SECURITIES AND EXCHANGE COMMISSION
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Company Information

SEC Registration No.: 0000032244
Company Name: EAGLE BROADCASTING CORP.
Industry Classification: O92133
Company Type: Stock Corporation

Document Information

Document ID: OST10808202381539268
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Period Covered: December 31, 2022
Submission Type: Annual
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Acceptance of this document is subject to review of forms and contents

Securities and Exchange Commission
PHILIPPINES

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3	2	2	4	4

Company Name

EAGLE BROADCASTING CORPORATION

Principal Office (No./Street/Barangay/City/Town/Province)

25 CENTRAL AVENUE, DILIMAN,
QUEZON CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
legal@eaglebroadcasting.net	8784-7450	09478307700

No. of Shareholders	Annual Meeting Month/Day	Fiscal Year Month/Day
5	Every last Saturday of March each year	December 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
Caesar R. Vallejos	[redacted]	[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 delay in updating the corporation's records with the Commission and/or non-receipt of Notice of deficiencies shall not excuse the corporation from liability for its deficiencies.

National Telecommunications Commission
Broadcast Services Division

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EAGLE BROADCASTING CORPORATION
STATEMENT OF INCOME (Tentative/Unaudited)
For the year ended December 31, 2022

		2022
REVENUE	P	347,354,055.55
DIRECT COST		533,906,087.75
GROSS LOSS	-	186,552,032.20
OTHER INCOME		1,799,098.49
OPERATING EXPENSES		115,157,732.97
LOSS FROM OPERATION	-	299,910,666.68
BENEFIT FROM INCOME TAX	-	74,984,440.99
NET LOSS FOR THE YEAR	-	224,926,225.69

REVENUE	
SALES	343,004,796.99
Online Revenue	4,349,258.56
TOTAL REVENUE	**347,354,055.55**
	-

DIRECT COST	
Gas, oil and lubricant	1,759,545.07
Light and Power	9,928,376.96
Meals	6,198,416.99
Miscellaneous	176,664.54
MTRCB Fees	5,714,920.50
Office Supplies	71,355.81
Production	258,176,531.39
Rental	415,110.66
Repairs and Maintenance	1,659,728.12
Representaion	
Salaries and wages	30,216,375.81
SSS ER	2,007,782.91
SSS EC	30,273.00
Pag -ibig	189,210.00
PHIC	540,894.93
Subscriptions and Periodicals	10,100,854.87
Supplies	1,513,389.06
Talent Fees	99,238,688.65
Telephone Telegraph and Postage	687,320.40
Training and Seminars	75,000.00
Travel and Accomodation Cost	4,712,095.52
Rights	99,436,971.33
Depreciation	
Prize	
Medical Supplies	998,132.48
Deliveries and Freight Charges	58,448.75
TOTAL COST OF SERVICE	**533,906,087.75**

OTHER INCOME	
Interest Income	27,097.09
Online Revenue	
Other Income	1,772,001.40
TOTAL OTHER INCOME	1,799,098.49
	-

OPERATING EXPENSES	
Sales and marketing expense	31,507,355.81
Commission	2,255,031.76
Registration and Screening Fees	232,601.80
Gas, oil and Lubricant	1,312,767.57
Janitorial Supplies	415,037.32
KBP monthly dues	55,055.00
Miscellaneous Expense	292,870.30
Office Supplies	267,166.59
Permits taxes and licences	2,487,403.60
Professional fees	1,097,428.93
Repairs and maintenance	4,598,821.11
Representation	1,669,010.46
Salaries and Wages	16,998,563.90
Security services	935,157.07
Pag ibig ER	87,690.00
PHIC ER	193,365.86
SSS ER	908,654.91
SSS EC	13,837.00
Supplies	1,386,517.21
Telephone, Telegraph and Postage	175,762.12
Trainings and seminars	388,680.83
Travel and accomodation costs	271,704.62
Light and power	9,493,868.81
Water	280,350.23
Medical supplies	992,988.28
Deliveries and freight	9,858.36
Talent OE	263,651.82
Medical expenses	185,525.79
Depreciation Expense	23,718,220.25
Bad Debts expense	12,622,910.00
Bank charges	39,875.66
TOTAL OPERATING EXPENSES	115,157,732.97

EAGLE BROADCASTINGCORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Eagle Broadcasting Corporation (the Company) 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 managementdetermines 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 Directorsis 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.

MG Madrid & Company and I.T. Sabado and Associates, CPAs, the independent auditors appointed by the stockholders for the periods December 31, 2022 and 2021, respectively, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

[redacted]	[redacted]
THEOBEN [redacted]DAN C. OROSA	CAESAR R. VALLEJOS
Chairman	President

Signed this26th day ofMay2023

EAGLE BROADCASTING CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of Eagle Broadcasting Corporation(the Company) is responsible for all information and representations contained in the annual income tax return for the year ended December 31, 2022. Management is likewise responsible for all information and representations contained in the financial statements accompanying the annual income tax return covering the same reporting period. Furthermore, the management isresponsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax returns and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements for the year ended December 31, 2022and the accompanying annual income tax return are in accordance with the books and records of the Company complete and correct in all material respects. Management likewise affirms that:

(a) The annual income tax return has been prepared in accordance with the provisionsof the National Internal Revenue Code, as amended,and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) Any disparity of figures in the submitted reports arising from the preparation of the financial statements pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) The Companyhas filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

[redacted]	[redacted]
THEOBEN JERDAN C. OROSA	CAESAR R. VALLEJOS
Chairman	President

Signed this 26th day of May 2023

MG MADRID & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A member of Kreston Global | A global network of independent accounting firms
2F 8862 Sampaloc St., San Antonio Village
Makati City, Philippines, 1203
Tel. 632 8659 3889/91
Fax. 632 8659 3890

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Stockholders and the Board of Directors
Eagle Broadcasting Corporation
No. 25 Central Avenue
Diliman, Quezon City

We have audited the financial statements of Eagle Broadcasting Corporation (the Company) for the year ended December 31, 2022 on which we have rendered the attached report dated May 26, 2023.

In compliance with revised SRC Rule 68, we are stating that the said Company has a total number of five (5) stockholders owning one hundred (100) or more shares each.

