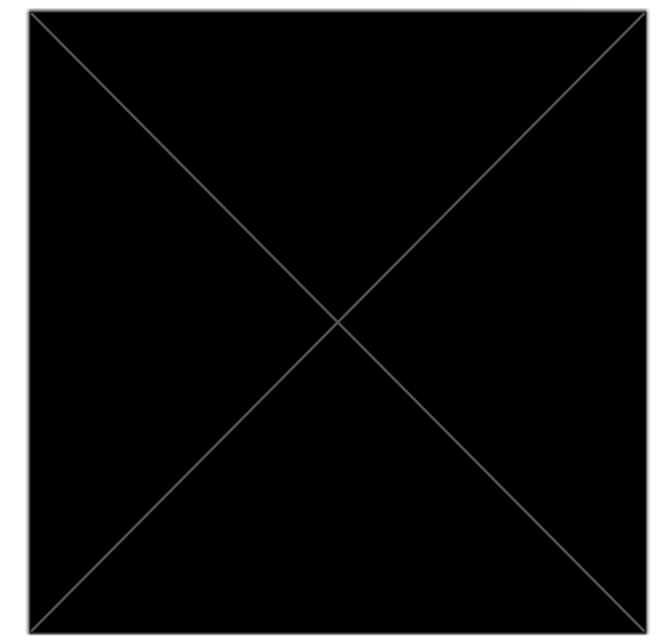




# SECURITIES AND EXCHANGE COMMISSION

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**Industry Classification:** 092133

**Company Type:** Stock Corporation

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**Document ID:** OST1090820228753175

**Document Type:** Financial Statement

**Document Code:** FS

**Period Covered:** December 31, 2020

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### Company Profile

Company TIN 000-491-433	Registered Name PROGRESSIVE BROADCASTING CORP	Company Email NCARYLDIO@GMAIL.COM
RDO Code 41: Mandaluyong City	SEC Number 135613	

### Authorized Tax Agent/Representative's Profile

First Name ALFREDO	Middle Name	Last Name HENARES
Authorized Representative's TIN [REDACTED]	Authorized Representative's email [REDACTED]	Contact Number [REDACTED]

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# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 3 5 6 1 3

**COMPANY NAME**

P R O G R E S S I V E B R O A D C A S T I N G C O R P O  
R A T I O N

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

4 0 0 2 S U M M I T O N E T O W E R B U I L D I N G  
, 5 3 0 S H A W B L V D . , M A N D A L U Y O N G  
C I T Y

Form Type  
A A F S

Department requiring the report  
C R M D

Secondary License Type, If Applicable  
N / A

**COMPANY INFORMATION**

Company's Email Address  
finance@pbc.com.ph

Company's Telephone Number  
(02) 709 027 66

Mobile Number  
N/A

No. of Stockholders  
8

Annual Meeting (Month / Day)  
First Monday of April

Fiscal Year (Month / Day)  
12/31

**CONTACT PERSON INFORMATION**

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

Name of Contact Person  
Maria Corazon Garciano

Email Address  
[REDACTED]n

Telephone Number/s  
N/A

Mobile Number  
[REDACTED]8

**CONTACT PERSON'S ADDRESS**

[REDACTED ADDRESS]

**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.



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PROGRESSIVE BROADCASTING CORPORATION** responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended December 31, 2020 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.

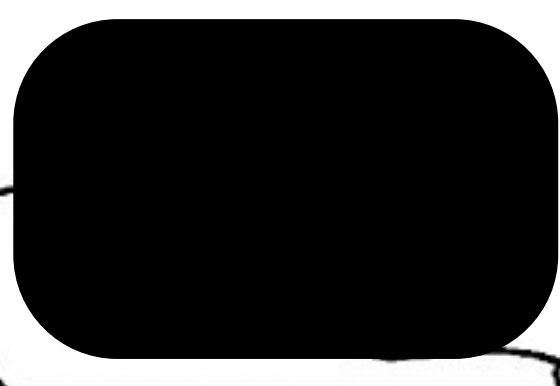
The Board of Directors is responsible for overseeing the company's financial reporting process.

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

**SYCIP, GORRES, VELAYO & CO.**, independent auditor 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, has expressed their opinion on the fairness of presentation upon completion of such audit.



**JOSE RHONEL J. EUSEBIO**  
Chairman & President



**ROLANDO D. OCAMPO**  
CFO/Treasurer

Signed on this 11<sup>th</sup> day of July, 2022.

## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors and Stockholders  
Progressive Broadcasting Corporation  
4002 Summit One Tower Building  
530 Shaw Blvd., Mandaluyong City

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Progressive Broadcasting Corporation (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

#### **Basis for Opinion**

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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.

