019.

By:



 James G. Velasquez
 President and Chief Executive Officer



 Alfredo T. Divino, Jr.
 Chief Finance Officer



 Kenneth Joey H. Maceren
 Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 12 2019 day of 12 2019 affiant(s) exhibiting to me his/their government issued ID's, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
James G. Velasquez	P3536307A	June 30, 2017	Manila
Alfredo T. Divino, Jr.	EC4175583	May 15, 2015	Manila

NAMES	TIN	DATE OF ISSUE	PLACE OF ISSUE
Kenneth Joey H. Maceren	259-161-439	February 04, 2009	Makati City

Doc No 242 : _____
 Page No: 150
 Book No: 2017
 Series of: 1519


ATTY. RELAGIO LAWRENCE N. CUISON
 Notary Public City of Makati
 Until December 31, 2020
 Appt. No. M-93 (2019-2020)
 Roll of Attorney's No. 54477
 IBP No. 015561 LIFETIME MEMBER 01-04-17; Makati Chapter
 PTR No. 7333737 01-03-19; Makati City
 104 C. Palanca St. Legaspi Village, Makati City, Philippines
 Telephone No. +632 5117318

 Notary Public

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
INDEX TO FINANCIAL STATEMENTS

FORM 17-A, Item 7

Financial Statements:	Page No.
Statement of Management's Responsibility for Financial Statements	1
Certificate on the Compilation Services for the Preparation of the Financial Statements and Notes to Financial Statements	1
Report of Independent Public Accountants	1
Statements of Financial Position as of December 31, 2018, June 30, 2018 and 2017	6
Statements of Loss for the years ended December 31, 2018, June 30, 2018 and 2017	7
Statements of Comprehensive Income for the years ended December 31, 2018, June 30, 2018 and 2017	8
Statements of Capital Deficiency for the years ended December 31, 2018, June 30, 2018 and 2017	9
Statements of Cash Flows for the years ended December 31, 2018, June 30, 2018 and 2017	10
Notes to Financial Statements	11

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
 FOR FINANCIAL STATEMENTS**

The Management of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the six-month period ended December 31, 2018 and year ended June 30, 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

SALVADOR B. ZAMORA II
 Chairman of the Board

JAMES G. VELASQUEZ
 Chief Executive Officer

ALFREDO T. DIVINO, JR.
 Chief Financial Officer

Signed this 27th of March 2019

SUBSCRIBED AND SWORN to before me this APR 1 2 2019 affiants exhibiting to me their government issued IDs as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Salvador B. Zamora II	EC2656585	November 7, 2014	Manila
James G. Velasquez	P3536307A	June 30, 2017	Manila
Alfredo T. Divino, Jr.	EC4175583	May 15, 2015	Manila

ATTY. BELAGIO LAWRENCE N. CUISON

Notary Public, City of Makati
 Notary Public
 Until December 31, 2020

Appt. No. M-93 (2019-2020)
 Roll of Attorney's No. 54477

IBP No. 015561 LIFETIME MEMBER 01-04-17; Makati Chapter
 PTR No. 7333737 01-03-19; Makati City
 104 C. Palanca St. Legaspi Village, Makati City, Philippines
 Telephone No. +632 5117318

Doc. No. : 245
 Page No. : 50
 Book No. : XVIII
 Series of : W19

Alas Oplas & Co., CPAs

Alas Oplas & Co., CPAs
23/F Philippine AXA Life Centre
1286 Sen. Gil Puyat Avenue
Makati City, Philippines 1200
Phone: (632) 759-5090 | Fax: (632) 887-6180
Email: aocheadoffice@alasoascpas.com
www.alasoascpas.com

Independent Member of

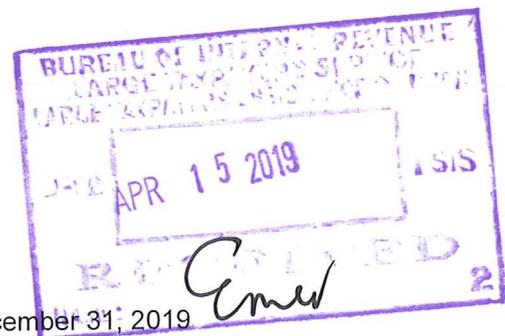
BKR International

INDEPENDENT AUDITORS' REPORT TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

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

We have examined the financial statements of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**, for the six-month period ended December 31, 2018 and year ended June 30, 2018, on which we have rendered the attached report dated March 27, 2019.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.



ALAS, OPLAS & CO., CPAs

BOA Registration No. 0190, valid from January 1, 2017 to December 31, 2019
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 002-013-406-000
BIR A.N. 08-001026-000-2018, issued on January 25, 2018; effective until January 24, 2021

By:

DANILO T. ALAS

Partner

CPA License No. 0027120

SEC A.N. (Individual) 1529-AR-1, issued on February 7, 2019; effective until February 6, 2022

TIN 132-466-021-000

BIR A.N. 08-001026-001-2018, issued on January 25, 2018; effective until January 24, 2021

PTR No. 7333597, issued on January 3, 2019, Makati City

March 27, 2019
Makati City, Philippines

Alas Oplas & Co., CPAs

INDEPENDENT AUDITORS' REPORT

Alas Oplas & Co., CPAs
23/F Philippine AXA Life Centre
1286 Sen. Gil Puyat Avenue
Makati City, Philippines 1200
Phone: (632) 759-5090 | Fax: (632) 887-6180
Email: aocheadoffice@alasoascpas.com
www.alasoascpas.com

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

Independent Member of

BKR International

Report on the Audit of Financial Statements

Opinion

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

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

Basis for Opinion

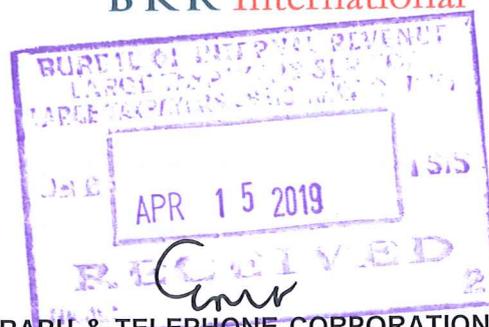
We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with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

Material Uncertainty Related to Going Concern

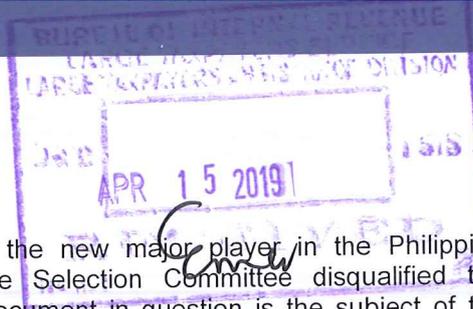
We draw attention to Note 1 to the financial statements, which indicates that the Company has incurred net losses amounting to ₱88,152,538 for the six-month period ended December 31, 2018, resulting to accumulated deficit and capital deficiency as at December 31, 2018 amounting ₱11,766,891,682 and ₱714,206,501, respectively.

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

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



Alas Oplas & Co., CPAs



On November 7, 2018, the Company joined the selection for the new major player in the Philippine Telecommunication Market ("Third Telco Bidding") wherein the Selection Committee disqualified the Company. The disqualification is not warranted for the lacking document in question is the subject of the Petition for Declaratory Relief filed by the Company last November 6, 2018 with the Regional Trial Court of Makati City, Branch 134. On November 9, 2018, the Company filed a Motion for Reconsideration before the Selection Committee of the NTC. In a letter dated November 12, 2018, the Selection Committee denied the Company's Motion for Reconsideration. As approved by the Board of Directors, the Company filed a Petition for Certiorari with the SC on November 16, 2018 to assail the decision of the Selection Committee in disqualifying the Company. On December 12, 2018, the Board of Directors of the Company approved the filing of an Amended Petition for Certiorari with the SC. The amendments intend to supplement and further strengthen the arguments previously raised in the Petition for Certiorari. The Amended Petition for Certiorari was filed with the SC on December 12, 2018, pending resolution from SC as at March 27, 2019.

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

Key Audit Matters

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

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

Accounting for Court-Approved Rehabilitation Plan

On April 1, 2011, the Rehab Court approved the corporate rehabilitation plan submitted by the Company on August 20, 2009. There is a risk that the Company's financial position and result are influenced through management bias in interpreting of and accounting for the Rehab Court's order. Specifically, these risks which are highly subjective and involves significant judgments and estimates such as: (1) settlement through conversion of obligation to 12-year serial redeemable preferred shares; and (2) applicability and accrual of 6% legal interest on each obligation. The Company's assessment of these significant accounting judgment and estimates are disclosed in Note 4 to the financial statements.

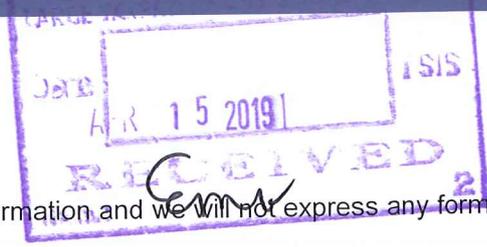
Audit Response

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the six-month period ended December 31, 2018 but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the six-month period ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Alas Oplas & Co., CPAs



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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Alas Oplas & Co., CPAs

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

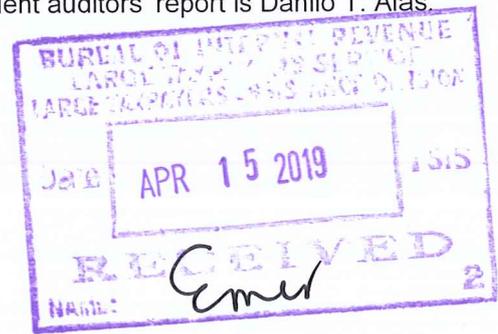
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No.15-2010 in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Danilo T. Alas.



ALAS, OPLAS & CO., CPAs

BOA Registration No. 0190, valid from January 1, 2017 to December 31, 2019

SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022

TIN 002-013-406-000

BIR A.N. 08-001026-000-2018, issued on January 25, 2018; effective until January 24, 2021

By:

DANILO T. ALAS

Partner

CPA License No. 0027120

SEC A.N. (Individual) 1529-AR-1, issued on February 7, 2019; effective until February 6, 2022

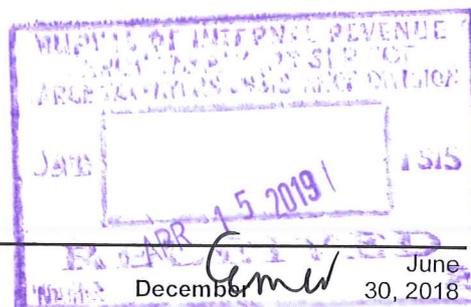
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BIR A.N. 08-001026-001-2018, issued on January 25, 2018; effective until January 24, 2021

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March 27, 2019
Makati City, Philippines

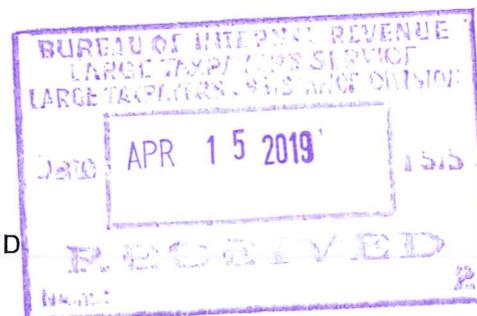
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2018 AND JUNE 30, 2018
 In Philippine Pesos



	Notes	December 31, 2018	June 30, 2018 (As reclassified)
ASSETS			
Current Assets			
Cash	5	11,847,930	6,114,235
Receivables – net	6	43,892,294	8,996,568
Due from related parties	20	6,777,680	7,642,841
Other current assets	7	16,208,129	5,609,145
Total Current Assets		78,726,033	28,362,789
Non-current Assets			
Land at revalued amounts	8	360,360,000	360,360,000
Property and equipment at cost – net	9	168,176,468	168,076,697
Investment properties	10	235,794,708	235,794,708
Deferred tax asset	25	–	657,090
Other non-current assets – net	11	41,436,782	16,677,981
Total Non-current Assets		805,767,958	781,566,476
TOTAL ASSETS		884,493,991	809,929,265
LIABILITIES AND CAPITAL DEFICIENCY			
Current Liabilities			
Trade and other payables	12	238,197,788	180,844,118
Statutory obligations	13	499,789,411	517,870,296
Accrued interests, expenses and other liabilities	14	247,870,906	219,192,650
Loans payable – current portion	15	1,106,680	–
Due to related parties	20	303,683,544	217,193,970
Income tax payable		12,317,465	12,317,465
Total Current Liabilities		1,302,965,794	1,147,418,499
Non-current Liabilities			
Loans payable – net of current portion	15	1,494,964	–
Deposit for subscription in accordance with the court-approved rehabilitation plan	16	130,000,000	8,841,736,581
Retirement benefits liability	17	114,096,777	131,210,130
Deferred tax liabilities	25	50,142,957	43,758,000
Total Non-current Liabilities		295,734,698	9,016,704,711
Total Liabilities		1,598,700,492	10,164,123,210
Capital Deficiency			
Share Capital	18	10,935,991,894	2,224,255,313
Revaluation surplus	8	102,102,000	102,102,000
Accumulated actuarial loss on retirement benefits	17	14,898,232	(1,533,213)
Unrealized valuation loss on equity investments	11	(306,945)	(278,901)
Deficit		(11,766,891,682)	(11,678,739,144)
Total Capital Deficiency		(714,206,501)	(9,354,193,945)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY		884,493,991	809,929,265

See accompanying Notes to the Financial Statements.