MG MADRID & COMPANY

[redacted]

MARIO G. MADRID JR.
CPA Certificate No [redacted]
TIN [redacted]
BOA/PRC Accreditation No. [redacted]
November 5, 2020, Valid until January 29, 2024
SEC Partner Accreditation No [redacted] SEC (Group A)
Issued February 8, 2022
SEC Firm Accreditation No. [redacted] SEC (Group A)
Issued February 8, 2022
Valid for Financial Periods 2021 to 2025
BIR Accreditation No. [redacted]
February 13, 2023, Valid until February 12, 2026
PTR No [redacted] January 5, 2023, Makati City

May 26, 2023

KRESTON GLOBAL

'MGM | MG MADRID & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

A member of Kreston Global I A global network of independent accounting firms
2F 8862 Sampaloc St., San Antonio Village
Makati City, Philippines, 1203
Tel. 632 8659 3889/91
Fax. 632 8659 3890

REPORT OF INDEPENDENT AUDITORS

The Stockholders and the Board of Directors
Eagle Broadcasting Corporation
No. 25 Central Avenue
Diliman, Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eagle Broadcasting Corporation (the Company) which comprise the statement of financial position as at December 31, 2022 and the statement of comprehensive income, changes in equity and cash flow for the year 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 Eagle Broadcasting Corporation as at December 31, 2022 and its financial performance and cash flow for the year then ended is in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditors' 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company as at and for the year ended December 31, 2021 were audited by another auditor whose report dated April 16, 2022 expressed an unqualified opinion on those statements.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1 to the accompanying financial statements. The financial statements have been prepared on a going concern basis which assumes that the Company will continue in existence. The validity of this assumption is dependent on the Company's ability to meet its financing requirement on a continuing basis and the success of future operation. As at December 31, 2022 and 2021, the Company has capital deficiency amounting to ₱1,065,605,993 and ₱951,425,991 respectively. These conditions, among other matters, indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The stockholders have committed to provide financial and other assistance, as may be necessary, to enable to meet its liabilities as they fall due and to continue operate as a going concern. We conducted sufficient audit procedures to verify the validity of the aforementioned plan. The accompanying financial statements do not include any adjustment that might result from the outcome of this uncertainty.

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 as described in Note 2 to the financial statements and for such internal control as the 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, the 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 the 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.

Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' 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 Company's financial statements, including the disclosures, and whether the Company's 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 (RR) No. 15-2010, RR No. 2-2014 and RR No 34-2020 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 21 to the financial statements is presented for the purpose 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 management and 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.

MG MADRID & COMPANY

[redacted]

MARIO G. MADRID JR. [redacted]
CPA Certificate No. [redacted]
TIN [redacted]
BOA/PRC Accreditation No. [redacted]
November 5, 2020, Valid until January 29, 2024
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February 13, 2023, Valid until February 12, 2026
PTR No [redacted] January 5, 2023, Makati City

May 26, 2023

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Broadcast Services Division

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EAGLE BROADCASTING CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(With comparative figures for the year ended December 31, 2021)

	2022	2021 (As Restated - Note 19)
ASSETS		
Current Assets		
Cash (Notes 2, 4 and 5)	**₱80,721,655**	₱20,381,830
Trade and other receivables - net (Notes 2, 3, 4 and 6)	**73,989,053**	130,705,919
Programs and rights - current (Note 8)	**25,284,472**	–
Prepayments and other current assets (Notes 2 and 7)	**28,937,806**	21,621,716
Total Current Assets	**208,932,986**	172,709,465
Noncurrent Assets		
Investment property (Note 10)	**15,000,000**	15,000,000
Investment in subsidiary (Note 9)	**7,499,500**	7,499,500
Property and equipment - net (Notes 2, 3 and 11)	**368,640,771**	371,040,076
Programs and rights - noncurrent (Note 8)	**149,231,665**	–
Deferred tax assets (Notes 2 and 18)	**87,611,490**	76,359,361
Total Noncurrent Assets	**627,983,426**	469,898,937
	₱836,916,412	₱642,608,402
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Trade and other payables (Notes 2, 3 and 12)	**₱30,150,521**	₱13,903,872
Due to INC (Notes 2, 4 and 14)	**1,872,371,884**	1,580,130,521
Total Current Liabilities	**1,902,522,405**	1,594,034,393
Capital Deficiency		
Share capital (Note 13)	**13,125,000**	13,125,000
Deficit (Note 13)	**(1,078,730,993)**	(964,550,991)
Total Capital Deficiency	**(1,065,605,993)**	(951,425,991)
	₱836,916,412	₱642,608,402

See accompanying Notes to Financial Statements.

National Telecommunications Commission
Broadcast Services Division

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EAGLE BROADCASTING CORPORATION

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(With comparative figures for the year ended December 31, 2021)

	2022	2021 (As Restated - Note 19)
REVENUE	**₱343,004,797**	₱176,621,189
COST OF SERVICE (Notes 16)	**370,124,105**	217,903,920
GROSS LOSS	**(27,119,308)**	(41,282,731)
OPERATING EXPENSES (Note 17)	**108,917,745**	45,600,285
OPERATING LOSS	**(136,037,053)**	(86,883,016)
OTHER INCOME (Note 15)	**10,604,922**	2,151,721
LOSS BEFORE INCOME TAX	**(125,432,131)**	(84,731,295)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)	**(11,252,129)**	1,617,951
NET LOSS	**(₱114,180,002)**	(₱86,349,246)

See accompanying Notes to Financial Statements.

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Broadcast Services Division

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EAGLE BROADCASTING CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

(With comparative figures for the year ended December 31, 2021)

	Share Capital (Note 13)	Deficit (Note 13)	Total
Balance at December 31, 2020	₱13,125,000	(₱874,169,010)	(₱861,044,010)
Restatement 2021 (Note 19)		(4,032,735)	(4,032,735)
Net loss for 2021	–	(86,349,246)	(86,349,246)
Balance at December 31, 2021	13,125,000	(964,550,991)	(951,425,991)
Net loss for 2022	–	(114,180,002)	(114,180,002)
Balance at December 31, 2022	₱13,125,000	(₱1,078,730,993)	(₱1,065,605,993)

See accompanying Notes to Financial Statements.

National Telecommunications Com
Broadcast Services Division

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EAGLE BROADCASTING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(With comparative figures for the year ended December 31, 2021)

	2022	2021 (As Restated Note 19)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱125,432,131)**	(₱84,731,295)
Adjustments to reconcile pretax loss to net cash:		
Amortization expense (Notes 8 and 16)	**25,284,472**	6,198,661
Depreciation expense (Notes 3, 11, 16 and 17)	**23,718,222**	15,288,501
Provision for ECL (Notes 4, 6 and 17)	**15,678,461**	12,855,686
Interest income (Notes 5 and 15)	**(27,097)**	(61,932)
Operating loss before working capital changes	**(60,778,073)**	(50,450,379)
Working capital changes:		
Decrease (increase) in:		
Trade and other receivables (Note 6)	**41,038,405**	(91,493,136)
Prepayments and other current assets (Note 7)	**(4,572,172)**	11,526,571
Increase in trade and other payables (Note 12)	**16,246,649**	20,827,700
Net cash used in operations	**(8,065,191)**	(109,589,244)
Income tax paid	**(2,743,918)**	–
Interest received (Notes 5 and 15)	**27,097**	61,932
Cash used in operating activities	**(10,782,012)**	(109,527,312)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Programs and rights (Note 8)	**(199,800,609)**	(6,198,661)
Investments in subsidiary (Note 9)	**–**	(7,499,500)
Property and equipment (Note 11)	**(21,318,917)**	(69,504,387)
Cash used in investing activities	**(221,119,526)**	(83,202,548)
CASH FLOW FROM FINANCING ACTIVITY		
Proceeds from due to related parties (Note 14)	**292,241,363**	70,581,736
NET INCREASE (DECREASE) IN CASH	**60,339,825**	(122,148,124)
CASH AT BEGINNING OF YEAR	**20,381,830**	142,529,954
CASH AT END OF YEAR (Note 5)	**₱80,721,655**	₱20,381,830

See accompanying Notes to Financial Statements.