**Report on the Supplementary Information Required Under Revenue Regulations 34-2020 and 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 34-2020 and 15-2010 in Notes 14 and 15 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Progressive Broadcasting Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. [REDACTED]

Pin Identification No. [REDACTED]

BOA/PRC Reg. No. [REDACTED], August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. [REDACTED] SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. [REDACTED]-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. [REDACTED], December 3, 2020, valid until December 2, 2023

PTR No. [REDACTED], January 3, 2022, Makati City

July 11, 2022

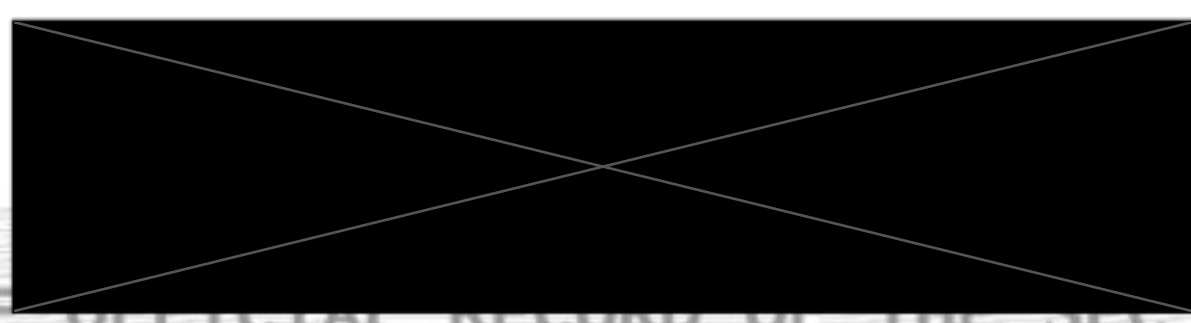


**PROGRESSIVE BROADCASTING CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**



	December 31	
	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash in banks (Note 3)	₱3,541,262	₱4,012,877
Trade and other receivables (Note 4)	1,041,267	4,503,391
Other current assets (Note 5)	2,904,941	3,115,247
<b>Total Current Assets</b>	<b>7,487,470</b>	<b>11,631,515</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 6)	1,200,000	1,200,000
Other noncurrent assets	-	418,218
<b>Total Noncurrent Assets</b>	<b>1,200,000</b>	<b>1,618,218</b>
<b>TOTAL ASSETS</b>	<b>₱8,687,470</b>	<b>₱13,249,733</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 7)	₱2,590,321	₱2,741,275
Income tax payable (Note 12)	-	-
<b>Total Current Liabilities</b>	<b>2,590,321</b>	<b>2,741,275</b>
<b>Equity</b>		
Capital stock - ₱100 par value		
Authorized - 500,000 shares		
Issued and outstanding - 300,000 shares	30,000,000	30,000,000
Additional paid-in capital	33,000,000	33,000,000
Deficit	(56,902,851)	(52,491,542)
<b>Total Equity</b>	<b>6,097,149</b>	<b>10,508,458</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱8,687,470</b>	<b>₱13,249,733</b>

