SECURITIES AND EXCHANGE COMMISSION
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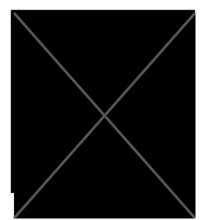

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Company Information

SEC Registration No.: A199910339
Company Name: MEDIAQUEST HOLDINGS INC.
Industry Classification: J66940
Company Type: Stock Corporation

Document Information

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Acceptance of this document is subject to review of forms and contents

March 10, 2023

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MEDIAQUEST HOLDINGS, INC. AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, 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 or members.

Isla Lipana & Co., the independent auditors, appointed by the stockholders has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Manuel V. Pangilinan	**Jane J. Basas**	**John L. Andal**
Chairman of the Board	President and Chief Executive Officer	Chief Financial Officer

SUBSCRIBED AND SWORN to before me this ____ day of APR 1 1 2023 2023 affiants exhibiting to me their Passports, as follows: MANDALUYONG CITY

Name	Passport No.	Date of Expiry	Place of Issue
Manuel V. Pangilinan		December 17, 2028	DFA NCR East
Jane J. Basas		January 5, 2033	DFA, Manila
John L. Andal		July 7, 2028	DFA, NCR South

Notary Public

Doc. No. 048 ;
Page No. 11 ;
Book No. V ;
Series of 2023.

ATTY. PAOLO ANGELO C. GO
Mandaluyong City, Philippines
PTR No. issued on January 5, 2023
Mandaluyong City, Metro Manila
Roll of Attorney's No.
IBP No. issued on January 10, 2023
Commission No. until December 31, 2024

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

Securities and Exchange Commission
PHILIPPINES

SEC Registration Number

A	1	9	9	9	1	0	3	3	9	

COMPANY NAME

MEDIAQUEST HOLDINGS, INC.

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

3RD FLOOR, LAUNCHPAD BUILDING,
SHERIDAN CORNER RELIANCE
STREET, HIGHWAY HILLS,
MANDALUYONG CITY

Form Type	Department requiring the report	Secondary License Type, if Applicable
AFS	CRM	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	02 8689 3100	-

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
10	December 22	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alona S. Dingle	[redacted]	[redacted]	

CONTACT PERSON's ADDRESS

[redacted]

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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Independent Auditor's Report

To the Board of Directors and Shareholders of
MediaQuest Holdings, Inc. and Subsidiaries
(A wholly owned subsidiary of the Benefit Plan of PLDT Co.)
3rd Floor Launchpad Building
Sheridan corner Reliance Street
Highway Hills, Mandaluyong City

Report on the Audits of the Consolidated Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of MediaQuest Holdings, Inc. and its subsidiaries (together, the "Group") as at December 31, 2022 and 2021, and its consolidated financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of total comprehensive income for the years ended December 31, 2022 and 2021;
- the consolidated statements of changes in equity for the years ended December 31, 2022 and 2021;
- the consolidated statements of cash flows for the years ended December 31, 2022 and 2021; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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 consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the ability of the Group 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 or to cease operations of the Group, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 PSA 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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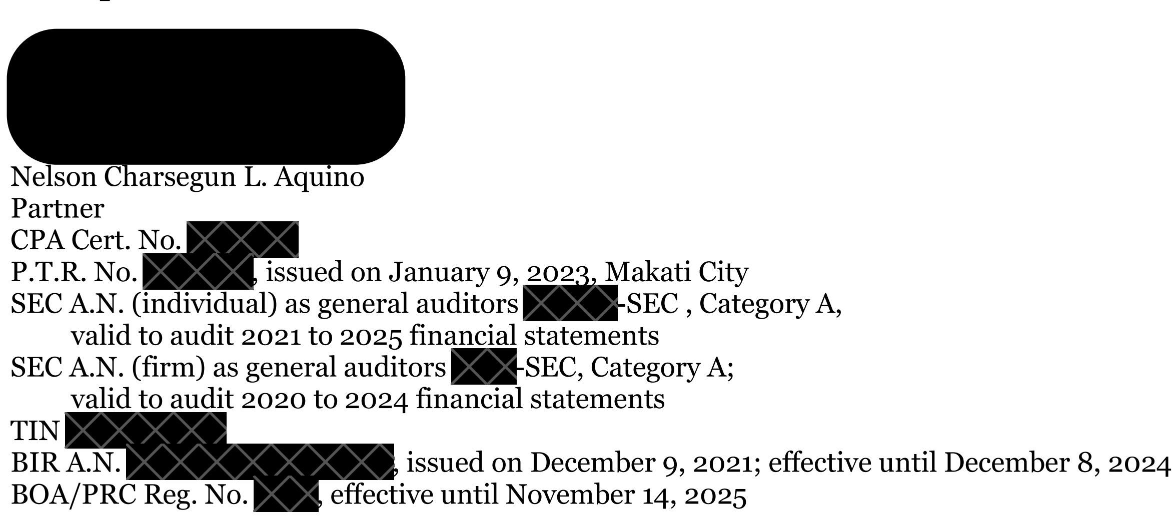
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

Isla Lipana & Co.



Nelson Charsegun L. Aquino
Partner
CPA Cert. No.
P.T.R. No. , issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors -SEC , Category A,
valid to audit 2021 to 2025 financial statements
SEC A.N. (firm) as general auditors -SEC, Category A;
valid to audit 2020 to 2024 financial statements
TIN
BIR A.N. , issued on December 9, 2021; effective until December 8, 2024
BOA/PRC Reg. No. , effective until November 14, 2025

Makati City
March 14, 2023

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Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
MediaQuest Holdings, Inc. and Subsidiaries
(A wholly owned subsidiary of the Benefit Plan of PLDT Co.)
3rd Floor Launchpad Building
Sheridan corner Reliance Street
Highway Hills, Mandaluyong City

We have audited the consolidated financial statements of MediaQuest Holdings, Inc. (the "Parent Company") and its subsidiaries as at and for the year ended December 31, 2022, on which we have rendered the attached report dated March 14, 2023.

In compliance with SRC Rule 68 and based on the certification received from the Parent Company's corporate secretary and the results of our work done, the Parent Company has one (1) shareholder owning one hundred (100) or more shares as at December 31, 2022.

Isla Lipana & Co.

Nelson Charsegun L. Aquino
Partner
CPA Cert. No.
P.T.R. No. , issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors -SEC , Category A,
valid to audit 2021 to 2025 financial statements
SEC A.N. (firm) as general auditors -SEC, Category A;
valid to audit 2020 to 2024 financial statements
TIN
BIR A.N. , issued on December 9, 2021; effective until December 8, 2024
BOA/PRC Reg. No. effective until November 14, 2025

Makati City
March 14, 2023

Isla Lipana & Co. is the Philippine member firm of the PwC network. PwC refers to the Philippine member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

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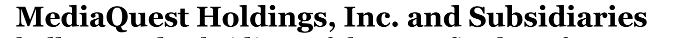

MediaQuest Holdings, Inc. and Subsidiaries
(A wholly owned subsidiary of the Benefit Plan of PLDT Co.)

Consolidated Statements of Financial Position
As at December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	2	1,987,685,797	2,363,431,945
Receivables, net	3	4,175,924,564	3,670,193,171
Set-top boxes and related equipment, net	4	1,106,544,655	1,194,839,052
Audio-visual program rights, net	5	331,767,557	362,854,545
Prepaid expenses and other current assets, net	6	4,401,924,280	3,864,732,661
Total current assets		12,003,846,853	11,456,051,374
Non-current assets			
Audio-visual program rights, net	5	483,382,234	679,680,891
Investments in associates and joint ventures	7	375,525,169	362,348,418
Property and equipment, net	8	8,109,035,628	7,562,806,590
Franchises and frequencies, net	9	342,836,743	354,340,131
Investment properties	10	439,469,040	412,411,000
Deferred income tax assets, net	12	680,089,752	682,193,751
Other non-current assets, net	11	4,173,871,877	4,116,445,350
Total non-current assets		14,604,210,443	14,170,226,131
Total assets		26,608,057,296	25,626,277,505
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other liabilities	13	10,715,996,991	10,661,553,521
Obligation for audio-visual program rights	5	246,137,991	308,389,511
Provisions	23	238,140,274	241,044,961
Borrowings	14,17	540,000,000	140,000,000
Current portion of lease liabilities	24	622,353,538	396,060,820
Income tax payable		4,935,309	4,943,588
Total current liabilities		12,367,564,103	11,751,992,401
Non-current liabilities			
Obligation for audio-visual program rights	5	370,000,000	518,000,000
Borrowings	14,17	900,934,000	840,000,000
Non-current portion of lease liabilities	24	1,321,657,978	1,344,708,291
Retirement benefit obligation	15	496,784,555	561,222,320
Deferred tax liability, net	12	2,774,753	-
Other non-current liabilities		10,361,388	11,203,741
Total non-current liabilities		3,102,512,674	3,275,134,352
Total liabilities		15,470,076,777	15,027,126,753
Equity			
Attributable to the owners of the Parent Company			
Share capital	16	1,165,000,000	1,165,000,000
Additional paid-in capital	16	48,499,410,046	47,099,410,046
Reserve for remeasurements of retirement obligation	15	113,293,909	43,677,724
Other equity charges		(301,825,913)	(313,145,155)
Deficit		(41,050,562,275)	(40,108,268,690)
		8,425,315,767	7,886,673,925
Non-controlling interests	1	2,712,664,752	2,712,476,827
Total equity		11,137,980,519	10,599,150,752
Total liabilities and equity		26,608,057,296	25,626,277,505

(The notes on pages 1 to 77 are integral part of these consolidated financial statements)

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MediaQuest Holdings, Inc. and Subsidiaries
(A wholly owned subsidiary of the Benefit Plan of PLDT Co.)

Consolidated Statements of Total Comprehensive Income
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
Revenues			
Subscriptions revenue	18	7,624,123,413	7,917,205,525
Airtime revenue	18	1,625,808,723	1,605,113,757
Hardware sale	18	832,719,863	1,165,331,257
Advertising revenue	18	495,911,069	453,316,719
Circulation revenue	18	276,511,969	276,844,254
Blocktime revenue	18	162,703,605	436,850,707
Others	18	1,192,414,153	786,668,581
		12,210,192,795	12,641,330,800
Direct costs	19	(9,358,422,925)	(9,642,990,157)
Gross income		2,851,769,870	2,998,340,643
Operating expenses	20	(3,417,191,943)	(3,491,644,311)
Operating loss		(565,422,073)	(493,303,668)
Other expense, net			
Finance costs	22	(217,742,983)	(232,012,980)
Foreign exchange loss	27.4	(151,456,083)	(213,792,773)
Share in net income of associates and joint ventures	7	849,127	4,613,108
Interest income	2,6,11	9,689,352	8,342,105
Other income, net	21	15,960,041	278,775,480
		(342,700,546)	(154,075,060)
Loss before income tax		(908,122,619)	(647,378,728)
Income tax expense			
Current		(40,834,310)	(66,024,828)
Deferred		(859,231)	(157,582,884)
	12	(41,693,541)	(223,607,712)
Loss for the year		(949,816,160)	(870,986,440)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain on remeasurement of retirement benefit obligation	15	83,002,818	52,932,263
Currency translation differences	7	12,327,624	7,445,816
Loss on fair value reserve		(6,590,734)	(1,178,381)
		88,739,708	59,199,698
Total comprehensive loss for the year		(861,076,452)	(811,786,742)
Net (loss) income attributable to:			
Owners of the Parent Company		(942,199,804)	(1,098,886,018)
Non-controlling interests		(7,616,356)	227,899,578
		(949,816,160)	(870,986,440)
Other comprehensive income attributable to:			
Owners of the Parent Company		80,935,427	53,246,078
Non-controlling interests		7,804,281	5,953,620
		88,739,708	59,199,698
Total comprehensive income (loss) attributable to:			
Owners of the Parent Company		(861,264,377)	(1,045,639,940)
Non-controlling interests		187,925	233,853,198
		(861,076,452)	(811,786,742)

(The notes on pages 1 to 77 are integral part of these consolidated financial statements)

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MediaQuest Holdings, Inc. and Subsidiaries
(A wholly owned subsidiary of the Benefit Plan of PLDT Co.)

Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

		Equity attributable to equity shareholders of the Parent Company								
		Share capital authorized, issued and outstanding (Note 16)								
	Notes	Common	Preferred	Additional paid-in capital	Deficit	Reserve for remeasurements of retirement obligation	Other equity charges	Total	Non-controlling interest	Total equity
Balances, January 1, 2021		1,000,000,000	165,000,000	45,499,410,046	(39,033,095,740)	(2,302,830)	(320,410,679)	7,308,600,797	2,474,070,361	9,782,671,158
Transactions with owners:										
Additional paid-in capital	16	-	-	1,600,000,000	-	-	-	1,600,000,000	-	1,600,000,000
Reversal of property dividends	16	-	-	-	23,713,068	-	-	23,713,068	5,928,268	29,641,336
Cash dividends paid by subsidiaries to non-controlling interest	25	-	-	-	-	-	-	-	(1,375,000)	(1,375,000)
Total transactions with owners		-	-	1,600,000,000	23,713,068	-	-	1,623,713,068	4,553,268	1,628,266,336
Comprehensive loss						-	-			
Loss for the year		-	-	-	(1,098,886,018)	-	-	(1,098,886,018)	227,899,578	(870,986,440)
Other comprehensive loss										
Gain on remeasurement of retirement benefit obligation	15	-	-	-	-	45,980,554	-	45,980,554	6,951,709	52,932,263
Currency translation differences	7	-	-	-	-	-	7,445,816	7,445,816	-	7,445,816
Loss on fair value reserve		-	-	-	-	-	(180,292)	(180,292)	(998,089)	(1,178,381)
Total comprehensive income (loss) for the year		-	-	-	(1,098,886,018)	45,980,554	7,265,524	(1,045,639,940)	233,853,198	(811,786,742)
Balances, December 31, 2021		1,000,000,000	165,000,000	47,099,410,046	(40,108,268,690)	43,677,724	(313,145,155)	7,886,673,925	2,712,476,827	10,599,150,752
Transactions with owners:										
Additional paid-in capital	16	-	-	1,400,000,000		-	-	1,400,000,000	-	1,400,000,000
Other transactions with owners		-	-	-	(93,781)	-	-	(93,781)	-	(93,781)
Total transactions with owners		-	-	1,400,000,000	(93,781)	-	-	1,399,906,219	-	1,399,906,219
Comprehensive loss						-	-			
Loss for the year		-	-	-	(942,199,804)	-	-	(942,199,804)	(7,616,356)	(949,816,160)
Other comprehensive loss							-			
Gain on remeasurement of retirement benefit obligation	15	-	-	-	-	69,616,185	-	69,616,185	13,386,633	83,002,818
Currency translation differences	7	-	-	-	-	-	12,327,624	12,327,624	-	12,327,624
Loss on fair value reserve		-	-	-	-	-	(1,008,382)	(1,008,382)	(5,582,352)	(6,590,734)
Total comprehensive income (loss) for the year		-	-	-	(942,199,804)	69,616,185	11,319,242	(861,264,377)	187,925	(861,076,452)
Balances, December 31, 2022		1,000,000,000	165,000,000	48,499,410,046	(41,050,562,275)	113,293,909	(301,825,913)	8,425,315,767	2,712,664,752	11,137,980,519

(The notes on pages 1 to 77 are integral part of these consolidated financial statements)

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MediaQuest Holdings, Inc. and Subsidiaries
(A wholly owned subsidiary of the Benefit Plan of PLDT Co.)

Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
Cash flows from operating activities			
Loss before income tax		(908,122,619)	(647,378,728)
Adjustments for:			
Depreciation and amortization	8,19,20	1,528,788,609	1,497,264,354
Amortization of subscriber acquisition costs	6,19	1,829,990,054	1,198,530,731
Amortization of audio-visual program rights	5,19	494,164,761	396,506,686
Interest expense	22	217,742,983	232,012,980
Provision for impairment of receivables	3,20	136,807,599	162,331,220
Unrealized foreign exchange loss, net	27	92,075,045	200,084,504
Amortization of intangible assets	9,20	11,503,388	11,503,388
Forward contracts	21	(30,127,156)	(56,413,073)
Gain on fair value adjustment of investment property	10,21	(12,195,778)	(105,025,607)
Interest income	2,6,11	(9,689,352)	(8,342,105)
Gain on disposal of fixed asset		(6,480,894)	(2,673,273)
Share in net income of associates and joint ventures	7	(849,127)	(4,613,108)
Provision for impairment of other current assets	6,21	4,792,871	5,258,129
Provision for inventory write-down	4	259,462	2,736,318
Reversal of provisions	21,23	-	(148,121,688)
Others		(1,079,077)	(5,827,746)
Operating income before changes in assets and liabilities		3,347,580,769	2,727,832,982
(Increase) decrease in:			
Receivables		(1,653,645,096)	(1,146,391,289)
Set-top boxes and related equipment		(2,161,723)	(866,015,187)
Audio-visual program rights		(266,779,116)	(386,066,734)
Prepaid expenses and other current assets		(2,408,948,955)	(1,913,328,317)
Other non-current assets		20,789,667	(40,799,709)
Increase (decrease) in:			
Accounts payable and other liabilities		992,967,978	1,426,594,604
Obligation for audio-visual program rights		(208,465,179)	(191,823,771)
Retirement benefit obligation	15	22,337,935	43,981,158
Other non-current liabilities		362,373	(6,799,576)
Cash used in operations		(155,961,347)	(352,815,839)
Interest received		9,858,328	8,342,105
Income tax paid		(228,866,649)	(254,303,935)
Net cash used in operating activities		(374,969,668)	(598,777,669)
Cash flows from investing activities			
Acquisition of property and equipment	8	(1,104,709,740)	(1,236,793,411)
Purchase of investment properties	10	(14,862,262)	-
Proceeds from disposal of fixed assets		6,559,820	6,025,752
Net cash used in investing activities		(1,113,012,182)	(1,230,767,659)
Cash flows from financing activities			
Additional paid-in capital	16	1,400,000,000	1,600,000,000
Proceeds from borrowings	14	600,000,000	-
Payment of finance lease obligation	24	(734,770,648)	(627,144,464)
Payment of due to related party	17,25	(140,000,000)	(140,000,000)
Interest paid	14,24	(57,309,240)	(66,167,334)
Payment of long-term debt	14	-	(50,000,000)
Cash dividends paid by subsidiaries to non-controlling shareholders	25	-	(1,375,000)
Net cash from financing activities		1,067,920,112	715,313,202
Net decrease in cash and cash equivalents		(420,061,738)	(1,114,232,126)
Cash and cash equivalents at January 1		2,363,431,945	3,452,614,593
Effect of exchange rate changes on cash and cash equivalents		44,315,590	25,049,478
Cash and cash equivalents at December 31	2	1,987,685,797	2,363,431,945

(The notes on pages 1 to 77 are integral part of these consolidated financial statements)

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Note 1 - Business information

1.1 General information

MediaQuest Holdings, Inc. (the "Parent Company") was registered with the Securities and Exchange Commission (SEC) on June 29, 1999 primarily to purchase, subscribe for or otherwise acquire and own, hold, use, manage, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description, and to pay thereof in whole or in part, in cash or by exchanging thereof, stocks, bonds and other evidences of indebtedness or securities of this or any other corporation.

The Parent Company is a wholly owned subsidiary of the Benefit Plan of Philippine Long Distance Telephone Company (PLDT Co.) (BTF), a trust organized and domiciled in the Philippines.

The Parent Company's registered address is 3rd Floor, Launchpad Building, Sheridan corner Reliance Street, Highway Hills, Mandaluyong City.