National Telecommunications Comm.
Broadcast Services Division

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1. Corporate Information

Eagle Broadcasting Corporation (the Company), a Philippine radio and television network, was incorporated under SEC Registration No. 32244 on April 26,1967. All funds and revenues derived by the Company from its operations are used for the accomplishment and promotion of the purposes enumerated in its articles of incorporation which is to primarily carry on the business as operators and/or proprietors of instruments and media of mass communication such as radio and television broadcasting stations on a commercial and/or sustaining basis.

The Company's main office and address is at 25 Central Avenue, Diliman, Quezon City.

Both the radio and television components operate within the Philippines. Aside from Metro Manila, the Company's radio network airs in Dagupan, Davao, Lucena and Cebu and features news, public service and religious broadcasting. The Company's television network, on the other hand, airs nationwide on three free TV stations in Manila, Cebu, and Davao as well as cable affiliates. It also has studios and editing suites for in-house and post-productions.

The Company owns ninety-nine percent (99%) controlling interest of Peñafrancia Broadcasting Corp., an entity whose primarily purpose is to engage in, conduct, and carry on the business as operators and/or proprietors of instruments and media of mass communication such as radio, television stations on a commercial and/or sustaining basis in any part of the Philippines. The Subsidiary was registered with the Securities and Exchange Commission (SEC) on June 18, 1998.

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in existence. The validity of this assumption is dependent on the Company's ability to meet its financing requirement on a continuing basis and the success of future operation. As at December 31, 2022 and 2021, the Company has capital deficiency amounting to ₱1,065,605,993 and ₱951,415,991, respectively. These conditions, among other matters, indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Stockholders have committed to provide financial and other assistance, as may be necessary, to enable to meet its liabilities as they fall due and to continue operate as a going concern.

The Company has two hundred-seventy (270) employees as of December 31, 2022 and 2021.

The accompanying financial statements of the Company as of and for the years ended December 31, 2022 (with comparative figures as of and for the year ended December 31 2021) were approved and authorized for issue by the Board of Directors (BOD) on May 26, 2023.

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

Basis of Preparation
The accompanying financial statements of the Company have been prepared using the historical cost basis, unless otherwise stated. The financial statements are presented in Philippine Peso, the Company's functional and reporting currency. All values are rounded to the nearest peso except as otherwise indicated.

Statement of Compliance
The accompanying financial statements have been prepared in accordance with PFRS. The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by former Standing Interpretations Committee, the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

The principal accounting policies adopted in preparing the financial statements of the Company are as follows:

Basis of Measurement
The accompanying financial statements have been prepared on historical costs basis. Historical costs refer to the amount of cash paid to acquire an asset or, in the case of exchange, the fair value of the consideration given to acquire an asset.

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, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value measurement and/or disclosure purposes in these financial statements is determined on such basis, except for share-based payment transactions that are within the scope of PFRS 2, leasing transactions that are within the scope of PFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 or value in use in PAS 36. for the asset or liability, either directly or indirectly.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety which is described as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs are unobservable inputs for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Adoption of New and Revised PFRS
The accounting policies adopted are consistent with those in previous financial year except that the Company has adopted the following new accounting pronouncements starting January 1, 2022.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a First-time Adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the financial statements, based on the date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

➢ Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

➢ Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

<u>Standards Issued But Not Yet Effective</u>
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the financial statements.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax Related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, and
- PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

<u>Significant Accounting Policies</u>

<u>Current and Noncurrent Classification</u>
The Company presents assets and liabilities in statements of financial position based on current/noncurrent classification. An asset is current when:

a. Expected to be realized or intended to be sold or consumed in normal operating cycle;
b. Held primarily for the purpose of trading;

c. Expected to be realized within 12 months after reporting date; or
d. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Financial Instruments
Date of recognition
The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables, except for sales contract receivables, are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on revenue from contracts with customers.

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

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

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

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

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

The Company's financial assets at amortized cost includes cash and trade and other receivables.

Financial assets at fair value through OCI (debt instruments)
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not have debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation and are not held for trading.

The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have financial assets at fair value through OCI.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognized in the profit or loss.

The Company does not have financial assets at fair value through profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statements of financial position) when:

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

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

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

Impairment of Financial Assets
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For accounts receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix for trade receivables and a vintage analysis for sales contract receivables and contract assets that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Company's definition of default and historical data of three years for the origination, maturity date and default date. The Company considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Determining the stage for impairment
At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Company considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or financial liabilities at amortized cost.

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

The Company's financial liabilities at amortized cost include trade and other payables excluding government payables and due to related party.

Derecognition

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Programs and Other Rights

Programs and other rights with finite lives are stated at cost less amortization and impairment in value. The estimated useful lives and the amortization method used depend on the manner and pattern of usage of the acquired rights. The cost of program and other rights with multiple number of runs within a specified term is amortized using straight line method up to the date of expiry.

Amortization expense is shown as "Programs and other rights usage" included under "Production costs" account in the statement of comprehensive income.

For series of rights acquired, the cost is charged to profit or loss as each series is aired on a per episode basis.

For rights intended for airing over the international channels, the cost is amortized on a straight-line basis over the number of years indicated in the contract.

Prepayments and Other Current Assets

Prepayments and other current assets include expenses already paid but not yet incurred. These are measured at cost less any impairment loss.

Input Value-Added Tax (VAT)

Input tax represents value-added tax paid to suppliers that can be claimed as credit against the Company's VAT liabilities.

Prepaid Production Costs

Prepaid production costs, included under "Prepaid expenses and other current assets" account in the statement of financial position, 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 statement of comprehensive income upon airing of the related program or episodes.

Prepaid Income Tax

Prepaid income tax represents creditable withholding taxes paid that can be claimed as credit against the Company's income tax payable.

Property and Equipment

Property and equipment are tangible assets that are held for use in the supply of goods or services, or for administrative purposes, and are expected to be used for more than one year. Items of property and equipment are initially measured at cost. Such cost includes purchase price and all incidental costs necessary to bring the asset to its usable condition. Subsequent to initial recognition, items of property and equipment are measured in the statements of financial position at cost less accumulated depreciation and any accumulated impairment losses. Depreciation, which is computed on a straight-line basis, is recognized so as to allocate the cost of assets less their residual values over their estimated useful lives.

Subsequent costs are capitalized as part of the property and equipment account, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

Investment Properties
Investment properties, which are properties held as a capital asset for capital appreciation (including properties under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less any accumulated impairment.

When assets are retired or otherwise disposed of, the cost and related impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

Investment in Subsidiary
A subsidiary is an entity that is controlled by another entity known as a parent. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

Investment in a subsidiary is accounted for under the cost method. Under the cost method, the Company recognizes as income, the dividends received that are distributed from net accumulated earnings of the investee since the date of acquisition by the investor. Dividends received that are in excess of the earnings subsequent to the date of acquisition are not income and therefore considered as return or reduction of investment.

Impairment of Nonfinancial Assets
At each reporting date, the carrying amount of the Company's nonfinancial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

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 profit or loss.