*See accompanying Notes to Financial Statements.*

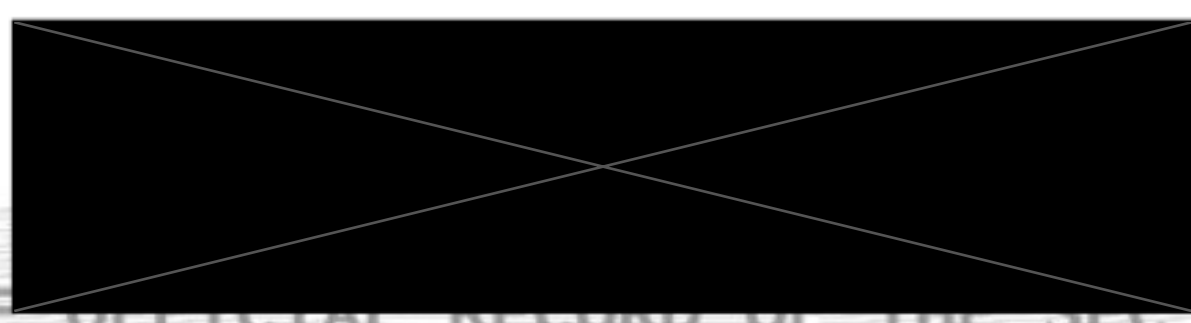


**PROGRESSIVE BROADCASTING CORPORATION**  
**STATEMENTS OF INCOME**



	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>AIRTIME REVENUES</b>	<b>₱2,698,571</b>	<b>₱14,704,875</b>
<b>COST OF SERVICES</b> (Note 8)	<b>1,867,600</b>	<b>13,240,717</b>
<b>GROSS PROFIT</b>	<b>830,971</b>	<b>1,464,158</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 9)	<b>5,304,318</b>	<b>16,158,538</b>
<b>OTHER INCOME (CHARGES)</b>		
Interest income (Note 3)	<b>5,306</b>	<b>10,385</b>
Gain on sale of property	<b>–</b>	<b>3,892,952</b>
Unrealized foreign exchange loss	<b>–</b>	<b>(7,896)</b>
Other income	<b>74,687</b>	<b>681,588</b>
	<b>79,993</b>	<b>4,577,029</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>4,393,354</b>	<b>10,117,351</b>
<b>PROVISION FOR CURRENT INCOME TAX</b> (Note 12)	<b>17,955</b>	<b>121,118</b>
<b>NET LOSS</b>	<b>₱4,411,309</b>	<b>₱10,238,469</b>

*See accompanying Notes to Financial Statements.*



**PROGRESSIVE BROADCASTING CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	Capital Stock	Additional Paid-in Capital	Deficit	Total
Balances at January 1, 2019	₱30,000,000	₱33,000,000	(₱42,253,073)	₱20,746,927
Net loss for the year	—	—	(10,238,469)	(10,238,469)
Balances at December 31, 2019	30,000,000	33,000,000	(52,491,542)	10,508,458
Net loss for the year	—	—	(4,411,309)	(4,411,309)
<b>Balances at December 31, 2020</b>	<b>₱30,000,000</b>	<b>₱33,000,000</b>	<b>(₱56,902,851)</b>	<b>₱6,097,149</b>

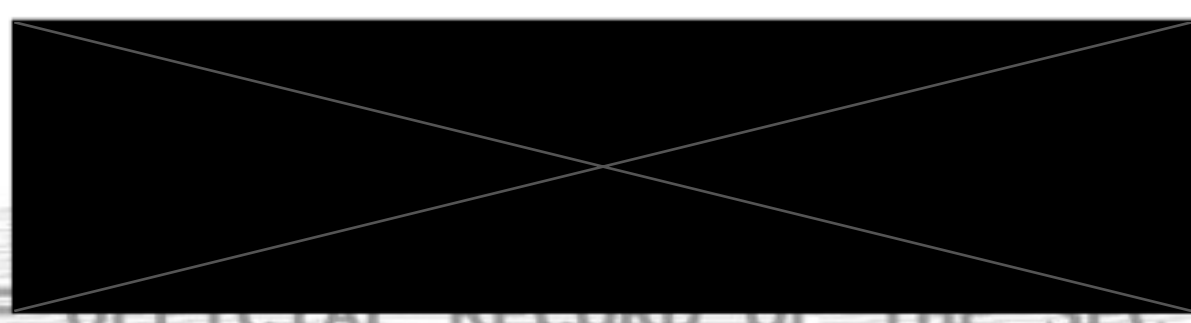
*See accompanying Notes to Financial Statements.*

**PROGRESSIVE BROADCASTING CORPORATION**  
**STATEMENTS OF CASH FLOWS**



	<b>Years Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	<b>(₱4,393,354)</b>	<b>(₱10,117,351)</b>
Adjustments for:		
Interest income	<b>(5,306)</b>	<b>(10,385)</b>
Depreciation and amortization (Notes 6, 8 and 9)	<b>–</b>	<b>3,746,233</b>
Unrealized foreign exchange loss	<b>–</b>	<b>7,896</b>
Gain on disposal of property and equipment	<b>–</b>	<b>(3,892,952)</b>
Operating loss before working capital changes	<b>(4,398,660)</b>	<b>(10,266,559)</b>
Decrease (increase) in:		
Trade and other receivables	<b>3,462,124</b>	<b>6,540,913</b>
Other current assets	<b>192,351</b>	<b>3,992,856</b>
Increase (decrease) in:		
Trade and other payables	<b>(150,954)</b>	<b>(11,689,999)</b>
Accrued retirement benefit costs	<b>–</b>	<b>(2,011,459)</b>
Net cash flows used in operations	<b>(895,139)</b>	<b>(13,434,248)</b>
Interest received	<b>5,306</b>	<b>10,385</b>
Income taxes paid	<b>–</b>	<b>(552,645)</b>
Net cash flows used in operating activities	<b>(889,833)</b>	<b>(13,976,508)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in other noncurrent assets	<b>418,218</b>	<b>900,918</b>
Proceeds from disposal of property and equipment	<b>–</b>	<b>15,766,881</b>
Additions to property and equipment (Note 6)	<b>–</b>	<b>(1,405,747)</b>
Net cash flows from investing activities	<b>418,218</b>	<b>15,262,052</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(471,615)</b>	<b>1,285,544</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>–</b>	<b>(7,896)</b>
<b>CASH IN BANKS AT BEGINNING OF YEAR</b>	<b>4,012,877</b>	<b>2,735,229</b>
<b>CASH IN BANKS AT END OF YEAR (Note 3)</b>	<b>₱3,541,262</b>	<b>₱4,012,877</b>

*See accompanying Notes to Financial Statements.*



**PROGRESSIVE BROADCASTING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**



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**1. Corporate Information**

Progressive Broadcasting Corporation (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on October 6, 1986, primarily to carry on the business of television and radio broadcasting to the public.