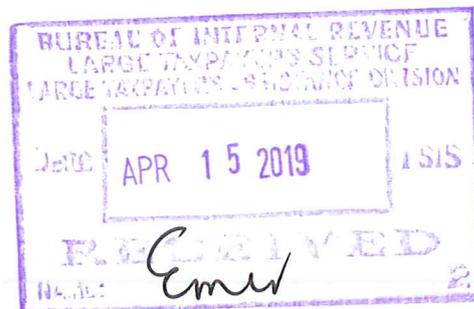
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
 STATEMENTS OF INCOME (LOSS)
 FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2018 AND
 FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
 In Philippine Pesos



	Notes	December 31, 2018	June 30, 2018	June 30, 2017
REVENUES	21	129,571,642	200,813,899	124,474,173
COST AND EXPENSES				
Personnel cost	22	83,024,788	74,303,350	53,461,041
Taxes, licenses and other fees		34,566,130	5,068,556	4,463,685
Professional and other contracted services		15,996,534	11,572,183	4,588,160
Depreciation and amortization	9	14,716,397	19,947,611	31,407,888
Utilities and supplies		9,401,508	14,429,229	9,834,071
Rent	26	6,192,759	9,793,388	7,130,826
Marketing and commission		5,842,771	14,196,259	6,933,913
Outside services		4,614,261	5,243,409	4,237,726
Penalty and surcharge		4,066,080	7,400,855	81,552
Representation and entertainment		3,096,093	10,754,896	2,714,987
Other expenses	23	26,643,113	12,481,258	9,620,707
		208,160,434	185,190,994	134,474,556
OTHER INCOME (CHARGES)				
Interest	14	(13,463,929)	(27,545,130)	(28,511,051)
Rent	10,26	1,624,023	6,994,454	8,147,028
Other income	24	2,276,160	58,456,527	3,715,319
		(9,563,746)	37,905,851	(16,647,804)
INCOME (LOSS) BEFORE INCOME TAX		(88,152,538)	53,528,756	(26,648,187)
INCOME TAX	25	-	(28,799,624)	(257,773)
NET INCOME (LOSS)		(88,152,538)	24,729,132	(26,905,960)
BASIC AND DILUTED INCOME (LOSS) PER SHARE	19	(0.06)	0.02	(0.02)

See accompanying Notes to the Financial Statements.

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
 STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2018 AND
 FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
 In Philippine Pesos



	Notes	December 31, 2018	June 30, 2018	June 30, 2017
NET INCOME (LOSS)		(88,152,538)	24,729,132	(26,905,960)
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that will be reclassified to profit or loss in subsequent periods</i>				
Revaluation surplus, net of tax	8	–	–	72,072,000
<i>Item that will not be reclassified to profit or loss in subsequent periods</i>				
Unrealized valuation loss on equity investments	11	(28,044)	(86,697)	(56,088)
Actuarial income (loss) on retirement benefits liability	17	16,431,445	(4,696,895)	3,447,481
		16,403,401	(4,783,592)	75,463,393
TOTAL COMPREHENSIVE INCOME (LOSS)		(71,749,137)	19,945,540	48,557,433

See accompanying Notes to the Financial Statements.

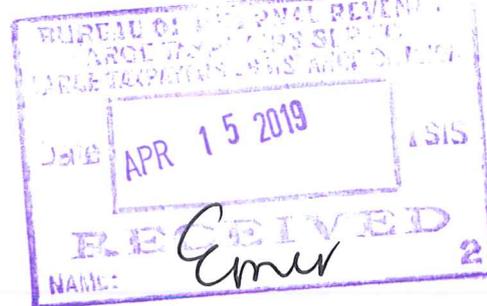
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
 STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
 FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2018 AND
 FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
 In Philippine Pesos

	Paid-up Capital (Note 18)	Deposit for subscription in accordance with the court-approved rehabilitation plan (Note 18)	Revaluation Surplus (Note 8)	Accumulated Actuarial Gain (Loss) on Retirement Benefits (Note 17)	Unrealized Valuation Loss on Equity Investments (Note 11)	Deficit	Total
	Common	Preferred					
Balances at July 1, 2016	2,224,255,313	-	30,030,000	(283,799)	(136,116)	(11,676,562,316)	(9,422,696,918)
Net loss for the year	-	-	-	-	-	(26,905,960)	(26,905,960)
Other comprehensive income (loss)	-	-	72,072,000	3,447,481	(56,088)	-	75,463,393
Total comprehensive income (loss)	-	-	72,072,000	3,447,481	(56,088)	(26,905,960)	48,557,433
Balances at June 30, 2017	2,224,255,313	-	102,102,000	3,163,682	(192,204)	(11,703,468,276)	(9,374,139,485)
Net income for the year	-	-	-	-	-	24,729,132	24,729,132
Other comprehensive loss	-	-	-	(4,696,895)	(86,697)	-	(4,783,592)
Total comprehensive income (loss)	-	-	-	(4,696,895)	(86,697)	24,729,132	19,945,540
Balances at June 30, 2018	2,224,255,313	-	102,102,000	(1,533,213)	(278,901)	(11,678,739,144)	(9,354,193,945)
Deposit for future stock subscription	-	-	8,711,735,581	-	-	-	8,711,736,581
Net loss for the six-month period	-	-	-	-	-	(88,152,538)	(88,152,538)
Other comprehensive income (loss)	-	-	-	16,431,445	(28,044)	-	16,403,401
Total comprehensive income (loss)	-	-	8,711,735,581	16,431,445	(28,044)	(88,152,538)	8,639,987,444
Balances at December 31, 2018	2,224,255,313	-	102,102,000	14,898,232	(306,945)	(11,766,891,682)	(714,206,501)

See accompanying Notes to the Financial Statements.

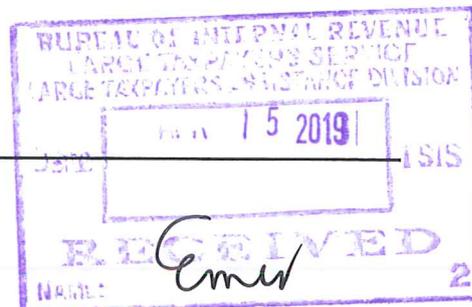


PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
 STATEMENTS OF CASH FLOWS
 FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2018 AND
 FOR THE YEARS ENDED JUNE 30, 2018 AND 2017
 In Philippine Pesos



	Notes	December 31, 2018	June 30, 2018	June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		(88,152,538)	53,528,756	(26,648,187)
Adjustments for:				
Depreciation and amortization	9	14,716,397	19,947,611	31,407,888
Interest expense	14	13,463,929	27,545,130	28,511,051
Interest expense on bank loans	15,23	232,848	—	—
Movement in retirement benefits liability	17	6,360,139	6,988,992	10,418,383
Unrealized forex loss	23	6,476	832,481	592,702
Unrealized forex gain	24	(379,561)	—	—
Provision for doubtful accounts	6	669,809	899,350	180,257
Interest income	24	(24,407)	(112,188)	(9,351)
Dividend income	24	(6,156)	(12,996)	(13,167)
Operating income (loss) before working capital changes		(53,113,064)	109,617,136	44,439,576
Decrease (increase) in operating assets:				
Receivables		(35,565,535)	70,502,876	(5,335,833)
Due from related parties		865,161	(36,782,835)	(24,918,060)
Other current assets		(10,598,984)	(6,420,924)	(3,053,888)
Other non-current assets		(24,786,845)	(12,780,034)	(1,480,761)
Increase (decrease) in operating liabilities:				
Trade and other payables		57,353,670	31,878,836	21,006,933
Statutory obligations		(18,080,885)	6,244,220	5,655,719
Accrued expenses and other liabilities		15,331,652	(52,740,566)	(12,693,328)
Net cash generated from (used in) operations		(68,594,830)	109,518,709	23,620,358
Benefits paid		—	(16,098,697)	(685,389)
Interest received	24	24,407	112,188	9,351
Net cash flows generated from (used in) operating activities		(68,570,423)	93,532,200	22,944,320
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	9	(14,816,168)	(100,519,650)	(21,232,424)
Dividend received	24	6,156	12,996	13,167
Net cash used in investing activities		(14,810,012)	(100,506,654)	(21,219,257)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in due to related parties	31	86,720,040	8,201,135	701,137
Proceeds from loans	15	3,078,400	—	—
Payments of loan principal	15	(476,756)	—	—
Payments of loan interest	15	(201,078)	—	—
Net cash generated from financing activities		89,120,606	8,201,135	701,137
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE IN CASH		(6,476)	—	—
NET INCREASE IN CASH		5,733,695	1,226,681	2,426,200
CASH AT BEGINNING OF PERIOD/YEAR	5	6,114,235	4,887,554	2,461,354
CASH AT END OF PERIOD/YEAR	5	11,847,930	6,114,235	4,887,554

See accompanying Notes to the Financial Statements.



1. CORPORATE INFORMATION

1.01 Company Profile

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

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

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

Legislative Franchise

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

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

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

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

Public Hearing on Franchise

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

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

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

Status of Shares Listing in the Philippine Stock Exchange ("PSE")

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

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

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

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

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

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

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

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

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

On October 3, 2018, the Company submitted the required documents and reports in full compliance of the Order dated June 5, 2018. The management is positive that this will lead to a favorable turning point in the Company's compliance requirements.

Increase in Authorized Capital Stock

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

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

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

The amendment was approved by the SEC on October 31, 2018. As at March 27, 2019, the Company has yet to issue the share certificates to the creditors.

Third Telco Bidding

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

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

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

Status of Operations

In 2008, the Company adopted to the changes in technology and shifted its products and services to offer broadband data services, fixed wireless services, Point to Point and Point to Multipoint Wireless Communications Services and Network Operations Center using the same LEC Network (see Note 28).

The Company is currently focused on broadband internet access services as a result on growth of wireless/mobile systems and the rise of broadband internet demand. As such, the Company's main source of revenue is broadband internet access services (see Note 21). The Company offers dedicated or shared internet access service, via fiber or wireless, and operates a 10+ Gbps broadband network across the NCR, and Regions III and IV catering corporate, business and residential customers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As discussed above, the increase in authorized capital stock was filed by the Company with the SEC on October 9, 2018. The SEC approved the increase in authorized capital stock filed by the Company allowing the issuance of Series "A", Series "B" and Series "C" Preferred Shares and the implementation of the Company's debt-to-equity conversion as ordered by the Rehab Court amounting to ₱8,711,736,581 on October 31, 2018. As at March 27, 2019, the Company has yet to issue the share certificates to the creditors.

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

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

Going Concern

The Company has incurred net losses amounting to ₱88,152,538 for the six-month period ended December 31, 2018, resulting to accumulated deficit and capital deficiency amounting to ₱11,766,891,682 and ₱714,206,501, respectively, as at December 31, 2018. These events or conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern.

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

- Conversion of debt into equity (see Notes 2 and 16);
- Availment of condonation program of the Social Security System (SSS) pursuant to RA No. 9003 and SSS Circular Nos. 2010-2004 and 2010-2005 (see Notes 2 and 13);
- Immediate settlement of statutory obligations to minimize associated risk;
- Infusing significant capital expenditures, through its new owners, MENLO, to improve, modernize and increase the capacity of its existing broadband assets;
- Use of organic capital expenditures rolled-out from earnings, in addition to above, which will be used to expand the Company's fiber footprint into Greater Metropolitan Area and surrounding areas; and
- Possible foreign partner to recapitalize the Company and scale up its broadband business model on a nationwide coverage using the latest state-of-the-art fixed and mobile broadband infrastructure and enter into agreements with the Philippine government, through NTC, to use its nationwide fiber optic assets (see Note 28).

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

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

Authorization for Issue of the Financial Statements

The financial statements of the Company as at December 31, 2018 and June 30, 2018 and for the six-month period ended December 31, 2018 and each for the years ended June 30, 2018 and 2017, were authorized for issue by the Board of Directors (BOD) on March 27, 2019.