In addition, deposits for future stock subscription shall be classified under equity if all of the following elements are present as at reporting date:

a. The unissued authorized share capital of the entity is insufficient to cover the amount of shares indicated in the contract;
b. There is board of directors' approval on the proposed increase in authorized share capital (for which a deposit was received by the corporation);
c. There is stockholders' approval of said proposed increase; and
d. The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.

Share Capital
Share capital is recognized as issued when the share is paid for or, subscribed under a binding subscription agreement and is measured at par value, less any subscriptions receivable.

Deficit
Deficit includes all current and prior period results as disclosed in the statements of income.

Earnings Per Share
Earnings per share is calculated by dividing the income for the year attributable to the common stockholders of the Company by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any.

Revenue from Contracts with Customers
Revenue from Contract with Customers
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assessed that it is the principal in its revenue arrangements mainly because it has control over the goods or service before it is transferred to customers.

To determine whether to recognize revenue, the Company follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

The following specific recognition criteria must also be met before revenue is recognized:

Advertising Revenue. Revenue is recognized in the period the advertisements are aired. Payments received for advertisements before broadcast (pay before broadcast) are recognized as income on the dates the advertisements are aired. Prior to liquidation, these are classified as unearned revenue under "Contract liabilities" under "Trade payables and other current liabilities" account, in the statement of financial position.

Goods received in exchange for airtime usage pursuant to exchange deal contracts executed between the Company and its customers are recorded at fair market values of assets received. Fair market value is the current market price.

Tax credits on aggregate airtime credits from government sales availed of under PD No. 1362 are recognized as revenue when there is reasonable certainty that these can be used to pay duties and taxes on imported broadcasting related equipment.

Subscription Revenue. Subscription fees are recognized over the subscription period in accordance with the terms of the subscription agreements.

Production Revenue. Production revenue is recognized at a point in time when project-related services are rendered.

Online income. Subscription fees are recognized over the subscription period in accordance with the terms of the subscription agreements.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Contract Balances

Contract asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the patron. If a patron pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liability is recognized as revenue when the Company performs under the contract.

The contract liability includes payments received by the Company from customers for which revenue recognition has not yet commenced. Accordingly, customers' deposits are recorded as contract liabilities until services are provided to the patrons.

Cost and Expenses

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

Expenses in profit or loss are presented using the function of expense method. Operating expenses are costs attributable to operating activities of the Company. Cost of goods sold are expenses incurred that are associated with the sale of goods.

Leases

The Company has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and Philippine Interpretation IFRIC 4. The details of accounting policies under PAS 17 and Philippine Interpretation IFRIC 4 are disclosed separately.

The Company as a lessor

Leases wherein the Company substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Company's net investments in the leases. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Company's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Company determines whether an arrangement is, or contains a lease based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of specific asset or assets and the arrangement conveys a right to use the asset.

The Company as a lessee
The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use (ROU) asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office equipment, etc.) For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related ROU asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term

of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

The Company did not make any such adjustments during the periods presented.

The ROU assets comprise the initial measurement of the corresponding lease liability, lease payments made on or before the commencement day, less any lease incentives received and any initial direct costs. These are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS 37. To the extent that the costs relate to a ROU asset, the costs are included in the related ROU asset, unless those costs are incurred to produce inventories.

ROU assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the ROU asset reflects that the Company expects to exercise a purchase option, the related ROU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The ROU assets are presented as a separate line in the statements of financial position. The Company applies PAS 36 to determine whether an ROU asset is impaired and accounts for any identified impairment loss as described in the "Property and Equipment" policy.

As a practical expedient, PFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

<u>Employee Benefits</u>

Short-term Employee Benefits

These are benefits which fall due wholly within twelve (12) months after the end of the period in which the employees render the related service. Short-term benefits given by the Company to its employees include salaries and wages, social security, health insurance and housing contributions, short-term compensated absences, bonuses and other non-monetary benefits. The cost of short-term employee benefits is recognized as expense in the period when the economic benefit is given, except when such cost may be included within the cost of an asset.

Retirement Benefits

The Company does not have a formal retirement benefit plan. However, the Company will provide retirement benefits in compliance with RA 7641. No actuarial computation was obtained during the year as the amount of provision for retirement benefits will not materially affect the fair presentation of the financial statements considering that there is no qualified employee as of the reporting date.

<u>Related Parties</u>

Related Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Key management personnel are considered related parties. Transactions between related parties are based on terms similar to those offered to non-related parties.

Income Tax
Income tax expense includes current tax expense and deferred tax expense.

Current
Current tax assets and liabilities comprise those claims from, obligations to, authorities relating to the current and prior reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as component of tax expense in profit or loss.

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency-denominated Transactions
The Company determines its own functional currency and items included in the financial statements are measured using that functional currency. Transactions in foreign currencies are initially recorded in the Philippine peso at the exchange rate prevailing as at the date of the transaction.

Monetary assets and monetary liabilities denominated in foreign currencies are translated at the closing rate as at the statements of financial position date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Contingencies
Contingent liabilities are not recognized on the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits will be remote.

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

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) where, 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 reliable estimate can be made of the amount of the obligation.

Events After the End of the Reporting Period
Subsequent events that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Subsequent events that provide additional information about conditions existing after period end (non-adjusting events) are disclosed in the notes to the financial statements.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with Philippine Financial Reporting Standards requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumption used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

Judgments and estimates 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.

Judgments
Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the revenues and expenses of the Company.

Identification of Contract with Customers under PFRS 15
The Company applied PFRS 15 guidance to a portfolio of contracts with similar characteristics as the Company reasonably expects that the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within that portfolio. The Company has single contracts for its sale of service.

Identifying Performance Obligations
The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract. However, the Company has a single performance obligation in its contracts with customers.

Determining whether an Agreement Contains a Lease
The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the Company.

Lease Commitments - The Company as lessor
The Company has lease agreement in respect of certain properties. The Company evaluates whether significant risks and rewards of ownership of the leased properties are transferred (finance lease) or retained by the lessor (operating lease). The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that all significant risk and rewards of ownership over the leased properties are retained by the lessor. The leases are, therefore, accounted for as operating lease.

Determination of lease term of contracts with renewal options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Classification of Financial Instruments
The Company exercises judgment in classifying financial instruments in accordance with PFRS 9. The Company classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statements of financial position.

Determining the Fair Values of Financial Instruments
Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to this model are taken from observable markets where possible, but when this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Incorporation of forward-looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Company considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Contingencies
An entity recognizes a provision only when it has an obligation at the reporting date as a result of a past event; it is probable (i.e., more likely than not) that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. An entity measures a provision at the best estimate of the amount required to settle the obligation at the reporting date, which is the amount it would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time.

Estimates
The key sources of estimating uncertainty at the reporting date that have significant risks of causing material adjustment to the carrying amounts of assets and liabilities within next financial year are discussed below:

Determination and Allocation of the Transaction Price
The Company considers whether there are other promises in the contracts with customers that are separate performance obligations to which a portion of the transaction price needs to be allocated. Based on the agency agreement with the customer, the Company only has a single performance obligation to perform, hence allocation of transaction price is not necessary.