The Company's registered principal office address is 4002 Summit One Tower Building, 530 Shaw Blvd., Mandaluyong City.

In June 2019, the Company ceased its operations for its Metro Manila branches. As of December 31, 2020, the Company still generates revenue from its Cebu, Davao, Cagayan de Oro (CDO) and Iloilo branches.

The financial statements as of and for the years ended December 31, 2020 and 2019 were authorized for issue by the Board of Directors on July 11, 2022.

---

**2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies**

Basis of Preparation

The financial statements have been prepared on a historical cost basis. All values are presented in Philippine peso (₱), the Company's functional currency, and are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standard for Small Entities (PFRS for SEs).

**Summary of Significant Accounting Policies**

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current/noncurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

#### Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognized when the entity becomes a party to its contractual provisions. The Company classifies financial instruments into the following categories: (a) basic financial instruments; and (b) complex financial instruments.

The Company's basic financial instruments consist of cash in banks, trade and other receivables, and trade and other payables (excluding payable to government agencies). The Company does not have complex financial instruments.

#### Basic Financial Instruments

##### *Initial Measurement*

On initial recognition, a debt financial instrument is measured at transaction price (including transaction costs), unless the arrangement is in effect a financing transaction. In this case, it is measured at present value of the future payment discounted using a market rate of interest for a similar debt instrument.

##### *Subsequent Measurement*

The Company's debt financial instruments are subsequently measured at amortized cost using the effective interest method.

##### *Impairment of Financial Instruments measured at Amortized Cost*

At each reporting date, the Company assesses whether there is objective evidence of impairment on any financial assets that are measured at amortized cost. Where there is any objective evidence of impairment, an impairment loss is recognized immediately in the statements of income.

##### *Derecognition of Financial Assets*

An entity only derecognizes a financial asset when the contractual rights to the cash flows from the assets have expired or are settled, or the entity has transferred to another party substantially all the risks and rewards of ownership relating to the financial asset.

##### *Derecognition of Financial Liabilities*

Financial liabilities are derecognized only when these are extinguished - that is, when the obligation is discharged, cancelled or has expired.

#### Cash in banks

Cash in banks earns interest at the respective bank deposit rate.



Trade and Other Receivables

Trade receivables are recognized and carried at original invoice amounts less allowance for impairment losses. A provision for impairment loss is made when collection of the full amount is no longer probable.

Other receivables are recognized and carried at face amounts less allowance for impairment losses.

Other Current Assets

Other current assets represent advance payments made by the Company in its course of operations.

*Advances to Stockholders*

Advances to stockholders are amounts owed by the Company's stockholders. Advances to stockholders are classified as current assets and can be offset against advances from stockholders.

*Creditable Withholding Taxes (CWTs)*

CWTs represent the amounts withheld by the Company's customers. CWTs are recognized once billings are collected and are utilized as tax credits against income tax due provided that these are properly supported by certificates of creditable tax withheld at source, subject to the rules on Philippine income taxation.

Value-Added Tax (VAT)

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statements of financial position to the extent of the recoverable amount.

Property and Equipment

Property and equipment, except land, are carried at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and amortization and impairment losses, if any. Land is carried at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, non-refundable purchases taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of an item of property and equipment commences once the assets are received by the Company. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or its significant components. Building improvements are amortized over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.



The estimated useful lives of the assets are as follows:

<u>Category</u>	<u>Number of Years</u>
Broadcasting equipment	10
Building and improvements	10
Office furniture, fixtures and equipment	5
Transportation equipment	5

The useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are sold or retired, their cost, accumulated depreciation and any impairment in value are eliminated from the accounts, and any gain or loss resulting from their disposal is included in the statements of income.

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

#### Impairment of Nonfinancial Assets

The Company's nonfinancial assets are composed of other current assets, property and equipment, and other noncurrent assets. At each reporting period these nonfinancial assets are reviewed to determine whether there is any indication that they have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less costs of disposal. The value in use is the present value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for cash generating units to which the asset belongs. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in statements of income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in statements of income.

