

## 1. Corporate Information

Digital Telecommunications Phils., Inc. (the Parent Company) is incorporated in the Philippines and enfranchised to provide domestic and international telecommunications services nationwide. The Company's registered office address is URC Compound, 110 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

The Parent Company is listed in the Philippines Stock Exchange (PSE), and has been included in the PSE composite index since September 17, 2001.

The Parent Company is a majority owned subsidiary of JG Summit Holdings, Inc. (JGSHI).

The Parent Company owns 100% of the following companies:

- Digitel Mobile Philippines, Inc. (DMPI) which is incorporated in the Philippines and enfranchised under Republic Act (RA) 9180 to construct, install, establish, operate and maintain wire and/or wireless telecommunications systems throughout the Philippines.
- Digitel Capital Philippines Ltd. (DCPL) which is incorporated in the British Virgin Islands to engage in any activity allowed under any law of the British Virgin Islands.
- Digitel Information Technology Services (DITSI), Inc. which is incorporated in the Philippines to provide internet access and high-speed data transmission to corporate and individual customers. DITSI, however, became dormant following the decision of the Board of Directors (BOD) to integrate the operations of DITSI into the Parent Company.

The Parent Company is a grantee of various authorizations from the National Telecommunications Commission (NTC) as follows: (1) Certificate of Public Convenience and Necessity (CPCN) for an international gateway facility (IGF) in Binalonan, Pangasinan and Quezon City; (2) provisional authority (PA) to install, operate, maintain and develop telecommunications facilities in Regions I to V, including the facilities leased from the Department of Transportation and Communication (DOTC), and to provide at least 925,000 additional lines within 10 years; (3) PA to construct, install, operate and maintain a nationwide Cellular Mobile Telephone System (CMTS) using Global System for Mobile (GSM) and/or Code Division Multiple Access (CDMA) technology; and (4) CPCN for local exchange carrier services in Valenzuela, Malabon and Quezon City.

The Parent Company was awarded a 30-year exclusive contract by DOTC to manage, operate, develop and rehabilitate certain telecommunications facilities owned by DOTC (see Notes 9 and 23).

The Parent Company is registered with the Board of Investments (BOI) and is entitled to the incentives on a pioneer and nonpioneer status as a new operator of telecommunication systems on nationwide CMTS-GSM communication and as an expanding operator of public telecommunications services and IGF-2, respectively (see Note 22).

On August 28, 2003, the NTC approved the assignment to DMPI of the PA to construct, install, operate and maintain a nationwide CMTS using GSM and/or CDMA technology.

On December 28, 2005, the NTC awarded a third generation (3G) frequency assignment to DMPI after finding it legally, financially and technically qualified to undertake 3G services. On January 3, 2006, DMPI confirmed its choice of 3G bandwidth with the NTC.

## 2. Summary of Significant Accounting Policies

### Basis of Financial Statement Preparation

The accompanying consolidated financial statements of the Parent Company and its wholly owned subsidiaries (the Digitel Group) have been prepared in compliance with accounting principles generally accepted in the Philippines (Philippine GAAP), as set forth in Philippine Financial Reporting Standards (PFRS). These are the Digitel Group's first annual consolidated financial statements prepared in accordance with PFRS.

The consolidated financial statements of the Digitel Group are presented in Philippine Peso and have been prepared under the historical cost convention, except for certain derivative financial instruments that are measured at fair value.

The Digitel Group applied PFRS 1, *First-time Adoption of PFRS*, in preparing the consolidated financial statements, with January 1, 2004 as the date of transition. The Digitel Group applied the accounting policies set forth below to all the years presented, except those relating to the classification and measurement of financial instruments. Certain comparative figures have been reclassified to conform with the current year's presentation.