2. CORPORATE REHABILITATION

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

1. Modification of the rehabilitation period from 15 years to a 2-year moratorium and 12-year debt payment period;
2. Waiver of any and all interest, penalties and surcharges on all obligations of the Company to all claimants listed in the Rehab Plan except the legal interest of 6% from the approval of the plan until the full payment of the obligation (see Note 14);

3. Each of the petitioners to: (i) immediately settle, out of the proceeds of the liberated escrow account pursuant to the Rehab Court's orders dated September 3, 2010 and October 20, 2010, the petitioners' obligations to the SSS in accordance with the SSS Condonation Law of 2009 and SSS Circular No. 2010-2004 for delinquent premium contributions and SSS Circular No. 2010-2005 for delinquent loan amortizations, including, but not limited to, delinquent employees compensation contributions through the SSS (see Notes 1 and 13); (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 petitioners' other assets pursuant to the pertinent orders issued by the Rehab Court, all unpaid retirement/separation pay for the retired or separated employees, pursuant to law and to the respective petitioners' employment policies including, but not limited to, collective bargaining agreement;
4. The petitioners to avail, whenever necessary, financing and advances from owners to finance their working capital requirements prior to the entry of the new investor, which financing and advances from owners shall be payable/repaid out of the new money to be infused by the new investor (see Note 20);
5. The full conversion of all outstanding liabilities into 12 year serial redeemable preferred shares except for statutory obligations, financing and advances from owners and certain liabilities in the nature of suppliers' credits, and that the corresponding amount will be lodged in the petitioner's books as "Deposit for Subscription" pending approval by the SEC of the increase in authorized capital stock (see Note 16);
6. The Company, from receipt thereof, to amend its articles of incorporation increasing its authorized capital stock from ₱3,800,000,000 (consisting of 1,500,000,000 common shares at ₱1 par value and 230,000,000 serial cumulative convertible redeemable preferred shares at ₱10 par value) to ₱10,187,150,000 (consisting of 1,387,150,000 common shares at ₱1 par value and 7,500,000 serial cumulative convertible preferred shares at ₱10 par value and 8,800,000,000 serial redeemable preferred shares at ₱1 par value), and to immediately issue the corresponding stock certificates to the claimants concerned (see Note 18);
7. The Company to enroll and list all of its authorized Series "A", Series "B" and Series "C" redeemable preferred shares as freely "tradable" stocks with the PSE;
8. The SEC shall approve the Company's request for temporary exemptive relief under the SRC Rule 72.2, without sanctions or penalties whatsoever, monetary or otherwise, and the PSE to lift the suspension of the trading of the Company's common shares without any sanctions or penalties whatsoever, monetary or otherwise, and the Company shall faithfully comply with all the applicable rules and regulations of the SEC and PSE so that the trading of all the authorized shares of the Company shall not in any way be suspended or restricted except as provided by law;
9. Immediately settle obligations to petitioners such as salaries, wages and benefits out of escrow account; and
10. Any sale or disposition of the petitioner's properties, whether real or personal shall also be subject to the Rehab Court's evaluation and approval.

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

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

The Company has filed with the SEC the increase in authorized capital stock on October 9, 2018 which was approved on October 31, 2018 (see Note1). As at March 27, 2019, the Company has yet to issue the share certificates to the creditors.

On December 21, 2018, the Rehab Court confirmed that the Company substantially complied with the conditions and declared that the Company is out of rehabilitation and its exit is no longer conditional (see Note1).

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Basis of Preparation

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

The Company's financial statements have been prepared on a historical cost basis, except for land included under property and equipment and financial asset at fair value through other comprehensive income (FVOCI) included under other non-current assets, which is carried at revalued amounts and fair value, respectively. The Company's financial statements are presented in Philippine Peso, the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

3.02 Current versus Non-current Classification

The Company presents assets and liabilities in the Statements of financial position based on whether it is current and non-current classification.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities, respectively.

3.03 Operating Segments

The Company's operating businesses are recognized and managed according to the nature of the products or services offered, with each segment representing strategic business unit that serves different markets.

Segment assets include operating assets used by a segment and consist principally of operating cash, receivables and property and equipment.

Segment liabilities include all operating liabilities and consist principally of trade, accrued expenses and other payables which were incurred after the approval of the Rehab Plan.

Segment revenue, expenses and profit are recognized and incurred in the ordinary course of business. These are accounted at competitive market prices.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Operating Officer (COO) of the Company who makes strategic decisions.

3.04 Adoption of New and Revised Accounting Standards

3.04.01. New and Revised Accounting Standards Effective on January 1, 2018

- *Amendments to PFRS 2 – Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address the three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The adoption of the amendments to does not have a significant impact on the Company's financial statements as the Company does not have any cash-settled share-based payment arrangements or any withholding tax arrangement with tax authorities in relation to share based payments.

- *PFRS 9 – Financial Instruments*

PFRS 9 reflects all phases of the financial instruments projects and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The management evaluated the impact of PFRS 9 and the following table shows the original measurement categories under PAS 39 and the new measurement categories under PFRS 9 for each class of the Company's financial assets as at July 1, 2018.

	Original Classification under PAS 39	New Classification under PFRS 9	Original Carrying Amount under PAS 39	New Carrying Amount under PFRS 9
Financial Assets				
Cash in banks	Loans and receivables	Amortized cost	5,959,235	5,959,235
Receivables	Loans and receivables	Amortized cost	8,996,568	8,996,568
Due from related parties	Loans and receivables	Amortized cost	7,642,841	7,642,841
Refundable security deposits	Loans and receivables	Amortized cost	8,764,677	8,764,677
AFS investments	Available for sale investments	Fair value through OCI	220,419	220,419
			31,583,740	31,583,740

For assets in the scope of the PFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has applied PFRS 9 retrospectively but has elected not to restate comparative information as the Company has determined that the application of PFRS 9's impairment requirements at July 1, 2018 did not result in an additional allowance for impairment.

- *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4. The amended standard gives entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued (overlay approach); and gives entities whose activities are predominantly connected with insurance an optional temporary exception from applying PFRS 9 until 2021 (deferral approach). The entities that defer the application of PFRS 9 will continue to apply the existing financial instruments standard – PAS 39.

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

- *PFRS 15 – Revenue from Contracts with Customers.*

PFRS 15 defines a new five-step model to recognize revenue from customer contracts:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

An entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Due to the transition method (cumulative effect method) chosen in applying PFRS 15, comparative information has not been restated to reflect the new requirements. The Company has no significant changes identified in the application of PFRS 15.

- *Annual Improvements to PFRSs 2014 - 2016 Cycle. This cycle of improvements contains amendments to two standards.*

- *Amendments to PFRS 1 – First-time Adoption of International Financial Reporting Standards (Part of Annual Improvement to PFRS 2014-2016 Cycle)*

The amendments include the deletion of short-term exemptions stated in the Appendix of PFRS 1, because they have now served their intended purpose.

- *Amendments to PAS 28 – Investments in Associates and Joint Ventures (Part of Annual Improvements to PFRS 2014-2016 Cycle)*

The amendments clarify that the election to measure at fair value through profit or loss (FVPL) an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The management of the Company believes that these annual improvements does not have any impact on the Company's financial statements as the Company is neither a first-time adopter of PFRS nor a venture capital organization. Furthermore, the Company does not have any associate or joint venture that is an investment entity.

- *Amendments to PAS 40 Investment Property – Transfers of Investment Property*

The amendments clarify when an entity should transfer a property including property under construction or development into, or out of investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in management's intentions for the use of a property does not provide evidence of a change in use. The list of evidence in paragraph 57(a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list.

These amendment does not have an impact on the Company's current year financial statements.

- *Philippine Interpretation IFRIC 22 – Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

It does not apply when an entity measures the related asset, expense or income on initial recognition at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability.

The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

3.04.02. New Accounting Standards Effective on or After January 1, 2019

- *PFRS 16, Leases*

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

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

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessor will continue to classify all leases using the same classification principle as is PAS 17 and distinguish between two types of leases: operating and finance lease.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. The management of the Company reviewed the existing lease contracts under operating lease and have decided to apply the recognition exemptions for short-term leases.

- *Amendments to PAS 28 – Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Management of the Company does not anticipate that the application of the amendments in the future will have any impact on the Company's financial statements.

- *IFRIC 23 – Uncertainty over Income Tax Treatments*

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

The interpretation specifically addresses the following:

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

An entity has to reassess its judgements and estimates if facts and circumstances change.

The Management is assessing the impact on the Company's financial statements.

- *Amendments to PFRS 9 - Prepayment Feature*

The amendment was issued to enable companies to measure at amortised cost some prepayable financial assets with negative compensation. The assets affected, that include some loans and debt securities, would otherwise have been measured at FVPL.

Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation must be "reasonable compensation for early termination of the contract".

The Management of the Company does not anticipate that the application of the amendments in the future will have any impact on the Company's financial statements.

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

The amendment was issued to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require an entity:

- i. to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- ii. to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The Management is assessing the impact on the Company's financial statements.

- *2015-2017 annual improvements cycle*

The annual improvements which contains amendments to four Philippine Financial Reporting Standards (PFRSs) as result of the IASB's annual improvements project. The amendments are all effective for annual periods beginning on or after 1 January 2019.

- PFRS 3 and PFRS 11 – The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- PAS 12 – The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
- PAS 23 – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalization rate on general borrowings.

The Management is assessing the impact on the Company's financial statements.

3.04.03. Deferred Effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combination.

Any gain or loss resulting from the sale or contributions of assets that does not constitute a business, however, is recognized only to the extent of unrelated investor's interests in the associate or joint venture.

- *PFRS 17 – Insurance Contracts*

IFRS 17 applies to issued insurance and reinsurance contracts, reinsurance contracts held and investment contracts with a discretionary participation feature that are issued by an entity that also issues insurance contracts. Contracts may be grouped for accounting purposes.

Issuers of insurance contracts should report them in the Statements of financial position at the total of:

- i. the fulfilment cash flows, being current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, adjusted for the timing and risk of those amounts; and
- ii. the contractual service margin, being the expected profit for providing insurance cover.

3.05 Summary of 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.

3.05.01 Presentation of Financial Statements

The Company has elected to present all items of recognized income and expenses in two (2) statements, one displaying components of profit or loss in the statements of income (loss) and a second statement beginning with profit or loss and displaying components of other comprehensive income (loss) in the statements of comprehensive income (loss).

3.05.02 Financial Instruments

3.05.02.01 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.

a) Financial Assets

Beginning July 1, 2018

Initial Recognition and Measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15 (See Note 30.05.14).

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

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

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

Subsequent Measurement

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

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

The Company does not have any financial assets at FVOCI with recycling of cumulative gains and losses and financial assets at FVPL as at December 31, 2018 and June 30, 2018.

Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

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

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

The Company's financial assets at amortized cost includes Cash in bank, receivables and long-outstanding trade receivables and refundable security deposits included under "other non-current assets".

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.

Derecognition

A financial asset is primarily derecognised 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.

Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECL) 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.

Prior to July 1, 2018

Initial Recognition and Measurement

The Company classifies its financial assets within the scope of PAS 39 in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, loans and receivables or as hedging instrument in an effective hedge as appropriate. 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 settlement date i.e., the date that an asset is delivered to or by an entity.

The Company's financial assets are in the nature of loans and receivables and AFS financial assets. As at December 31, 2018 and June 30, 2018, the Company has no financial assets classified as at FVPL, HTM investments and derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as "financial assets held for trading" or designated as "AFS financial assets" or "financial assets at FVPL".

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. 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 and losses arising from impairment are recognized in "Other income (charges)" in the statements of income (loss).

The Company's cash, receivables, and long-outstanding trade receivables and refundable security deposits included under "other non-current assets", are classified as loans and receivables as at December 31, 2018 and June 30, 2018.

AFS Financial Assets

AFS financial assets are those which are designated as such or do not qualify to be classified or designated as FVPL, HTM investments or loans and receivables. AFS financial assets are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses arising from the fair valuation of AFS financial assets being reported as net unrealized gain (loss) on AFS financial assets in the statements of financial position balances until the investment is derecognized.

These are also reported as other comprehensive income (loss) in the statements of comprehensive income (loss). Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method. Any dividend earned on holding AFS financial asset is recognized in the statements of income (loss) when the right of payment has been established.

The Company evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM investments category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statements of income (loss).

Impairment of Financial Assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include: indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in the statements of income (loss). Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the statements of income (loss), to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets

For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost.

The Company treats significant generally as 20% or more of the original cost of investment, and prolonged as greater than 12 months. If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statements of income (loss), is transferred from equity to the statements of income (loss). Reversals in respect of equity instruments classified as AFS are not recognized in the statements of income (loss).

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

b) 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 FVTPL as at December 31, 2018 and June 30, 2018.

Subsequent Measurement

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

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, accrued expenses and other liabilities.

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.

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.

3.05.03 Fair Value Measurement

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

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.

3.05.04 Other Current Assets

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

Prepayments

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

CWTs

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

3.05.05 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.

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.

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

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

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

Depreciation

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

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

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

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

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

3.05.06 Investment Properties

Investment properties of the Company pertains 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.

3.05.07 Other Non-current Assets

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

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

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

3.05.08 Impairment of Non-financial Assets

Other Current Assets

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

Property and Equipment and Investment Properties

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

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

Plant Supplies

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

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

3.05.09 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 a 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.

3.05.010 Retirement Benefits Costs

The net defined benefit 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 net defined benefit 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.

Defined benefit costs comprise the following:

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

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

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

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

3.05.11 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. Dividends are recognized as a liability and deducted from equity when these are approved by the BOD of the Company. Dividends for the period that are approved after the end of the reporting period are dealt with as an event after the reporting period.

3.05.12 Deposit for Subscription

Deposit for subscription pertains to debts to be converted into equity as serial redeemable preferred shares based on the court-approved Rehab Plan (see Notes 2 and 16).

3.05.13 Earnings (Loss) Per Share

Basic

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

Diluted

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

3.05.14 Revenue

Beginning July 1, 2018

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.