#### Trade and Other Payables

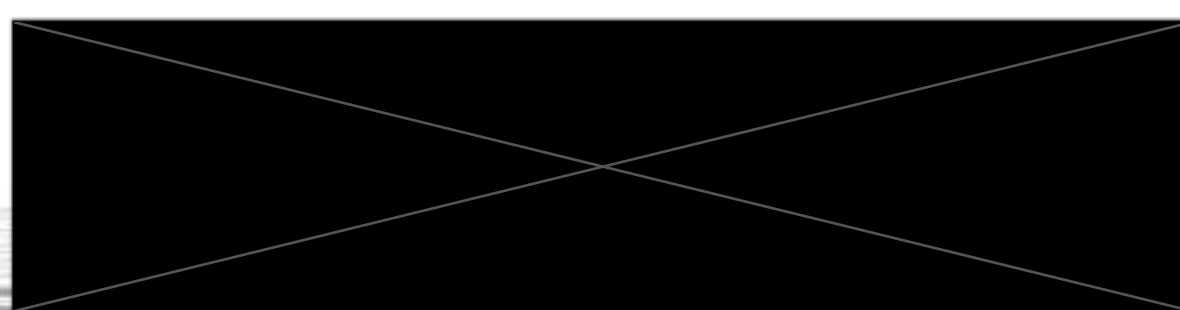
Trade and other payables represent the Company's obligation to pay its creditors in the conduct of its operations.

#### Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured at the fair value of the consideration received.

#### Deficit

Deficit includes accumulated profits or losses attributable to the Company's shareholders.







Revenue

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably, regardless of when the payment was made. The following specific recognition criteria must also be met before revenue is recognized:

*Airtime Revenues*

Airtime revenues are recognized as income on the dates the advertisements are aired.

*Interest Income*

Interest income from bank deposits is recognized as it accrues using the effective interest rate method.

*Other Income*

Other income is recognized when services have been rendered. Income from song sponsorship and talent fees is recognized on a basis that reflects the timing, nature and value of the benefits provided.

Cost and Expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

*Cost of Services*

Cost of services includes direct labor costs, utilities and depreciation expenses of equipment, among others used in rendering services to customers. Cost of services is recognized when the cost is incurred or the expense arises.

*General and Administrative Expenses*

General and administrative expenses are incurred in the direction and general administration of day-to-day operations of the Company. General and administrative expenses are generally recognized when the services are used or the expenses arise.

Operating Leases (Company as Lessee)

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statements of income in the period in which they are incurred.

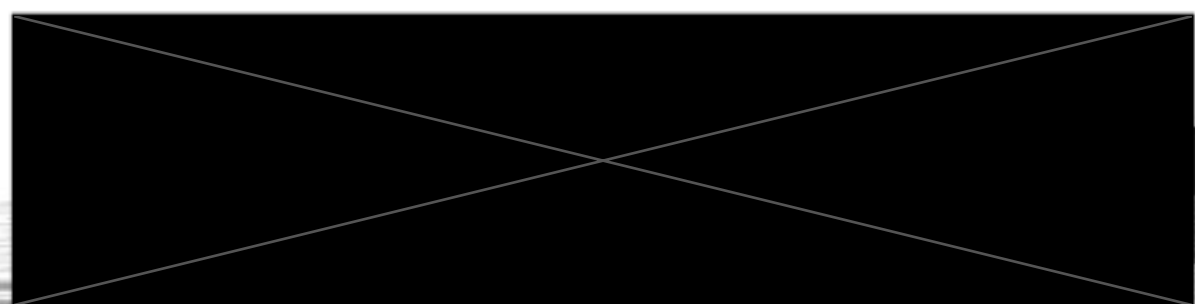
Income Taxes

The Company uses the taxes payable method to account for income taxes. Under this method, the Company recognizes income tax expense and liability based on the taxable income for the year using tax rates that have been enacted or substantively enacted at the reporting date.

The Company does not recognize deferred income taxes in its financial statements.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.



Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but is disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period

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

**3. Cash in banks**

As of December 31, 2020 and 2019, cash in banks amounted to ₱3,541,262 and ₱4,012,877, respectively. Cash in banks earn interest at the respective bank deposit rates.

Interest income earned on cash in banks amounted to ₱5,306 and ₱10,385 in 2020 and 2019, respectively.

**4. Trade and Other Receivables**

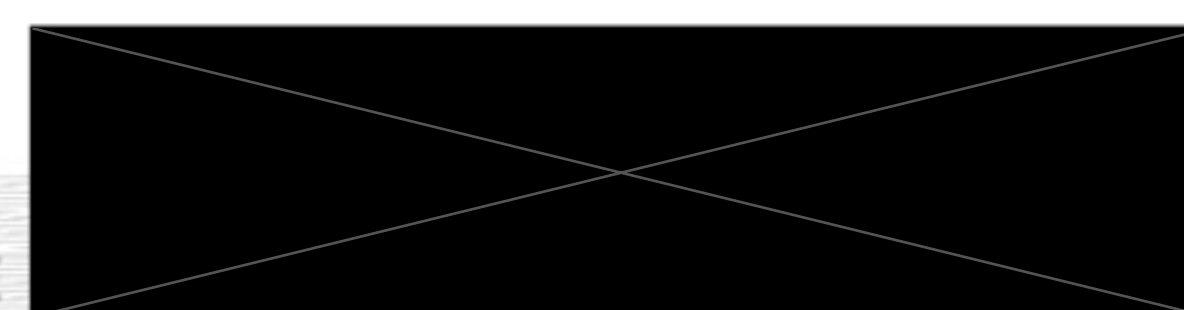
	2020	2019
Trade receivables	₱11,483,460	₱14,159,013
Others	-	578,726
	<b>11,483,460</b>	14,737,739
Less allowance for impairment losses	<b>10,442,193</b>	10,234,348
	<b>₱1,041,267</b>	₱4,503,391