The Parent Company and its subsidiaries are collectively referred to here as the "Group", which are organized in three business lines - Free-to-Air broadcast and content; Pay-TV; and Print. For the years ended December 31, 2022 and 2021, the Parent Company's subsidiaries, which are all incorporated in the Philippines, included in these consolidated financial statements are as follows:

Name of Subsidiary	Principal Business Activity	Percentage of Ownership	
		Direct	Indirect
Free-to-Air Broadcast and Content			
Telemedia Business Ventures, Inc. (Telemedia)	Holding company	100.0	-
Upbeam Investments, Inc. (Upbeam)	Holding company	100.0	-
Med Vision Resources, Inc. (Med Vision)	Holding company	100.0	-
TV5 Network, Inc. (TV5)	TV network	25.4	74.6
Studio5, Inc. (Studio 5) [(a)]	Program content developer	-	100.0
Media5 Marketing Corporation (Media 5)	Sales, marketing, and advertising arm of TV5 and Cignal	-	100.0
Cinegear, Inc. (Cinegear). [(b)]	Rental of movie and television equipment	-	65.7
Nation Broadcasting Corporation of the Philippines (NBC)	Operator of radio and TV station	51.0	-
Pay-TV			
Satventures, Inc. (Satventures) [(c)]	Holding company	100.0	-
Cignal TV, Inc. (Cignal) [(c)]	Direct-to-Home satellite television service provider	-	100.0
Cignal Cable Corporation (Cignal Cable)	Cable television operator	-	99.9
Perihelion, Inc. (Perihelion)	Holding Company	99.9	-

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Name of Subsidiary	Principal Business Activity	Percentage of Ownership	
		Direct	Indirect
Print			
Hastings Holdings, Inc. (Hastings) [(d)]	Holding company	100.0	-
Pilipino Star Ngayon, Inc. (Philstar Ngayon)	Publisher of newspaper, magazines, journals, and books	-	80.0
Pilipino Star Printing Co. Inc. (Philstar Printing)	Printing services of newspaper, magazines, journals etc.	-	80.0
Business World Publishing Corporation (Business World)	Publisher of newspaper, magazines, journals, and books	-	61.3
JS' Publications (The Freeman) Co. Inc. (Freeman)	Publisher of newspaper, magazines, journals, and books	-	50.0
Philstar Daily, Inc. (Philstar Daily)	Publisher of newspaper, magazines, journals, and books	-	51.0
Philstar Global Corporation (Philstar Global)	Developer of computer software	-	75.0

(a) *Ceased commercial operations*
(b) *Have not commenced commercial operations*
(c) *The Satventures and Cignal PDRs were issued on September 27, 2013 which resulted in a reduction of the Parent Company's economic interest in Satventures to 60% and indirect economic interest in Cignal to 36%.*
(d) *The Hastings' PDRs were issued on May 30, 2015 which resulted in a reduction of the Parent Company's economic interest in Hastings to 30%. On February 2, 2018, the Board of Trustees of BTF approved the acquisition of Hastings PDRs with 70% economic interest in Hastings from ePLDT for the amount of P1,664 million. As a result, BTF have 100% economic interest in Hastings upon finalization of the transfer on February 15, 2018.*

The principal place of business of Free-to-Air Broadcast and Content subsidiaries are as follows:

Telemedia, Upbeam, Med Vision, Studio 5, Media 5, Cinegear and NBC	3rd Floor, Launchpad Building, Sheridan corner Reliance Street, Highway Hills, Mandaluyong City
TV5	762 Quirino Highway, Novaliches, Quezon City

The principal place of business of Pay-TV subsidiaries are as follow:

Satventures, Cignal, and Cignal Cable	5th Floor, Launchpad Building, Sheridan corner Reliance Streets, Mandaluyong City
Perihelion	3rd Floor, Launchpad Building, Sheridan corner Reliance Street, Highway Hills, Mandaluyong City

The principal place of business of Print subsidiaries are as follow:

Hastings	3rd Floor, Launchpad Building, Sheridan corner Reliance Street, Highway Hills, Mandaluyong City
Philstar Ngayon, Printing and Daily	202 Roberto S. Oca corner Railroad Street, Port Area Manila
Philstar Global	6th. Flr. RFM Corporate Center, Pioneer St. Mandaluyong City
Business World	No. 95 Balete Drive Extension, New Manila, Quezon City
Freeman	V. Gullas Corner D. Jakosalem Street, Cebu City

Critical accounting judgment: Consolidation of entities in which the Group holds less than 50% of economic interest

Management has assessed that the Group has control over Cignal and Hastings even though it has less than 50% of economic interest. The Group takes effective and absolute control over key decisions, operating strategies, and key policies of Cignal and Hastings. Consistent with PFRS 10 Consolidated Financial Statements, Cignal and Hastings are considered as subsidiaries in these consolidated financial statements.

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Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continue to be consolidated until the date that such control ceases. The Parent Company controls an investee when the Parent Company is exposed, or has rights, to variable returns from involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are prepared using the same reporting period as the Parent Company. Management prepares the consolidated financial statements using uniform accounting policies for like transactions and other events with similar circumstances. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Non-controlling interests share in losses even if the losses exceed the non-controlling equity interest in the subsidiary.

The accumulated non-controlling interests of the Group's subsidiaries at December 31 follow:

	2022	2021
Hastings	1,423,444,051	1,384,006,756
Philstar Daily	595,012,408	590,781,272
Cignal	413,520,047	440,647,798
Philstar Printing	171,408,119	171,140,021
Philstar Ngayon	158,227,242	156,151,720
NBC	123,010,137	131,209,405
Cignal Cable	102,495,502	110,679,858
Business World	58,647,982	48,871,443
Philstar Global	23,956,490	19,593,194
Freeman	13,084,727	11,740,608
Cinegear	4,717,515	4,680,062
Satventures	(374,859,468)	(357,025,310)
	2,712,664,752	2,712,476,827

Set out below is the summarized financial information for subsidiaries that have non-controlling interest that are material to the Group, with amounts before intercompany eliminations:

2022	Satventures	Cignal	Hastings	Philstar Daily
Current assets	366,892,755	9,849,721,761	172,577,771	790,099,944
Non-current assets	4,555,461,728	5,915,410,623	1,709,507,653	723,964,462
Current liabilities	(111,022)	(11,355,755,949)	(803,857)	(323,740,137)
Non-current liabilities	-	(2,418,299,990)	-	(3,968,445)
Net revenues	34	11,188,740,135	12,276,015	577,685,518
Profit (loss) for the year	(2,057,506)	(61,845,604)	(64,978,649)	8,578,269
Total comprehensive income (loss)	(2,057,506)	(49,216,954)	(64,978,649)	3,310,198
Cash flows from (used in):				
Operating activities	(27,270)	708,317,841	78,824	102,579,682
Investing activities	-	(806,058,727)	(498,444,006)	(189,190,367)
Financing activities	-	9,721,327	-	-
Net decrease in cash	(27,270)	(88,019,559)	(498,369,182)	(86,610,685)
Cash, beginning of year	72,205	748,803,845	599,545,021	341,185,022
Effect of exchange rate changes on cash	-	27,271,764	-	4,692,749
Cash and cash equivalents, end of year	44,935	688,056,050	101,175,839	259,267,086
Dividends paid to non-controlling interests	-	-	-	-

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2021	Satventures	Cignal	Hastings	Philstar Daily
Current assets	368,980,025	8,067,063,206	611,989,680	861,600,776
Non-current assets	4,555,461,728	6,350,151,742	1,334,354,536	555,183,893
Current liabilities	(1,000,140,786)	(11,064,503,250)	(84,000)	(233,739,043)
Non-current liabilities	-	(2,312,418,029)	-	-
Net revenues	115	11,466,582,942	5,867,258	543,798,529
Profit (loss) for the year	(84,459)	194,284,864	5,293,532	6,470,235
Total comprehensive income (loss)	(84,459)	200,533,859	5,293,532	(1,821,248)
Cash flows from (used in):				
Operating activities	20,776	122,537,496	1,577,396	140,613,751
Investing activities	(1,000,000,000)	(864,903,207)	3,575,000	(95,647,368)
Financing activities	1,000,000,000	129,509,016	-	-
Net increase (decrease) in cash	20,776	(612,856,695)	5,152,396	44,966,383
Cash, beginning of year	51,429	1,349,881,085	594,392,625	289,711,795
Effect of exchange rate changes on cash	-	11,779,455	-	6,506,844
Cash and cash equivalents, end of year	72,205	748,803,845	599,545,021	341,185,022
Dividends paid to non-controlling interests	-	-	-	-

1.2 Impact of the corona virus disease 2019 (COVID-19)

The Group consistently implemented health and safety protocols within its operations to prevent the spread of the virus.

Management has assessed that the pandemic did not have a significant impact to the Group's financial position and results as at and for the years ended December 31, 2022 and 2021 and that the carrying amounts of assets are recoverable at reporting date.

Management will continue to monitor the business developments amidst the pandemic and update the assessments made. Any medium to long-term impact of the pandemic on the Group's operational and financial performance will vary depending on the duration and severity of the economic and operational impacts of COVID-19 as well as the effectiveness of mass vaccination and other public health efforts to mitigate the impact of the pandemic.

1.3 Approval for the issuance of the consolidated financial statements

These consolidated financial statements have been approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on March 10, 2023.

Note 2 - Cash and cash equivalents

Cash and cash equivalents at December 31 consist of:

	2022	2021
Cash in banks	1,507,622,373	1,413,316,334
Short-term placements	461,387,795	943,858,071
Cash on hand	18,675,629	6,257,540
	1,987,685,797	2,363,431,945

Cash in banks and short-term placements earn annual interest rates ranging from 0.06% to 4% in 2022 and 2021. Interest income from cash and cash equivalents and short-term placements amounted to P8.9 million for the year ended December 31, 2022 (2021 - P7.1 million).

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Note 3 - Receivables, net

Receivables, net as at December 31 consist of:

	Note	2022	2021
Trade receivables - third parties, gross		4,286,021,405	4,131,636,595
Less: Allowance for impairment		(1,385,795,999)	(1,259,595,399)
Trade receivables - third parties, net		2,900,225,406	2,872,041,196
Trade receivable - related parties	17	1,131,845,250	661,606,686
Due from related parties	17	33,572,650	41,314,456
Other receivables		176,281,960	160,065,831
Less: Allowance for impairment		(66,000,702)	(64,834,998)
		110,281,258	95,230,833
		4,175,924,564	3,670,193,171

Trade receivables are collectible in cash, unsecured, non-interest-bearing and are generally on 30 to 90 day terms.

The movements in allowance for impairment of receivables for the years ended December 31 are as follows:

	Note	2022	2021
Beginning of year		1,324,430,397	1,278,564,725
Provision for impairment	20	136,807,599	162,331,220
Write-off		(9,441,295)	(116,465,548)
End of year		1,451,796,701	1,324,430,397

Critical accounting estimate: Provision for impairment of receivables

Provision for impairment of receivables is maintained at a level considered adequate to provide for uncollectible receivables using expected credit losses (ECLs). ECLs are unbiased probability-weighted estimates of credit losses which are determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessment of future economic conditions.

The Group used relevant historical information and loss experience to determine the probability of default of the receivables and incorporated forward-looking information, which involved significant estimates and judgements.

The Group also evaluates specific account of customers and related parties who are unable to meet their financial obligations. In these cases, management uses judgment and assessment based on the best available facts, including but not limited to, the customer's payment history and the result of the Group's follow-up action to recover overdue debts.

Any change in the Group's assessment of the collectability of receivables could impact the recorded carrying amount of receivables and related provision for impairment.

For the years ended December 31, 2022 and 2021, the Group's Board of Directors (BOD) resolved to write-off long-outstanding accounts that are deemed to be uncollectible amounting to P9.4 million and P116.5 million, respectively.

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Note 4 - Set-top boxes and related equipment, net

Set-top boxes and related equipment, net at December 31 consist of:

	2022	2021
At cost	1,106,804,117	1,197,575,370
At net realizable value	1,106,544,655	1,194,839,052

The movements in allowance for inventory write-down for the years ended December 31 are as follows:

	2022	2021
Beginning of the year	2,736,318	11,012,851
Provision	259,462	2,736,318
Write-off	(2,736,318)	(11,012,851)
End of the year	259,462	2,736,318

The cost of set-top boxes and related equipment, including provision, recognized as expense and included in the direct costs amounted to P831.4 million in 2022 (2021 - P1,178.8 million) (Note 19).

Critical accounting estimate: Net realizable value of set-top boxes and related equipment

The Group provides allowance for inventory write-down for cost of set-top boxes and related equipment whenever their net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The lower of cost and net realizable value of set-top boxes and related equipment is reviewed on a periodic basis and any provision is recognized as part of direct costs in the consolidated statements of comprehensive income.

For the year ended December 31, 2022, the Group recognized provision for write-down of inventories amounting to P259,462 (2021 - P2.7 million).

Note 5 - Audio-visual program rights, net

Audio-visual program rights, net at December 31 consist of:

	Note	2022	2021
For the years ended December 31			
Opening net carrying value		1,042,535,436	1,052,975,388
Additions		266,779,116	386,066,734
Amortization	19	(494,164,761)	(396,506,686)
Closing net carrying value		815,149,791	1,042,535,436
At December 31			
Cost		9,086,916,987	8,820,137,871
Accumulated amortization		(8,227,878,434)	(7,733,713,673)
Accumulated impairment loss		(43,888,762)	(43,888,762)
Net carrying value		815,149,791	1,042,535,436

The movements in provision for impairment of program rights for the years ended December 31 are as follows:

	2022	2021
Beginning of year	43,888,762	47,574,729
Write-off of expired and unused rights	-	(3,685,967)
End of year	43,888,762	43,888,762

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Audio-visual program rights are classified in the statements of financial position at December 31 as follows:

	2022	2021
Current	331,767,557	362,854,545
Non-current	483,382,234	679,680,891
	815,149,791	1,042,535,436

As at December 31, the related obligation for audio-visual program rights represents liabilities to foreign and local content suppliers for program rights purchased by the Group. The obligation is classified in the consolidated statements of financial position at December 31 as follows:

	2022	2021
Current	246,137,991	308,389,511
Non-current	370,000,000	518,000,000
	616,137,991	826,389,511

Critical accounting estimate: Amortization of audio-visual program rights

The Group estimates the amortization of audio-visual program rights based on the manner and pattern of usage of the acquired rights. The Group estimates that programs are generally more marketable in its initial airing as compared to the replays. In addition, the amortization is estimated based on the Group's experience with such rights. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

Critical accounting judgment: Recoverability of audio-visual program rights

The Group reviews at each reporting date whether there is any objective evidence that audio-visual program rights are impaired. On a regular basis, management determines if there are circumstances that the carrying amount may not be recoverable through subsequent airing. In making this judgment, the Group considers, among other factors, its broadcast program line-up and the age of its remaining rights. Management believes that there are no events or changes in circumstances that indicate that the remaining carrying amount of program rights may not be recoverable at reporting date.

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Note 6 - Prepaid expenses and other current assets, net

Prepaid expenses and other current assets, net at December 31 consist of:

	2022	2021
Prepaid input tax	631,010,404	474,246,525
Less: Allowance for impairment	(102,118,581)	(102,067,193)
	528,891,823	372,179,332
Current portion of deferred subscriber acquisition cost	1,533,276,813	1,520,649,509
Current portion of deferred programming and production costs	701,668,622	718,336,587
Advances to suppliers	433,488,307	346,590,935
Deferred set-top boxes	378,989,593	346,507,542
Current portion of creditable withholding taxes	352,168,572	194,669,711
Deferred input tax	232,485,747	132,958,609
Short-term investments measured at fair value through other comprehensive income (FVOCI)	59,948,514	68,736,163
Short-term investments at amortized cost	52,442,344	29,947,653
Prepaid expenses and others	101,777,777	106,290,086
	3,846,246,289	3,464,686,795
Refundable deposit	1,224,629	1,194,629
Less: Allowance for impairment	(1,134,118)	(1,134,118)
	90,511	60,511
Others	50,519,459	55,953,233
Less: Allowance for impairment	(23,823,802)	(28,147,210)
	26,695,657	27,806,023
	4,401,924,280	3,864,732,661

The Group's input VAT represents input taxes on purchase of fixed assets, materials and supplies and payment for goods and services that is expected to be utilized and applied against output VAT in the next 12 months. Deferred input tax relates to various purchases of goods and services which cannot be claimed yet as credits against output VAT liabilities, pursuant to existing VAT rules and regulations.

Deferred subscriber acquisition costs (SAC) pertain to the incremental costs incurred relating to the acquisition of new subscription contracts and are amortized as direct costs in profit or loss on a straight-line basis over the subscriber relationship period from the date of activation of the subscription. Amortization of SAC for the year ended December 31, 2022, amounted to P1,830 million (2021 - P1,198.5 million) (Note 19).

Deferred production costs are the costs to develop and produce narrative contents which are recognized as production costs in the consolidated statements of total comprehensive income over certain number of years depending on the genre.

Deferred programming costs arise from agreements with third party content providers for pay-per-view and linear programs. These agreements generally span for 1 to 3 years and vary in amount depending on the terms set by the content providers. Certain content providers charge a flat (fixed) fee while others charge a minimum guarantee fee plus a fee based on the number of monthly subscribers for their linear programs.

At December 31, 2022, deferred production and programming and costs related to programs or episodes expected to be aired beyond 12 months from reporting date amounting to P662.6 million (2021 - P513 million) are presented as part of other non-current assets in the consolidated statements of financial position (Note 11).

Amortized programming and production costs recognized within direct costs in profit or loss amounted to P2,888.4 million for the year ended December 31, 2022 (2021 - P3,869.8 million) (Note 19).

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Advances to suppliers mainly represent advance payments made by the Group to suppliers and/or building contractors for acquisition of fixed assets and purchase of goods and services, which are generally applied within the next financial year.

Short-term investments measured at FVOCI pertain to investments in various mutual funds made by the Group. Movement of the short-term investments measured at FVOCI as at December 31 area as follows:

	2022	2021
Beginning of the year	68,736,163	70,307,336
Unrealized loss recognized in OCI, gross of tax	(8,787,649)	(1,571,173)
	59,948,514	68,736,163

Unrealized net loss recognized in OCI related to the mutual funds, net of deferred tax as at December 31, 2022 amounted to P16,456,713 (2021 - P9,865,978).

Short-term investments at amortized cost include time deposits with maturity of more than 3 months but not more than 12 months from the reporting period. Interest income earned from short-term investment for the year ended December 31, 2022 amounted to P817,096 (2021 - P516,483).

Other assets include goods and other consumables arising from barter transactions. These are received in exchange for advertising and are not held for sale. These are intended by the Group to be used internally and will be expensed as consumed.

The movements in allowance for impairment of prepaid expenses and other current assets for the years ended December 31 are as follows:

	Note	2022	2021
Beginning of year		131,348,521	126,090,392
Provision for impairment	21	4,792,871	5,258,129
Reversal of provision for impairment		(9,064,891)	-
End of year		127,076,501	131,348,521

Critical accounting estimate: Deferred SACs

The Group's deferred SAC are amortized on a straight-line basis over the period during which the future economic benefits are expected to be obtained. This is estimated based on a collective assessment of practices of similar business and historical subscriber relationship period. The carrying value of deferred subscriber acquisition costs at reporting date and the amount and timing of recorded amortization expense for any period could be materially affected by changes in estimates brought about by changes in the factors mentioned.

Critical accounting judgment: Recoverability of input VAT and tax credits

The Group reviews at each reporting date whether there is any objective evidence that the Group's input VAT and tax credits are impaired. In making this judgment, the Group evaluates, among other factors, the Group's revenue forecasts, planned capital expenditure, as approved by the BOD, covering importation of broadcast facilities and equipment and related duties and taxes against which the tax credits can be applied.

Management believes that the carrying amount of input VAT and tax credits will be utilized and can be applied when the Group achieves better revenue performance.

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Note 7 - Investments in associates and joint venture

The Group's investments at December 31 are as follows:

	Interest	2022	2021
Investments in associates:			
Investment in Pilipinas Global Network Limited (PGNL):	35.40%		
Beginning balance		129,183,052	122,204,574
Share in net loss during the year		(4,926,518)	(467,338)
Translation adjustment		12,327,624	7,445,816
Ending balance		136,584,158	129,183,052
Investment in UXS, Inc. (UXS):	30%		
Beginning balance		102,268,835	100,335,814
Share in net income during the year		1,933,021	1,933,021
Ending balance		104,201,856	102,268,835
Investment in Epik Studios Inc. (EPIK):	35%		
Beginning balance		95,143,867	97,871,755
Share in net loss during the year		(2,183,619)	(2,727,888)
Ending balance		92,960,248	95,143,867
Investment in Stargate Media Corporation (Stargate):	40%		
Beginning balance		7,893,102	5,902,994
Share in net (loss) income during the year		(10,128)	1,990,108
Ending balance		7,882,974	7,893,102
Investments in joint ventures:			
Investment in Sari-Sari Network, Inc. (Sari-Sari):	50%		
Beginning balance		25,295,232	19,986,717
Share in net income during the year		7,091,028	5,308,515
Ending balance		32,386,260	25,295,232
Investment in Philippine Online Sports League, Inc. (POSLI):	14%		
Beginning balance		2,564,330	3,987,640
Share in net loss during the year		(1,054,657)	(1,423,310)
Ending balance		1,509,673	2,564,330
		375,525,169	362,348,418

The movements of investments in associates and joint ventures for the years ended December 31 are summarized as follows:

	2022	2021
Balance at beginning of year	362,348,418	350,289,494
Share in net income	849,127	4,613,108
Translation adjustment	12,327,624	7,445,816
Balance at end of year	375,525,169	362,348,418

Investments in associates:

Investment in PGNL

In 2018, TV5 recognized its investment in PGNL amounting to P164.3 million equivalent to 35.40% of the latter's outstanding shares. Portion of the consideration amounting to P128.8 million was settled through conversion of receivable from PGNL amounting to P73.1 million and transfer of certain property and equipment amounting to P55.7 million. The remaining balance of P35.6 million subscription remained unpaid as at December 31, 2022 and 2021.

PGNL was incorporated in the British Virgin Islands on March 16, 2011 whose principal business activity is to transact with various television companies abroad for the distribution of TV5's television programs and content. The territories are United States, Canada, Middle East, Singapore, Japan, Hong Kong, Australia, New Zealand, Italy, United Kingdom, and Spain.

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Investment in UXS

UXS, Inc. is 30% owned by TV5. UXS, Inc. is registered with the Philippine SEC on September 24, 1985 and primarily engaged in the production of film and video commercials, video features, documentaries, advertising and promotions, entertainment and media presentations and programs, television and programming, event management, feature films and other content. Its principal place of business is at 4th Flr. Salustiana D. Ty Tower, Paseo de Roxas cor. Perea St., Legaspi Village, Makati City.

Investment in Epik

On March 28, 2018, Cignal subscribed to 13,461 common shares of Epik representing 35% of its total issued and outstanding capital stock for P105 million.

Epik is a Philippine corporation engaged in the creation, acquisition, production, marketing and distribution of characters, movies, television and online content, including games and/or applications for the consumption of the market in all forms and media. Epik's principal office is at 6th Floor East Tower, Tektite Towers, Exchange Road, Ortigas Center, Pasig City.