Revenue contracts

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

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

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

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

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

Upon signing of subscription agreement, customers are required to make payments equivalent to 2 months advance and 1 month deposit of internet broadband monthly subscription fee. These customers' deposits are refundable and/or to be applied to unpaid receivables of the customers. The Company recognized these advance payments as "Customers' deposits" as part of liabilities (See Note 12).

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.

Prior to July 1, 2018

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

Broadband Internet Access Services

Recognized when earned and as the service is provided to customers, net of share of other service providers.

Dividend income

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

Rental Income

Recognized as the service is performed.

Interest Income

Income is recognized as the interest accrues using the EIR method.

3.05.15 Costs and Expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depreciations of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized in statements of income (loss) in the period these are incurred.

3.05.16 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.

3.05.17 Related Parties and Related Party Transactions

Related parties

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel of the Company, post-employment benefit plans for the benefit of Company's employees, and close members of the family of any individuals owning directly or indirectly a significant voting power of the Company that gives them significant influence in the financial and operating policy decisions of the Company are also considered to be related parties.

An entity is related to the Company when it directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the Company. Affiliates refer to an entity that is neither a parent, a subsidiary, nor an associate, but has stockholders common to the Company or under control.

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.

3.05.18 Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the date of inception and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised, or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the period when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the period of renewal or extension period for scenario (b).

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statements of income (loss) on a straight-line basis over the lease terms.

3.05.19 Income Taxes

Current Income Tax

Current tax liabilities for the current and prior year periods are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the financial reporting date.

Deferred Income Tax

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

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward benefits of unused net operating loss carry-over (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences, unused NOLCO and excess of MCIT over RCIT can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced 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. Unrecognized deferred income tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that the sufficient future taxable income will allow the deferred tax assets to be recovered.

Deferred income tax assets are measured at the tax rate that is expected to apply to the period when the asset is realized based on tax rate and tax laws that has been enacted or substantively enacted as at the reporting date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the statements of income (loss).

3.05.20 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.

3.05.21 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. SUMMARY OF SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

4.01 Judgments

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

4.01.01 Determination of the Functional Currency

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

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

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

4.01.02 Distinction between Property and Equipment and Investment Properties

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

4.01.03 Classification of Financial Instruments

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

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

4.01.04 Settlement of Obligations Through Conversion to Equity

The Company determines whether an obligation is settled if the obligation is replaced by another from the same lender on substantially different terms, or terms of an existing liability are substantially modified, such an exchange or modification is considered as settlement of the original liability. As such, conversion of obligations to equity, in accordance with the court-approved Rehab Plan, is considered as full settlement of the obligation as the terms with the same creditor are substantially modified. Thus, creditors are now considered as owners of the Company pending actual issuance of the serial redeemable preferred shares. As at December 31, 2018 and June 30, 2018, deposit for subscription in accordance with the court-approved Rehab Plan amounted to ₱8,711,736,581 (see Note 16).

4.01.05 Revenue Recognition – Beginning July 1, 2018

Identifying Performance Obligations

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

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

Timing of Revenue Recognition

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

Identifying Methods for Measuring Progress of Revenue Recognized Over Time

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

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

4.02 Estimates and Assumptions

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

4.02.01 Estimation of Allowance for ECL on Receivables and Long-outstanding Trade Receivables included under "Other Non-current Assets"

The Company uses a provision matrix to calculate ECLs for trade and other receivables. 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 Institute'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 Institute's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 29.02.

Provision for ECL on receivables amounted to ₱536,200, ₱899,350 and ₱180,257 for the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017, respectively (see Note 6). Long-outstanding trade receivables are fully provided with allowance for ECL as at December 31, 2018 and June 30, 2018 and 2017 (see Note 11).

As at December 31, 2018 and June 30, 2018, the carrying values of receivables amounted to ₱43,892,294 and ₱8,996,568, respectively, net of allowance for ECL amounting to ₱2,765,699 and ₱2,229,499 as at December 31, 2018 and June 30, 2018, respectively (see Note 6).

As at December 31, 2018 and June 30, 2018, the carrying values of long-outstanding trade receivables amounted to nil, net of allowance for ECL amounting to ₱1,381,525,501 as at December 31, 2018 and June 30, 2018 (see Note 11).

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

The Company maintains an allowance for impairment losses at a level considered adequate to reflect the excess of cost of plant supplies over its NRV. NRV of plant supplies are assessed regularly based on prevailing estimated selling prices of plant supplies and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of original acquisition costs. As at December 31, 2018 and June 30, 2018, the carrying amounts of plant supplies amounted to ₱33,895,729 and ₱7,692,884, respectively, net of allowance for impairment losses of ₱65,987,835 and ₱66,027,835, as at December 31, 2018 and June 30, 2018, respectively. For the six-month period ended December 31, 2018 and years ended June 30, 2018, Reversal of allowance for impairment on plant supplies amounted to ₱40,000 and ₱882,250, respectively (see Note 11).

4.02.03 Estimation of Impairment of Property and Equipment and Investment Properties

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

Estimation of VIU requires the use estimate and assumptions in determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Fair value is based on the results of assessment done by independent appraisers engaged by the Company. The approach utilizes prices recently paid for similar assets with adjustments made to the indicated market price to reflect condition and utility of the appraised assets relative to the market comparable. Any resulting impairment loss could have a material adverse impact on the financial position and financial performance. No impairment loss was recognized by the Company for the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017.

The carrying values of property and equipment amounted to ₱168,176,468 and ₱168,076,697 as at December 31, 2018 and June 30, 2018, respectively (see Note 9).

The carrying values of investment properties amounted to ₱235,794,708 as at December 31, 2018 and June 30, 2018 (see Note 10).

4.02.04 Estimation of Useful Lives of Property and Equipment, except Land

The Company estimates the useful lives and residual values of property and equipment, except land, 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, 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 for the six-month period ended December 31, 2018 and year ended June 30, 2018.

As at December 31, 2018 and June 30, 2018, the carrying values of property and equipment, except land, amounted to ₱168,176,468 and ₱168,076,697, respectively. Depreciation and amortization expense recognized for the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017 amounted to ₱14,716,397, ₱19,947,611, and ₱31,407,888, respectively (see Note 9).

4.02.05 Estimation of Fair Value of Land under Property and Equipment

The Company estimates the fair value of land under property and equipment based on the results of assessment of independent appraisers. Fair value of land under property and equipment is reviewed periodically and are updated if expectations differ from previous estimates due to technical and commercial obsolescence and other limits on the use of the assets. The Company engaged the services of an independent appraiser to determine the fair value of the land under property and equipment for which a valuation report was issued on October 15, covering valuation date as at December 31, 2018 and June 30, 2018. As at December 31, 2018 and June 30, 2018 the fair value of land under property and equipment amounted to ₱360,360,000 (see Note 8).

4.02.06 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 ₱6,360,139, ₱6,988,992 and ₱10,418,383 for the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017, respectively. Retirement benefits liability amounted to ₱114,096,777 and ₱131,210,130 as at December 31, 2018 and June 30, 2018, respectively (see Note 17).

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

Further details about the assumptions used are provided in Note 17.

4.02.07 Assessment of Realizability of Deferred Income Tax Assets

The Company reviews the carrying amounts of deferred income taxes assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Accordingly, the Company did not recognize deferred tax assets in respect of deductible temporary differences and unused tax losses. As at December 31, 2018 and June 30, 2018, unrecognized deferred income tax assets amounted to ₱558,779,175 and ₱535,362,559, respectively, as the Company believes that the carry forward benefit would not be realized in the future prior to their expiration. As at December 31, 2018 and June 30, 2018, deferred income tax asset recognized for actuarial loss on retirement benefits amounted to nil and ₱657,090, respectively (see Note 25).

4.02.08 Estimation of Provisions and Contingencies on Legal Proceedings

The Company is currently involved in various legal proceedings which are pending resolution in view of the Company's ongoing corporate rehabilitation. The estimate of the probable costs for the resolution of these claims has been developed in consultation with in-house and outside counsels handling the Company's defense in these matters and is based upon an analysis of potential results. The Company's management and legal counsels have made judgment that, while the proceedings are legally defensible, they cannot anticipate with certainty the progress and the outcome of the legal proceedings, the appreciation of the available evidences by the relevant courts or tribunal involved and the evolution of jurisprudence or similar cases that will be decided by the highest court, which will be relevant to these pending cases. The Company currently assessed that these proceedings will not have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings. No provisions were made in relation to these ongoing legal proceedings (see Note 27).

4.02.09 Estimation of Accrued Interest Based on Court-Approved Rehab Plan

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

As at December 31, 2018 and June 30, 2018, accrued interest on these obligations amounted to ₱219,203,130 and ₱205,739,201, respectively. Interest expense recognized for the six-month period ended December 31, 2018 and years ended June 30, 2018 amounted to ₱13,463,929 and ₱27,545,130, respectively (see Note 14).

5. CASH

	December 31, 2018	June 30, 2018
Cash on hand	130,000	155,000
Cash in banks	11,717,930	5,959,235
	11,847,930	6,114,235

Cash in banks earn interest at the respective bank deposit rates. Interest income earned amounted to ₱24,407, ₱112,188 and ₱9,351 for the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017, respectively (see Note 24).

The Company's foreign currency denominated cash and their Philippine peso equivalents restated at reference rate of prevailing market rate as at December 28, 2018 and June 29, 2018 are as follows:

	December 31, 2018	June 30, 2018
Foreign currency denominated	\$ 26,189	\$ –
Philippine peso equivalents	₱ 1,380,803	₱ –

The Company recognized unrealized forex exchange loss from translating foreign currency denominated cash amounting to ₱6,476 for the six-month period ended December 31, 2018.

6. **RECEIVABLES – net**

	December 31, 2018	June 30, 2018
Trade		
Third parties	37,636,110	5,897,988
Related party (Note 20)	472,984	–
Advances to suppliers	7,199,127	3,705,425
Others	1,349,772	1,622,654
	46,657,993	11,226,067
Less: Allowance for ECL	(2,765,699)	(2,229,499)
	43,892,294	8,996,568

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

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

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

Movements in allowance for ECL of trade and other receivables are as follow:

	Note	Trade	Other receivables	Total
Balance as at July 1, 2017		659,891	670,258	1,330,149
Provision for ECL for the year		899,350	–	899,350
Balance as at June 30, 2018		1,559,241	670,258	2,229,499
Provision for (recovery from) ECL for the six-month period	23, 24	669,809	(133,609)	536,200
Balance as at December 31, 2018		2,229,050	536,649	2,765,699

7. OTHER CURRENT ASSETS

	December 31, 2018	June 30, 2018
Prepaid taxes and licenses	6,852,514	–
Deferred input VAT	5,742,574	4,701,751
CWTs	1,596,388	–
Prepaid insurance	936,605	34,667
Others	1,080,048	872,727
	16,208,129	5,609,145

Prepaid taxes and licenses pertain to the unamortized portion of annual Supervision and Regulation Fees (SRF) paid to NTC.

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.

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

Others pertain to various prepayments such as rentals, job postings, and others which will be expensed once consumed.

8. LAND AT REVALUED AMOUNTS

As at December 31, 2018 and June 30, 2018, the land used in the operations is revalued at ₱360,360,000.

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.

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

The market value of the land amounted to ₱360,360,000 as at December 31, 2018 and the existing utility represents the highest and best use of the land. Accordingly, as at date of revaluation, the Company recognized an increase of ₱72,072,000 which was directly credited to revaluation surplus, net of deferred income tax amounting to ₱30,888,000. The cost of the land amounted to ₱214,500,000. The revaluation surplus is not available for distribution to stockholders until this is realized through sale.

As at December 31, 2018 and June 30, 2018, revaluation surplus pertaining to the revalued land amounted to ₱102,102,000, net of ₱43,758,000 tax effect.

9. PROPERTY AND EQUIPMENT – AT COST, EXCEPT FOR LAND CARRIED AT REVALUED AMOUNT

December 31, 2018	Telecommunications Equipment					Construction in progress	Total
	Buildings and improvements	Central office equipment	Cable and wire facilities	Other work equipment			
Cost:							
Balance at beginning of period	44,370,224	236,206,359	177,460,911	19,311,536	14,958,721	492,307,751	
Additions	17,991	1,744,878	8,732,709	4,320,590	–	14,816,168	
Balance at end of period	44,388,215	237,951,237	186,193,620	23,632,126	14,958,721	507,123,919	
Accumulated Depreciation and Amortization:							
Balance at beginning of period	40,771,169	179,380,592	95,561,758	8,517,535	–	324,231,054	
Additions	74,130	6,614,877	6,345,835	1,681,555	–	14,716,397	
Balance at end of period	40,845,299	185,995,469	101,907,593	10,199,090	–	338,947,451	
Net Book Value	3,542,916	51,955,768	84,286,027	13,433,036	14,958,721	168,176,468	
June 30, 2018	Telecommunications Equipment						
Cost:							
Balance at beginning of year	40,678,718	185,372,054	156,209,563	9,527,766	–	391,788,101	
Additions	3,691,506	50,834,305	21,251,348	9,783,770	14,958,721	100,519,650	
Balance at end of year	44,370,224	236,206,359	177,460,911	19,311,536	14,958,721	492,307,751	
Accumulated Depreciation and Amortization:							
Balance at beginning of year	40,678,718	172,904,335	83,946,942	6,753,448	–	304,283,443	
Additions	92,451	6,476,257	11,614,816	1,764,087	–	19,947,611	
Balance at end of year	40,771,169	179,380,592	95,561,758	8,517,535	–	324,231,054	
Net Book Value	3,599,055	56,825,767	81,899,153	10,794,001	14,958,721	168,076,697	

Construction in progress (CIP) pertains to renovation of elevators and architectural designs of the Company's registered office address.