Trade receivables are noninterest-bearing and are generally on a 60 days credit term.

Others pertain to cash advances to officers and employees generally collected within the year.

The movement of allowance for impairment losses are based on specific identification is as follows:

	2020	2019
Balance at beginning of year	₱10,234,348	₱6,297,411
Provision for impairment losses (see Note 9)	207,845	4,251,937
Write off during the year	-	(315,000)
Balance at end of year	<b>₱10,442,193</b>	₱10,234,348



## 5. Other Current Assets

	2020	2019
Creditable withholding taxes	₱2,756,724	₱2,753,518
Advances to suppliers	148,217	285,570
Advances to stockholders	–	71,761
Prepaid expenses	–	4,398
	<b>₱2,904,941</b>	<b>₱3,115,247</b>

In 2020, the Company wrote off its advances to stockholders which can no longer be collected amounting to ₱806,380 (see Note 9).

## 6. Property and Equipment

As of December 31, 2020, the Company's property and equipment pertains to land amounting to ₱1,200,000.

	Land	Broadcasting Equipment	Building and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost:						
Balances at beginning of year	₱4,525,375	₱8,777,448	₱23,226,399	₱7,446,652	₱14,935,894	₱58,911,768
Additions	–	979,775	215,905	210,067	–	1,405,747
Disposals	(3,325,375)	(9,757,223)	(23,442,304)	(7,656,719)	(14,935,894)	(59,117,515)
Balances at end of year	1,200,000	–	–	–	–	1,200,000
Accumulated depreciation:						
Balances at beginning of year	–	2,764,305	21,566,240	7,135,463	12,031,345	43,497,353
Depreciation and amortization	–	681,728	371,849	109,775	2,582,881	3,746,233
Disposals	–	(3,446,033)	(21,938,089)	(7,245,238)	(14,614,226)	(47,243,586)
Balances at end of year	–	–	–	–	–	–
Net book values	₱1,200,000	₱–	₱–	₱–	₱–	₱1,200,000

Depreciation expense is allocated as follows:

	2020	2019
Cost of services (see Note 8)	₱–	₱681,728
General and administrative expenses (see Note 9)	–	3,064,505
	<b>₱–</b>	<b>₱3,746,233</b>

## 7. Trade and Other Payables

	2020	2019
Trade	₱456,241	₱235,531
Advances from stockholders	995,968	–
Deferred output VAT	794,631	1,034,342
Output VAT - net	268,385	570,513
Withholding taxes	25,242	14,497
Accrued expenses	–	220,618
Commission	–	665,244
Others	49,854	530
	<b>₱2,590,321</b>	<b>₱2,741,275</b>

Trade payables are non-interest bearing and are normally settled on a 30 days credit term. Accrued expenses include professional fees and utilities that are generally paid within 12 months from reporting date. Output VAT is presented net of input VAT. Others include statutory payables.

#### 8. Costs of Services

	2020	2019
Personnel (see Note 10)	<b>₱1,647,342</b>	₱3,148,338
Commissions	<b>220,258</b>	1,826,145
Utilities	-	3,938,123
Depreciation	-	681,728
Rent	-	2,050,994
Professional fees	-	846,817
Outside services	-	729,072
Production costs	-	19,500
	<b>₱1,867,600</b>	<b>₱13,240,717</b>

#### 9. General and Administrative Expenses

	2020	2019
Taxes and licenses	<b>₱1,645,712</b>	601,527
Provision for impairment losses (see Notes 4 and 5)	<b>1,014,225</b>	4,251,937
Professional and management fees	<b>342,544</b>	793,449
Security services	<b>254,173</b>	32,546
Telephone, light and water	<b>26,526</b>	-
Repairs and maintenance	<b>18,125</b>	81,254
Bank charges	<b>900</b>	3,450
Personnel	-	4,899,743
Depreciation	-	3,064,505
Dues and subscription	-	517,172
Transportation and travel	-	531,479
Communications	-	366,289
Representation	-	58,512
Insurance	-	120,246
Trainings and seminars	-	57,213
Stationery and office supplies	-	103,517
Advertising and promotions	-	37,973
Reproduction	-	594
Miscellaneous	<b>2,002,113</b>	637,132
	<b>₱5,304,318</b>	<b>₱16,158,538</b>