Assessment of Estimated Credit Losses on Financial Assets
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision for matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and GDP growth rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Company uses vintage analysis approach to calculate ECLs for other financial assets. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

The assessment of the correlation between historical observed default rates, forecast economic conditions (inflation and interest rates) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Company recognized provision for ECL on financial assets amounting to ₱15.68 million and ₱12.62 million for the years ended December 31, 2022 and 2021, respectively (See Notes 4, 6 and 18).

Estimating Useful Lives of Properties and Equipment
The Company estimates the useful lives of property and equipment are based on the period over which the property and equipment are expected to be available for use. The estimated useful lives of the property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment. In addition, the estimation of the useful lives of property and equipment are based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets.

It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. The carrying value of property and equipment amounted to ₱368.64 million and ₱371.04 million as of December 31, 2022 and 2021, respectively (See Note 11). Depreciation expense charged to cost of services and operating expenses amounted to ₱23.72 million and ₱15.29 million a for the years ended December 31, 2022 and 2021, respectively (See Notes 11, 16 and 17).

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

	No. of Years
Building	20
Transmitter	20
Broadcast equipment and TV equipment	5-10
Office equipment	5-10
Tools and equipment	5-10
Furniture and fixtures	10
Radio equipment	10
Medical equipment	5
Motor vehicle	5
Library records	5

Impairment of Nonfinancial Assets
PFRS requires that an impairment review be performed when certain impairment indicators are present. This requires an estimation of the value in use of the cash-generating units to which the assets belong. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of that cash flow.

Determining the recoverable amount of property and equipment and prepayment and other current assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposal of such assets. Future event could cause management to conclude that assets associated with an acquired business are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The Company did not recognize any impairment losses on nonfinancial assets for the years ended December 31, 2022 and 2021, respectively.

Realizability of Deferred Tax Assets
Deferred tax assets are established for tax benefits related to deductible temporary differences. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized. The Company recognized deferred tax asset amounting to ₱87.61 million and ₱76.36 million as of December 31, 2022 and 2021, respectively (See Note 18).

Estimation of Provision for Contingencies
The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. These are recognized in the books only when the claims are finally settled or when judgment is rendered. Any increase in provision would increase operating expenses and liabilities. The Company has no contingent liability as of December 31, 2022 and 2021.

4. **Management of Capital and Financial Risk**

Financial Risk Management Objectives and Policies
The main purpose of the Company's financial instruments is to fund its operations and financing activities. The main risks arising from the use of financial instruments are credit risk, liquidity risk, interest risk, equity price risk and market risk. The Company's management is responsible for the management of these risks. Its primary objective is focused on safeguarding various stakeholders' value to manage the unpredictability of these risks and minimize its potential adverse impact on the Company's operating performance and financial condition. It does not use derivative financial instruments to hedge certain risk exposures nor trade derivatives for speculative purposes.

The Company implements risk management policies and procedures in relation to the realization of its loans receivable into cash. However, it is the Company's policy to review and approve the loans receivable settlement before such are acted upon by the asset managers.

The Company's BOD reviews and approves policies for managing each of these risks and they are summarized below:

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The main types of risks are market risk, credit risk and liquidity risk.

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options.

The most significant financial risks to which the Company is exposed are described below:

Market Risk
The Company has no significant exposure to foreign currency risks as most transactions are denominated in Philippine pesos, its functional currency.

Likewise, the Company has no significant exposure to interest rate risks as interest-bearing financial instruments are based mostly on fixed interest rates.

Credit Risk
Credit risk is the risk that counter party fails to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers and placing deposits.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statements of financial position as at December 31, 2022 and 2021.

	2022	2021
Financial assets:		
Cash in bank	**₱80,653,089**	₱20,266,830
Trade and other receivables	**89,667,514**	143,328,829
	₱170,320,603	₱163,595,659

None of the financial assets are secured by collateral or other credit enhancements.

A. Cash in bank

The credit risk for cash in banks are considered negligible, since the counter parties are reputable banks with high quality external credit ratings.

Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱0.50 million per account per deposit or per banking institution.

B. Receivables

In respect of receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The tables below show the aging analyses of financial assets as of December 31, 2022 and 2021:

2022
Age Analysis of Financial Assets

	Neither past due nor impaired	Up to a year	More than a Year	Total
Cash in bank	**₱80,653,089**	**₱–**	**₱–**	**₱80,653,089**
Trade and other receivables	**–**	**89,667,514**	**–**	**89,667,514**
	₱80,653,089	**₱89,667,514**	**₱–**	**₱170,320,603**

2021
Age Analysis of Financial Assets

	Neither past due nor impaired	Up to a year	More than a Year	Total
Cash in bank	₱20,266,830	₱–	₱–	₱20,266,830
Trade and other receivables	–	143,328,829	–	143,328,829
	₱20,266,830	₱143,328,829	₱–	₱163,595,659

The tables below show the credit quality of the Company's financial assets based on their historical experience with the corresponding third parties:

2022

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
High	**₱170,320,603**	**₱–**	**₱–**	**₱170,320,603**
Moderate	–	–	–	–
Low	–	–	–	–
Gross Carrying Amount	**170,320,603**	–	–	**170,320,603**
ECL	**15,678,461**	–	–	**15,678,461**
Carrying amount	**₱154,642,142**	**₱–**	**₱–**	**₱154,642,142**

2021

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
High	₱163,595,659	₱–	₱–	₱163,595,659
Moderate	–	–	–	–
Low	–	–	–	–
Gross Carrying Amount	163,595,659	–	–	163,595,659
ECL	12,855,686	–	–	12,855,686
Carrying amount	₱150,739,973	₱–	₱–	₱150,739,973

Liquidity Risk
The Company's liquidity management process, as carried out within the Company and monitored by management includes:

Day-to-day funding, monitoring and projection of cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature.

Monitoring and reporting take the form of cash flow measurement and projections. They are performed everyday, weekly and monthly, respectively.

These are the key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The following are the contractual maturities of financial liabilities as of December 31, 2022 and 2021:

As of December 31, 2022	**Carrying amount**	**1 year or less**	**Over 1 year**
Financial liabilities:			
Trade and other payables	**₱25,448,748**	**₱–**	**₱25,448,748**
Due to related parties	**1,872,371,884**	**292,241,363**	**1,580,130,521**
	₱1,897,820,632	**₱292,241,363**	**₱1,605,579,269**

**Excluding government payables amounting to ₱8.46 million as of December 31, 2022.*

As of December 31, 2021	Carrying amount	1 year or less	Over 1 year
Financial liabilities:			
Trade and other payables	₱–	₱–	₱–
Due to related parties	1,580,130,521	1,580,130,521	–
	₱1,580,130,521	₱1,580,130,521	₱–

**Excluding government payables amounting to ₱13.90 million as of December 31, 2021.*

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

Fair Value Interest Rate Risk
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

In managing interest rate, the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. The exposure of the Company to this risk as of the statements of financial position date is minimal.

Foreign Currency Risk
The Company's exposure to foreign currency risk results from its business transactions and financing arrangements denominated in foreign currency.

	December 31, 2022		December 31, 2021	
	Foreign Account	**Peso equivalent**	Foreign Account	Peso equivalent
Cash	**USD 84,256**	**PHP 4,728,497**	USD 39,491	PHP 2,005,124

The Company used foreign exchange rate of ₱56.120/USD in 2022 and ₱50.774/USD in 2021 in converting its US dollar denominated financial assets and financial liabilities to peso.