The Company has outstanding contractual commitments to complete the construction in progress to property and equipment amounting to ₱104,779,697 as at December 31, 2018 and June 30, 2018. The CIP has 12.49% percentage of completion as at December 31, 2018 and June 30, 2018. The Company plans to complete the construction by 2020.

Service vehicles with carrying value amounting to ₱3,117,090 as at December 31, 2018 serve as collaterals for the chattel mortgage for the loan acquired from a local bank and a financial institution (See Note 15). Aside from the service vehicles, no amount of property and equipment has been pledged to secure borrowings as at December 31, 2018 and June 30, 2018.

Fully depreciated properties still in use amounted to ₱221,790,863 and ₱207,773,260 as at December 31, 2018 and June 30, 2018. There are no idle property and equipment as at December 31, 2018 and June 30, 2018.

10. INVESTMENT PROPERTIES – AT COST

The Company's investment properties consist of lands in various locations in NCR, and Regions 3 and 4 amounted to ₱235,794,708. Some of these lands are rented out for a fee to third parties for one (1) to five (5) years lease term and are renewable subject to mutual consent of both parties, while others are held for capital appreciation.

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

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

For the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017, the Company recognized rental income from these investment properties amounting to ₱1,624,023, ₱6,994,454, and ₱8,147,928, respectively (see Note 26).

11. OTHER NON-CURRENT ASSETS – net

	December 31, 2018	June 30, 2018
Long-outstanding trade receivables	1,381,525,501	1,381,525,501
Plant supplies	99,883,564	73,720,719
Refundable security deposits	7,348,678	8,764,677
Financial asset at FVOCI	192,375	–
AFS investments	–	220,419
	1,488,950,118	1,464,231,316
Less: Allowance for ECL and impairment	(1,447,513,336)	(1,447,553,335)
	41,436,782	16,677,981

Long-outstanding trade receivables represent due from customers related to the LEC business (landline-based telephone and long-distance service) of the Company. These long-outstanding receivables are fully provided with allowance for ECL as at December 31, 2018 and June 30, 2018.

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

As at December 31, 2018 and June 30, 2018, the carrying amounts of plant supplies amounted to ₱33,895,729 and ₱7,692,884, respectively, net of allowance for impairment losses of ₱65,987,835 and ₱66,027,835, as at December 31, 2018 and June 30, 2018, respectively.

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

Financial assets at FVOCI as at December 31, 2018 and AFS investments as at June 30, 2018 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. The business model determined by the Company is that cash flows will result from both collecting contractual cash flows and selling the financial assets.

Movements of financial assets at FVOCI for the six-month period ended December 31, 2018 and AFS investments for the year ended June 30, 2018 account are as follows:

	December 31, 2018	June 30, 2018
Balances at beginning of period/year	220,419	307,116
Unrealized valuation loss for the period/year	(28,044)	(86,697)
Balances at end of period/year	192,375	220,419

The cumulative net unrealized valuation loss on changes in fair values of financial assets at FVOCI account as at December 31, 2018 and AFS investments account as at June 30, 2018 is recognized under "Unrealized valuation loss on equity investments" account which is a separate component under the equity section in the statements of financial position.

Movements of unrealized valuation losses on financial assets at FVOCI for the six-month period ended December 31, 2018 and AFS investments for the year ended June 30, 2018 are as follows:

	December 31, 2018	June 30, 2018
Balances at beginning of period/year	(278,901)	(192,204)
Changes in fair value of financial assets at FVOCI	(28,044)	(86,697)
Balances at end of period/year	(306,945)	(278,901)

For the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017, the Company recognized dividend income pertaining to financial assets at FVOCI (AFS investments) amounting to ₱6,156, ₱12,996 and ₱13,167, respectively (See Note 24).

Movements in allowance for ECL of long outstanding trade receivables are as follow:

	December 31, 2018	June 30, 2018
Balances at beginning of period/year	1,381,525,501	1,381,525,501
Provision for ECL for the period/year	-	-
Balances at end of period/year	1,381,525,501	1,381,525,501

Movements in allowance for impairment of plant assets are as follow:

	Note	December 31, 2018	June 30, 2018
Balances at beginning of period/year		66,027,835	66,910,085
Reversal of impairment for the period/year	24	(40,000)	(882,250)
Balances at end of period/year		65,987,835	66,027,835

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

12. TRADE AND OTHER PAYABLES

	December 31, 2018	June 30, 2018
Trade	198,758,174	148,955,553
Customers' deposits	36,346,942	29,580,936
Others	3,092,672	2,307,629
	238,197,788	180,844,118

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 amounting to ₱11,138,163 as at December 31, 2018 and June 30, 2018.

Customers' deposits pertain to 2 months advance and 1 month deposit of internet broadband monthly subscription fee from customers. These customers' deposits are refundable and/or to be applied to unpaid receivables of the customers.

Other payables represent advance rental payments from lessees. These are refundable and/or to be applied to unpaid rent of the lessees upon expiration and/or termination of the lease.

13. STATUTORY OBLIGATIONS

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

	December 31, 2018	June 30, 2018
<i>Covered by Corporate Rehabilitation (Note 2)</i>		
Labor-related	138,514,480	185,749,667
BIR	185,749,667	138,514,480
NTC	65,724,944	86,286,597
Home Development Mutual Fund (HDMF)	28,448,186	28,448,186
SSS	16,940,916	16,940,916
Philippine Health Insurance Corporation (PHIC)	12,145,658	12,145,658
National Home Mortgage Finance Corp. (NHFMC)	1,132,874	1,132,874
Other government agencies	7,231,637	7,231,637
	455,888,362	476,450,015
<i>Outside Corporate Rehabilitation:</i>		
BIR	14,512,459	13,044,536
Labor-related	589,857	510,827
SSS	336,153	231,644
PHIC	83,686	87,391
HDMF	63,446	41,659
Other government agencies	28,315,448	27,504,224
	43,901,049	41,420,281
	499,789,411	517,870,296

Labor-related

This pertains to unpaid salaries and wages of employees, and National Labor Relation Commission (NLRC) fees. NLRC, as arbiter, is handling labor-related cases against the Company. Some of these cases are already carried up to the courts (see Note 27).

NTC

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

SSS

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

HDMF and PHIC

These pertain to unremitted employer and employees' contributions.

NHFMC

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

Other government agencies

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

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

14. ACCRUED INTEREST, EXPENSES AND OTHER LIABILITIES

	December 31, 2018	June 30, 2018
Accrued interests	219,203,130	205,739,201
Accrued leased channels	12,769,782	521,312
Accrued expenses	8,500,564	6,816,548
Accrued retainers and professional fees	6,300,084	5,258,034
Others	1,097,346	857,555
	247,870,906	219,192,650

Pursuant to the order of the Rehab Court to pay 6% legal interest from the approval of the Rehab Plan until full payment of the obligation (see Note 2). Interest expense for the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017 amounted to ₱13,463,929, ₱27,545,130, and ₱28,511,051, respectively.

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

In 2018, the Company entered into a contract agreement with an international telecommunication company to install and provide additional leased channel services for the company.

The Company's foreign currency denominated accrued leased channels and their Philippine peso equivalents restated at reference rate of prevailing market rate as at December 28, 2018 and June 29, 2018 are as follows:

	December 31, 2018	June 30, 2018
Foreign currency denominated	\$ 228,000	\$ —
Philippine peso equivalents	₱ 12,021,072	₱ —

The Company recognized unrealized forex exchange gain from translating foreign currency denominated accrued expenses amounting to ₱149,095 for the six-month period ended December 31, 2018.

In June 30, 2018, the Company has written-off unreversed accrued expenses from prior years amounting to ₱53,880,331 (see Note 24).

15. LOANS PAYABLE

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

	Loan 1	Loan 2	Loan 3
Principal amount	780,000	780,000	1,518,400
Annual interest rate	18.59%	18.59%	20.03%
Maturity Date	12/13/2022	12/13/2022	5/4/2020
Amount outstanding:			
Principal	746,129	746,129	1,077,616
Interest	6,936	9,248	15,586
Monthly amortization	22,801	22,801	77,300
Term (months)	48	48	24

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

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

As at December 31, 2018, the carrying value of the services vehicles pledged as collaterals for the chattel mortgages amounted to ₱3,117,090 (See Note 9).

The Company paid a total of ₱476,756 of the principal for the six-month period ended December 31, 2018. Interest expense and interest paid for the six-month period ended December 31, 2018 relating to these loans amounted to ₱232,848 and ₱201,078, respectively.

Amount of principal repayment required in each of the next 4 years are as follows:

	Loan 1	Loan 2	Loan 3	Total
2019	147,006	147,006	780,898	1,074,910
2020	176,789	176,789	296,718	650,296
2021	212,607	212,607	—	425,214
2022	209,727	209,727	—	419,454

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

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

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

The Company sent confirmation letters to all claimants concerned that the principal amount of their debts/liabilities have been fully converted to equity, by way of 12-year serial redeemable preferred shares and that the corresponding amount of ₱8,841,736,581 was lodged in the Company's books as "Deposit for subscription". The Company has filed with the SEC the increase in authorized capital stock on October 9, 2018. The increase in authorized capital was approved by the SEC on October 31, 2018 pending issuance of share certificates to the creditors (see Note 1) and the full implementation of the Company's debt-to-equity conversion as ordered by the Rehab Court amounting to ₱8,711,736,581 (See Note 18.02), thus, "Deposit for subscription" was already recognized in equity. No oppositions were made by the creditors except as discussed in Note 1.

Total deposit for subscription as at December 31, 2018 and June 30, 2018 amounted to ₱130,000,000 and ₱8,841,736,581, respectively. The remaining balance of deposit for stock subscription as at December 31, 2018 pertains to the subscribed common shares of RETELCOM previously lodged under paid up capital.

17. RETIREMENT BENEFITS LIABILITY

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

The latest actuarial valuation report as at December 31, 2018 is determined using the projected unit credit actuarial cost method. Currently, the Company has no plan asset established for the funding of the retirement benefit obligation.

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

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

	Note	December 31, 2018	June 30, 2018	June 30, 2017
Current service cost		2,304,676	2,867,468	7,267,774
Interest expense on defined benefit plan		4,055,463	4,121,524	3,150,609
Retirement benefits costs	22	6,360,139	6,988,992	10,418,383

Retirement expense attributable to key management personnel amounted to ₱786,181 and ₱3,087,667 for the six-month period ended December 31, 2018 and years ended June 30, 2018, respectively (see Note 20).

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

	December 31, 2018	June 30, 2018
Beginning balances	(1,533,213)	3,163,682
Actuarial gains (losses) due to:		
Experience adjustments	21,986,863	(12,897,320)
Changes in financial assumptions	1,486,629	6,187,470
Actuarial gains (losses) recognized for the period/year	23,473,492	(6,709,850)
Tax effect	(7,042,047)	2,012,955
Actuarial gains (losses) recognized for the period/year – net of tax	16,431,445	(4,696,895)
Ending balances	14,898,232	(1,533,213)

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

	December 31, 2018	June 30, 2018
Retirement benefits liability at beginning of period/year	131,210,130	133,609,985
Current service cost	2,304,676	2,867,468
Interest expense on retirement benefits liability	4,055,463	4,121,524
Actuarial losses (gains) due to:		
Experience adjustments	(21,986,863)	12,897,320
Changes in financial assumptions	(1,486,629)	(6,187,470)
Benefits paid	–	(16,098,697)
Retirement benefits liability at end of period/year	114,096,777	131,210,130

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

As at December 31, 2018 and June 30, 2018, the Company has retirement benefits liability attributable to separated employees amounting to ₱78,622,488 and ₱96,648,871, respectively.

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

	December 31, 2018	June 30, 2018
Discount rate	7.36%	6.69%
Salary increase rate	5.00%	5.00%
Mortality rate	2017 Philippine Intercompany Mortality Table	
Disability rate	1925 Disability Study, Period 2, Benefit 5	
Turnover rate	A scale ranging from 9% at age 18 to 0% at age 60	

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2018, assuming all other assumptions were held constant:

	Increase (decrease)	Active	Deferred	Total
Discount rates	7.69% (Actual + 1.00%)	34,128,316	77,896,918	112,025,234
	6.69% (Actual)	35,474,288	78,622,488	114,096,776
	5.69% (Actual - 1.00%)	36,982,180	79,361,702	116,343,882
Salary increase rate	6.00% (Actual + 1.00%)	37,174,279	78,622,488	115,796,767
	5.00% (Actual)	35,474,288	78,622,488	114,096,776
	4.00% (Actual - 1.00%)	33,929,865	78,622,488	112,552,353

Shown below is the maturity analysis of the Company's undiscounted benefit payments as at December 31, 2018:

	Normal retirement	Other than normal retirement	Deferred benefit	Total
Less than 1 year	17,894,885	333,912	—	18,228,797
1 to less than 5 years	5,320,032	1,719,122	84,408,752	91,447,906
5 to less than 10 years	40,302,909	2,298,082	—	42,600,991
10 to less than 15 years	29,172,644	2,919,012	—	32,091,656
15 to less than 20 years	20,489,963	4,752,832	—	25,242,795
20 years and above	134,208,365	18,023,828	—	152,232,193
	247,388,798	30,046,788	84,408,752	361,844,338

The average duration of the retirement benefits liability at the end of the reporting period is 19.33 years.