## 10. Personnel Expenses

Personnel expenses are distributed as follows:

	2020	2019
Cost of services (see Note 8)	₱1,647,342	₱3,148,338
General and administrative expenses (see Note 9)	–	4,899,743
	<b>₱1,647,342</b>	<b>₱8,048,081</b>
Salaries and wages	₱1,521,657	₱5,407,882
Other employee benefits	125,685	2,184,165
Retirement benefit costs	–	456,034
	<b>₱1,647,342</b>	<b>₱8,048,081</b>

## 11. Operating Lease Commitments

The Company has a non-cancelable lease agreement for an office space in Iloilo City for a term of two (2) years. The rental payments are based on a monthly fixed rate subject to 5% escalation rate starting on the third year amounting to ₱36,686, exclusive of VAT. The lease term is from December 1, 2018 up to November 30, 2020.

The Company also has a non-cancelable lease agreement for its Cebu office for a period of three (3) years with an option to extend the lease term, subject to the new terms and conditions agreed upon by both parties. The agreement also includes use of space for the antenna tower and satellite dish. The rental payments are based on a monthly fixed rate subject to 5% escalation rate on the second and third year amounting to ₱47,266, exclusive of VAT. The lease term is from January 1, 2017 to December 31, 2019.

The Company also has a non-cancelable lease agreement for an office space located in CDO for a period of three (3) years with an option to renew. The rental payments are based on a monthly fixed rate amounting to ₱5,307, exclusive of VAT. The lease contract is from March 1, 2016 until February 28, 2020.

All existing lease contracts have been terminated as of December 31, 2020.

Total rent expense amounted to nil and ₱2,050,994 in 2020 and 2019, respectively (see Note 8).

## 12. Income Taxes

The Company's provision for current income tax represents minimum corporate income tax (MCIT) in 2020 and 2019.

The reconciliation of the income tax computed at the statutory rate to income tax reported in the statements of income follows:

	2020	2019
Provision for income tax at statutory income tax rate of 30%	<b>(₱1,318,006)</b>	(₱3,035,206)
Addition to (reduction from) income tax resulting from:		
Movement in unrecognized deferred income tax assets	<b>1,337,553</b>	2,321,906
Interest income subject to final tax	<b>(1,592)</b>	(3,116)
Nondeductible expenses	-	837,534
	<b>₱17,955</b>	₱121,118

The Company did not recognize deferred tax assets on the following temporary differences as it is not probable that sufficient taxable income will be available in the future against which these items can be offset with:

	2020	2019
Net operating loss carry over (NOLCO)	<b>₱10,472,009</b>	₱9,994,266
Provision for impairment losses	<b>10,442,193</b>	10,234,348
MCIT	<b>253,497</b>	363,565
	<b>₱21,167,699</b>	₱20,592,179

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 of "Bayanihan to Recover As One Act" which states that NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five consecutive years immediately following the year of such loss.

As of December 31, 2020, the Company has incurred NOLCO which can be claimed as a deduction against future taxable income as follows:

Year Incurred	Expiry	Amount	Applied	Expired	Balance
2017	2020	₱3,720,968	₱-	₱3,720,968	₱-
2018	2021	3,355,411	-	-	3,355,411
2019	2022	2,917,887	-	-	2,917,887
2020	2025	4,198,711	-	-	4,198,711
		<b>₱14,192,977</b>	<b>₱-</b>	<b>₱3,720,968</b>	<b>₱10,472,009</b>

As of December 31, 2020, MCIT that can be claimed as a deduction against future taxable are as follows:

Year Incurred	Expiry	Amount	Applied	Expired	Balance
2017	2020	₱128,023	₱-	₱128,023	₱-
2018	2021	114,424	-	-	114,424
2019	2022	121,118	-	-	121,118
2020	2023	17,955	-	-	17,955
		₱381,520	₱-	₱128,023	₱253,497