The analysis below is performed for the effect of a reasonable possible movement of the currencies against the Philippine Peso with all other variables held constant on the Company income before income tax.

Currency	Philippine Peso Depreciation (appreciation)	Impact on income before income tax **December 31, 2022**	December 31, 2021
USD	+5%	**₱236,425**	₱100,256
USD	-5%	**(236,425)**	(100,256)

There is no other impact on the Company's financial assets and financial liabilities other than those already affecting the statement of comprehensive income.

Financial Assets and Financial Liabilities
The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as of December 31, 2022 and 2021 are presented below:

	2022		2021	
	Carrying Amounts	**Fair values**	Carrying Amounts	Fair values
Financial assets:				
Cash in bank	**₱80,653,089**	**₱80,653,089**	₱20,381,830	₱20,381,830
Trade and other receivables	**89,667,514**	**89,667,514**	130,705,919	130,705,919
	₱170,320,603	**₱170,320,603**	₱151,087,749	₱151,087,749
Financial liabilities:				
Trade and other payables	**₱25,448,748**	**₱25,448,748**	₱–	₱–
Due to related parties	**1,872,371,884**	**1,872,371,884**	1,580,130,521	1,580,130,521
	₱1,897,820,632	**₱1,897,820,632**	₱1,580,130,521	₱1,580,130,521

**Excluding government payables amounting to ₱4.70 million and ₱13.90 million as of December 31, 2022 and 2021, respectively.*

Assumption Used to Estimate Fair Values
The carrying amounts of cash, trade and other receivables, refundable deposits, trade and other payables, and due to related parties approximate their fair values due to the short-term maturities of the financial assets and financial liabilities.

Fair Value Hierarchy
The Company uses the following hierarchy for determining the fair value of financial assets and financial liabilities:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Inputs are unobservable inputs for the asset or liability

As of December 31, 2022 and 2021, the Company does not have financial assets and financial liabilities whose fair values are determined using the above Level 1 to 3 fair value measurements due to all of it have a short-term maturity that carrying amounts approximates its fair value.

There were no reclassifications made between the different fair value hierarchy levels in 2022 and 2021.

Capital Management
The primary objective of the Company's management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize stockholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

	2022	2021
Total debt	**₱1,902,522,404**	₱1,594,034,393
Total equity	**(₱1,065,605,993)**	(₱951,425,991)
Debt to equity ratio	**(1.79:1)**	(1.68:1)

5. Cash

This account consists of:

	2022	2021
Cash in banks	**₱80,653,089**	₱20,266,830
Cash on hand	**68,566**	115,000
	₱80,721,655	₱20,381,830

Cash in bank earns interest at the respective bank deposit rates. Interest income earned from bank amounted to ₱0.03 millions and ₱0.06 millions for the years ended December 31, 2022 and 2021, respectively (See Note 15).

6. Trade and Other Receivables - Net

This account consists of:

	2022	2021
Account receivable - trade	**₱40,363,325**	₱94,101,823
Less: Provision for ECL	**(15,678,461)**	(12,622,910)
	24,684,864	81,478,913
Advances to subsidiary (Note 14)	**46,318,704**	39,847,145
Operational advances	**2,193,546**	8,316,055
Advances to employees	**791,939**	1,063,806
	₱73,989,053	₱130,705,919

Trade receivables are unsecured, noninterest-bearing and have different credit terms based on agreements with the customers.

Advances to employees pertains to fund given by the Company to its employees for the medical support subject to liquidation. These are noninterest bearing and to be liquidated within 30 days.

Operational advances pertain to the fund used by the Company for the budget of the production, purchases of office equipment, payroll, contribution and remittances subject to liquidation.

Movements of allowance for ECL are as follows:

	2022	2021
Balance at beginning of year	**₱12,622,910**	₱22,222,893
Reversal	**(12,622,910)**	(22,455,669)
Addition (Note 17)	**15,678,461**	12,855,686
	₱15,678,461	₱12,622,910

No trade and other receivables were used as collateral to any loans or advances as of December 31, 2022 and 2021.

7. Prepayments and Other Current Assets

This account consists of:

	2022	2021
VAT input	**₱13,722,058**	₱14,694,199
Prepaid income tax	**7,719,608**	4,975,690
Prepaid production cost	**4,735,058**	–
Deferred VAT input	**2,615,482**	459,481
Prepaid expense	**145,600**	145,600
Merchandise	**–**	1,346,746
	₱28,937,806	₱21,621,716

No impairment loss was recognized under this category for the years ended December 31, 2022 and 2021.

8. Programs and Rights

This account consists of:

	2022	2021
Cost		
Beginning of year	**₱–**	₱–
Acquisitions	**199,800,609**	6,198,661
End of year	**199,800,609**	6,198,661
Accumulated impairment in value		
Beginning of year	**–**	–
Amortization	**25,284,472**	6,198,661
End of year	**25,284,472**	6,198,661
	174,516,137	–
Less: Programs and rights - noncurrent	**149,231,665**	–
Programs and rights - current	**₱25,284,472**	₱–

Amortization expense charged to cost of service amounted to ₱25.28 million and ₱6.20 million for the years ended December 31, 2022 and 2021, respectively (Note 16).

9. Investment in Subsidiary

This account pertains to investment in Peñafrancia Boadcasting Corp. amounting to ₱7.50 million as of December 31, 2022 and 2021.

Name of Subsidiary	Principal Activities	Place of Incorporation	Effective equity held by the Company	Cost of Investment
Peñafrancia Broadcasting Corporation	Radio and television activities	Philippines	99.99%	₱7,499,500

Summarized financial information with respect to the Company's investment in subsidiary is set out below:

	2022	2021
Total assets	**₱42,273,417**	₱37,426,313
Total liabilities	**49,022,018**	43,893,345
Net assets	**(₱6,748,601)**	(₱6,467,032)
Company's share of subsidiary's net assets	**(₱6,747,926)**	(₱6,466,385)
Total comprehensive loss for the year	**(₱281,569)**	(₱472,101)
Company's share of subsidiary's comprehensive loss	**(₱281,569)**	(₱472,101)

The Subsidiary was registered with SEC in June 18, 1998 which started its commercial operations. The Subsidiary's principal place of business and registered office address is at San Agustin Canaman, Camarines Sur.

No impairment loss was recognized under this category for the years ended December 31, 2022 and 2021.

No assets under this category were used as a collateral to any loans or advances as of December 31, 2022 and 2021.

10. Investment in Property

This account consists of land held for capital appreciation located in Peñafrancia province of Camarines Sur with a total area of 7,796 square meter and is recorded at cost amounting to ₱15,000,000 as of December 31, 2022 and 2021.

No asset under this category was impaired or used as collateral for any payables or advances as of and for the years ended December 31, 2022 and 2021.