18. SHARE CAPITAL

18.01 Paid-up Capital

As at December 31, 2018 and June 30, 2018, the Company's paid up capital consist of the following:

	December 31, 2018	June 30, 2018
Common shares - ₱1 par value		
Authorized - 4,500,000,000 shares		
Issued - 1,500,000 shares	1,500,000,000	1,500,000,000
Subscribed shares – nil shares	—	—
APIC	724,255,313	724,255,313
	2,224,255,313	2,224,255,313
Preferred shares - ₱10 par value		
Authorized - 230,000,000 shares		
Issued and subscribed - nil shares	—	—
	2,224,255,313	2,224,255,313

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

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

As at December 31, 2018 and June 30, 2018, no preferred shares were subscribed and/or issued.

18.02 Deposit for Subscription In Accordance With The Court-Approved Rehabilitation Plan

As discussed in Note 16 to the financial statements, the Rehab Court approved the Company to amend its articles of incorporation increasing its authorized capital stock from ₱3,800,000,000 to ₱10,187,150,000, and to immediately issue the corresponding stock certificates to the claimants concerned.

The Company has filed with the SEC the increase in authorized capital stock from ₱3,800,000,000 to ₱15,600,000,000 on October 9, 2018 which was approved on October 31, 2018. As at March 27, 2019, the Company has yet to issue the share certificates to the creditors amounting to ₱8,711,736,581 (see Note1).

19. 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 period/year, excluding ordinary shares purchased by the Company and held as treasury shares.

Loss per share for the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017 are as follows:

	December 31, 2018	June 30, 2018	June 30, 2017
Net loss shown in the statements of comprehensive income	(88,152,537)	24,729,132	(26,905,960)
Weighted average number of common shares for basic and diluted loss per share	1,500,000,000	1,473,258,703	1,205,585,485
Basic and diluted loss per share	(0.06)	0.02	(0.02)

20. RELATED PARTY TRANSACTIONS

20.01 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

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.

20.02 Related Party Transactions

Transactions and outstanding balances with related parties as at December 31, 2018 and June 30, 2018 which consist mainly of advances intended for working capital requirements are as follows:

Category	Period/Year	Volume/ Amount	Outstanding Balance	Terms	Conditions
<u>Entities with significant influence over the Company</u>					
TSI					
Receivables	December 31, 2018	472,984	472,984	Due and demandable,	Unimpaired
	June 30, 2018	-	-	cash settled	
Due from related parties	December 31, 2018	(99,695)	-	Due and demandable,	Unimpaired
	June 30, 2018	99,695	99,695	cash settled	
Due to related parties	December 31, 2018	156,411	40,242,376	Due and demandable,	Unsecured
	June 30, 2018	1,278,812	40,085,965	cash settled	Unguaranteed
MENLO					
Due from related parties	December 31, 2018	-	-	Due and demandable,	Unimpaired
	June 30, 2018	(6,672,500)	-	cash settled	
Due to related parties	December 31, 2018	55,983,287	60,342,801	Due and demandable,	Unsecured
	June 30, 2018	4,359,514	4,359,514	cash settled	Unguaranteed
<u>Under Common Control</u>					
RETELCOM					
Due from related parties	December 31, 2018	-	-	Due and demandable,	Unimpaired
	June 30, 2018	(23,816,737)	-	cash settled	
Due to related parties	December 31, 2018	1,041,918	5,952,492	Due and demandable,	Unsecured
	June 30, 2018	4,910,574	4,910,574	cash settled	Unguaranteed
TIMCO					
Due to related parties	December 31, 2018	-	38,355,000	Due and demandable,	Unsecured
	June 30, 2018	-	38,355,000	cash settled	
PWI					
Due from related parties	December 31, 2018	(896,878)	3,487,386	Due and demandable,	Unimpaired
	June 30, 2018	(1,885,048)	4,384,264	cash settled	
CWI					
Due from related parties	December 31, 2018	131,412	3,250,918	Due and demandable,	Unimpaired
	June 30, 2018	(4,519,484)	3,119,506	cash settled	
Due to related parties	December 31, 2018	440,000	440,000	Due and demandable,	Unsecured
	June 30, 2018	-	-	cash settled	
WPI					
Due from related parties	December 31, 2018	-	39,376	Due and demandable,	Unimpaired
	June 30, 2018	11,239	39,376	cash settled	

Category	Period/Year	Volume/ Amount	Outstanding Balance	Terms	Conditions
Other related parties					
Other individual stockholders					
Due to related parties	December 31, 2018	28,867,958	158,350,875	Due and demandable, cash settled	Unsecured
	June 30, 2018	1,042,340	129,482,917		
Unrealized foreign exchange gain (loss)	December 31, 2018	230,466	-		
	June 30, 2018	(832,481)	-		
Receivables (Note 6)	December 31, 2018		472,984		
	June 30, 2018		-		
Due from related parties	December 31, 2018		6,777,680		
	June 30, 2018		7,642,841		
Due to related parties	December 31, 2018		303,683,544		
	June 30, 2018		217,193,970		
Unrealized foreign exchange gain (loss)	December 31, 2018	230,466			
	June 30, 2018	(832,481)			

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

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

The Company's foreign currency denominated due to related parties and their Philippine peso equivalents restated at reference rate of prevailing market rate as at December 28, 2018 and June 29, 2018 are as follows:

	December 31, 2018	June 30, 2018
Foreign currency denominated	\$ 288,805	\$ 288,805
Philippine peso equivalents	₱ 15,226,955	₱ 15,457,421

20.03 Key Management Remuneration

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

	Note	December 31, 2018	June 30, 2018
Short-term employee benefits		16,722,000	27,785,966
Post-employment benefits	17	786,181	3,087,667
		17,508,181	30,873,633

21. REVENUES

	December 31, 2018	June 30, 2018	June 30, 2017
Broadband internet access services:			
Direct customers	116,931,071	185,690,430	116,577,954
Resellers	3,468,741	8,857,176	2,638,490
Other services	9,171,830	6,266,293	5,257,729
	129,571,642	200,813,899	124,474,173

Facilities Exchange and Revenue Sharing Agreement with TSI

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

For the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017, revenues recognized from this agreement amounted to nil, ₱16,159,166 and ₱12,789,941, respectively. The Company's revenue-share from resell of data transport amounted to ₱3,468,741, ₱8,674,694 and ₱2,353,423 for the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017, respectively.

Revenue Sharing Agreement with IPS, Inc. (IPS)

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

For the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017, revenues recognized from this agreement amounted to ₱1,270,169, ₱2,513,272 and ₱2,236,924, respectively.

Collection Agent Agreement with IPS

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

For the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017, revenues recognized from this agreement amounted to ₱65,612, ₱284,033 and ₱797,447, respectively.

Copper Cable Lease Agreement with APO Associated Radio Electronics and Communications Company, Inc. (APOCOM)

On October 4, 2012, the Company agreed to lease out copper cable to APOCOM in order for APOCOM to provide DSL services to its clients for a monthly lease rate of ₱200 per cable per client. In addition, the Company shall charge a one-time installation fee in the amount of ₱1,500 for each DSL service that APOCOM will provide its clients. APOCOM shall also be an authorized reseller of the Company's DSL.

For the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017, revenues recognized from this agreement amounted to nil, ₱6,600 and ₱8,400, respectively. The Company's revenue-share from resell of DSL amounted to nil, ₱182,482 and ₱285,067 for the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017, respectively.

Revenue disaggregation are as follows:

	December 31, 2018	June 30, 2018	June 30, 2017
<u>Contracts:</u>			
Facilities exchange with TSI	–	16,159,166	12,789,941
Company's revenue-share from resell of data transport	3,468,741	8,674,694	2,353,423
Revenue with IPS	1,270,169	2,513,272	2,236,924
Collection agent agreement with IPS	65,612	284,033	797,447
Copper Cable Lease Agreement with APOCOM	–	6,600	8,400
Revenues recognized - resell of DSL	–	182,482	285,067
Other individual and corporate contracts	124,767,120	172,993,652	106,002,971
	<u>129,571,642</u>	<u>200,813,899</u>	<u>124,474,173</u>

	December 31, 2018	June 30, 2018	June 30, 2017
Type of customers:			
Government	5,981,346	9,372,707	5,811,027
Non-government	123,590,296	191,441,192	118,663,146
	129,571,642	200,813,899	124,474,173
Timing of recognition of revenue:			
Over time	122,124,088	188,412,860	122,252,133
At a point in time	7,447,554	12,401,039	2,222,040
	129,571,642	200,813,899	124,474,173

22. PERSONNEL COSTS

	No	December 31, 2018	June 30, 2018	June 30, 2017
Salaries and wages		62,027,385	54,550,043	35,307,554
Retirement costs	17	6,360,139	6,988,992	10,418,383
Other benefits		14,637,264	12,764,315	7,735,104
		83,024,788	74,303,350	53,461,041

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

23. OTHER EXPENSES

	Notes	December 31, 2018	June 30, 2018	June 30, 2017
Leased channels		14,301,585	4,757,426	1,107,512
Other interest charges		6,415,025	190,836	4,423,688
Repairs and maintenance		871,209	1,415,800	1,664,786
Seminar expense		833,566	553,754	183,680
Provision for doubtful accounts	6	669,809	899,350	180,257
Insurance expense		303,121	133,201	76,014
Interest on bank loans	15	232,848	—	—
Software licenses		214,907	683,093	—
Unrealized foreign exchange loss		6,476	832,481	592,702
Miscellaneous expense		2,794,567	3,015,317	1,392,068
		26,643,113	12,481,258	9,620,707

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

24. OTHER INCOME

	Notes	December 31, 2018	June 30, 2018	June 30, 2017
Unrealized foreign exchange gain		379,561	—	—
Reversal of allowance for ECL	6	133,609	—	—
Realized foreign exchange loss		103,054	—	—
Reversal of impairment	11	40,000	882,250	420,632
Interest income	5	24,407	112,188	9,351
Dividend income	11	6,156	12,996	13,167
Reversal of long outstanding liabilities	14	—	53,880,331	—
Miscellaneous		1,589,373	3,568,762	3,272,169
		2,276,160	58,456,527	3,715,319

Miscellaneous pertains to the revenue recognized for the rack rentals from third party which are situated in different areas wherein the third party lodged their equipment. This also includes the technical services provided by the Company for the operations and maintenance of the equipment.

25. INCOME TAX

25.01 Income Tax Recognized in Profit or Loss

The components of income tax expense for the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017 are as follows:

	December 31, 2018	June 30, 2018	June 30, 2017
Income tax expense:			
Regular corporate income tax at 30%	—	28,799,624	—
MCIT at 2%	—	—	257,773
Income tax expense reported in the statements of comprehensive income (loss)	—	(28,799,624)	(257,773)

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

	December 31, 2018	June 30, 2018	June 30, 2017
Income (loss) at statutory income tax rate	(26,445,761)	16,058,627	(7,994,456)
Income tax effects of:			
Change in unrecognized deferred income tax assets	23,416,616	4,242,204	(5,611,449)
Non-deductible expenses	3,038,314	8,794,122	466,709
Interest income subjected to final tax	(7,322)	(33,657)	(2,805)
Dividend income	(1,847)	(3,899)	(3,950)
Expiration of NOLCO	—	—	13,145,951
Minimum Corporate Income Tax	—	(257,773)	257,773
	—	28,799,624	257,773

As at December 31, 2018 and June 30, 2018, net deferred income tax recognized in the statements of financial position are as follows:

	December 31, 2018	June 30, 2018
<i>Deferred income tax asset</i>		
Actuarial loss on retirement benefits	–	(657,090)
<i>Deferred income tax liabilities</i>		
Revaluation surplus	43,758,000	43,758,000
Actuarial gain on retirement benefits	6,384,957	–
	50,142,957	43,758,000

As at December 31, 2018 and June 30, 2018, no deferred income tax assets have been recognized on the following because management believes that it is not probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

	Notes	December 31, 2018	June 30, 2018
NOLCO		57,735,119	–
Provision for ECL on long-outstanding trade receivables	11	1,381,525,501	1,381,525,501
Accrued interest	14	219,203,130	205,739,201
Retirement costs	17	135,379,966	129,019,826
Provision for impairment losses on plant supplies	11	65,987,835	66,027,835
Provision for ECL on receivables	6	2,765,699	2,229,499
		1,862,597,250	1,784,541,862

Unrecognized deferred tax assets are as follows:

	December 31, 2018	June 30, 2018
NOLCO	17,320,535	–
Provision for ECL on long-outstanding trade receivables	414,457,650	414,457,650
Accrued interest	65,760,939	61,721,760
Retirement costs	40,613,990	38,705,948
Provision for impairment losses on plant supplies	19,796,351	19,808,351
Provision for ECL on receivables	829,710	668,850
	558,779,175	535,362,559

As at December 31, 2018, the Company has NOLCO that can be claimed as deductions from future taxable income as follows:

Period of Recognition	Availment Period	NOLCO	Applied	Expired	Balance
June 30, 2016	2017-2019	9,910,700	(9,910,700)	–	–
June 30, 2017	2018-2019	–	–	–	–
June 30, 2018	2019-2020	–	–	–	–
December 31, 2018	2019-2020	57,735,119	–	–	57,735,119
		67,645,819	(9,910,700)	–	57,735,119

26. LEASES

The Company has entered into various lease agreements on office space, cell sites telecommunications equipment locations and car rentals. The operating lease agreements are for periods ranging from 1 to 5 years from the date of contracts. Total rent charged to operations amounted to ₱6,192,759, ₱9,793,388, and ₱7,130,826 for the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017, respectively.