Investment in Stargate

Stargate was organized and registered with the Philippine SEC on October 20, 1999. Its primary purpose is to engage in the publishing of journals, magazines, books, newspapers and other literary works and undertakings. Its principal place of business is at 4F JAKA Building, 6780 Ayala Avenue, Makati City.

Set out below are the summarized financial information of individually immaterial associates as at and for the years ended December 31:

	2022	2021
Current assets	775,867,612	953,101,232
Non-current assets	368,954,327	174,843,730
Current liabilities	(495,710,481)	(499,495,441)
Non-current liabilities	(52,348,424)	(41,726,585)
Net assets	596,763,034	586,722,936
% Share in net assets	205,272,846	201,526,449
Goodwill	136,356,390	132,962,407
Carrying value	341,629,236	334,488,856
Revenue	457,346,288	464,988,000
Profit (loss) for the year	(13,663,135)	5,049,220
Total comprehensive income (loss)	(2,236,663)	11,651,427

The information above reflects the amounts presented in the financial statements of the associates and not the Group's share of those amounts.

Investments in Joint Ventures:

Investment in Sari-Sari

On August 11, 2015, Cignal and Viva Communications, Inc. (Viva) agreed to form Sari Sari Network Inc. that will develop, operate and maintain Sari Sari Channel (Channel). The Channel will be populated with local audio-visual programs and will be carried and aired exclusively in various platforms owned or operated by Cignal and its affiliates. Cignal will guarantee carriage of the Channel for a period of five years subject for certain annual fee.

Total investment of Cignal to the joint venture amounted to P1.3 million, including costs directly attributable to the investment of P20,945. No dividend income was recognized for the years ended December 31, 2022 and 2021.

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Sari Sari was incorporated and registered with the Philippine SEC on October 7, 2015 primarily to create, operate, manage, develop, distribute, sell and export audit and visual content and to engage in the acquisition, aggregation, management, development, production, distribution and/or marketing of original program content and/or program content acquired by way of license, for commercial exhibition on television and other media. Sari-Sari's registered address is at 5th Floor, Launchpad Building, Sheridan corner Reliance Street, Highway Hills, Mandaluyong City.

Investment in POSLI

On August 7, 2019, Cignal subscribed to 99,999 common shares of POSLI out of its existing authorized capital stock for P10 million. This represents 14% of the total issued and outstanding share capital of POSLI.

POSLI is a Philippine corporation engaged in the development, operation, and maintenance of a national multi-game esports league for various esports game disciplines aimed to promote and develop esports in the Philippines, raise the level of competitiveness of Philippine esports to international standards and to develop professional esports player throughout the country. POSLI's registered office address is at 10th Floor, Launchpad Building, Sheridan corner Reliance Street, Highway Hills, Mandaluyong City.

Set out below is the summarized financial information for Sari-Sari and POSLI as at and for the years ended December 31:

	2022	2021
Current assets	108,410,898	116,439,276
Non-current assets	33,331	1,365,830
Current liabilities	(40,619,396)	(55,097,464)
Net assets	67,824,833	62,707,642
Revenues	80,665,746	204,741,282
Expenses	(70,596,801)	(202,438,393)
Interest income	(369,639)	40,999
Profit before income tax	9,699,306	2,343,888
Income tax expense	(3,216,285)	(1,893,369)
Profit for the year	6,483,021	450,519
Other comprehensive income for the year	-	-
Total comprehensive income for the year	6,483,021	450,519
Cash flows used in operating activities	(7,855,386)	(19,038,440)
% Share in net assets	32,753,909	27,466,837
Carrying value of investment in joint venture	33,895,933	27,859,562

The information above reflects the amounts presented in the financial statements of the joint ventures and not the Group's share of those amounts.

All of the aforementioned associates and joint ventures are private companies and there is no quoted market price available for their shares. There are no contingent liabilities relating to the Group's interest in the associates and joint ventures.

Critical accounting judgment: Recoverability of investments in associates and joint ventures

The carrying value of investments in associates and joint ventures is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those assessment and judgment could have a significant effect on the carrying value of investments in associates and joint ventures and the amount and timing of recorded provision for any period.

Management believes that there are no events or changes in circumstances indicating that the carrying amount of its investments in associates and joint ventures may not be recoverable.

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Note 8 - Property and equipment, net

Property and equipment, net as at for the years ended December 31 are as follows:

	Broadcast, television, radio, and auxiliary equipment	Building and improvements	Land	Other equipment	Office furniture, fixtures, and transportation equipment	Leasehold improvements	Construction in progress	Total
At January 1, 2021								
Cost	10,454,505,946	2,625,231,556	819,964,905	4,494,729,248	1,977,613,050	188,495,061	901,288,457	21,461,828,223
Accumulated depreciation and amortization	(7,773,767,449)	(871,965,030)	-	(3,741,012,025)	(1,577,115,774)	(111,777,619)	-	(14,075,637,897)
Net carrying value	2,680,738,497	1,753,266,526	819,964,905	753,717,223	400,497,276	76,717,442	901,288,457	7,386,190,326
Year ended December 31, 2021								
Opening net carrying value	2,680,738,497	1,753,266,526	819,964,905	753,717,223	400,497,276	76,717,442	901,288,457	7,386,190,326
Additions	322,769,618	6,651,551	96,411,229	287,505,563	173,250,307	13,939,813	779,525,037	1,680,053,118
Reclassifications	297,496,046	-	-	21,008,007	10,310,399	8,373,721	(337,188,173)	-
Disposals:								
Cost	-	-	-	(4,499,908)	(26,480,788)	(5,310,746)	-	(36,291,442)
Accumulated depreciation and amortization	-	-	-	4,423,241	23,204,976	2,490,725	-	30,118,942
Depreciation and amortization (Notes 19 and 20)	(881,306,680)	(108,568,484)	-	(290,117,915)	(190,065,178)	(27,206,097)	-	(1,497,264,354)
Net carrying value	2,419,697,481	1,651,349,593	916,376,134	772,036,211	390,716,992	69,004,858	1,343,625,321	7,562,806,590
At December 31, 2021								
Cost	11,074,771,610	2,631,883,107	916,376,134	4,798,742,910	2,134,692,968	205,497,849	1,343,625,321	23,105,589,899
Accumulated depreciation and amortization	(8,655,074,129)	(980,533,514)	-	(4,026,706,699)	(1,743,975,976)	(136,492,991)	-	(15,542,783,309)
Net carrying value	2,419,697,481	1,651,349,593	916,376,134	772,036,211	390,716,992	69,004,858	1,343,625,321	7,562,806,590
Year ended December 31, 2022								
Opening net carrying value	2,419,697,481	1,651,349,593	916,376,134	772,036,211	390,716,992	69,004,858	1,343,625,321	7,562,806,590
Additions	664,749,860	6,559,590	-	246,608,876	137,641,918	183,868,585	872,322,214	2,111,751,043
Reclassifications	1,266,867,825	47,862,213	-	13,255,385	81,869,764	85,648,309	(1,495,503,496)	-
Disposals:								
Cost	(68,074,054)	-	-	(7,986,197)	(81,523,538)	-	-	(157,583,789)
Accumulated depreciation and amortization	34,047,913	-	-	6,913,125	79,889,355	-	-	120,850,393
Depreciation and amortization (Notes 19 and 20)	(880,382,121)	(106,964,852)	-	(298,216,945)	(196,464,841)	(46,759,850)	-	(1,528,788,609)
Net carrying value	3,436,906,904	1,598,806,544	916,376,134	732,610,455	412,129,650	291,761,902	720,444,039	8,109,035,628
At December 31, 2022								
Cost	12,938,315,241	2,686,304,910	916,376,134	5,050,620,974	2,272,681,112	475,014,743	720,444,039	25,059,757,153
Accumulated depreciation and amortization	(9,501,408,337)	(1,087,498,366)	-	(4,318,010,519)	(1,860,551,462)	(183,252,841)	-	(16,950,721,525)
Net carrying value	3,436,906,904	1,598,806,544	916,376,134	732,610,455	412,129,650	291,761,902	720,444,039	8,109,035,628

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Acquisitions of property and equipment as shown in the consolidated statements of cash flows for the years ended December 31 were determined as follows:

	Note	2022	2021
Acquisitions of property and equipment		2,111,751,043	1,680,053,118
Set-top boxes capitalized as part of property and equipment		(225,558,403)	(218,909,406)
Additions to right-of-use assets	24	(666,005,572)	(264,708,661)
Movement in unpaid portion of property and equipment and others		(115,477,328)	40,358,360
Acquisitions of property and equipment per statements of cash flows		1,104,709,740	1,236,793,411

Depreciation and amortization expense for the years ended December 31 charged to profit or loss is as follows:

	Notes	2022	2021
Direct costs	19	1,283,209,809	1,228,831,848
Operating expenses	20	245,578,800	268,432,506
		1,528,788,609	1,497,264,354

There are no capitalized borrowing costs for the years ended December 31, 2022 and 2021 as there were no qualifying assets.

Construction-in-progress

Construction-in-progress mainly relates to the construction of the Group's projects related to broadcast equipment, leasehold and building improvements, cabling projects, database upgrade, and other capitalizable properties and equipment in relation to its office, studio, and network expansion. Assets under construction are not depreciated until they are completed and ready for operational use, at which time these are reclassified from construction in progress to the specific classification in property and equipment.

Critical accounting estimates: Useful lives of property and equipment

The Group's management determines the estimated useful lives for its property and equipment based on the period over which the assets are expected to be available for use. The Group annually reviews the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned.

TV5 impairment review

TV5's land, building (excluding construction in progress), leasehold improvements, broadcast equipment and transportation assets with a total carrying amount of P1.7 billion as at December 31, 2022 have been appraised by an independent appraiser on January 3, 2023. Based on the latest available appraisal report, the fair value of the assets appraised is P3.3 billion. In calculating the fair value of TV5's property and equipment, below are the methods applied by the third-party appraisal company:

a) Buildings and improvements, broadcast equipment - replacement cost method. This is the estimated amount of money needed to replace the group of assets taking in consideration the current prices of materials, labor, manufactured equipment, and contractor's overhead and all other costs associated with the acquisition and installation. TV5's broadcast equipment is constructed using modern technologies.

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b) Land - fair value method. This 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 measurement date. This includes recent market prices or similar property listing of land properties in the vicinity.

Critical accounting judgment: Recoverability of property and equipment

The carrying value of property and equipment is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. On a regular basis, management determines if there are triggering events or impairment indicators based on current circumstances. An impairment loss is recognized whenever evidence exists that the carrying value is not recoverable.

Management believes that there are no events or changes in circumstances which indicate that the carrying amount of its property and equipment may not be recoverable at the reporting dates.

Note 9 - Franchises and frequencies, net

Franchises and frequencies, net as at December 31 consist of:

	Franchises and frequencies with finite life				Indefinite life	
	Pay-TV franchise	Free-to-Air franchise	Free-to-Air frequencies	Total	Pay-TV franchise	Total
At January 1, 2021						
Cost	180,219,817	25,830,000	2,274,153,522	2,480,203,339	339,960,885	2,820,164,224
Accumulated amortization	(154,337,183)	(11,163,815)	(982,896,862)	(1,148,397,860)	-	(1,148,397,860)
Accumulated impairment	-	(14,666,185)	(1,291,256,660)	(1,305,922,845)	-	(1,305,922,845)
Net carrying value	25,882,634	-	-	25,882,634	339,960,885	365,843,519
Year ended December 31, 2021						
Opening net carrying value	25,882,634	-	-	25,882,634	339,960,885	365,843,519
Amortization (Note 20)	(11,503,388)	-	-	(11,503,388)	-	(11,503,388)
Closing net carrying value	14,379,246	-	-	14,379,246	339,960,885	354,340,131
At December 31, 2021						
Cost	180,219,817	25,830,000	2,274,153,522	2,480,203,339	339,960,885	2,820,164,224
Accumulated amortization	(165,840,571)	(11,163,815)	(982,896,862)	(1,159,901,248)	-	(1,159,901,248)
Accumulated impairment	-	(14,666,185)	(1,291,256,660)	(1,305,922,845)	-	(1,305,922,845)
Closing net carrying value	14,379,246	-	-	14,379,246	339,960,885	354,340,131
Year ended December 31, 2022						
Opening net carrying value	14,379,246	-	-	14,379,246	339,960,885	354,340,131
Amortization (Note 20)	(11,503,388)	-	-	(11,503,388)	-	(11,503,388)
Closing net carrying value	2,875,858	-	-	2,875,858	339,960,885	342,836,743
At December 31, 2022						
Cost	180,219,817	25,830,000	2,274,153,522	2,480,203,339	339,960,885	2,820,164,224
Accumulated amortization	(177,343,959)	(11,163,815)	(982,896,862)	(1,171,404,636)	-	(1,171,404,636)
Accumulated impairment	-	(14,666,185)	(1,291,256,660)	(1,305,922,845)	-	(1,305,922,845)
Closing net carrying value	2,875,858	-	-	2,875,858	339,960,885	342,836,743

Critical accounting judgment: Recoverability of franchises and frequencies

Determining the value in use of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. Management regularly undertakes an impairment review of the Group's franchise and frequencies arising from the acquisition of investment in shares of stock of subsidiaries in accordance with PAS 36, Impairment of Asset.

The recoverable amount of the intangible assets is determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period and calculated terminal value. Management believes that there are no significant events or changes in circumstances which indicate that the net carrying amount of its franchise and frequencies may not be recoverable at reporting date.

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Pay-TV Franchise

With Finite Life

As a result of the Parent Company's acquisition of Cignal, through Satventures in 2007, an amount of P180.2 million, representing the difference between the consideration and the fair value of the interest acquired, was recognized. The amount represents the value of the congressional franchise granted to Cignal on March 12, 1998 through Republic Act No. 8169 (MS Act) for a term of twenty-five (25) years from the date of the MS Act unless sooner revoked or cancelled by Congress. In March 2022, Cignal was granted by the Congress, under Republic Act No. 11668, renewal of its franchise for another twenty-five years.

As at acquisition date, the fair value of the franchise, determined by independent appraiser using income approach amounted to P244 million. Management concluded, however, that franchise cost of P180.2 million reflects the appropriate fair value, or the deemed cost subsequent to business combination, based on the business plan of Cignal's DTH business.

The cost of franchise is amortized over its remaining term which is 16 years from the date of acquisition. Related amortization charged to the consolidated statements of total comprehensive income for the years ended December 31, 2022 and 2021 amounted to P11.5 million.

With Infinite Life

As a result of Group's acquisition of Cignal Cable, an amount of P340.0 million was recognized representing the difference between the consideration and the fair value of the interest acquired. The amount represents Cignal Cable's provisional authority to install, operate and maintain a cable television system or render cable television service within 17 cities in Metro Manila.

The Pay-TV license for Cignal Cable was considered to have an indefinite useful life considering the following qualitative factors:

- The license acquired in 2011 continuously provide considerable economic benefit to the Group in the form of service fees, thus there is an infinite period over which the group expects to generate cash flows from the asset; and
- The group has the ability to continue to protect the legal rights that arise from the license indefinitely and the group does not foresee any regulatory, economic or competitive factors that could limit the life of the asset.

Free-to-Air Franchise

As a result of the acquisition of the Parent Company of the Three TV5 Holdcos, an amount of P25.8 million, representing part of excess of consideration over the fair value of the interest acquired, was recognized. The amount represents the value of the congressional franchise granted to TV5 in 1994 which expired 2019. In April 2019, TV5 was granted by the Congress, under Republic Act No. 11320, renewal of its franchise for another twenty-five years.

As at acquisition date, the fair value of franchise, determined based on the estimated replacement cost of securing the franchise, amounted to P25.8 million, which is deemed reasonable by management considering market knowledge, business plan and historical experience of the Group.

The cost of franchise is amortized over its remaining term which is approximately 10 years from the date of acquisition. No related amortization was charged to the consolidated statements of total comprehensive income following the full impairment in 2013.

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Free-to-Air Frequencies

TV and radio frequencies represent legal rights to use frequencies in the TV and radio spectrum. These intangible assets are necessary elements to maintain and operate TV and radio broadcasts in various local geographical areas. TV5 is required to annually secure from the National Telecommunications Commission (NTC) appropriate permits and licenses for its stations and any frequencies in the TV or radio spectrum. TV5, however, has to have the franchise as discussed above, before frequencies can be utilized.

Given the difficulty in applying for new frequencies in different geographic areas, the Parent Company considered the frequencies of TV5 as the most important reason for the acquisition of the Three TV5 Holdcos.

As at acquisition date, the fair value of frequencies, determined using the market approach based on comparison of prices obtained from similar entities, amounted to P2.27 billion, which is deemed reasonable by management, considering market knowledge, business plan and historical experience of the Group.

Since frequencies are dependent on the congressional franchise, the cost of frequencies is amortized over its remaining term which is approximately 10 years. No related amortization was charged in the consolidated statements of total comprehensive income following the full impairment in 2013.

Note 10 - Investment properties

Investment properties as at and for the years ended December 31 consist of:

	Land	Building and improvements	Equipment	Total
Year ended December 31, 2021				
Balance at beginning of year	107,252,707	194,267,280	5,865,406	307,385,393
Gain (loss) from fair value adjustments (Note 21)	104,141,225	1,764,193	(879,811)	105,025,607
Balance at end of year	211,393,932	196,031,473	4,985,595	412,411,000
Year ended December 31, 2022				
Balance at beginning of year	211,393,932	196,031,473	4,985,595	412,411,000
Acquisition	14,862,262	-	-	14,862,262
Gain (loss) from fair value adjustments (Note 21)	8,032,300	5,043,289	(879,811)	12,195,778
Balance at end of year	234,288,494	201,074,762	4,105,784	439,469,040

Some of the Group's properties are held to earn rentals or capital appreciation. As these portions can be sold or leased out separately, the property is accounted for as investment property.

For the year ended December 31, 2022, rent income from investment properties amounted to P17.3 million (2021 - P18.3 million) (Notes 18 and 24).

For the year ended December 31, 2022, direct costs related to investment properties that generates rent income amounted to P2.9 million (2021 - P1.6 million).

Critical accounting estimate: Fair value of investment properties

Investment properties, which consist of land, building and improvements, and equipment are stated at fair values, which have been determined based on appraisal performed by an independent firm of appraisers. In calculating the fair value of the Group's investment properties, below are the methods applied by the third party appraisers:

a) Building and improvements and equipment - replacement cost method. This is the estimated amount of money needed to replace the group of assets taking in consideration the current prices of materials, labor, manufactured equipment, and contractor's overhead and all other costs associated with the acquisition and installation.

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b) Land - fair value method. This 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 measurement date. This includes recent market prices or similar property listing of land properties in the vicinity.

The above investment properties were categorized under Level 2 of the fair value hierarchy and represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Group's investment properties as at December 31, 2022 have been appraised by an independent appraiser in various dates on November 18, 2022. Based on the latest available appraisal report, the aggregate fair value of the Group's investment properties amounted to P439.5 million.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance, and enhancements.

Note 11 – Other non-current assets, net

Other non-current assets, net at December 31 are as follows:

	2022	2021
Tax credits	1,078,435,740	1,078,435,740
Allowance for impairment	(1,078,435,740)	(1,078,435,740)
Tax credits, net	-	-
Input VAT, net of current portion	2,262,839,952	2,314,804,662
Creditable withholding taxes, net of current portion	599,557,208	563,157,287
Deferred subscriber acquisition costs, net of current portion	499,268,734	546,987,442
Deferred programming and production costs, net of current portion	662,576,865	513,012,501
	4,024,242,759	3,937,961,892
Security and refundable deposits	109,566,949	98,159,696
Less: allowance for impairment	(9,114,519)	(9,114,519)
	100,452,430	89,045,177
Retirement benefit assets	4,216,405	6,019,941
Long-term investments	-	25,249,806
Others	44,960,283	58,168,534
	4,173,871,877	4,116,445,350

Tax credits represent claims of the Group arising from airtime credits from government sales (Note 28.15).

The non-current portion of input taxes represents unamortized portion of input taxes arising from capital expenditures above P1.0 million that can be claimed as input taxes over a period of 5 years under the tax rules. Deferred input tax of P40.9 million as at December 31, 2022 (2021 - P83.4 million) is presented as part of the input VAT, net of current portion line item.

Beginning January 1, 2022, in accordance with Bureau of Internal Revenue's Revenue Regulation Circular No. 21-2022 (BIR RMC No. 21-2022), all input tax on purchases of capital expenditures exceeding P1 million shall no longer be deferred and can be claimed as credit against output tax at the time of purchase or payment. Moreover, Companies with unutilized input VAT prior to January 1, 2022 shall be allowed to amortize as scheduled until fully utilized. Management has opted to continue amortizing the remaining deferred input taxes as at December 31, 2021.

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Creditable withholding taxes are recognized to the extent that it is probable that future tax liabilities will be available against which tax credits can be utilized. Determining the realizability of creditable withholding taxes requires the assessment of the availability of taxable profit expected to be generated from the operations which effectively drives the tax liabilities against which such creditable taxes can be applied. Management believes that as at December 31, 2022 and 2021, the carrying amount of creditable withholding taxes is recoverable.

On December 29, 2022, included as part of deferred programming and production costs, the Parent Company entered into a content master production agreement with ABS-CBN Corporation wherein the Parent Company, directly or through its affiliates, and TV5 shall contribute the amount of P179 million, net of VAT and withholding taxes, as its share in the costs of the development and production of television programs for TV5. The Parent Company shall have the right to specify its intended contribution and allocation of the contributed fund among or across the agreed co-production content.