11. Property and Equipment - Net

This account consists of:

	2021	Additions	Disposal/ Reclassification	2022
Cost:				
Land	₱106,167,829	₱–	₱–	**₱106,167,829**
Building	239,371,268	990,693	–	**240,361,961**
Broadcast and TV equipment	204,668,697	10,178,906	–	**214,847,603**
Furniture and fixtures	10,802,257	612,832	–	**11,415,089**
Motor vehicle	8,258,940	133,929	–	**8,392,869**
Office equipment	39,156,921	2,509,789	–	**41,666,710**
Tools and equipment	68,161,858	2,488,889	–	**70,650,747**
Medical equipment	34,272	169,622	–	**203,894**
Transmitter	32,585,080	4,085,472	–	**36,670,552**
Library equipment	33,568	–	–	**33,568**
Radio equipment	8,256,647	148,785	–	**8,405,432**
	717,497,337	21,318,917	–	**738,816,254**
Less: Accumulated depreciation				
Land	–	–	–	–
Building	68,346,949	10,734,153	–	**79,081,102**
Broadcast and TV equipment	157,436,502	9,129,819	–	**166,566,321**
Furniture and fixtures	6,623,525	594,210	–	**7,217,735**
Motor vehicle	8,258,940	21,875	–	**8,280,815**
Office equipment	29,782,223	1,335,016	–	**31,117,239**
Tools and equipment	67,688,031	106,202	–	**67,794,233**
Medical equipment	3,427	15,336	–	**18,763**
Transmitter	143,395	1,721,645	–	**1,865,040**
Library equipment	33,568	–	–	**33,568**
Radio equipment	8,140,701	59,966	–	**8,200,667**
	346,457,261	23,718,222	–	**370,175,483**
Net Book Value	₱371,040,076	(₱2,399,305)	₱–	**₱368,640,771**

	2020	Additions	Disposal/ Reclassification	2021
Cost:				
Land	₱106,167,829	₱–	₱–	₱106,167,829
Building	237,588,777	1,782,491	–	239,371,268
Broadcast and TV equipment	176,255,793	28,412,904	–	204,668,697
Furniture and fixtures	10,264,539	537,718	–	10,802,257
Motor vehicle	8,258,940	–	–	8,258,940
Office equipment	33,007,898	6,149,023	–	39,156,921
Tools and equipment	68,158,959	2,899	–	68,161,858
Medical equipment	–	34,272	–	34,272
Transmitter	–	32,585,080	–	32,585,080
Library equipment	33,568	–	–	33,568
Radio equipment	8,256,647	–	–	8,256,647
	647,992,950	69,504,387	–	717,497,337

(forward)

(continued)

Less: Accumulated depreciation				
Land	–	–	–	–
Building	57,718,089	10,628,860	–	68,346,949
Broadcast and TV equipment	154,670,027	2,766,475	–	157,436,502
Furniture and fixtures	5,877,066	746,459	–	6,623,525
Motor vehicle	8,258,940	–	–	8,258,940
Office equipment	28,915,583	866,640	–	29,782,223
Tools and equipment	67,612,957	75,074	–	67,688,031
Medical equipment	–	3,427	–	3,427
Transmitter	–	143,395	–	143,395
Library equipment	33,568	–	–	33,568
Radio equipment	8,082,530	58,171	–	8,140,701
	331,168,760	15,288,501	–	346,457,261
Net Book Value	₱316,824,190	54,215,886	–	₱371,040,076

Depreciation expense charged to operating expenses and cost of service were allocated as follows:

	2022	2021
Operating expenses (Note 17)	**₱12,984,069**	₱1,691,600
Cost of service (Note 16)	**10,734,153**	13,596,901
	₱23,718,222	₱15,288,501

The cost of fully depreciated property and equipment that are still in use amounted to ₱275.36 million and ₱262.32 million as of December 31, 2022 and 2021, respectively.

No property and equipment were impaired or used as collateral to any loans or advances as of December 31, 2022 and 2021.

12. Trade and Other Payables

This account consists of:

	2022	2021
Accounts payables	**₱25,448,748**	₱–
Deferred VAT output	**2,642,680**	12,488,303
Withholding taxes payable	**1,824,609**	1,131,406
SSS/HDMF/PhilHealth payables	**234,484**	284,163
	₱30,150,521	₱13,903,872

Trade payables are unsecured, noninterest-bearing and have different credit terms based on agreements of the parties.

13. Equity

a. Capital management

The primary objective of the Company's capital management is to ensure the adequacy of capital to support its business and provide returns for shareholders. The Company makes adjustments to its capital in the light of changes in economic conditions and business objectives. No changes were made in the objectives, policies and processes during the years ended December 31, 2022 and 2021.

The Company's capital, which is equal to the total equity, as at December 31, 2022 and 2021 are as follows:

	2022	2021
Share capital	**₱13,125,000**	₱13,125,000
Retained earnings:	**(1,078,730,993)**	(964,550,991)
	(₱1,065,605,993)	(₱951,425,991)

The Company is not subject to any externally imposed capital requirements.

b. Share capital

The Company's authorized share capital amounted to ₱150.00 million divided into 15,000,000 shares with par value of ₱10 per share as of December 31, 2022 and 2021. The number of subscribed share capital was 4,050,000 shares amounting to ₱40.50 million of which ₱13.13 million has been paid up as of December 31, 2022 and 2021.

No changes in the Company's authorized and issued share capital as of December 31, 2022 and 2021.

14. Related Party Transactions

In the normal course of business, the Company entered into various transactions with related parties. This represents the Company's noninterest-bearing advances from its stockholders for working capital requirements. Such advances are payable with no guarantees attached with no fixed repayment terms.

Significant transactions with related parties include the following:

Related Party	Year	Classification	Relationship	Terms and condition	Amount of transaction	Outstanding Balance
INC	**2022**	Due to related party	Other related party	Unsecured, noninterest-bearing with no fixed	**₱292,241,363**	**₱1,872,371,884**
	2021			repayment term	70,581,736	1,580,130,521
Peñafrancia Broadcasting Corporation	**2022**	Advances to subsidiary (Note 6)	Other related party	Unsecured, noninterest-bearing with no fixed	**6,471,559**	**46,318,704**
	2021			repayment term	28,917,561	39,847,145

Related party transactions are generally settled in cash.

No expected credit losses (ECL) recognized from advances to affiliate for the years ended December 31, 2022 and 2021

There were no compensation paid to key management personnel for the years ended December 31, 2022 and 2021.

15. Other Income

This account consists of:

	2022	2021
Online revenue	**₱4,349,259**	₱2,077,789
Rental income (Note 20)	**1,710,613**	–
Interest income (Note 5)	**27,097**	61,932
Other income	**4,517,913**	12,000
	₱10,604,922	₱2,151,721

Other income pertains to scraps that were sold.

Online revenue pertaining to the online streaming platform of the Company.