### 13. Event After the Reporting Date

#### Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

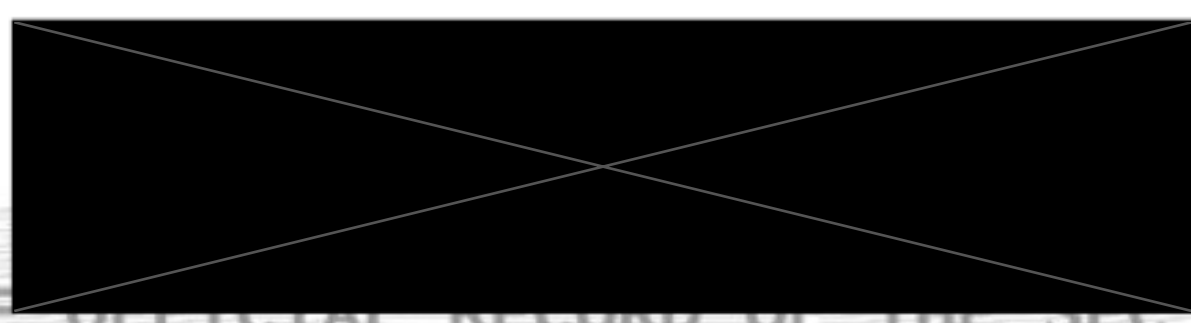
President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000 (excluding land on which the business entity’s office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the regular corporate income tax rate of 30% as of December 31, 2020 for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower MCIT rate of 1% effective July 1, 2020. Based on the provisions of RR No.5-2021 dated April 8, 2021 issued by the BIR, the prorated MCIT rate of the Company for 2020 is 1.5%. This has resulted to a lower provision for income tax for the year ended December 31, 2020 amounting to ₱13,466, or a reduction of ₱4,489. The reduced amount has been reflected in the Company’s 2020 annual income tax return. However, for financial reporting purposes, such changes from the provisions of the CREATE Act will only be recognized in the 2021 financial statements.



**14. Supplementary Information Required Under Revenue Regulations 34-2020**

The Company is not covered by the requirements and procedures for the related party transactions under Section 2 of the Revenue Regulations No. 34-2020.

**15. Supplementary Information Required Under Revenue Regulations 15- 2010**

The Company reported and/or paid the following types of taxes for the year ended December 31, 2020.

a. Output VAT

Receipts from airtime sales subjected to output VAT amounted to ₱2,698,571 of which the related output VAT amounted to ₱323,829. The Company's sale of services is based on actual collections received, hence, may not be the same as the amounts recognized in the statements of comprehensive income.

b. Input VAT

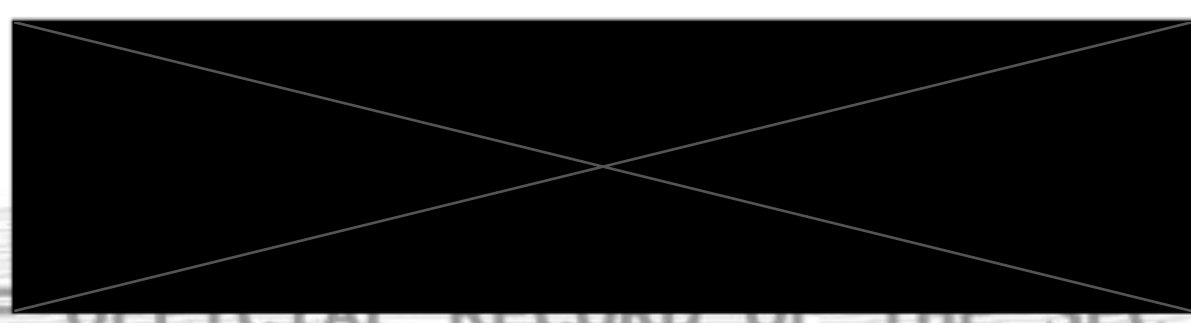
Balance at January 1, 2020	₱-
Input tax carried over from previous period	53,269
Current year's domestic purchases/payments for:	
Domestic purchases of services	2,175
	55,444
Claims for tax credit/refund and other adjustments:	
Output tax credited against input tax	(55,444)
<b>Balance at December 31, 2020</b>	<b>₱-</b>

c. Taxes and licenses

Local:	
License and fees	₱341,115
Business permit	86,009
Others	130,119
National:	
National Telecommunications Commission permit	756,720
Penalty on late filing	317,359
Documentary stamp tax	13,890
BIR annual registration fee	500
	<b>₱1,645,712</b>

d. Withholding Taxes

Expanded withholding taxes	₱33,525
Withholding taxes on compensation and benefits	80,274
	<b>₱113,799</b>






## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Progressive Broadcasting Corporation  
4002 Summit One Tower Building  
530 Shaw Blvd., Mandaluyong City


We have audited the accompanying financial statements of Progressive Broadcasting Corporation, as at December 31, 2020 and for the year then ended, on which we have rendered the attached report dated July 11, 2022.


In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has three (3) stockholders owning one hundred (100) or more shares each.


SYCIP GORRES VELAYO & CO.

  
Alvin M. Pinpin  
Partner


CPA Certificate No. 3

Tax Identification No. 


BOA/PRC Reg. No.  August 25, 2021, valid until April 15, 2024


SEC Partner Accreditation No. -SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. -SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. , December 3, 2020, valid until December 2, 2023

PTR No. , January 3, 2022, Makati City

July 11, 2022