As of December 31, 2022, the fund contributed by the Parent Company was still unutilized and recognized as long-term deferred production cost in the consolidated statements of financial position. The content to be produced will be recognized as production costs in the consolidated statements of total comprehensive income over certain number of years depending on the genre.

Long-term investments have an average of 2 years term and earn an annual interest rate ranging from 1.5% to 3.25% in 2022 and 2021. As at December 31, 2022, all of the long-term investments has been reclassified to current assets as it is expected to mature in 2023. Interest income earned from long-term investments for the year ended December 31, 2022 amounted to P498,897 (2021 - P0.7 million).

Others pertain mainly to advances to certain eligible employees for grants of early retirement benefit payments. These amounts will be collected in cash, upon retirement of the employee, which are not expected to be within 12 months from reporting date.

Critical accounting judgment: Recoverability of input VAT and tax credits

The Group reviews at each reporting date whether there is any objective evidence that the Group's tax credits are impaired. The Group's management has been diligently reviewing its future programming strategies to provide the Group sustainable positive economic performance in the near future. Management continues to make changes in future operating plans, including future planned importations of broadcast equipment, against which the tax credits can be applied.

In view of the changes in plans and programming strategies, the Group's management has determined that it may no longer be probable for the tax credit certificates to be utilized, hence, the Group impaired in full the carrying amount of its tax credits amounting to P1.1 billion.

Note 12 - Deferred income tax; Provision for income tax

On March 26, 2021, Republic Act (RA) No. 11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE), was signed into law. Among its salient provisions which are relevant to the Group include the following:

1. Reduction in Corporate Income Tax (CIT) rate effective July 1, 2020 as follows:
   a. Domestic Corporations will be subject to the following reduced CIT rates depending on their assets and taxable income:
      i. Those with assets amounting to P100,000,000 and below, and with taxable income equivalent to P5,000,000 and below will be subjected to a 20% tax rate;
      ii. Those with assets above P100,000,000 or those with taxable income amounting to more than P5,000,000 will be subjected to a 25% tax rate.
   b. Foreign corporations (resident and non-resident foreign corporations) will have a fixed reduced tax rate of 25%.
2. Effective July 1, 2020 until June 30, 2023, the Minimum Corporate Income Tax (MCIT) rate shall be one percent (1%).

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Net deferred income tax (DIT) assets and liabilities presented in the consolidated statements of financial position on a net basis by entity are as follows:

	2022	2021
Net DIT assets	680,089,752	682,193,751
Net DIT liabilities	(2,774,753)	-
	677,314,999	682,193,751

DIT assets and liabilities at December 31 represent the tax effects of the following temporary differences:

	Notes	2022	2021
DIT assets			
Temporary differences:			
Allowance for impairment of receivables	3	362,059,533	330,219,546
Unearned revenues and deferred rent	13	169,696,690	185,587,280
Retirement benefit obligation	15	141,433,529	161,788,353
Finance lease	24	145,489,579	143,970,546
Provisions for probable losses and employee benefits	23	59,535,069	60,261,240
Allowance for impairment of other current assets	6	26,619,188	27,689,195
Unamortized past service cost	15	22,152,123	26,351,143
Unrealized loss on forward contracts	27.4	15,558,082	-
Allowance for impairment of program rights	5	10,972,191	10,972,191
Allowance for impairment of security and refundable deposits	11	2,278,630	2,278,630
Accumulated write down of inventories to net realizable value	4	64,866	684,080
Others, net		14,660,989	50,603,373
Net operating loss carry-over (NOLCO)		912,538,504	1,378,656,694
MCIT		33,578,499	7,483,889
Total		1,916,637,472	2,386,546,160
DIT assets not recognized		1,222,144,129	1,682,917,005
DIT assets recognized		694,493,343	703,629,155
DIT liabilities			
Unrealized foreign exchange gain	27.4	10,357,378	12,980,414
Fair value adjustment on investment properties		5,766,865	3,917,791
Unrealized gain on forward contracts	27.4	-	3,032,214
Retirement benefit assets	11, 15	1,054,101	1,504,985
		17,178,344	21,435,404
Net asset amount recognized		677,314,999	682,193,751

The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

The analysis of the recoverability and settlement of DIT assets and liabilities follows:

	2022	2021
DIT assets to be realized		
Within one year	396,792,141	377,043,835
Beyond one year	297,701,202	326,585,320
	694,493,343	703,629,155
DIT liabilities to be settled beyond one year	(17,178,344)	(21,435,404)
Net DIT asset	677,314,999	682,193,751

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The Tax Reform Act of 1997 ("the Act") introduced the NOLCO benefit which could be carried over as a deduction from taxable income for the next three consecutive taxable years following the year of such loss. Pursuant to Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act (Bayanihan II), the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

The details of the Group's NOLCO as at December 31 are as follows:

Year loss was incurred	Year of expiration	2022	2021
2018	2021	-	1,975,944,011
2019	2022	2,612,066,046	2,612,066,046
2020	2025	1,735,392,911	1,735,392,911
2021	2026	1,189,843,783	1,189,843,783
2022	2025	788,565,759	-
		6,325,868,499	7,513,246,751
Less: Expired NOLCO		(2,604,474,473)	(1,975,944,011)
Applied NOLCO		(70,183,474)	(21,057,081)
		3,651,210,552	5,516,245,659

Unrecognized DIT asset on NOLCO as at December 31 are as follows:

	2022		2021	
	Regular tax rate at 25%	Regular tax rate at 20%	Regular tax rate at 25%	Regular tax rate at 20%
Unrecognized NOLCO	3,645,927,870	5,282,682	5,508,151,238	8,094,421
Tax Rate	25%	20%	25%	20%
Unrecognized DIT asset on NOLCO	911,481,968	1,056,536	1,377,037,810	1,618,884

In compliance with the Tax Reform Act of 1997, each entity in the Group pays the higher of the MCIT or the regular corporate income tax (RCIT). Any excess of MCIT over RCIT is carried forward annually and applied against the normal income tax for the three succeeding taxable years.

Details of the MCIT as at December 31 follows:

Year of payment	Year of expiration	2022	2021
2018	2021	-	793,849
2019	2022	1,153,491	1,153,491
2020	2023	4,381,910	4,381,910
2021	2024	2,612,928	2,612,928
2022	2025	26,034,403	-
		34,182,732	8,942,178
Less: Applied MCIT		(604,233)	(1,458,289)
Recognized DIT asset on MCIT		33,578,499	7,483,889

Critical accounting judgment: Realizability of deferred income tax assets

Realization of the future tax benefits related to the Group's DIT assets, including NOLCO and MCIT, are dependent on many factors, including the Group's ability to generate future taxable income against which the DIT assets are expected to be recovered and settled. Management has considered these factors in reaching a conclusion not to recognize certain DIT assets in the consolidated statements of financial position.

The amount of DIT assets recognized relates to certain companies in the Group wherein sufficient future taxable income will be available during the periods in which the DIT assets are expected to be recovered.

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A reconciliation of income tax computed at the statutory income tax rate to the income tax expense reflected in the consolidated statements of total comprehensive income for the years ended December 31 follows:

	2022		
	Regular tax rate at 25%	Regular tax rate at 20%	Total
Loss at statutory income tax rate	(226,229,811)	(640,675)	(226,870,486)
Adjustments:			
Movement of unrecognized deferred income tax	457,767,721	13,043	457,780,764
Non-deductible expenses	(190,703,732)	1,237,469	(189,466,263)
Amortization of franchise and frequencies	2,875,847	-	2,875,847
Interest income subjected to final tax	(2,380,832)	(33,207)	(2,414,039)
Share in net (income) loss of associates	(212,282)	-	(212,282)
Provision for income tax	41,116,911	576,630	41,693,541

	2021		
	Regular tax rate at 25%	Regular tax rate at 20%	Total
Loss at statutory income tax rate	(159,400,816)	(1,955,093)	(161,355,909)
Adjustments:			
Movement of unrecognized deferred income tax	188,534,364	54,270	188,588,634
Non-deductible expenses	77,193,954	1,293,306	78,487,260
Amortization of franchise and frequencies	2,875,847	-	2,875,847
Interest income subjected to final tax	(2,067,126)	(14,720)	(2,081,846)
Share in net (income) loss of associates	(1,153,277)	-	(1,153,277)
Effect of change in income tax rate	119,773,457	(1,526,454)	118,247,003
Provision for income tax	225,756,403	(2,148,691)	223,607,712

Note 13 - Accounts payable and other liabilities

Accounts payable and other liabilities as at December 31 consist of:

	Notes	2022	2021
Accounts payable (including trust receipts)		2,877,732,343	3,411,598,938
Unearned revenues	18, 24	677,814,156	741,029,409
Taxes and contributions payable		357,529,793	398,107,721
Derivative financial liabilities	27.4	62,232,326	-
Due to related parties	17	28,274,727	486,206
Accounts payable - related parties	17	16,275,510	13,335,346
Accrued expenses			
Programming and production costs		3,533,490,035	3,280,207,997
Advertising		1,087,354,525	997,292,931
Professional fees		633,024,547	691,783,817
Maintenance		360,342,462	226,825,962
Communication		336,835,792	331,746,571
Capital expenditures		271,771,241	149,376,039
Rent		175,590,559	170,856,841
Interest		48,929,866	18,653,928
Others		248,799,109	230,251,815
		10,715,996,991	10,661,553,521

Accounts payable are unsecured, non-interest bearing and are normally settled within 180 days. They are non-interest bearing, except for trust receipts which bear market interest rates ranging from 5.0% to 7.5% for the year ended December 31, 2022 (2021 - 2.7% to 5.9%) and have maturity terms of 3 to 6 months. Interest expense recognized in profit or loss for the year ended December 31, 2022 in relation to the Group's trust receipts amounted to P43.5 million (2021 - P50.1 million) (Note 22).

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Unearned revenues is composed of advance payments made by customers prior to actual airing of advertisements in the Group's Free-TV business and advance payment of DTH satellite television service revenue in the Group's Pay-TV business. Non-current portion of unearned revenues amounting to P6.8 million as at December 31, 2022 (2021 - P7.7 million) are presented as part of non-current liabilities in the consolidated statements of financial position.

Note 14 - Borrowings

Movement of borrowings for the years ended December 31 are as follows:

	Note	2022	2021
Current			
Third party		400,000,000	-
Related parties	17	140,000,000	140,000,000
		540,000,000	140,000,000
Non-current			
Related parties	17	900,934,000	840,000,000
		900,934,000	840,000,000
		1,440,934,000	980,000,000

Movement of borrowings for the years ended December 31 are as follows:

	2022	2021
Beginning of year	980,000,000	1,170,000,000
Addition during the year	600,000,000	-
Payment during the year	(140,000,000)	(190,000,000)
Effect of foreign exchange rate changes	934,000	-
	1,440,934,000	980,000,000

P250 million term loan facility from a third party

On December 23, 2016, Cignal obtained a P250 million term loan facility with a local bank, with a 5-year term, maturing on December 23, 2021, and a fixed interest rate. Principal and interest are set to be paid quarterly beginning March 2017. The P250 million loan was fully drawn and a total of P50 million was paid in 2021. The loan was fully paid as at December 31, 2021.

In relation to the 250 million term loan facility, a sinking fund that will serve as the debt servicing account was required to be established. The maintaining balance required in the sinking fund is equivalent to principal and interest amortization and should be deposited to Cignal's Debt Service Reserve Account (DSRA) 15 days prior its due date. As at December 31, 2022 and 2021, the sinking fund amounted to P0.2 million and is presented under prepaid expenses and other current assets, net.

P400 million short-term convertible promissory note from a third party

On December 23, 2022, Cignal obtained a short-term convertible promissory note from Metro Pacific Investments Corporation Beneficial Trust Fund amounting to P400 million with interest rate of 6.4%. Principal and interest are set to be paid on June 22, 2023.

$3.6 million long-term loan from a related party

On December 27, 2022, the Parent Company entered into a loan agreement with Pilipinas Global Network Limited (PGNL), associate of TV5, to finance its investments and operations.

The loan is unsecured, due and demandable on December 27, 2027 and bears interest subject to semi-annual repricing based on the sum of the 3-day average of the 180D Secured Overnight Financing Rate, The interest is due semi-annually.

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At the loan agreement date, the principal amount of $3.6 million is converted to the Parent Company's presentation and functional currency at an amount equivalent to P200 million.

P1.4 billion term loan from a related party

On April 1, 2020, upon maturity of the original loan agreement, Cignal and ePLDT, Inc. agreed that the outstanding balance of the loan amounting to P1.12 billion be extended for another five (5) years. The loan is unsecured and bears interest of 5.75% subject to repricing after three (3) years. Principal and interest are due semi-annually beginning April 1, 2021 until April 1, 2025 and remaining unpaid balance due on October 1, 2025.

Total interest expense recognized in the consolidated statements of total comprehensive income in respect of borrowings for the year-ended December 31, 2022 amounted to P53 million (2021 - P62.6 million) (Note 22). Interest payable related to the outstanding borrowings amounted to P0.6 million as at December 31, 2022 (2021 - nil).

Note 15 - Retirement benefit obligation

The Group, except Cignal, recognized retirement benefit obligation computed under a defined benefit pension plan based on the minimum requirements under Republic Act No. 7641 otherwise known as "The Philippine Retirement Law". The Group's retirement benefit expense is determined in accordance with the annual actuarial valuation of the defined benefit plan using the projected unit cost method.

The amounts of retirement benefit obligation recognized in the consolidated statements of financial position at December 31 are determined as follows:

	Note	2022	2021
Present value of defined benefit obligation		753,493,422	798,061,470
Fair value of plan assets		(261,821,747)	(243,723,509)
Impact of asset ceiling		896,475	864,418
		492,568,150	555,202,379
Retirement assets under non-current assets	11	4,216,405	6,019,941
Retirement benefit obligation		496,784,555	561,222,320

The changes in the present value of the defined benefit obligation for the years ended December 31 are as follows:

	2022	2021
Beginning of year	798,061,472	803,521,238
Current service cost	77,959,402	77,234,376
Interest cost	41,761,247	30,921,016
Past service costs – curtailments	(15,443,500)	-
Past service cost and other costs	-	22,937,298
Remeasurements:		
Actuarial (gain) loss arising from changes in assumptions	(17,846,671)	7,979,564
Actuarial gain arising from experience adjustments	(98,658,984)	(92,580,309)
Benefits paid from the fund	(9,359,811)	(28,562,481)
Benefits paid directly by the Group	(20,314,727)	(13,108,005)
Others	(2,665,006)	(10,281,227)
Present value of defined benefit obligations at end of year	753,493,422	798,061,470

Other relate to gains and losses arising from final settlement of retirement obligation in consideration of all other benefits paid to eligible employees.

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Changes in the fair value of plan assets for the years ended December 31 are as follows:

	2022	2021
Beginning of year	243,723,509	263,768,524
Contributions to the fund	53,525,500	65,656,000
Interest income	12,301,751	8,347,527
Benefits paid	(20,314,727)	(28,562,481)
Remeasurement loss	(27,286,408)	(25,983,824)
Benefits paid to the Group	-	(17,962,183)
Other adjustments, net	(127,878)	(21,540,054)
End of year	261,821,747	243,723,509

Benefits paid to the Group in 2021 amounting to P17,962,183 pertain to the amount of cash reimbursed by a trustee-bank to the Group for the benefits paid directly from book reserves in the prior years.

The Group has no transactions with the retirement fund other than the contributions and reimbursement of benefit payments advanced by the Group to retired employees.

The movements in the retirement benefit obligation recognized in the consolidated statements of financial position at December 31 are as follows:

	Notes	2022	2021
Beginning of year		555,202,379	552,740,378
Retirement expense charged to operations	19, 20	89,470,329	122,745,163
Benefits paid to the Group		-	17,962,183
Contributions to the fund		(53,525,500)	(65,656,000)
Remeasurement (gain) loss recognized in other comprehensive income, including impact of asset ceiling		(89,219,247)	(59,481,340)
Benefits paid directly by the Group		(9,359,811)	(13,108,005)
End of year		492,568,150	555,202,379

Retirement expense recognized in profit or loss as part of operating expenses and direct costs for the years ended December 31 are as follows:

	2022	2021
Current service cost	77,959,402	77,234,376
Net interest cost	29,459,496	22,573,489
Past service costs, including curtailment gain	(15,443,500)	22,937,298
Others	(2,505,069)	-
Retirement benefit expense (Notes 19 and 20)	89,470,329	122,745,163

Gain on remeasurements of retirement benefit obligation for the years ended December 31 presented in the consolidated statements of total comprehensive income are as follows:

	2022	2021
Gain on remeasurements	89,219,247	59,481,340
Deferred income tax effect	(6,216,429)	(6,549,077)
	83,002,818	52,932,263

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Defined Benefit Pension Plans

Philstar entities (covering Business World, Philstar Daily, Philstar Ngayon, Philstar Printing, and Freeman, collectively “Philstar entities”) have funded, non-contributory, defined benefit retirement plan covering its qualified employees, which was approved on January 26, 2016. The Parent Company and certain subsidiaries have not yet drawn up a specific retirement plan for its permanent or regular employees. For the purpose of complying with Revised PAS 19, Employee Benefits, pension benefit expense has been actuarially computed based on defined benefit plan.

Under RA 7641 in the absence of a retirement plan or agreement providing for retirement benefits of employees in the private sector, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least 5 years in a private Company, may retire and shall be entitled to retirement pay equivalent to at least half month salary for every year of service, a fraction of at least six months being considered as one whole year.

The amounts of retirement benefit obligation included in the consolidated statements of financial position at December 31 arising from defined benefit pension plans are determined as follows:

	Note	2022	2021
Present value of defined benefit obligation		530,216,422	591,452,970
Fair value of plan assets		(155,041,947)	(185,483,909)
Impact of asset ceiling		896,475	864,418
		376,070,950	406,833,479
Retirement assets under non-current assets	11	4,216,405	6,019,941
Retirement benefit obligation		380,287,355	412,853,420

Based on the latest actuarial valuations, the changes in the present value of defined benefit obligations for each of the Company under the Group accounted under defined benefit pension plans for the year December 31 are as follows:

	2022	2021
Present value of defined benefit obligations at beginning of year	591,452,972	636,279,138
Current service cost	47,256,802	49,999,076
Interest cost	30,143,647	23,263,016
Past service costs – curtailments	(15,443,500)	-
Past service cost and other costs	-	(1,758,300)
Remeasurements:		
Actuarial (gain) loss arising from changes in assumptions	(90,276,884)	(77,297,209)
Actuarial loss (gain) arising from experience adjustments	(6,019,971)	7,878,764
Benefits paid from the fund	(14,871,827)	(23,522,281)
Benefits paid directly by the Group	(9,359,811)	(13,108,005)
Others	(2,665,006)	(10,281,227)
Present value of defined benefit obligations at end of year	530,216,422	591,452,972

Retirement expense recognized in profit or loss as part of operating expenses and direct costs for the years ended December 31 are as follows:

	2022	2021
Current service cost	47,256,802	49,999,076
Net interest cost	21,670,096	17,213,687
Past service costs – curtailments	(15,443,500)	-
Other costs	(2,505,069)	(1,758,300)
Retirement benefit expense (Notes 19 and 20)	50,978,329	65,454,463

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In 2022, a number of employees were redundated under the separation program undertaken by the Group which resulted to recognition of curtailment gain amounting to P15.4 million.
Gain on remeasurements of retirement benefit obligation for the years ended December 31 presented in the consolidated statements of total comprehensive income are as follow:

	2022	2021
Gain on remeasurement	72,381,047	48,973,440
Deferred income tax effect	(2,006,879)	(2,290,172)
	70,374,168	46,683,268

Philstar entities' retirement plan

The amounts of retirement benefit obligation of Philstar entities included in the consolidated statements of financial position at December 31 are determined as follows:

	Note	2022	2021
Present value of defined benefit obligation		194,593,222	223,947,870
Fair value of plan assets		(155,041,947)	(185,483,908)
Impact of asset ceiling		896,475	864,418
		40,447,750	39,328,380
Retirement assets under non-current assets	11	4,216,405	6,019,941
Retirement benefit obligation		44,664,155	45,348,321

The changes in the present value of defined benefit obligation of Philstar entities for the years ended December 31 are as follows:

	2022	2021
Beginning of year	223,947,870	266,944,538
Current service cost	11,805,702	13,390,776
Interest cost	10,909,447	9,443,316
Remeasurements:		
Actuarial gain arising from changes in assumptions	(5,389,471)	(17,778,536)
Actuarial gain arising from experience adjustments	(26,922,684)	(9,120,109)
Benefits paid from the fund	(14,871,827)	(23,522,281)
Benefits paid directly by the Group	(2,220,811)	(3,370,305)
Transfers and others	(2,665,004)	(12,039,529)
End of year	194,593,222	223,947,870

Changes in the fair value of plan assets for the years ended December 31 follow:

	2022	2021
Beginning of year	185,483,909	263,768,524
Interest income	8,473,551	6,049,329
Benefits paid	(14,871,827)	(23,522,281)
Remeasurement loss	(23,915,808)	(21,309,424)
Benefits paid to the Group	-	(17,962,183)
Other adjustments, net	(127,878)	(21,540,056)
End of year	155,041,947	185,483,909

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Plan assets of Philstar entities as at December 31 consist of:

	2022	2021
Government securities	75%	57%
Equity instruments	20%	19%
Unit Investment Trust Fund	5%	17%
Cash and cash equivalents	-	7%
	100%	100%

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest portion of assets is invested in government bonds, over which the Print entities expects best returns within an acceptable level of risk.