For the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017, total rental income earned by the Company from its leased spaces in Makati and Regions 3 and 4 amounted to ₱1,624,023, ₱6,994,454, and ₱8,147,928, respectively (see Note 10).

The minimum lease payments due as at December 31, 2018 and June 30, 2018 are as follows:

	December 31, 2018	June 30, 2018
Within one year	930,690	930,690
More than one year but less than five years	1,859,768	2,012,363
	2,790,458	2,943,053

27. LEGAL CONTINGENCIES

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

28. SEGMENT REPORTING

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

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

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

The Company's EBITDA for the six-month period ended December 31, 2018 and years ended June 30, 2018 and 2017 are as follows:

	December 31, 2018	June 30, 2018	June 30, 2017
Net loss	(88,152,537)	53,528,756	(26,648,187)
Interest	13,463,929	27,545,130	28,511,051
Depreciation	14,716,397	19,947,611	31,407,888
	(59,972,211)	101,021,497	33,270,752

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

29.01 General Risk Management Principles

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

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

The following table summarizes the carrying amount of financial assets and liabilities recorded by category:

	December 31, 2018	June 30, 2018
Financial assets:		
Cash in banks	11,717,930	5,959,235
Receivables*	36,693,167	5,291,143
Due from related parties	6,777,680	7,642,841
Refundable security deposits	7,348,678	8,764,678
Financial assets at FVOCI	192,375	220,419
	62,729,830	27,878,316
Financial liabilities:		
Trade and other payables**	238,668,073	180,163,354
Due to related parties	303,683,544	217,193,970
Accrued interest, expenses and other liabilities	247,870,906	219,192,650
Loans payable	2,601,644	—
	792,824,167	616,549,974

*Excluding advances to suppliers amounting to ₱7,199,127 and ₱3,705,425 as at December 31, 2018 and June 30, 2018, respectively.

**Excluding advance rental of ₱470,285 and ₱680,764 as at December 31, 2018 and June 30, 2018, respectively.

29.02 Credit and Counterparty Risk

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

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

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

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

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

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

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

With respect to credit risk arising from the other financial assets of the Company, which comprise cash, financial assets at FVOCI (AFS investments under PAS 39) and refundable security deposits, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

29.02.01 Credit Risk Exposure

The following tables provide the credit information and maximum exposure of the Company's financial assets as at December 31, 2018 and June 30, 2018:

	December 31, 2018	June 30, 2018
Financial assets:		
Cash in banks	11,717,930	5,959,235
Receivables*	39,458,866	7,520,642
Long-outstanding trade receivables	1,381,525,501	1,381,525,501
Due from related parties	6,777,680	7,642,841
Refundable security deposits	7,348,678	8,764,678
Financial assets at FVOCI	192,375	-
AFS investments	-	220,419
	1,447,021,030	1,411,633,316

*Excluding advances to suppliers amounting to ₱7,199,127 and ₱3,705,425 as at December 31, 2018 and June 30, 2018, respectively.

Receivables

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

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

The Company applies the provision matrix in providing for ECL for trade and other receivables which permits the use of the lifetime expected loss provision. The ECL rates are based on Company's observed historical default experience, as well as the future prospects of the industries obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The Company has calculated allowance for ECL of ₱2,765,699 as at December 31, 2018.

29.02.02 Risk Concentration of the Maximum Exposure to Credit Risk

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

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

Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy.

29.02.03 Credit Quality of Financial Assets

The table below shows the credit quality by class of financial assets as at December 31, 2018 and June 30, 2018.

December 31, 2018	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High Grade	Standard Grade	Sub standard Grade			
Cash in banks	11,717,930	-	-	-	-	11,717,930
Receivables*	35,030,431	-	-	1,662,736	2,765,699	39,458,866
Due from related parties	-	-	-	6,777,680	-	6,777,680
Long-outstanding trade receivables	-	-	-	-	1,381,525,501	1,381,525,501
Refundable security Deposits	-	-	-	7,348,678	-	7,348,678
Financial assets at FVOCI	192,375	-	-	-	-	192,375
	46,940,736	-	-	15,789,094	1,384,291,200	1,447,021,030

June 30, 2018	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High Grade	Standard Grade	Sub standard Grade			
Cash in banks	5,959,235	-	-	-	-	5,959,235
Receivables*	3,119,345	-	-	2,171,798	2,229,499	7,520,642
Due from related parties	-	-	-	7,642,841	-	7,642,841
Long-outstanding trade receivables	-	-	-	-	1,381,525,501	1,381,525,501
Refundable security deposits	-	-	-	8,764,678	-	8,764,678
AFS investments	220,419	-	-	-	-	220,419
	9,298,999	-	-	18,579,317	1,383,755,000	1,411,633,316

*Excluding advances to suppliers amounting to ₱7,199,127 and ₱3,705,425 as at December 31, 2018 and June 30, 2018, respectively.

High grade cash in banks and working capital cash fund placed, invested, or deposited in foreign and local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability. Other high grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have a probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up and extended payment terms.

As at December 31, 2018 and June 30, 2018, the aging analyses of receivables are as follows:

December 31, 2018					
	Current	30 Days	60 Days	90 Days and above	Total
Trade					
Third parties	34,357,548	779,981	269,531	2,229,050	37,636,110
Related party	14,347	458,637	–	–	472,984
Others	658,536	154,587	–	536,649	1,349,772
	35,030,431	1,393,205	269,531	2,765,699	39,458,866

**Excluding advances to suppliers amounting to ₱7,199,127.*

June 30, 2018					
	Current	30 Days	60 Days	90 Days and above	Total
Trade					
Third parties	3,119,345	1,035,940	183,462	1,559,241	5,897,988
Related party	–	–	–	–	–
Others	952,396	–	–	670,258	1,622,654
	4,071,741	1,035,940	183,462	2,229,499	7,520,642

**Excluding advances to suppliers amounting to ₱3,705,425.*

Impairment Assessment

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available, reasonable and supportive forward-looking information especially if the following indicators are incorporated:

- Internal credit rating;
- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- Significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor and changes in the operating results of the debtor.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, either directly or by adjusting an allowance account. Any subsequent reversal is recognized in the statements of comprehensive income (loss) to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in the statements of comprehensive income (loss). The Company recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

29.03 Liquidity Risk

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

The tables below summarize the maturity profile of the Company's liabilities as at December 31, 2018 and June 30, 2018 based on contractual undiscounted repayment obligations. The table also analyses the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

December 31, 2018	Within 1 Year	1 – 5 Years	Total
Financial liabilities:			
Trade and other payables*	238,668,073	–	238,668,073
Due to related parties	303,683,544	–	303,683,544
Accrued interest, expenses and other liabilities	247,870,906	–	247,870,906
Loans payable	1,106,680	1,494,964	2,601,644
	791,329,203	1,494,964	792,824,167
Financial assets:			
Cash in banks	11,717,930	–	11,717,930
Receivables**	39,458,866	–	39,458,866
Due from related parties	6,777,680	–	6,777,680
	57,954,476	–	57,954,476

*Excluding advance rental of P470,285

**Excluding advances to suppliers amounting to P7,199,127.

June 30, 2018	Within 1 Year	1 – 5 Years	Total
Financial liabilities:			
Trade and other payables*	180,163,354	–	180,163,354
Due to related parties	217,193,970	–	217,193,970
Accrued interest, expenses and other liabilities	219,192,650	–	219,192,650
	616,549,974	–	616,549,974
Financial assets:			
Cash in banks	5,959,235	–	5,959,235
Receivables**	7,520,642	–	7,520,642
Due from related parties	7,642,841	–	7,642,841
	21,122,718	–	21,122,718

*Excluding advance rental of ₱680,764.

**Excluding advances to suppliers amounting to ₱3,705,425.

29.04 Interest Rate Risk

The Company is exposed to interest risk as it borrows funds at both fixed and floating interest rates. For floating rate liabilities, the sensitivity analysis is prepared assuming the amount of liability outstanding at December 31, 2018 and June 30, 2018 was outstanding for the whole period/year.

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

	December 31, 2018	June 30, 2018
Profit before tax	+/-24,663	–
Equity*	+/-17,264	–

*Equity is based on 70% of the total exposure.

29.05 Currency Risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Notes	December 31, 2018		June 30, 2018	
		USD	PHP	USD	PHP
Financial Assets					
Cash in bank	5	26,189	1,380,803	–	–
Financial liabilities					
Accrued expenses	14	228,000	12,021,072	–	–
Due from related parties	20	288,805	15,226,955	288,805	15,457,421
		516,805	27,248,027	288,805	15,457,421
Exposure		(490,616)	(25,867,224)	(288,805)	(15,457,421)

The balances have been restated at ₱52.724 and ₱53.522 per USD, which is based on the reference rate of prevailing market rate as at December 28, 2018 and June 29, 2018, respectively.

The following table details the Company's sensitivity to a 5% increase and decrease in the PHP against the relevant foreign currencies. The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	December 31, 2018	June 30, 2018
Profit before tax	1,293,361	773,596
Equity*	905,353	541,517

*Equity is based on 70% of the total exposure.

A positive number indicates an increase in profit and other equity where the PHP strengthens 5% against the USD. For a 5% weakening of the PHP against the USD, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the period/year end exposure does not reflect the exposure during the period/year. The Company mitigates its exposure to foreign currency risk by monitoring its foreign currency cash flows.

The foreign exchange gain (loss) recognized for the six-month period ended December 31, 2018 and year ended June 30, 2018 statements of income (loss) are as follows:

	December 31, 2018	June 30, 2018
Realized foreign exchange gain	103,054	–
Unrealized foreign exchange gain (loss) – net	(373,085)	832,481

29.06 Capital Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern, while maximizing the return on investments of stockholders. The Company is currently on corporate rehabilitation proceedings. The details of the rehabilitation plan are disclosed in Note 2. The capital structure of the Company consists of equity comprising of paid-up capital, revaluation surplus, due to related parties, deposit for subscription in accordance with the court-approved Rehab Plan and deficit.

As at December 31, 2018 and June 30, 2018, the capital structure of the Company consists of the following:

	December 31, 2018	June 30, 2018
Paid-up capital	2,224,255,313	2,224,255,313
Revaluation surplus	102,102,000	102,102,000
Due to related parties	274,283,544	217,193,970
Deposit for subscription in accordance with the court-approved rehabilitation plan	8,841,736,581	8,841,736,581
Deficit	(11,766,891,681)	(11,678,739,144)
	(324,514,243)	(293,451,280)

30. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

Set out below is a comparison by category and by class of carrying and fair values of all the Company's financial assets and financial liabilities as at December 31, 2018 and June 30, 2018, other than those with carrying amounts that are measurable approximations of fair values:

	Carrying Value		Fair Value		
		Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
December 31, 2018					
Financial assets					
Financial assets at FVOCI	192,375	192,375	-	-	192,375
	192,375	192,375	-	-	192,375
Financial Liabilities					
Loans payable	2,601,644	-	2,601,644	-	2,601,644
	2,601,644	-	2,601,644	-	2,601,644
June 30, 2018					
Financial assets					
AFS investments	220,419	220,419	-	-	220,419
	220,419	220,419	-	-	220,419

During the six-month period ended December 31, 2018 and year ended June 30, 2018, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 measurements.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate on such date:

Financial assets at FVOCI under PFRS 9 (AFS Financial Assets under PAS 39)

The fair values of quoted AFS financial assets is determined by reference to quoted market bid prices at the close of business on the reporting date.

Loans Payable

The Company did not discount its outstanding loans payable, since the management deemed that the effect of discounting the difference of market rate and interest rate of the loan is insignificant.

Fair Value Hierarchy

The Company has assets for which its fair values are disclosed (i.e., land included under property and equipment and investment properties) uses Level 1 category.

31. NOTES TO CASH FLOWS

The following are the financing activities resulting to changes in the Company's liabilities:

	July 1, 2018	Effect of foreign exchange	Reclassification	Cashflows	December 31, 2018
Due to related parties	217,193,970	(230,466)	–	86,720,040	303,683,544
Loans payable					
– current portion	–	–	(1,494,964)	2,601,644	1,106,680
Loans payable					
– net of current portion	–	–	1,494,964	–	1,494,964
	217,193,970	(230,466)	–	89,321,684	306,285,188
	July 1, 2017	Effect of foreign exchange	Reclassification	Cashflows	June 30, 2018
Due to related parties	208,160,354	832,481	–	8,201,135	217,193,970

32. RECLASSIFICATIONS OF COMPARATIVE AMOUNTS

Certain change in presentation provide more reliable and relevant information and better understanding of the Company's financial statements. Amounts presented for June 30, 2018 have been reclassified to enhance the comparability with the current year's financial statements. The reclassifications pertain to due from related parties and due to related parties previously presented as part of receivables and trade and other payables, respectively.