Retirement expense of Philstar entities included in profit or loss as part of operating expenses and direct costs for the years ended December 31 are as follows:

	2022	2021
Current service cost	11,805,702	13,390,776
Net interest cost	2,435,896	3,393,987
Others	(2,505,069)	(1,758,300)
Retirement benefit expense	11,736,529	15,026,463

Gain (loss) on remeasurements of retirement benefit obligation of Philstar entities for the years ended December 31 included in the consolidated statements of total comprehensive income are as follow:

	2022	2021
Gain (loss) on remeasurement	8,396,348	6,453,640
Deferred income tax effect	(2,006,882)	(2,290,169)
	6,389,466	4,163,471

Defined contribution plan

On October 30, 2020, the BOD of Cignal approved a defined contribution retirement benefit plan starting January 1, 2021. Cignal maintain a trustee-managed, tax-qualified, Group plan (Plan) covering substantially all permanent and regular employees. The Plan has a defined contribution wherein Cignal's obligation is limited to specified contributions to the Plan. Employees' contribution is optional.

Contributions to the plan are made by Cignal based on an employee's years of tenure and range from 5% to 10% of the employee's monthly salary. Additionally, Cignal gives the employee an option to make personal contribution to the fund, at an amount not to exceed 10% of his or her monthly salary. Cignal then provides an additional contribution to the fund ranging from 10% to 50% of the employee's contribution based on the latter's years of tenure. Although the plan has a defined contribution format, the Company regularly monitors compliance with RA No. 7641.

Under the existing regulatory framework, RA No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. As at December 31, 2022 and 2021, Cignal is in compliance with the minimum requirement of RA No. 7641.

The present value of the defined benefit obligation is calculated using the projected unit credit method and is measured using actuarial assumptions for discount rate, mortality, disability and salary projection rates based on the latest actuarial valuation. The changes in the net present value of defined benefit obligation for the years ended December 31 are as follows:

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	2022	2021
Present value of defined benefit obligations at beginning of year	206,608,500	167,242,100
Current service cost	30,702,600	27,235,300
Interest cost	11,617,600	7,658,000
Past service cost	-	24,695,600
Remeasurement (gain) loss:		
Experience adjustments	(11,826,700)	100,800
Effect of changes in actuarial assumptions	(8,382,100)	(15,283,100)
Benefits paid from plan assets	(5,442,900)	(5,040,200)
Present value of defined benefit obligations at end of year	223,277,000	206,608,500

Changes in the present value of plan assets are as follows:

	2022	2021
Beginning of year	58,239,600	-
Employer contributions	53,525,500	65,656,000
Interest income	3,828,200	2,298,200
Benefits paid	(5,442,900)	(5,040,200)
Return on plan assets less than discount rate	(3,370,600)	(4,674,400)
Present value of plan assets at end of year	106,779,800	58,239,600

Retirement expense included in profit or loss as part of operating expenses and direct costs for the years ended December 31 are as follows:

	2022	2021
Current service cost	30,702,600	27,235,300
Net interest cost	7,789,400	5,359,800
Past service cost	-	24,695,600
Retirement benefit expense	38,492,000	57,290,700

Movements in remeasurements on retirement benefits presented in equity are as follows:

	Note	2022	2021
Beginning of year		(16,598,025)	(22,847,020)
Remeasurements recognized in other comprehensive income			
Remeasurement gain for the year		16,838,200	10,507,900
Deferred income tax effect	12	(4,209,550)	(4,258,905)
Remeasurements for the year, net		12,628,650	6,248,995
End of year		(3,969,375)	(16,598,025)

Cignal's Retirement plan

The fund is being managed and invested by the BPI Asset Management, as Trustee, pursuant to a trust agreement in 2021.

The Plan's investment portfolio seeks to achieve regular income and long-term capital growth and consistent performance over its own portfolio benchmark. In order to attain its objective, the trustee's mandate is to invest in a diversified portfolio of bonds and equities, both domestic and international.

Investments in the domestic fixed income securities include Philippine peso denominated bonds such as government securities and corporate debt securities with fixed interest rates from 2.10% to 5.68% per annum for the years ended December 31, 2022 and 2021. Investments in international fixed income securities include exchange traded funds, mutual funds and unit investment trust funds (UITF).

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The components of Cignal's plan assets at fair value as at December 31 are as follows:

	2022	2021
Fixed income - UITF	67.77%	79.09%
Equities - UITF	7.69%	20.59%
Cash and cash equivalents	0.44%	0.24%
Others	24.10%	0.08%
	100.00%	100.00%

The following table sets forth Cignal's expected maturity analysis of undiscounted retirement benefits as at December 31:

	2022	2021
One year to five years	84,148,800	45,879,900
More than five years to ten years	168,590,500	156,952,100
	252,739,300	202,832,000

Cignal has no transactions with the retirement fund other than the contributions and reimbursement of benefit payments advanced by Cignal to retired employees.

Critical accounting estimate: Principal assumptions for estimation of retirement benefit obligation

The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rate and rate of compensation increase. Actual results that differ from the Group's assumptions generally affect the recognized expense and recorded obligation in such future periods. One or more of the actuarial assumptions may differ significantly and as a result, the actuarial present value of the defined benefit obligation estimated at the reporting date may differ significantly from the amount reported.

The principal actuarial assumptions used at December 31 were as follows:

	2022	2021
Discount rate - zero coupon ranges from:	7.00% to 7.40%	4.75% to 5.25%
Future salary increases ranges from:	2.00% to 5.00%	1.46% to 5.00%

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligation and retirement benefit expense.

The discount rates used is a single weighted average rate based on rates as published in the Bankers Association of the Philippines Peso Bloomberg Valuation (PHP BVAL) at various tenors. Rate for intermediate durations were interpolated. The rates were then weighted by the expected benefit payments at those durations to arrive at the single weighted average discount rate.

The salary increase rate used to project current salaries into the future to determine the amount of the salary related benefit payable at a future date considering the effects of productivity improvement, inflation, and promotional increases. A higher salary increase rate will lead to a higher expected amount of benefits to be paid, and consequently, a higher retirement benefit obligation and pension costs.

Other key assumptions for retirement benefit obligation are based in part on current market conditions.

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Assumption regarding future mortality and disability are set based on published statistics and experience in the Philippines.

The weighted average duration of the defined benefit obligation as at December 31, 2022 ranges from 5.2 years to 16.1 years (2021 – 6.8 years to 16.3 years).

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
December 31, 2022			
Discount rate	+/- 1.00%	(52,824,892)	59,450,631
Salary growth rate	+/- 1.00%	61,534,772	(51,538,950)
December 31, 2021			
Discount rate	+/- 1.00%	(54,587,405)	76,135,064
Salary growth rate	+/- 1.00%	62,967,050	(66,318,908)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied when calculating the retirement liability recognized within the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Note 16 - Share capital

Details of the Parent Company's share capital as at December 31, 2022 and 2021 are as follows:

	Number of shares	Amount
Preferred stock at P100 par value per share		
Authorized	1,650,000	165,000,000
Issued and outstanding	1,650,000	165,000,000
Common stock at P100 par value per share		
Authorized	10,000,000	1,000,000,000
Issued and outstanding	10,000,000	1,000,000,000

The common shareholders rights include the right to vote, pre-emptive rights, right to information and inspection, right to appraisal and right to dividends in accordance with the Corporation Code of the Philippines and as approved by the Parent Company's Board of Directors.

Preferred shares are non-participating, non-voting and non-convertible to common shares, and are also redeemable at any time at the option of the Parent Company. Dividend is calculated at the rate of 15.25% per annum per share on the basis of the par value of such shares. Dividends are cumulative from the date of subscription thereof and is intended to be payable semi-annually upon formal declaration by the BOD, and at which time, the related obligation on dividend is recognized in the accounts. No dividend was declared by the BOD in 2022 and 2021.

At various dates in 2022, the Parent Company received additional paid in capital from BTF amounting to P1.4 billion (2021 - P1.6 billion). Additional paid-in capital as at December 31, 2022 increased to P48.5 billion (2021 - P47.1 billion) as a result of this transaction.

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Reversal of property dividends

On April 6, 2011, the BOD of Philstar Ngayon declared a "property dividend" from its unrestricted retained earnings as at December 31, 2010, subject to the approval of the SEC, on all outstanding common shares of Philstar Ngayon to holders of record of said common shares at the close of the business on April 6, 2011.

The cost of the property dividend as at December 31, 2022 and 2021 consists of parcels of land as follows:

Nasugbu, Batangas	22,141,336
Commonwealth, Quezon City	7,500,000
	29,641,336

The subject property pertains to TCT No. N313716 described as Commonwealth Lot and TCT No. T-91136, described as Punta Fuego Lot; and any all improvements located on the said lots. These shall be distributed to the "Stockholders-of-Record", within 180 days after Philstar Ngayon has secured the approval of the SEC.

Based on the latest report made by an independent assessor, the aggregate fair value of the properties amounted to P75 million as at December 31, 2022 and 2021.

Level 2 fair value of land has been derived using the market approach. In market approach, the value of the land is based on recorded sales and listing (or asking price) of comparable property registered within the vicinity. The most significant input into this valuation approach is price per square meter.

On February 17, 2021, the BOD of Philstar Ngayon approved and resolve to reverse the property dividend declared on April 6, 2011 and donate the properties instead to Azzurra Prime Ventures, Inc. under a deed of donation to be entered into between the latter and Philstar Ngayon provided all transfer taxes shall be for the account of the latter. As at December 31, 2022, the donation between Azzurra and Philstar Ngayon has yet to be executed.

Note 17 - Related party transactions

Significant related party transactions for the years ended December 31 follow:

	Terms and conditions	2022	2021
a) Airtime and syndication revenues *Other affiliated company (Note 18)*	The Group earns revenues from sales of airtime advertising and other airtime monetization activities with its affiliate. Airtime and syndication revenues are computed based on mutually agreed rates between the parties. Airtime and syndication revenues recognized as a result of these transactions are presented as part of airtime and other revenues in profit or loss.	38,282,631	-
b) Blocktime and other revenues *Other affiliated companies (Note 18)*	The Group entered into an agreement with its affiliates to provide satellite connectivity requirements and site maintenance services. This is presented as part of blocktime and other revenue in profit or loss	266,387,178	287,250,475

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	Terms and conditions	2022	2021
c) Subscription and hardware revenues *Other affiliated company (Note 18)*	The Group entered into an agreement with its affiliated company to offer to the market a bundled product to include the Group's selected subscription plans. The Group also recognizes revenue from sales of set-top boxes to related parties. These are presented as part of subscription and hardware revenue in profit or loss.	213,484,792	260,756,623
d) Production and carriage agreement *Joint ventures* (Note 19)	The Group entered into agreements with its joint ventures to produce content on behalf of the Group. Amount charged is based on actual cost plus an agreed service fee. Costs are recognized as part of programming and production costs within direct costs.	67,392,734	180,673,797
e) Interest expense on cash advances *Other affiliated companies* (Note 22)	Interest on the advances obtained by the Group from a related party to finance its day-to-day operations. These are settled in cash, unless special arrangements are made and agreed with the related party, interest bearing, unsecured and payable in accordance with the terms agreed by the parties.	52,443,185	60,375,000
f) Collections from prepaid subscribers *Other affiliated company*	These are load top ups from prepaid subscribers collected by a related party on behalf of the Group. Collections are recognized as part of trade and other receivables in the consolidated statements of financial position.	311,119,475	369,076,353
g) Reimbursement of expenses	At various dates, the related parties pay expenses on behalf of each other mainly consisting of content costs, travel and transportation, utilities, advertising and promotion, and rental expenses.		
Other affiliated company		-	12,962,344
Joint venture		-	997,166
		-	13,959,510

Details of outstanding amounts due from/to related parties at December 31 follow:

	Terms and conditions	Ref.	2022	2021
Trade receivables *Other affiliated companies*	These are settled in cash on a net basis, unsecured and non-interest bearing. These are collectible on demand.	a, b	1,131,845,250	661,606,686
Other receivables *Joint venture*	These are settled in cash on a net basis, unsecured and non-interest bearing. These are collectible on demand.	f, g	32,925,389	-
Due from related parties *Joint venture*	Amount outstanding is receivable in cash, unsecured, non-interest bearing, and collectible on demand (Note 3).	f	33,572,650	41,314,456

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	Terms and conditions	Ref.	2022	2021
Accounts payable and other liabilities *Joint venture*	These are settled in cash on a net basis, unsecured and non-interest bearing. These are collectible on demand.	d	16,275,510	13,335,346
Due to related parties *Joint venture*	These are settled in cash on a net basis, unsecured and non-interest bearing. These are collectible on demand.	d	28,274,727	486,206
Borrowings *Other affiliated companies*	These are settled in cash on a net basis, unsecured and interest bearing. These are payable in accordance with the terms agreed by the parties.			
Current		e	140,000,000	140,000,000
Non-current			900,934,000	840,000,000
			1,040,934,000	980,000,000

Key management compensation

Following is the Group's key management compensation for the years ended December 31:

	2022	2021
Salaries and other short-term benefits	167,462,549	151,475,083
Retirement benefit obligation	15,149,472	13,289,995
	182,612,021	164,765,078

The Group did not provide share-based payments to its key management personnel for the years ended December 31, 2022 and 2021. As at December 31, 2022 and 2021, the Group does not have balances due to key management arising from the above compensation arrangements.

Note 18 - Revenues

	Notes	2022	2021
Revenues recognized over time			
Subscription revenues			
Prepaid		5,440,169,009	5,460,300,812
Postpaid		2,183,954,404	2,456,904,713
		7,624,123,413	7,917,205,525
Airtime revenue		1,625,808,723	1,605,113,757
Advertising revenue		495,911,069	453,316,719
Blocktime revenue		162,703,605	436,850,707
Others		1,166,233,975	609,253,642
		11,074,780,785	11,021,740,350
Revenue recognized at point in time			
Sale of hardware			
Prepaid		828,145,252	1,159,644,091
Postpaid		4,574,611	5,687,166
		832,719,863	1,165,331,257
Circulation revenue		276,511,969	276,844,254
Others		8,886,091	159,093,950
		1,118,117,923	1,601,269,461
Rent income	10, 24	17,294,087	18,320,989
Total revenues		12,210,192,795	12,641,330,800

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Assets and liabilities related to contracts with customers

The Group has recognized the following assets and liabilities related to contracts with customers:

	Notes	2022	2021
Asset recognized from costs to obtain a contract			
Deferred subscriber acquisition cost	6, 11	2,032,545,547	2,067,636,951
Deferred set up boxes	6	378,989,593	346,507,542
		2,411,535,140	2,414,144,493
Unearned revenue, including non-current portion	13		
Subscription and hardware		552,039,658	627,634,271
Airtime		129,133,539	116,000,014
Circulation and others		3,418,501	5,056,270
		684,591,698	748,690,555

Revenue recognized in relation to unearned revenue

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward unearned revenues:

	2022	2021
Subscription and hardware	622,948,964	635,715,841
Airtime	50,164,729	77,136,573
Circulation and others	173,644	11,012,115
	673,287,337	723,864,529

Asset recognized from incremental costs to obtain a contract

Deferred subscriber acquisition costs pertain to the incremental costs incurred relating to the acquisition of new subscription contracts. These are capitalized and subsequently amortized on a straight-line basis over the subscriber relationship period of up to two (2) years and three (3) years from the date of activation for prepaid and postpaid subscription, respectively.

Unsatisfied airtime and other services contracts

All airtime and other services contracts are for periods of one year or less. As permitted under Philippine Financial Reporting Standard (PFRS) 15, Revenue from contracts with customers, the transaction price allocated to these unsatisfied contracts is not disclosed.

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Note 19 - Direct costs

Following are the direct costs for the years ended December 31:

	Notes	2022	2021
Programming and production costs	6	2,888,426,598	3,869,840,948
Subscriber acquisition costs	6	1,829,990,054	1,198,530,731
Depreciation	8	1,283,209,809	1,228,831,848
Hardware costs	4	831,399,773	1,178,761,567
Salaries and wages		779,589,826	735,216,257
Amortization of audio-visual program rights	5	494,164,761	396,506,686
Maintenance and facilities		369,216,633	280,372,283
Talent fees		201,936,993	165,950,163
Publication costs		176,538,939	167,176,934
Taxes and licenses		60,860,222	66,728,589
Rent of various broadcast equipment	24	29,589,131	10,981,039
Retirement benefit expense	15	5,064,747	7,448,942
Transportation and communication		2,381,795	11,038,566
Others		406,053,644	325,605,604
		9,358,422,925	9,642,990,157

Note 20 - Operating expenses

Following are the operating expenses for the years ended December 31:

	Notes	2022	2021
Salaries, wages, and other benefits		1,182,356,798	1,142,031,478
Selling and promotion		603,981,757	706,095,211
Professional fees		438,595,715	359,330,904
Repairs and maintenance		284,321,929	297,876,244
Depreciation	8	245,578,800	268,432,506
Communication, training, and travel		210,799,098	159,168,637
Provision for impairment of receivables	3	136,807,599	162,331,220
Retirement benefit expense	15	84,405,582	115,296,221
Taxes and licenses		66,129,770	85,547,029
Insurance and securities		23,003,614	25,470,064
Rental	24	17,006,464	16,064,306
Amortization of intangible assets	9	11,503,388	11,503,388
Others		112,701,429	142,497,103
		3,417,191,943	3,491,644,311

Note 21 - Other income, net

Following are other income, net for the years ended December 31:

	Notes	2022	2021
Gains on forward foreign exchange contracts	27.4	30,127,156	56,413,073
Gain on fair value adjustment of investment properties	10	12,195,778	105,025,607
Provision for impairment of other current assets	6	(4,792,871)	(5,258,129)
Miscellaneous expense, net		(21,570,022)	(25,526,759)
Gain on reversal of provisions	23	-	148,121,688
		15,960,041	278,775,480

Miscellaneous expense mainly pertains to bank charges, net of gain or loss on sale of miscellaneous assets.

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Note 22 - Finance costs

Following are the financing costs for the years ended December 31:

	Notes	2022	2021
Finance lease obligation	24	121,242,178	119,253,933
Borrowings	14	53,022,896	62,611,964
Trust receipts	13	43,477,909	50,147,083
		217,742,983	232,012,980

Note 23 - Provisions and contingencies

The movements in provisions as at and for the years ended December 31 are as follows:

	Probable losses	Employee benefits and commission	Total
Year ended December 31, 2021			
Beginning of year	148,121,688	232,614,377	380,736,065
Additions	-	218,346,624	218,346,624
Payments	-	(209,916,040)	(209,916,040)
Reversals (Note 21)	(148,121,688)	-	(148,121,688)
End of year	-	241,044,961	241,044,961
Year ended December 31, 2022			
Beginning of year	-	241,044,961	241,044,961
Additions	-	241,285,957	241,285,957
Payments	-	(244,190,644)	(244,190,644)
End of year	-	238,140,274	238,140,274

In 2021, as part of the management's review and assessment of its accounts, provision for probable losses relating to a dispute amounting to P148.1 million was reversed as these are no longer considered as valid obligation. A detailed breakdown of the provision for probable losses is not presented as it may seriously prejudice the position of the Group in this dispute.

Provision for employee benefits and commission pertains to incentives, bonuses and leave credits.

Critical accounting judgment: Provision for contingencies and probable losses

Provision related to contractual and legal obligations is based on management's assessment and judgment, in consultation with counsels and advisors, of the likelihood that the settlement of these provisions will be realized considering possible outcomes under various circumstances. While it is believed that the Group's judgments and assessments are reasonable, actual results could differ from those judgments and assessments. Accordingly, the recorded provision at the end of each reporting period and the amount and timing of recorded expense for any period could be materially affected by actual experience and changes in those judgments and assessments. A change in the estimated amount to be paid in settlement of these provisions would impact the Group's recorded expenses and current liabilities.

Note 24 - Leases and other significant agreements

The Group as a Lessor

TV5 has entered into various lease agreements covering office spaces with various establishments. The lease agreements are for various periods from 3 to 10 years, renewable under terms and conditions mutually agreed by the parties. Rent income related to these agreements for the year ended December 31, 2022 amounted to P17.3 million (2021 - P18.3 million) (Notes 10 and 18).

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The total estimated future minimum rental receivable on non-cancellable lease agreements at December 31 are as follows:

	2022	2021
Not later than 1 year	19,233,666	19,145,680
Later than 1 year but not more than 5 years	52,145,653	41,960,098
Later than 5 years	-	6,117,089
	71,379,319	67,222,867

As at December 31, 2022, security deposit of P3.6 million (2021 - P3.5 million) and advance rent of P3.1 million (2021 - P2.9 million) were agreed by the parties to secure its performance on other obligations under the contract of lease. Advance rent will be applied against rent dues on the last months of the lease while security deposit is refundable at the end of the lease term. These are presented under other non-current liabilities in the consolidated statements of financial position.

As at December 31, 2022, unearned revenue outstanding from the foregoing agreement amounted to P4.1 million (2021 - P4.2 million) of which P1.0 million (2021 - P1.4 million) is presented within accounts payable and other liabilities (Note 13) and P3.1 million (2021 - P2.9 million) is presented within other non-current liabilities in the consolidated statements of financial position.

The Group as a Lessee

The Group leases various office space and equipment for its operations.

Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for lease liabilities purposes.

DTH Transponder Service Agreement - New Skies Satellites B.V.

Cignal entered into an agreement with New Skies Satellites B.V. (SES) on July 30, 2008 for the use of the latter's transponder space for Cignal's DTH service. The term of the agreement commenced on September 1, 2008 until the end of life of the satellite. Security deposit related to this agreement amounted to $625,000 or P28.3 million.

In May 2013, Cignal entered into a Service Order (SO) agreement with SES, wherein SES shall provide Cignal with the space segment capacity of Satellite SES-7. The Company shall be permitted to brand the customer transponders as Cignal Sat1 during the service term for marketing purposes only. Customer transponders are the transponders made available by SES which meet Cignal's technical and commercial requirements. The agreement commenced effectively on January 1, 2013 until the end of life of the satellite. Additional security deposit was made to SES amounting to $417,000 or P18 million in accordance with the SO agreement.

In August 2015, Cignal entered into a Service Order (SO) agreement with SES wherein SES shall provide Cignal with the additional transponder space with free trial period from August 11, 2015 to April 10, 2016. The agreement commenced effectively on August 11, 2015 until the end of life of the satellite.

DTH Transponder Service Agreement - KTSAT Co. LTD

On December 20, 2017, Cignal entered into an agreement with KTSAT Co. LTD for the use of the latter's transponder space for Cignal's DTH service. The term of the agreement commenced on January 1, 2018 and will expire on June 30, 2033 with 6 months grace period for the monthly service fee starting January 1, 2018 until June 30, 2018. KTSAT shall provide Cignal with space segment capacity of KOREASAT-5A. Cignal shall be permitted to brand the customer transponders as Cignal Satellite during the service term for marketing purposes only.

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On October 19, 2020, in reference to the existing agreement, Cignal has decided to increase the satellite's segment service capacity from 36MHz to 54MHz with KTSAT effective January 1, 2021 to June 30, 2033.

VSAT Broadband Transponder Service Agreement - KTSAT Co. LTD

On November 27, 2019, Cignal entered into an agreement with KTSAT Co. LTD for the use of the latter's transponder space for Cignal's VSAT broadband via Satellite service. The term of the agreement commenced on July 1, 2020 and will expire on February 28, 2025 with a one-month grace period for the monthly service fee starting July 1, 2020 until July 31, 2020. KTSAT shall provide Cignal with space segment capacity of KOREASAT-7.

On April 13, 2022, Cignal renewed the agreement to provide 270 MHz satellite capacity to Cignal for another five years starting from March 1, 2022 until February 28, 2025.

DTT Transponder Service Agreement – APT Satellite Company Limited

On September 1, 2021, Cignal entered into an agreement with APT Satellite Company Limited for the use of the latter's transponder space for the Company's DTT business. The term of the agreement commenced on September 1, 2021 and will expire on August 31, 2026 with a one-month grace period for the monthly service fee starting September 1, 2021 until September 30, 2021. APT Satellite shall provide the Company with space segment capacity of Apstar 5C satellite.

On May 31, 2022, TV5 entered into an agreement with Cignal whereby Cignal assigned all its obligations, rights, title and interest in the service agreement with APT Satellite Company Limited for the use of the latter's transponder space for TV5's DTT business until August 31, 2026. APT Satellite shall provide TV5 with space sgment capacity of Apstar 5C satellite.

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Amounts recognized in the consolidated statements of financial position

Leased assets are presented within the line item property and equipment in the consolidated statements of financial position. Details of right-of-use assets are as follows:

	Broadcast and communication equipment	Office and leasehold improvements	Total
At January 1, 2021			
Cost	2,932,230,325	101,366,351	3,033,596,676
Accumulated amortization	(1,686,016,110)	(40,596,497)	(1,726,612,607)
Net carrying values	1,246,214,215	60,769,854	1,306,984,069
For the year ended December 31, 2021			
Opening carrying values	1,246,214,215	60,769,854	1,306,984,069
Additions	250,943,449	13,765,212	264,708,661
Disposal			
Cost	-	(5,310,746)	(5,310,746)
Accumulated depreciation	-	2,490,725	2,490,725
Amortization	(383,978,419)	(20,007,364)	(403,985,783)
Net carrying values	1,113,179,245	51,707,681	1,164,886,926
At December 31, 2021			
Cost	3,183,173,774	109,820,817	3,292,994,591
Accumulated amortization	(2,069,994,529)	(58,113,136)	(2,128,107,665)
Net carrying values	1,113,179,245	51,707,681	1,164,886,926
For the year ended December 31, 2022			
Opening carrying values	1,113,179,245	51,707,681	1,164,886,926
Additions	447,614,649	218,390,923	666,005,572
Disposal			
Cost	(57,069,133)	-	(57,069,133)
Accumulated depreciation	23,042,992	-	23,042,992
Amortization	(390,626,281)	(44,186,881)	(434,813,162)
Closing net carrying values	1,136,141,472	225,911,723	1,362,053,195
At December 31, 2022			
Cost	3,573,719,290	328,211,740	3,901,931,030
Accumulated amortization	(2,437,577,818)	(102,300,017)	(2,539,877,835)
Net carrying values	1,136,141,472	225,911,723	1,362,053,195

Movement in lease liabilities for the years ended December 31 follows:

	Notes	2022	2021
Beginning		1,740,769,111	1,875,227,725
Additions	25	666,005,572	264,708,661
Interest expense	22	121,242,178	119,253,933
Payments	25	(734,770,648)	(627,144,464)
Termination	25	(36,887,567)	(3,047,421)
Foreign currency adjustments	25	187,652,870	111,770,677
Total lease liabilities		1,944,011,516	1,740,769,111
Current portion of lease liabilities		622,353,538	396,060,820
Non-current portion of lease liabilities		1,321,657,978	1,344,708,291

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Amounts recognized in the consolidated statements of total comprehensive income

The consolidated statements of total comprehensive income show the following amounts relating to leases for the years ended December 31:

	Notes	2022	2021
Amortization expense			
Broadcast and communication equipment	8	390,626,281	383,978,419
Office and leasehold improvements	8	44,186,881	20,007,364
		434,813,162	403,985,783
Interest expense	22	121,242,178	119,253,933
Rental expense	19, 20	46,595,595	27,045,345
Gain on retirement		(2,861,425)	-
		599,789,510	550,285,061

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as rental expense in consolidated statements of total comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Discount rate

Payments for leases of various office space and equipment are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

Critical accounting estimate: Determination of incremental borrowing rate

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Where third party financing cannot be obtained, the Group uses the government bond yield, adjusted for the (1) credit spread specific to each Company and (2) security using the right-of-use asset.

Critical accounting judgment: Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

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Future minimum lease payments under lease liabilities and the net present value of the minimum lease payments as at December 31 follows:

	2022	2021
Not later than 1 year	711,928,507	489,332,627
Later than 1 year but not later than 5 years	1,093,520,392	1,153,834,071
Later than 5 years	354,728,648	343,523,986
	2,160,177,547	1,986,690,684
Future finance charges	(216,166,031)	(245,921,573)
Present value of minimum lease payments	1,944,011,516	1,740,769,111

The present value of lease liabilities at December 31 is as follows:

	2022	2021
Not later than 1 year	622,353,538	396,060,820
Later than 1 year and not later than 5 years	1,032,276,539	1,089,694,624
Later than 5 years	289,381,439	255,013,667
	1,944,011,516	1,740,769,111

Other significant agreement

Advertising commitment

TV5 entered into an advertising commitment with advertisers in consideration for the future airing and telecast of advertisements and commercials on TV5's network. The cost of telecast of the related advertisement is applied against and deducted from the placement amount (paid before broadcast) anytime within the contracted dates and only after the relevant advertisement is aired in full.

As at December 31, 2022, unearned revenue still outstanding from the foregoing agreement amounted to P129.1 million (2021 - P116 million) and presented as part of unearned revenue under accounts payable and other liabilities in the consolidated statements of financial position (Notes 13 and 18).

Note 25 - Notes to cash flow statements

The following sets out the amounts of the Group's financing accounts as at December 31:

	Notes	2022	2021
Paid-up capital	16	49,664,410,046	48,264,410,046
Borrowings, current	14,17	540,000,000	140,000,000
Borrowings, noncurrent	14,17	900,934,000	840,000,000
Lease liabilities, current	24	622,353,538	396,060,820
Lease liabilities, non-current	24	1,321,657,978	1,344,708,291
Interest	13	48,929,866	18,653,928
		53,098,285,428	51,003,833,085

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Movements in financing activities for the years ended December 31 consist of:

	Paid up capital	Borrowings, current	Borrowings, non-current	Lease liabilities, current	Lease liabilities, non-current	Interest	Cash dividends	Total
Balance as at January 1,2021	46,664,410,046	190,000,000	980,000,000	437,980,761	1,437,246,964	17,265,897	-	49,726,903,668
Cash Flows	1,600,000,000	(190,000,000)	-	(627,144,464)	-	(66,167,334)	(1,375,000)	715,313,202
Interest expense	-	-	-	-	119,253,933	112,759,047	-	232,012,980
Foreign exchange adjustments	-	-	-	-	111,770,677	-	-	111,770,677
Cash dividends declared	-	-	-	-	-	-	1,375,000	1,375,000
Additional capital lease	-	-	-	-	264,708,661	-	-	264,708,661
Termination of leased liabilities	-	-	-	-	(3,047,421)	-	-	(3,047,421)
Reclassification	-	140,000,000	(140,000,000)	585,224,523	(585,224,523)	(45,203,682)	-	(45,203,682)
Balance as at December 31, 2021	48,264,410,046	140,000,000	840,000,000	396,060,820	1,344,708,291	18,653,928	-	51,003,833,085
Cash Flows	1,400,000,000	460,000,000	-	(734,770,648)	-	(57,309,240)	-	1,067,920,112
Interest expense	-	-	-	-	121,242,178	96,500,805	-	217,742,983
Foreign exchange adjustments	-	-	934,000	-	187,652,870	-	-	188,586,870
Cash dividends declared	-	-	-	-	-	-	-	-
Additional capital lease	-	-	-	-	666,005,572	-	-	666,005,572
Termination of leased liabilities	-	-	-	-	(36,887,567)	-	-	(36,887,567)
Reclassification	-	(60,000,000)	60,000,000	961,063,366	(961,063,366)	(8,915,627)	-	(8,915,627)
Balance as at December 31, 2022	49,664,410,046	540,000,000	900,934,000	622,353,538	1,321,657,978	48,929,866	-	53,098,285,428

Other non-cash transactions related to investing activities for the years ended December 31 consist of:

	Notes	2022	2021
Additions to property and equipment under finance lease	8, 24	666,005,572	264,708,661
Additions to customer premises equipment - leased boxes	8	225,558,403	218,909,406
Net movement of accrued capital expenditures	13	122,395,202	(40,358,365)
		1,013,959,177	443,259,702

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Note 26 - Critical accounting estimates, assumptions and judgments

Estimates, assumptions, and judgments 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.

The Group believes the following represent a summary of the critical accounting estimates, assumptions and judgments and the related impact and associated risks in the financial statements.

26.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Provision for impairment of receivables (Note 3)
- Net realizable value of set-top boxes and related equipment (Note 4)
- Amortization of audio-visual program rights (Note 5)
- Deferred subscriber acquisition costs (Note 6)
- Useful lives of property and equipment (Note 8)
- Fair value of investment properties (Note 10)
- Principal assumptions for estimation of retirement benefit obligation (Note 15)
- Determining the incremental borrowing rate (Note 24)

26.2 Critical accounting judgments in applying the entity's accounting policies

- Consolidation of entities in which the Group holds less than 50% of economic interest (Note 1)
- Recoverability of audio-visual program rights (Note 5)
- Recoverability of input VAT and tax credits (Notes 6 and 11)
- Recoverability of investments in associates and joint ventures (Note 7)
- Recoverability of property and equipment (Note 8)
- Recoverability of franchises and frequencies (Note 9)
- Realizability of deferred income tax assets (Note 12)
- Provision for contingencies and probable loss (Note 23)
- Determination of lease term (Note 24)

Note 27 - Financial risk management

27.1 Financial risk factors

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance, and management of some degree of risks or combination of risks. The Group's aim is to achieve an appropriate balance between risks and returns and minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the President and Chief Financial Officer (CFO) under the direction of the Parent Company's BOD. The Group has policies for overall risk areas, such as credit risk, foreign exchange risk, interest rate risk, price risk and liquidity risk. These policies and procedures enable management to make strategic and informed decision with regard to the operations of the Group.

The most important types of risk that the Group manages are credit risk, market risk (which includes foreign currency risk and interest risk) and liquidity risk.

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27.2 Components of financial assets and liabilities

The Group's financial assets as at December 31 are as follows:

	Notes	2022	2021
Financial assets at amortized cost			
Cash and cash equivalents	2	1,987,685,797	2,363,431,945
Receivables, at gross	3	5,627,721,265	4,994,623,568
Security and refundable deposits, at gross	6,11	110,791,578	99,354,325
Investments	6,11	52,442,344	55,197,459
Sinking fund	14	223,523	223,023
		7,778,864,507	7,512,830,320
Financial asset at FVOCI			
Investments in mutual funds	6	59,948,514	68,736,163
		7,838,813,021	7,581,566,483

Sinking fund and security and refundable deposits are included under other current and non-current assets in the consolidated statements of financial position.

Other components of prepayments and other current and non-current assets (Notes 6 and 11) are considered as non-financial assets.

The Group's financial liabilities, categorized as financial liabilities at amortized cost, as at December 31 are as follows:

	Notes	2022	2021
Accounts payable and other liabilities	13	9,680,653,042	9,522,416,391
Lease liabilities	24	1,944,011,516	1,740,769,111
Borrowings	14	1,440,934,000	980,000,000
Obligation for audio-visual program rights	5	616,137,991	826,389,511
Security deposit	24	3,583,857	3,481,820
		13,685,320,406	13,073,056,833

Table above does not include unearned revenues and taxes and contributions payable which are considered as non-financial liabilities (Note 13).

27.3 Credit risk

Credit risk refers to the risk that a counterparty will cause a financial loss to the Group by failing to discharge an obligation. Significant changes in the economy that may represent a concentration in the Group's business, could result to losses that are different from those provided for at reporting date.

Credit risk arises from cash deposits with banks and financial institutions, as well as credit exposure on receivable from customers and other counterparties. The fair values of these financial assets approximate net carrying amounts due to their short-term maturities. For security deposit and long-term investments, fair values of these financial assets and liabilities approximate net carrying amount as the impact of discounting is not significant.

The Group has no significant concentration of credit risk. Credit exposure is spread over a large number of counterparties. The Group has a robust credit review process. A credit assessment is being made to check the creditworthiness of all counterparties prior to signing the contract. In addition, credit risk is minimized by monitoring receivables regularly.

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The Group has the following financial assets as at December 31 where the expected credit loss model has been applied:

Class of financial assets	At gross amounts	Allowance provided	Net carrying amount	Internal credit rating	Basis for recognition of expected credit loss (ECL)
December 31, 2022					
Cash in banks	1,507,622,373	-	1,507,622,373	Performing	12-month ECL
Temporary cash investments	461,387,795	-	461,387,795	Performing	12-month ECL
Receivables					
Trade receivables					
Subscription					
Residential	657,122,847	(503,761,280)	153,361,567	Collective assessment	Lifetime ECL
Corporate (Group 1)	150,514,380	-	150,514,380	Performing	Lifetime ECL
Airtime and others					
Group 1	3,596,952,181	-	3,596,952,181	Performing	Lifetime ECL
Group 2	131,242,528	-	131,242,528	Performing	Lifetime ECL
Group 3	882,034,719	(882,034,719)	-	Credit impaired	Full provision
	5,417,866,655	(1,385,795,999)	4,032,070,656		
Other receivables					
Group 1	36,913,431	-	36,913,431	Performing	12-month ECL
Group 2	135,333	-	135,333	Performing	12-month ECL
Group 3	66,000,702	(66,000,702)	-	Credit impaired	Full provision
	103,049,466	(66,000,702)	37,048,764		
Due from related parties (Group 1)	33,572,650	-	33,572,650	Performing	12-month ECL
Total receivables	5,554,488,771	(1,451,796,701)	4,102,692,070		
Security and refundable deposit					
Group 1	100,542,941	-	100,542,941	Performing	12-month ECL
Group 3	10,248,637	(10,248,637)	-	Credit impaired	Full provision
	110,791,578	(10,248,637)	100,542,941		
Advances to officers and employees	73,232,494	-	73,232,494	Performing	12-month ECL
Sinking fund	223,523	-	223,523	Performing	12-month ECL
Investments at amortized cost	52,442,344	-	52,442,344	Performing	12-month ECL
Investments at FVOCI	59,948,514		59,948,514	Performing	12-month ECL
Total	7,820,137,392	(1,462,045,338)	6,358,092,054		

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Class of financial assets	At gross amounts	Allowance provided	Net carrying amount	Internal credit rating	Basis for recognition of expected credit loss (ECL)
December 31, 2021					
Cash in banks	1,413,316,334	-	1,413,316,334	Performing	12-month ECL
Temporary cash investments	943,858,071	-	943,858,071	Performing	12-month ECL
Receivables					
Trade receivables					
Subscription					
Residential	655,872,722	(428,911,763)	226,960,959	Collective assessment	Lifetime ECL
Corporate (Group 1)	25,328,416	-	25,328,416	Performing	Lifetime ECL
Airtime and others					
Group 1	3,115,373,570	-	3,115,373,570	Performing	Lifetime ECL
Group 2	165,984,937	-	165,984,937	Performing	Lifetime ECL
Group 3	830,683,636	(830,683,636)	-	Credit impaired	Full provision
	4,793,243,281	(1,259,595,399)	3,533,647,882		
Other receivables					
Group 1	33,902,895	-	33,902,895	Performing	12-month ECL
Group 2	520,302	-	520,302	Performing	12-month ECL
Group 3	64,834,998	(64,834,998)	-	Credit impaired	Full provision
	99,258,195	(64,834,998)	34,423,197		
Due from related parties (Group 1)	41,314,456	-	41,314,456	Performing	12-month ECL
Total receivables	4,933,815,932	(1,324,430,397)	3,609,385,535		
Security and refundable deposit					
Group 1	89,105,688	-	89,105,688	Performing	12-month ECL
Group 3	10,248,637	(10,248,637)	-	Credit impaired	Full provision
	99,354,325	(10,248,637)	89,105,688		
Advances to officers and employees	60,807,636	-	60,807,636	Performing	12-month ECL
Sinking fund	223,023	-	223,023	Performing	12-month ECL
Investments at amortized cost	55,197,459	-	55,197,459	Performing	12-month ECL
Investments at FVOCI	68,736,163	-	68,736,163	Performing	12-month ECL
Total	7,575,308,943	(1,334,679,034)	6,240,629,909		

Credit quality of customers are classified as follows:

- Group 1 - Customer and counterparty balances without history of default and assessed to be fully recoverable.
- Group 2 - Customer and counterparty balances with some defaults in the past. Amounts are largely collectible after collection efforts.
- Group 3 - Individually assessed customer with defaults and which the Company no longer expects to recover the balance despite its collection efforts.

Cash in banks and temporary cash investments

To minimize credit risk exposure from cash in banks and temporary cash investments, the Group maintains cash deposits in reputable banks. The Group assesses that cash in banks and temporary cash investments are subject to insignificant expected credit loss considering the bank's external credit ratings.

Cash on hand as at December 31, 2022 amounting to P18.7 million (2021 - P6.26 million) are not exposed to credit risk (Note 2).

Trade and other receivables

<u>Residential subscription receivables</u>

To measure the ECL, residential subscription receivables have been grouped based on shared credit risk characteristics and the days past due.

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The expected loss rates are based on the payment profiles of subscription over a period of 6 months before December 31, 2022 and 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at December 31 was determined as follows for residential subscription receivables:

		Past due but not impaired				
	Current	1-30 days	31-60 days	61-90 days	Over 90 days	Total
2022						
Gross carrying amount	92,210,949	51,093,492	17,469,595	3,244,011	493,104,800	657,122,847
Expected loss rates	3.00%	5.47%	19.06%	54.43%	100.00%	
Loss allowance	2,766,328	2,794,718	3,329,675	1,765,759	493,104,800	503,761,280
2021						
Gross carrying amount	146,856,788	59,208,884	25,146,956	12,148,136	412,511,958	655,872,722
Expected loss rates	5.00%	5.18%	15.03%	18.19%	100%	
Loss allowance	7,342,839	3,069,207	3,778,495	2,209,264	412,511,958	428,911,763

Corporate subscription receivables, airtime, and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The credit quality of corporate subscription receivables, airtime, and other receivables are further classified and assessed by reference to historical information about each of the counterparty's historical default rates.

The Group's performing trade receivables from corporate subscription, airtime, and other receivables are exposed to low credit risk. Expected credit losses on these balances have therefore been assessed to be insignificant.

Due from related parties

The Group has outstanding receivables from related parties, mainly arising from the use of certain fixed assets and Ultra-High Frequency (UHF) of the Group, advertising expenses, production costs and payment of certain operating expenses made on behalf of the related parties.

Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, including but not limited to, availability of accessible highly liquid asset and internal and external funding of related parties, the Group has assessed that the outstanding balances are exposed to low credit risk. Expected credit losses on these balances have therefore been assessed to be insignificant.

Security and refundable deposits

The Group's performing security and refundable deposits consist primarily of amounts related to the Group's content and various lease agreements. These are fully collectible at the end of the agreements and are subject to insignificant expected credit loss.

The Group's credit-impaired security and refundable deposits consist of individual counterparties who have been in default and which the Group no longer expects to recover the balance despite its collection efforts. These have been fully provided with an allowance for impairment.