Such reclassifications are presented in the statement of financial position as shown below:

June 30, 2018	Before reclassification	Amount reclassified	After reclassification
<i>Current assets</i>			
Receivables – net	16,639,409	(7,642,841)	8,996,568
Due from related parties	–	7,642,841	7,642,841
Deferred tax asset	–	657,090	657,090
	16,639,409	657,090	17,296,499
<i>Current liabilities</i>			
Trade and other payables	398,038,088	(217,193,970)	180,844,118
Due to related parties	–	217,193,970	217,193,970
Deferred tax liabilities	43,100,910	657,090	43,758,000
	441,138,998	657,090	441,796,088

Management believes that such reclassification resulted in a more understandable presentation of accounts and did not have any impact on the prior year's statements of comprehensive income (loss)

33. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010, amending certain provisions of RR No. 21-2002, implementing Section 6 (H) of the tax code of 1997, prescribing the manner of compliance with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes and licenses paid or accrued during the period. The Company also reported and/or paid the following types of taxes for the period:

33.01 Value-added taxes

The National Internal Revenue Code of 1997 provides for the imposition of value-added tax (VAT) on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. Details of the Company's net sales/receipts, output VAT and input VAT accounts are as follows:

33.01.01 Output VAT

Details on the Company's VAT output tax declared during the year are as follows:

	December 31, 2018	
	Tax base	Output VAT
Sale of services	117,600,622	14,112,075
Sales to government	2,073,231	248,788
Zero-rated	3,715,902	-
	123,389,755	14,360,863

The Company's sale of services as reported in the VAT returns are based on actual collections received, hence, such may not be same with amounts accrued in profit or loss.

Zero-rated sales are sales made for transactions entered into by the Company during taxable year whose exemption is provided under NIRC Section 108 B(2).

33.01.02 Input VAT

The amount of VAT input taxes claimed are broken down into:

	December 31, 2018
Beginning of the period	-
Current period's domestic purchases/importations for:	
Goods other than capital goods	2,017,765
Services	2,560,862
Capital goods < 1M	227,874
Capital goods > 1M	5,346,187
Total available input VAT	10,152,688
Deferred input VAT	(4,992,386)
Application against output tax	(5,160,302)
End of the period	-

The input VAT is being deferred when the accumulated purchases of capital goods for each month equals to ₱1 million or more. The input VAT is amortized over five (5) years or the life of the capital goods, whichever is shorter.

33.02 Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees.

Details consist of the following:

	December 31, 2018
Operating expenses:	
License and permits	170,564
Others	34,395,566
	<u>34,566,130</u>

33.03 Withholding Taxes

Details of withholding taxes for the period are as follows:

	December 31, 2018
Withholding taxes on compensation	10,164,239
Expanded withholding taxes	2,054,125
	<u>12,218,364</u>

33.04 Others

There were no deficiency tax assessment and cases nor litigation and/or prosecution in courts or bodies outside the BIR as at December 31, 2018.

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION (PT&T)
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

Supplementary Schedules	Page No.
Independent Auditors' Report on Supplementary Schedules	
Schedule I	1
Reconciliation of Retained Earnings Available for Dividend Declaration*	
Schedule II	2
Schedule Showing Financial Soundness	
Schedule III	3
A Map Showing the Relationship Between and Among the Company and its Ultimate Parent Company, Middle Parent and its Co-Subsidiaries	
Schedule IV	4-7
Schedule of Effective Standards and Interpretations	
Schedule V	
Supplementary Schedules Required under Annex 68-E	
Schedule A	8
Financial Assets*	
Schedule B	9
Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)*	
Schedule C	10
Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	
Schedule D	11
Intangible Assets – Other Assets*	
Schedule E	12
Long-term Debt*	
Schedule F	13
Indebtedness to Related Parties (Long-term Loans from Related Companies)*	
Schedule G	14
Guarantees of Securities of Other Issuers*	
Schedule H	15
Capital Stock	

*These schedules, which are required by SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included/shown in the related financial statements or in the notes thereto.

Alas Oplas & Co., CPAs

REPORT ON THE ADDITIONAL COMPONENTS OF FINANCIAL STATEMENTS UNDER SECURITIES REGULATION CODE RULE 68, AS AMENDED (2011)

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

We have audited the basic financial statements of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION** for the six-month ended December 31, 2018 and year ended June 30, 2018, in accordance with Philippine Standards on Auditing, on which we have rendered the attached report dated March 27, 2019.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following schedules are presented for purposes of compliance with the requirements under Securities Regulation Code Rule 68, As Amended (2011), and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards:

1. Schedule showing financial soundness;
2. A map showing the relationship between and among the Company and its ultimate parent company, middle parent and its co-subsidiaries.
3. Schedule of effective standards and interpretations under the PFRS as at December 31, 2018; and
4. Supplementary Schedules Required by Annex 68-E

Such supplementary information are the responsibility of the management of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

ALAS, OPLAS & CO., CPAs

BOA Registration No. 0190, valid from January 1, 2017 to December 31, 2019
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 002-013-406-000
BIR A.N. 08-001026-000-2018, issued on January 25, 2018; effective until January 24, 2021

By:



DANILO T. ALAS

Partner

CPA License No. 0027120

SEC A.N. (Individual) 1529-AR-1, issued on February 7, 2019; effective until February 6, 2022

TIN 132-466-021-000

BIR A.N. 08-001026-001-2018, issued on January 25, 2018; effective until January 24, 2021

PTR No. 7333597, issued on January 3, 2019, Makati City

March 27, 2019
Makati City, Philippines

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2018

Financial Statements:

- Statement of Management's Responsibility for Financial Statements
- Independent Auditor's Report
- Statements of Financial Position
- Statements of Income (Loss)
- Statements of Comprehensive Income (Loss)
- Statements of Changes in Capital Deficiency
- Statements of Cash Flows
- Notes to Financial Statements

Supplementary Schedules:

- Independent Auditor's Report on 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 - Schedule of Effective Standards and Interpretations
- Schedule V - 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: Intangible Assets - Other Assets*
 - Schedule E: Long-term debt*
 - Schedule F: Indebtedness to Related Parties (Long-Term Loans from Related Companies)*
 - Schedule G: Guarantees of Securities of Other Issuers*
 - Schedule H: Capital Stock

*These schedules, which are required by 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 December 31, 2018

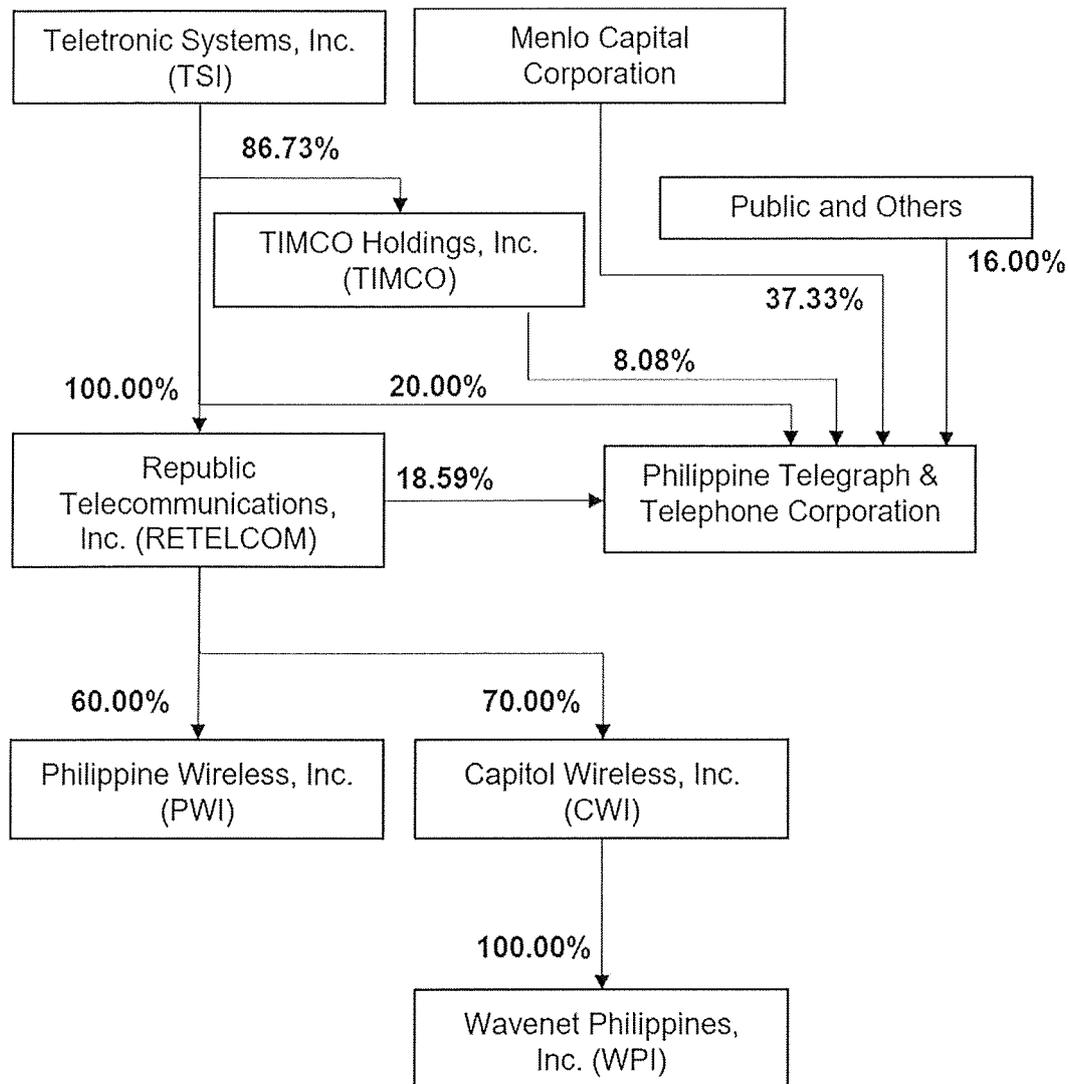
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Spirit of Communications Center, 106 C.
Palanca Street, Legaspi Village, Makati City

NOT APPLICABLE

SCHEDULE II
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED

	As at	
	December 31, 2018	June 30, 2018
Liquidity Ratio:		
Current ratio	0.06:1	0.02:1
Quick ratio	0.04:1	0.01:1
Solvency Ratio:		
Debt ratio / Debt to asset ratio	1.81:1	12:55:1
Debt to equity ratio	(2.24):1	(1.09):1
Asset to equity ratio	(1.24):1	(0.09):1
Interest Coverage Ratio:	(6.55):1	(1.94):1
Profitability Ratios:		
Return on assets	(9.97%)	3.05%
Return on equity	12.34%	(0.26%)
Gross profit margin	(60.65%)	7.78%
Activity Ratio:		
Asset turnover	0.15:1	0.25:1

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 SRC RULE 68, AS AMENDED
As at December 31, 2018



SCHEDULE IV
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
TABULAR SCHEDULE OF ALL EFFECTIVE STANDARDS AND
INTERPRETATIONS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Share-based Payment - Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓

PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Prepayments Features with Negative Compensation			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Fair Value Measurement - Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases		✓	
Philippine Accounting Standards (PAS)				
PAS 1	Presentation of Financial Statements	✓		

(Revised)	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendment to PAS 7: Statement of Cash Flows - Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12: Recognition of Deferred Income Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits			✓
	Amendments to PAS 19: Actuarial Gains and Losses, Employee Benefits, Group Plans and Disclosures			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓

PAS 27	Consolidated and Separate Financial Statements			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28 - Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization		✓	
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement		✓	
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities		✓	
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option		✓	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7:		✓	

	Reclassification of Financial Assets			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition		✓	
PAS 39 <i>(cont'd)</i>	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓
	Amendments to PAS 40: Investment Property, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Agriculture - Bearer Plants			✓
Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty over Income Tax Treatments			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2018.

SCHEDULE V
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE A
FINANCIAL ASSETS
DECEMBER 31, 2018

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
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NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE B

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL
STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2018

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

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE C
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING CONSOLIDATION
DECEMBER 31, 2018

NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE D
INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2018

Description	Beginning balance	Additions at Cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
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NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE E
LONG TERM DEBT
DECEMBER 31, 2018

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt"	Amount shown caption "Long-term Debt"
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NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE F
INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2018

Name of the Related Party	Balance at beginning of period	Balance at end of period
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NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE G
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2018

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 H
CAPITAL STOCK
DECEMBER 31, 2018

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	1,500,000,000	1,500,000,000	-	1,260,000,246	12	239,999,754

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION (PT&T)
INDEX TO EXHIBITS
FORM 17-A

<u>No.</u>		<u>Page No.</u>
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	*
(5)	Instruments Defining the Rights of Security Holders, including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	*
(10)	Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders	*
(13)	Letter re: Change in Certifying Accountant	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	*
(19)	Published Report Regarding Matters submitted to Vote of Security Holders	*
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

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