Other debt investments

Other debt investments consist of investments in debt securities with reputable banks. The Group assesses that short-term investments have low credit risk considering the bank's external credit ratings and therefore subject to insignificant expected credit loss.

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27.4 Market risk

Foreign currency risk

The Group's primary exposure to risk in changes in foreign currency relates to transactional currency exposures relating significantly to cash and cash equivalents, obligations for audio-visual program rights and accounts payable and other liabilities arising from acquisition of property and equipment and set top boxes and related equipment. Such exposure arises when the transaction is denominated in currencies other than the functional currency of the Group. The Group revalues its foreign-currency denominated monetary assets and liabilities using the closing rates at reporting date. The revaluation of foreign-currency denominated monetary assets and liabilities is recognized as foreign exchange gains and losses as at reporting date.

To manage the Group's foreign exchange risks and to stabilize Group's cash flows in order to improve investment and cash flow planning, the Group enters into forward foreign exchange contracts aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on the Group's operating results and cash flows. The Group uses forward foreign exchange purchase contracts to manage the foreign currency risks associated with the Group's U.S. dollar-linked and U.S. dollar denominated expenses and liabilities. The Group accounted for these instruments as transactions not designated as hedges, wherein changes in the fair value are recognized directly to profit or loss.

The table below sets out the information about the Group's outstanding forward foreign exchange contracts as at December 31:

	2022		2021	
	Notional	Mark-to-market loss	Notional	Mark-to-market gain
Deliverable forward purchase contracts	US$6,859,735	(P15,927,263)	US$6,353,399	P3,950,888
Non-deliverable forward purchase contracts	19,210,000	(46,305,063)	13,500,000	8,177,969
	US$26,069,735	(P62,232,326)	US$19,853,399	P12,128,857

On various dates in 2022 and 2021, the Group entered into short-term U.S. dollar deliverable forward foreign exchange purchase contracts with various financial institutions to hedge a portion of monthly dollar denominated expenses. The total outstanding forward foreign exchange purchase contracts at December 31, 2022 amounted to US$6.9 million (2021 - US$6.4 million) with U.S. dollar deliverable forward purchase average exchange rate of P58.2 million (2021 - P50.4 million) resulting in total mark-to-market loss of P16 million as at December 31, 2022 (2021 - gain of P4 million).

On various dates in 2022 and 2021, the Group entered into short-term U.S. dollar non-deliverable forward foreign exchange purchase contracts with certain financial institution to hedge a portion of outstanding dollar denominated liabilities. The total outstanding forward foreign exchange purchase contracts at December 31, 2022 amounted to US$19.2 million (2021 - US$13.5 million) with U.S. dollar forward purchase average exchange rate of P58.2 million (2021 - P50.40 million) resulting in total mark-to-market loss of P46.3 million as at December 31, 2022 (2021 - gain of P8.2 million).

Total gain from forward foreign exchange contracts recognized in the Group's consolidated statement of total comprehensive income for the year ended December 31, 2022 amounted to P30.1 million (2021 - P56.4 million).

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Following are the details of the Group's foreign currency denominated monetary assets and liabilities at December 31:

	2022	2021
Assets		
Cash and cash equivalents	US$ $8,038,137	US$ 7,848,880
Refundable deposits	1,369,284	1,383,984
Receivables	808,318	870,860
Liabilities		
Accounts payable and accrued expenses	(26,311,934)	(75,745,668)
Notes payable	(3,600,000)	-
Obligation for audio-visual program rights	(44,668)	(791,335)
Lease liabilities	(30,352,920)	(27,702,920)
Net foreign currency liabilities	US$ (50,093,783)	US$ (94,136,199)
Closing rate at Philippine Peso	55.815	50.974
Peso equivalent	(2,795,984,498)	(4,798,498,608)

Foreign exchange loss, net for the years ended December 31 consist of:

	2022	2021
Realized foreign exchange loss, net	59,381,038	13,708,269
Unrealized foreign exchange loss, net	92,075,045	200,084,504
	151,456,083	213,792,773

Management conducted a survey among the Group's banks to determine the outlook of the Philippine peso-U.S. dollar exchange rate until the next reporting period. The Group's outlook is that the Philippine peso-U.S. dollar exchange rate may weaken/strengthen by 0.56% as at December 31, 2022 as compared to the exchange rate of P55.815 to $1.00 (2021 - 2.01% as compared to the exchange rate of P50.974 to $1.00). If the Philippine peso-U.S. dollar exchange rate had weakened/strengthened by 0.56% as at December 31, 2022 (2021 - 2.01%), with all other variables held constant, net loss for the year ended December 31, 2022 and deficit as at December 31, 2021 would have been approximately P15.7 million (2021 – P96.4 million) lower/higher, mainly as a result of foreign exchange losses and gains on conversion of U.S. dollar-denominated net liabilities. The amounts exclude the impact of gain/loss on outstanding foreign currency forward contracts.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of financial assets and liabilities will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the value of financial assets and liabilities will fluctuate because of changes in market interest rate.

Cash flow interest rate risk

The Company's exposure to cash flow interest rate risk relates to long-term borrowings which are subject to interest rates that are repriced at periodic intervals in accordance with the terms of the agreements. The Company's practice is to manage its interest cost by reference to current market rates in borrowings.

Management conducted a survey among its banks to determine the outlook of Philippine Peso interest rate until December 31, 2022. The Group's outlook is that the Philippine Peso interest rate may move 35 basis points as compared to the levels as at December 31, 2022. If the Philippine Peso interest rate had been 35 basis points lower/higher as at December 31, 2022 with all other variables held constant, net loss for the year ended December 31, 2022 would have been P4.3 million lower/higher mainly as a result of the lower/higher net interest expense on borrowings.

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Fair value interest rate risk

The Group has no significant financial assets and liabilities that are exposed to fair value interest rate risk since long-term borrowings is measured at amortized cost and issued at fixed rates which approximate market interest rates. The details of the Group's borrowings are shown in Note 14.

27.5 Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash to meet the Group's operational commitment. Given that the Group is currently on investing and expansion stage in their key business operations, cash from operations are currently negative. The Group obtains funding from its ultimate parent, including other external sources such as banks, as necessary, to finance its operation, working capital requirements and meet their obligations as and when they are due.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity dates.

	Within 1 year	Over 1 year	Total
At December 31, 2022			
Accounts payable and other liabilities	9,680,653,042	-	9,680,653,042
Borrowings	540,000,000	900,934,000	1,440,934,000
Obligation for audio-visual program rights	246,137,991	370,000,000	616,137,991
Lease liabilities, gross	711,928,507	1,448,249,040	2,160,177,547
Security deposit	-	3,583,857	3,583,857
	11,178,719,540	2,722,766,897	13,901,486,437
At December 31, 2021			
Accounts payable and other liabilities	9,522,416,391	-	9,522,416,391
Borrowings	140,000,000	840,000,000	980,000,000
Obligation for audio-visual program rights	308,389,511	518,000,000	826,389,511
Lease liabilities, gross	489,332,627	1,497,358,057	1,986,690,684
Security deposit	-	3,481,820	3,481,820
	10,460,138,529	2,858,839,877	13,318,978,406

Lease liabilities for December 31, 2022 include future finance charges of P216.2 million (2021 - P245.9 million).

The Group expects to settle the above financial obligations in accordance with their contractual maturity date.

The Group is in a negative working capital position as at December 31, 2022 and 2021. To address this and improve its operating results, the Group's Free-TV business continues to adjust its programming line-up to improve its operating and financial results. As such, the Group has implemented changes in its business strategies to enhance differentiated values against the competition, deliver a more focused but wider target audience, maximize revenues, and manage production and operating costs. The Group intends to further build up on the gains it has achieved in sports, improve the credibility and viewership of news and develop new entertainment programs that can attract new audience currently not loyal to the incumbent broadcast television players while remaining cost efficient. In addition, the Group has embarked on a 360° strategy which is anchored on making the Group's Free-TV programs available on multiple screens beyond free-to-air broadcast television.

In line with the strategy, the Group's Free TV business is enhancing its digital or online presence in order to grow the digital audience and expand its revenue base to capture the increasing advertising spend on the digital platform.

The effective implementation of the foregoing is expected to address the negative working capital position and to deliver favorable results on the Group's business operations and financial performance.

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The Group expects that Pay-TV business will continue to expand both the Pay-TV's subscriber base and its market opportunities. The Group expects to continue its subscriber growth by (i) accelerating digital transformation to build real, long-term competitive advantage; (ii) owning individual and international expansion to drive subscriber growth; (iii) ensuring product and content relevance to be able to adapt to changes in media consumption.

Further, the Group endeavors to monitor and control costs by driving operational efficiencies, continuing discussions with content providers for mutually beneficial arrangements, optimizing satellite distribution.

These business initiatives are expected to generate funds from internal operations to reverse the Group's negative working capital positions and improve its financial capability in the ensuing years.

Moreover, Beneficial Trust Fund of PLDT (BTF), MediaQuest's Ultimate Parent Company, continues to provide financial support to the Group to enable it to meet its financial obligations when they fall due and carry out its business operations, going forward.

27.6 Fair value estimation

At December 31, 2022 and 2021, the Group's assets measured at fair value is limited to its investment properties. Investment properties, which consist of land, building and improvements, and equipment are stated at fair values, which have been determined based on appraisal performed by an independent firm of appraisers. The methods and assumptions applied in determining the fair values of these properties are disclosed in Note 10.

The fair value of forward exchange contracts is determined using quoted forward currency rates at balance sheet date. This investment is classified as Level 2. The different levels in the fair value hierarchy have been defined in Note 28.4. There were no transfers between Levels 1, 2 and 3 during the year.

The Group does not have other assets and liabilities that are measured at fair value on a recurring and non-recurring basis. The carrying amount of financial instruments classified as current assets or liabilities approximates their fair values due to short-term maturity. The carrying amount of non-current obligation for audio-visual program rights reasonably approximate its fair value as the impact of discounting is not significant. Furthermore, the carrying amount of interest-bearing long-term financial liabilities approximates their fair values.

27.7 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for existing and potential shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure, which is the total equity excluding reserve for remeasurements of retirement benefits and other equity charges as shown in the consolidated statements of financial position, and makes adjustments, in light of changes in economic conditions.

The Group is not subject to externally imposed minimum capitalization.

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Note 28 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

28.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations of the Standing Interpretations Committee (SIC), International Financial Reporting Interpretations Committee (IFRIC) and Philippine Interpretations Committee (PIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC. The Parent Company files its separate financial statements with the Philippine SEC.

These consolidated financial statements have been prepared under the historical cost convention, except for the following:

- Financial assets at fair value through other comprehensive income (FVOCI)
- Fair valuation of investment properties
- Fair value of plan assets
- Derivative financial liabilities.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are summarized in Note 26.

Changes in accounting policies and disclosures

There are no new standards, amendments and interpretations which are effective for annual periods beginning on or after January 1, 2022 that are relevant to and have a material impact on the Group's financial statements.

28.2 Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

(a) those to be measured at FVOCI, or
(b) those to be measured at fair value through profit or loss (FVTPL), or
(c) those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

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The Group did not hold financial assets under category (b) during and as at December 31, 2022 and 2021.

The Group's financial assets are detailed in Note 27.2.

As at December 31, 2022 and 2021, investments in mutual funds are designated as financial assets at FVOCI. Details of the Company's financial assets at FVOCI are disclosed in Note 6 and 11.

Recognition and subsequent measurement

The Group recognizes a financial asset in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of financial assets are recognized on trade date - the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as follows:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Financial assets at FVOCI: Financial assets at fair value through other comprehensive income (FVOCI) comprise of short-term investments in mutual funds which are not held for trading, and which the Company has irrevocably elected at initial recognition to recognize in this category. These are strategic investments, and the Group considers this classification to be more relevant. The Group subsequently measures these investments at fair value using the latest available quoted market price of the instrument. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. On disposal of this investments, any related balance within the FVOCI reserve is reclassified to retained earnings. The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Loss allowances of the Group are measured on either of the following bases:

- 12-month expected credit losses (ECLs): these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset

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Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables arising from contract with third parties and related parties. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

The Group considers a financial asset to be in default when:

- the counterparty is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 180 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the counterparty;
- a breach of contract such as a default; or
- it is probable that the counterparty will enter bankruptcy or other financial reorganization.

<u>Write-off</u>

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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<u>Derecognition</u>

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognized directly in the consolidated statements of total comprehensive income and presented in other income (expense), net.

Financial assets at FVOCI

In the case of investments classified as financial assets carried at FVOCI, a significant or prolonged decline in the fair value below its cost is also evidence that the assets are impaired.

When a decline in the fair value of a financial assets carried at FVOCI has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income is removed directly from equity with no option to recycle to profit or loss.

Impairment losses recognized in profit or loss for an investment on equity instrument classified as financial assets at fair value through other comprehensive income are not reversed through profit or loss.

28.3 Financial liabilities

Classification and presentation

The Group classifies its financial liabilities in the following categories: (i) financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and (ii) financial liabilities at amortized cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

The Group holds derivative financial liabilities that are measured at fair value through profit or loss (Note 27.4). The Group's financial liabilities at amortized cost are those that are not classified as at fair value through profit or loss. These are included in current liabilities, except for maturities greater than 12 months after the reporting date which are classified as non-current liabilities.

The Group's financial liabilities at amortized cost consist mainly of accounts payables and other liabilities (excluding unearned revenues and taxes and contributions payable) (Note 13), obligation for audio-visual program rights (Note 5), borrowings (Note 14), due to related parties (Note 17), and security deposit and other non-current liabilities.

Initial recognition and subsequent measurement

The Group recognizes a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provision of the instrument.

The Group's financial liabilities are initially measured at fair value plus transaction cost. Derivative financial instruments are subsequently remeasured at their fair value at each reporting date, while financial liabilities at category (b) are measured at amortized cost using the effective interest method. Interest expense on financial liabilities is recognized within finance cost, at gross amount, in profit or loss.

Derecognition

Financial liabilities are derecognized when extinguished, that is, when the obligation specified in a contract is discharged or cancelled or when the obligation expires.

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28.4 Fair value measurement

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

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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The Group's investment properties (Note 10) and forward exchange contracts (Note 27) are carried at fair value categorized as Level 2 of the fair value hierarchy.

The Group has no other financial assets and liabilities carried at fair value.

The carrying amount of financial assets and financial liabilities (Note 27.2) approximates their fair value as the impact of discounting is not considered significant considering that the significant financial assets and liabilities generally have short term maturities. Further, short- and long-term borrowings carry interest rates which approximate market interest rates.

28.5 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

28.6 Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2022 and 2021. The subsidiaries' financial statements are prepared as at the same reporting year as the Parent Company. The Group uses uniform accounting policies. Details of principal subsidiaries are shown in Note 1.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company do not differ from the proportion of ordinary shares held.

(a) Subsidiaries

Subsidiaries are all entities over which the Parent Company has control. The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. They are deconsolidated from the date that control ceases.

Inter-Group transactions, balances and income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-group transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Parent Company.

The Parent Company applies the acquisition method to account for business combinations for acquired entities that are not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Parent Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is deemed to be an equity instrument is not re-measured, and its subsequent settlement is not accounted for within equity.

Business combinations under common control are accounted for using the predecessor cost method. Under this method, the Group does not restate the acquired businesses or assets and liabilities to their fair values. The net assets of the combining entities or businesses are combined using the carrying amounts of assets and liabilities of the acquired entity. No amount is recognized in consideration for goodwill or the excess of acquirer's interest in the net fair value of acquired identifiable assets, liabilities, and contingent liabilities over their cost at the time of the common control combination. The financial statements incorporated the net assets and results of operations of the combining entities or businesses as if they had always been combined or from the date when combining entities or business first became under common control, whichever period is shorter.

The difference between the consideration given and the aggregate book value of the assets and liabilities acquired as of the date of the transaction are included in "other equity charges" account within equity.

Disposal of subsidiaries

When the Parent Company ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the Group surrenders control to a related party within the group it ultimately belongs, the difference between the consideration received and the fair value of the subsidiary at divestment date, is recognized as other charges to equity.

Transactions with non-controlling interests

Interests in the equity of subsidiaries not attributable to the Group are reported in the consolidated statement of financial position as non-controlling interests. Profits or losses attributable to noncontrolling interests are reported in the consolidated statement of total comprehensive income.

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. For disposals to non-controlling interests, gains or losses on such disposals are also recorded in equity.

(b) Associates

Associates are all entities over which the Parent Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

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Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. It is also decreased by dividends received from the investee. The Parent Company's investment in associates includes goodwill identified on acquisition. Any excess of the Parent Company's share of the net fair value of the associates' identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Parent Company's share of the associate's profit or loss in the period in which the investment is acquired.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

The Parent Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Dilution gains and losses arising from investments in associates are recognized in profit or loss. Unrealized gains on transactions between the Parent Company and its associates are eliminated to the extent of the Parent Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Parent Company.

(c) Joint venture

Joint ventures are accounted for using equity method of accounting.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint venture are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognized as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the group and its joint venture are eliminated to the extent of the group's interest in the entity. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(d) Deposit for future stock subscription

Deposit for future stock subscription represents fund paid by the Parent Company with the intention to apply the same as payment for additional issuance of common share to increase its interest in the investee company.

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Impairment of investment in subsidiaries, joint ventures, and associates

The Group determines at each reporting date whether there is any objective evidence that the investment in the subsidiaries, joint ventures or associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the subsidiary, joint ventures, or associate and its carrying value and recognizes the amount adjacent to net income of the subsidiary, joint ventures or associate in profit or loss.

28.7 Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and earns interest at the prevailing bank deposit rates. Cash and cash equivalents are recognized at face value or nominal amount.

28.8 Receivables

Trade receivables arising from regular sales with an average credit term of 30-90 days are initially recognized at fair value (which is normally equivalent to invoice amount) and subsequently measured at invoice amount (as the effect of discounting is immaterial), less any provision for impairment. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Other receivables are initially recognized at fair value (which is normally equivalent to invoice amount) and subsequently measured at invoice amount (as the effect of discounting is immaterial), less any provision for impairment.

The relevant policies on classification, recognition, measurement, impairment and derecognition of financial assets are further disclosed in Note 28.2.

28.9 Prepaid expenses and other assets

Prepaid expenses are recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services and measured at nominal amounts. These are derecognized in the consolidated statement of financial position upon delivery of goods or services, through amortization over a period of time, and use or consumption.

Advances to suppliers represent advance payments to suppliers relating to importation of goods purchased and payments to contractors for acquisition of capital equipment that require certain percentage of down payments. These are recognized at fair value, which approximate the suppliers' invoice amounts, and subsequently capitalized as inventories or property and equipment when the related goods or equipment have been received.

Deferred production costs represent costs paid in advance prior to the airing of the programs or episodes. These costs include talent fees of artists and production staff and other costs directly attributable to production of programs. These are charged to expense under "production costs" account in the consolidated statements of total comprehensive income upon airing of the related program or episodes. Costs related to previously taped episodes determined not to be aired are charged to profit and loss.

Prepaid taxes consist substantially of creditable withholding taxes which are recognized as assets to the extent that it is probable that the benefit will flow to the Group. These are derecognized when there is a legally enforceable right to apply the recognized amounts against related liability with the period prescribed by the relevant tax laws.

Short-term investments are in the form of investments to mutual funds that are being used to purchase equity instruments and time deposits and other cash placements with original maturities of more than three months but less than one year. Refer to Note 28.2 for the detailed policy on short-term investment's classification, recognition, measurement, derecognition, and impairment.

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Other assets in the form of Input VAT represent taxes imposed on the Group for the acquisition of goods and services. These are stated at face value less any provision for impairment and are utilized when there is a legally enforceable right to offset the recognized amounts against output VAT obligations and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Input VAT are included in current assets, except when utilization and claims against output VAT are expected to be more than twelve (12) months after the reporting date, in which these are classified as non-current assets. Input VAT is derecognized when offset against output tax due, actually collected through refund or disallowed by tax authority.

Prepaid expenses and other assets are included in current assets, except when the related goods or services are expected to be received or rendered more than 12 months after the reporting period, in which case, these are classified as non-current assets.

28.10 Set-top boxes and related equipment; Subscriber acquisition cost (SAC)

Set-top boxes and related equipment primarily consist of high and standard definition set-top boxes, smart cards, satellite dishes and related accessories necessary for subscribers to access the DTH satellite television services of Cignal, which are yet to be issued and installed to Group's future subscribers as at the reporting date. These are carried in the consolidated statement of financial position at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average method. The cost of inventories does not include borrowing costs. Cost of set-top boxes and related equipment includes the purchase price, import duties and taxes, freight, handling and other costs directly attributable to the acquisition of such assets. Whenever the cost of set-top boxes and related equipment is deemed unrecoverable due to damage, defects and obsolescence, an allowance for impairment is recognized to write-down the cost to NRV. NRV is the current replacement cost or cost less any impairment losses.

Set-top boxes and related equipment issued and installed to postpaid subscribers are reclassified to customer premises equipment - leased boxes under property and equipment upon activation of the postpaid subscription.

Set-top boxes and related equipment issued to territory partners are reclassified to deferred set-top boxes and are subsequently charged to direct cost as hardware costs to profit and loss upon issuance to prepaid subscribers and activation of prepaid subscription.

Refer to relevant accounting policy for SACs in Note 28.21.

28.11 Audio-visual program rights

Audio-visual program rights

Audio-visual program rights available for broadcast, are considered as intangible asset, and are initially recognized at cost. Subsequently, these are carried at cost less accumulated amortization and any accumulated impairment losses. These are classified as current assets, except those which are expected to be fully aired or its contract license period extended beyond twelve months from the reporting date which are presented as non-current assets.

Audio-visual program rights are amortized on a straight-line basis based on program usage (i.e. number of episodes) or contract license period, whichever is shorter, and assessed for impairment whenever events or changes in circumstances indicate that the asset may be impaired.

The amortization period and method are reviewed at each reporting period. Changes in the expected amortization period or the expected pattern of consumption of future economic benefits embodied in the audio-visual program rights are accounted for by changing the amortization period or method, as appropriate, and treated prospectively as changes in accounting estimates. The amortization expense is recognized in the statements of total comprehensive income as part of production costs.

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Audio-visual programs rights are derecognized upon usage, full airing, contract license expiry or when no future economic benefits are expected from its use or disposal.

Obligations for audio-visual program rights

Obligations for audio-visual program rights are recognized in the period in which the related audio-visual program rights are delivered to the Group. These financial liabilities are recognized at fair value and subsequently measured at amortized cost using effective interest method. These are classified as current liabilities, except those which are expected to be settled beyond twelve months from the reporting date which are presented as non-current liabilities.

Obligations for audio-visual program rights are derecognized when the obligation under the liability is discharged, cancelled, or has expired.

28.12 Property and equipment

Property and equipment is recognized at cost during initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the items including the cost of bringing the asset to its working condition and location for its intended use. Following initial recognition at cost, all property and equipment are recorded at cost less accumulated depreciation, amortization and impairment, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Valuations are performed with sufficient regularity, at least once every three years or when there are changes in the use of property and equipment identified to determine if the fair value of items of property and equipment do not differ significantly from its carrying value. Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. All other repairs and maintenance are expensed in profit or loss during the period in which they are incurred.

Construction in progress represents fixed assets under construction or undergoing commissioning or major renovation. Construction in progress is not depreciated until such time that the relevant assets are completed, qualified and declared ready for operational use.

Depreciation of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	In years
Broadcast, television, radio, and auxiliary equipment	10-15
Building and improvements	25-50
Office furniture, fixtures, and transportation equipment	5-10
Other equipment	15
Leasehold improvements	10

Leasehold improvements and assets held under finance lease under broadcast, television, radio, and auxiliary equipment are depreciated over the shorter of the term of the leasehold rights and the life of the improvements or equipment.

Fully depreciated assets are retained in the property and equipment accounts until these are retired. The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at each reporting date.

Land is not depreciated but assessed for impairment whenever events or changes in circumstances indicate that the asset maybe impaired.

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The Group assesses on a regular basis their plan on the property and equipment, changes on the intent of management will cause certain property and equipment to be reclassified to other account.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its disposal, at which time, the cost and their related accumulated depreciation are removed from the accounts. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 28.16).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within other operating income - net, in profit or loss.

28.13 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group are classified as investment property. Properties which comprise a portion that is held to earn rentals or for capital appreciation and a small portion that is held for administrative purposes (i.e., owner-occupied) and cannot be sold or leased out separately are classified as investment properties if only an insignificant portion is owner-occupied.

Investment properties comprise land, building and improvements, and equipment leased out under operating lease agreements or capital appreciation.

Recognition of investment property takes place only when it is probable that the future economic benefits that are associated with the property will flow to the Group and the cost can be measured reliably.

Investment property is measured initially at cost, including transaction costs. Cost is the fair value of the consideration given to acquire the property which includes transaction costs such as legal fees and taxes directly attributable to the purchase of the property. The cost of self-constructed investment properties includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the other costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying investment properties are capitalized as part of the cost of those assets during the construction period.

Subsequent expenditures incurred after the assets have been put into operation are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are recognized in the statements of total comprehensive income during the period in which they are incurred.

Property that is being constructed or developed for future use as investment property is classified as investment property under construction in progress. Construction in progress is stated at cost, which includes all directly attributable costs required to bring the property to its intended working condition. Upon completion, these properties are reclassified to an appropriate investment property account.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Valuations are performed with sufficient regularity, at least annually, to determine the fair value of items of investment properties. Gains or losses arising from changes in the fair values of investment properties are recognized in profit or loss in the period in which they arise.

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Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, we account for such property in accordance with the policy stated under property and equipment up to the date of change in use. The difference between the carrying amount of the owner-occupied property and its fair value at the date of change is accounted for as revaluation increment recognized in other comprehensive income. On subsequent disposal of the investment property, the revaluation increment recognized in other comprehensive income is transferred to retained earnings.

Investment properties are derecognized when they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

28.14 Intangible assets

Intangible assets acquired separately are carried at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Audio visual program rights

Refer to relevant accounting policy in Note 28.11.

Franchises and frequencies

Intangible assets with finite lives such as franchises and frequencies are amortized on a straight-line basis over the remaining useful economic life at the date of acquisition or business combination. Franchises and frequencies are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at the end of each reporting date.

The estimated remaining useful lives at the date of acquisition or business combination of the following intangible assets are as follows:

Franchises	10-16 years
Frequencies	10 years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization of intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

28.15 Tax credits

Tax credits represent the aggregate airtime credits from government sales availed of under Presidential Decree (PD) No. 1362 and are recognized in the books upon airing and/or execution of broadcast contract pending the receipt of the certificate from the concerned government agency. These are derecognized upon usage to cover payment of duties and taxes of imported capital equipment. Tax credits are included in non-current assets, except for tax credits expected to be utilized within 12 months after reporting date which are classified as current assets.

Tax credits are carried at cost less provision for impairment.

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28.16 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are assessed annually for impairment. Assets that have definite useful life, such as property and equipment, audio-visual program rights, and franchise and frequencies, are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is computed either as the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment using the value in use calculations, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses, if any, are recognized in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Except for goodwill, a reversal of an impairment loss is recognized immediately in other non-operating income in profit or loss.

28.17 Accounts payable and other liabilities

Accounts payable and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established or when the corresponding assets or expenses are recognized. These are recognized initially at fair value and subsequently measured at amortized cost using effective interest method. These are derecognized when the obligation is discharged, cancelled, or has expired.

Unearned revenue represents amounts received from customers which the revenue recognition criteria have yet to be satisfied. The revenues are recognized as the services are provided.

Accounts payables and other liabilities (excluding unearned revenues, taxes and payable to government agencies) are recognized, measured, and derecognized using the same accounting policies applied to financial liabilities as discussed in Note 28.3.

28.18 Borrowings and borrowing costs

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowings are derecognized when the obligation is settled, paid, or discharged.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset, if any, are capitalized during the period of time that is required to complete and prepare the asset for its intended use. No borrowing costs were capitalized for the years 2022 and 2021 as there were no qualifying assets.

Other borrowing costs are recognized and charged to operations in the year in which these are incurred.

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28.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed and derecognized from the statements of financial position. Provisions are derecognized when the related legal or constructive obligation is discharged, cancelled, or has expired.

28.20 Share capital and additional paid-in capital

The Parent Company's share capital consists of common and preferred shares carried at par value.

Incremental costs directly attributable to issue of new shares are shown in equity as a deduction from the proceeds, net of tax.

When the Parent Company receives consideration or additional investment in the form of cash or other assets, from one or more shareholders without a contractual obligation to repay it or to deliver equivalent number of shares, it is credited to additional paid-in capital account.

Deficit

Deficit pertains to the accumulated profits and losses from operations of the Group.

28.21 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a product or service to a customer

The following is a description of principal activities from which the Group generates its revenue.

<u>Subscription service</u>

The Group recognizes revenue primarily from the rendering of DTH satellite television service. Such revenues consist of service fees from postpaid and prepaid subscriptions.

The total contract price for postpaid subscription arrangements consists of the upfront fee paid by the postpaid subscriber to activate the DTH service, fixed monthly subscription fee, and other service fee arrangements. Postpaid subscription is recognized as revenue based on the actual service provided at the end of the reporting period as a proportion of the total services to be provided as the customer receives and consumes the benefits simultaneously. This is determined based on elapsed time over the duration of the contract.

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Contract assets and liabilities

Postpaid subscription and other service fees are normally billed according to the bill cycle of a subscriber. The subscriber pays the fixed amount based on the bill cycle. If the performance obligations fulfilled by the Group exceed the total payments received to date, a contract asset is recognized.

If the total payments received to date exceed the performance obligation fulfilled, a contract liability is recognized and is presented as unearned revenue. The contract assets are transferred to receivables when the Group's rights to the contract consideration become unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Any upfront fee is immediately recognized as revenue when a subscriber pre-terminates an existing service agreement, except when pre-termination occurs within 60 days after activation of the account, in which case, the full amount of the upfront fee is refunded to the subscriber.

Proceeds from sale of prepaid load subscription, net of any discounts given, are recognized as contract liabilities and presented as unearned revenue under trade payables and accrued expenses. These are recognized as revenue upon actual usage or upon the expiration of the subscription period, which coincides with the lapse of the subscription service.

Multiple performance obligations

Some contracts include multiple deliverables, such as the subscription service, sale of hardware and/or pay-per-view service. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices.

If contracts include the sale of hardware, revenue for the hardware is recognized at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware. Pay-per-view rights are activated upon payment of pay-per-view service and revenue is recognized when the pay-per-view service is rendered and delivered.

Fulfillment costs

Direct costs incurred in fulfilling a contract with a customer are capitalized as an asset to the extent that the cost generates or enhances resources of the Group that will be used in satisfying performance obligations in the future and are expected to be recovered. Fulfillment costs are amortized on a straight-line basis over the expected life of the customer contract.

Deferred subscriber acquisition costs

Incremental costs incurred to obtain a contract with a customer are capitalized as deferred subscriber acquisition costs if the Group expect to recover those costs. Costs of obtaining a contract are amortized as direct costs in profit or loss on a straight-line basis over the subscriber relationship period of up to two (2) years and three (3) years from the date of activation for prepaid and postpaid subscription, respectively.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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Hardware revenue

Hardware revenue pertains to the sale of set-top-boxes and related equipment to be used by the subscribers. Revenue for the hardware is recognized at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware which coincides with the date of activation.

Payment of the transaction price is due immediately when the prepaid subscriber purchases the hardware. There is no right of return policy on the sale of hardware. The Group's obligation to repair or replace faulty hardware under the standard warranty terms is recognized as a provision.

Airtime and production services

The Group provides airtime and production services which represents performance obligations for services for free-to-air placement of advertisements and other media values. These are entered under fixed-priced contracts which are recognized over time as the services are rendered.

The Group also provides project-related services in relation to production of certain sports or news programs and other contents. These are also entered under fixed-priced contracts which are recognized over time as the services are rendered.

Revenue from providing these services is recognized in the accounting period in which the services are rendered based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Billings for these services are issued on a monthly basis, in accordance with the service agreement and are usually collectible within 90 days.

Blocktime revenue

Blocktime revenue represents performance obligations for transmission services on certain airtime spots agreed. These are entered under fixed-priced contracts which are recognized over time as the services are rendered.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised services.

Syndication

The Group derives revenue from grants of licenses of distinct intellectual property particularly original audio-visual programs. The Group determines whether the license transfers to a customer either at a point in time or over time. In making this determination, the company considers whether the nature of the Group's promise in granting the license to a customer is to provide the customer with either:

(a) A right to access the Group's original audio-visual programs as it exists throughout the license period; or
(b) A right to use the Group's original audio-visual programs as it exists at the point in time at which the license is granted.

The Group provides a right to access the original audio-visual programs and accordingly recognizes revenue over time if all of the following criteria are met:

- The contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the original audio-visual programs to which the customer has rights;
- The rights granted by the license directly expose the customer to any positive or negative effects of the Group's activities; and

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- Those activities do not result in the transfer of a good or service to the customer as those activities occur.

If the criteria above are not met, the Group provides a right to use license of which the corresponding revenue is being recognized at a point time when the license has been transferred which coincides the point in time upon which the customer can direct the use of, and obtain substantially all of the remaining benefits from, the license.

Syndication fees represents revenue from distribution of its content. These are entered under fixed-priced contracts which are recognized at point in time upon delivery of content, when the legal right has passed, and the customer has accepted the content.

Advertising revenue

The Group provides advertising services which represents performance obligation to publish the advertisements of its customer in various media platforms. These are entered under fixed-price contracts, revenue from which are recognized over time as the advertisements are published. Contract price is reduced by related amounts of commission representing rates agreed with the advertising agencies. Billings for these services have average credit term of 15 to 60 days.

Circulation revenue

Circulation revenue is recognized in profit or loss at point in time when the newspapers and other printed materials have been delivered to customers, newspaper subscribers and distributors. Such revenue is reduced for related amounts of rebates, returns and discounts for prompt payment. Trade receivables for circulation revenue have average credit term of 60 to 90 days.

28.22 Other income

Rent income

Rent income is recognized on the straight-line basis over the term of the lease.

Interest income

Interest income from bank deposits is recognized in profit or loss when it is determined that such income will accrue to the Group and is presented net of final tax withheld by the banks.

Other income

All other income is recognized when earned or when the right to receive payment is established.

28.23 Ploughback, incentives and co-production share

Ploughback represents free airtime incentives given to advertising agencies upon reaching a certain amount of advertisements placed over a period of time. Incentives include early placement discounts or volume discounts which are given to agencies and advertisers based on specific contract terms. Incentives and ploughback are recognized as a reduction from gross airtime revenue upon grant which normally coincides when a legally enforceable claim against the Group is established in relation to incentives and ploughback.

Co-production share is recognized upon airing of the specific programs.

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28.24 Cost and expenses

Costs and expenses are decreases in economic benefits during the period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are presented in profit or loss according to their function.

Subscriber acquisition costs

Subscriber acquisition cost primarily consists of cost for set-top boxes and other incidental expenses directly attributable to the acquisition of new subscribers recognized in profit or loss.

Programming cost

Programming costs represent the cost of license rights of linear programs, pay per view and other contents. Any prepayments are included in prepaid expenses and other current assets or other non-current assets, as applicable. These are charged to expense upon airing or during the license term whichever comes earlier.

Production costs

Production costs represent costs incurred in relation to the airing of the programs or episodes. These costs include talent fees of artists and production staff, amortization of program rights and other costs directly attributable to production of programs. Costs incurred prior to the airing of the programs or episodes are included in other current assets as part of deferred production costs in the statements of financial position. These are charged to expense in profit or loss upon airing of the related program or episodes. Costs related to previously taped episodes which are not to be aired are charged to expense in profit or loss.

Direct costs also include cost of services incurred exclusively for the delivery of the Group's DTH television services.

Operating costs and expenses

Costs of day-to-day operations are generally expensed in profit or loss when incurred.

28.25 Leases

Where the Group is the lessee

The Group recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.
Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

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Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.
To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as rental expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

When the Group is the lessor

Leases in which a significant portion of the risks and rewards of ownership are retained by the Group are classified as operating leases. Assets leased under operating lease are included in investment property in the statements of financial position. Rental income, net of any incentives received from the lessee, is recognized in the statements of total comprehensive income on a straight-line basis over the period of the lease.

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Certain set-top boxes and other equipment are leased to postpaid subscribers under operating lease agreements. Lease payments over the duration of the lease form part of the total contract price for postpaid subscription arrangements. Total revenue in respect of such postpaid subscription arrangements is recognized over the subscription lock up period, and is presented within gross revenue in the statements of total comprehensive income (Note 28.22).

When the Group enters into an arrangement comprising a transaction or a series of related transactions that does not take the legal form of a lease but conveys a right to use an asset or is dependent on the use of a specific asset or assets, the Group assesses whether the arrangement is, or contains, a lease. The Group does not have such arrangements.

Refundable deposits

Refundable deposit to guarantee the faithful compliance of the lessee with all the terms and conditions of the contract and answer for the obligations at the end of the contract is initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Refundable deposit is derecognized in the statement financial position when the right to receive cash flows has expired or the Group has transferred substantially all the risks and rewards of ownership relating to the asset. Refundable deposit is classified as current asset, except when the remaining term of the lease is more than 12 months after the reporting date which is classified as non-current asset.

28.26 Employee benefits

Short-term benefits

Provision is made for benefits accruing to employees in respect of vacation leave and sick leave benefits when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within twelve months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Retirement benefits

Defined benefit pension plans

The Group, other than Business World, Philstar Daily, Philstar Ngayon, Philstar Printing, and Freeman (collectively "Philstar entities") and Cignal, recognized retirement benefit obligation computed under a defined benefit pension plan based on the minimum requirements under Republic Act No. 7641 otherwise known as "The Philippine Retirement Law".

Philstar entities have funded, non-contributory, defined benefit retirement plan covering its qualified employees which was approved on January 26, 2016. Under the Retirement Plan, an employee with the age of 60 years and with at least 5 years of service will receive a sum equivalent to 100% of his monthly salaries for every year of service. The said plan is generally funded through payments to a trustee-administered fund as determined by periodic actuarial calculations performed by an external actuary and is secured by the Philstar entities on an annual basis.

Under RA 7641 in the absence of a retirement plan or agreement providing for retirement benefits of employees in the private sector, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least 5 years in a private Company, may retire and shall be entitled to retirement pay equivalent to at least half month salary for every year of service, a fraction of at least six months being considered as one whole year.

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Retirement costs are separately determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Retirement costs consist of the following:

- Service cost;
- Net interest on the net defined benefit asset or obligation; and
- Remeasurements of net defined benefit asset or obligation.

Service cost (which includes current service costs, past service costs and gains or losses on curtailments and non-routine settlements) is recognized as part of retirement benefit expense under Direct Cost and Operating Expenses in the consolidated income statements. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit asset or obligation is the change during the period in the net defined benefit asset or obligation that arises from the passage of time which is determined by applying the discount rate based on the government bonds to the net defined benefit asset or obligation. Net defined benefit asset is recognized as part of advances and other noncurrent assets and net defined benefit obligation is recognized as part of retirement benefit obligation in the consolidated statements of financial position.

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 obligation) are recognized immediately in other comprehensive income in the period in which they occur. Remeasurements are not classified to profit or loss in subsequent periods.

Curtailment gain or loss resulting from the reduction in number of employees covered by the plan are recognized immediately in profit or loss.

The net defined benefit asset or obligation comprises the present value of the defined benefit obligation (using a discount rate based on rates as published in the Bankers Association of the Philippines Peso Bloomberg Valuation (PHP BVAL), as explained in Note 15 – Retirement Benefit Obligation), net of the fair value of plan assets out of which the obligations are to be settled directly. Plan assets are assets held by a long-term employee benefit fund or qualifying insurance policies and are not available to the creditors nor can they be paid directly to us. Fair value is based on market price information and in the case of quoted securities, the published bid price and in the case of unquoted securities, the discounted cash flow using the income approach. The value of any defined benefit asset recognized is restricted to the asset ceiling which is the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. See Note 15 – Retirement Benefit Obligation for more details.

Defined contribution plans

Cignal maintain a defined contribution plan that covers all regular full-time employees under which it pays fixed contributions based on the employees' monthly salaries and provides for qualified employees to receive a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of Republic Act No. 7641.

Accordingly, Cignal account for its retirement obligation under the higher of the defined benefit obligation related to the minimum guarantee and the obligation arising from the defined contribution plan.

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For the defined benefit minimum guarantee plan, the liability is determined based on the present value of the excess of the projected defined benefit obligation over the projected defined contribution obligation at the end of the reporting period. The defined benefit obligation is calculated annually by a qualified independent actuary using the projected unit credit method. Cignal determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense (income) and other expenses (income) related to the defined benefit plan are recognized in the consolidated income statement.

The defined contribution liability, on the other hand, is measured at the fair value of the defined contribution assets upon which the defined contribution benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the defined contribution benefits.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in the other comprehensive income. When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the profit or loss. Gains or losses on the settlement of the defined benefit plan are recognized when the settlement occurs. See Note 15 – Retirement Benefit Obligation for more details.

Employee benefit costs include current service cost, net interest on the net defined benefit obligation, and remeasurements of the net defined benefit obligation. Past service costs and actuarial gains and losses are recognized immediately in the consolidated income statement.

The long-term employee benefit liability comprises the present value of the defined benefit obligation (using a discount rate based on rates as published in the Bankers Association of the Philippines Peso Bloomberg Valuation (PHP BVAL) at the end of the reporting period and is determined using the projected unit credit method. See Note 15 – Retirement Benefit Obligation for more details.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37, Provisions and Contingencies and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Bonus scheme

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group and employees' individual performance. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

28.27 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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Current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at reporting date where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax (DIT) is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Except for leases, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. DIT is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized.

DIT assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill. DIT liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures, except for DIT liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, DIT liabilities in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

DIT expense or credit is recognized for changes in DIT assets and liabilities during the reporting period. Income tax expense includes income tax as currently payable and those deferred because of temporary differences in the financial and tax reporting bases of assets and liabilities, and unused tax losses and tax credits.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities and where there is an intention to settle the balances on a net basis. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

28.28 Foreign currency translation and transactions

Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency.

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Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

For income tax purposes, foreign exchange gains and losses are treated as taxable income or deductible expense in the period such are realized.

28.29 Related party relationships and transactions

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

28.30 Derivative financial instruments

Derivatives are initially recognized at fair value on the date that a derivative contract is entered into, and are subsequently remeasured at their fair value at each reporting date. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Changes in the fair value of any derivative instrument, not designated as hedges, are recognized immediately in profit or loss and are included in other income or expense in the consolidated statement of total comprehensive income.

28.31 Subsequent Events

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

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