16. Cost of Service

This account consists of:

	2022	2021
Production expense	**₱108,066,729**	₱34,734,279
Talent fees	**99,238,689**	81,109,250
Rights (Note 8)	**49,746,164**	–
Salaries and wages	**30,216,376**	37,627,472
Amortization expense – programs and rights (Note 8)	**25,284,472**	6,198,661
Depreciation expense (Note 11)	**10,734,153**	13,596,901
Subscriptions and periodicals	**10,100,855**	4,595,114
Light and power expense	**9,928,377**	10,738,739
Meal expense	**6,198,417**	–
MTRCB fees	**5,714,921**	4,251,676
Travel and accommodation cost	**4,712,096**	370,353
SSS/PHIC/HDMF contribution	**2,768,161**	3,353,278
Gas, oil and lubricant expense	**1,759,545**	2,018,889
Repairs and maintenance	**1,659,728**	1,584,081
Supplies expense	**1,513,389**	–
Medical supplies	**998,132**	125,363
Telephone telegraph and postage	**687,320**	641,194
Rental expense (Note 20)	**415,111**	4,965,164
Training and seminars	**75,000**	13,205
Office supplies expense	**71,356**	238,466

(forward)

(continued)

Deliveries and freight charges	**58,449**	–
Prize	**–**	11,741,835
Miscellaneous expense	**176,665**	–
	₱370,124,105	₱217,903,920

MTRCB fee pertains to permits and licenses for the production.

17. Operating Expenses

This account consists of:

	2022	2021
Sales and marketing expense	**₱31,507,356**	₱1,687,622
Salaries and wages	**16,998,564**	4,180,830
Provision for ECL (Note 6)	**15,678,461**	12,855,686
Depreciation expense (Note 11)	**12,984,069**	1,691,600
Light and power expense	**9,493,869**	596,065
Repairs and maintenance	**4,598,821**	176,009
Supplies expense	**2,725,363**	74,964
Permits taxes and licenses	**2,487,404**	3,394,761
Commission fee	**2,255,032**	1,488,485
Representation expense	**1,669,010**	10,571,154
Gas, oil and lubricant	**1,312,768**	504,722
Professional fees	**1,097,429**	5,991,771
Medical supplies	**992,988**	125,363
Security services	**935,157**	927,448
Janitorial supplies	**415,037**	541,424
Trainings and seminars	**388,681**	8,803
Water expense	**280,350**	–
Travel and accommodation costs	**271,705**	41,150
Office supplies	**267,167**	–
Talent fee	**263,652**	–
Registration and screening Fees	**232,602**	–
Medical expenses	**185,526**	–
Telephone, telegraph and postage	**175,762**	71,244
KBP monthly dues	**55,055**	–
Bank charges	**39,876**	106,342
Deliveries and freight	**9,858**	–
Miscellaneous expense	**402,835**	192,256
	₱108,927,945	₱45,600,285

18. Income Tax

a. The Company's provision for (benefit from) for income tax amounted to ₱11.25 million and ₱1.62 million for the years ended December 31, 2022 and 2021, respectively.

b. The reconciliation of the pretax loss computed at the statutory corporate income tax rate to provision for (benefit from) income tax in the statements of income are as follows:

	2022	2021
Statutory tax at 25%	**(₱31,358,033)**	(₱21,182,824)
Addition to income taxes resulting from:		
Expired DTA	**20,112,678**	21,013,545
Impact of CREATE Law	–	4,022,535
Nondeductible expense	–	(2,219,822)
Interest income	**(6,774)**	(15,483)
	(₱11,252,129)	₱1,617,951

Due to the enactment of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act on March 26, 2021, adjustment to prepaid income tax and income tax payable relating to NOLCO amounting to ₱4.02 million were recognized in 2021 to reflect the revised effective tax rate.

c. The President of the Philippines 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 (RA) 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% or 20% as applicable for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 25% or 20% as applicable.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- The imposition of improperly accumulated earnings is repealed.

d. The Company's deferred tax assets are as follows:

	2022	2021
DTA for NOLCO	**₱83,691,875**	₱76,359,360
Provision for bad debts	**3,919,615**	–
	₱87,611,490	₱76,359,360

e. Details of NOLCO is shown below:

Year incurred	Expiry Date	2021	Additions	Used/ Expired	2022
December 31, 2019	December 31, 2022	₱80,450,710	₱–	₱80,450,710	**₱–**
December 31, 2020	December 31, 2025	130,593,520	–	–	**130,593,520**
December 31, 2021	December 31, 2026	94,393,210	–	–	**94,393,210**
December 31, 2022	December 31, 2025	–	109,780,767	–	**109,780,767**
		₱305,437,440	₱109,780,767	₱80,450,710	**₱334,767,497**

Under Section 4 of RR No. 25-2020, in compliance with RA No. 11494 "Bayanihan to Recover as One Act," the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of loss.

19. Other Matter

a) Overall risk of COVID-19 pandemic to the Company's operation

The COVID-19 pandemic which broke out in early 2020 resulted to nationwide mandated lockdowns and negatively impacted the Philippine economy. In 2021, the company was marked by sustained efforts to mitigate the impact of the pandemic and learning to operate with the reality of COVID-19.

In the earlier part of this year, the Philippine economy has started to recover from the economic losses brought about by the COVID-19 pandemic. At year end, it has rebounded from its COVID-19 recession, posted a growth rate of 7.6% based on the year-end data released by the Philippine Statistics Authority (PSA).

Nonetheless, the company will still continue to implement sustainability and contingency measures and monitor the situation.

b) Restatements

On March 31, 2023, the BOD approved the restatements of the financial statements for the year ended December 31, 2021 to correct previously issued financial statements to reflect the following prior period adjustments:

a) To correct the balance of due to related party amounting to ₱301.95 million for proper classification of account.
b) To correct the value of deferred tax asset amounting to ₱4.02 million due to the impact of CREATE law.
c) Reclassification of representation expense from cost of service to operating expense amounting to ₱7.69 million for proper classification of account.
d) To correct the value of investment in subsidiary amounting to ₱0.01 million.
e) To revert back deposit for future stock subscription to due to related party account.

The reconciliation presenting the effect of prior period adjustments on the Company's financial statements as at December 31, 2021:

	Asset	Liabilities	Equity
As previously reported prior period adjustment:	₱646,641,137	₱1,594,034,393	(₱947,393,256)
a. To correct the balance of due to related party	–	–	–
b. To correct the value of deferred tax asset	(4,022,535)	–	(4,022,535)
c. Reclassification of representation expense	–	–	–
d. To correct the value of investment in subsidiary	(10,200)	–	(10,200)
e. To correct the value of deposit for future stock subscription.	–	–	–
	₱642,608,402	₱1,594,034,393	(₱951,425,991)

20. Lease Agreements

Rent expense recognized related to short term leases, low-value assets and leases dependent on percentage of revenue are presented as part of cost of revenue amounting to ₱0.45 million and ₱4.97 million for the years ended December 31, 2022 and 2021, respectively.

The Company recognized rental income for the lease of land amounting to ₱1.74 million and nil for the year ended December 31, 2022 and 2021, respectively (See Note 15).

21. Bureau of Internal Revenue (BIR) Disclosure Requirements

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax information required for the taxable year ended December 31, 2022:

I. Based on Revenue Regulations (RR) No. 2-2014

A. Sales

	Regular rate
Revenue	₱343,004,797

B. Cost of Service

	Regular rate
Cost of Service	₱370,124,105

C. Other Income Not Subjected to Final Tax

	Regular rate
Other income	₱10,577,825

A. Itemized Deductions

	Regular rate
Sales and marketing expense	₱31,507,356
Salaries and wages	16,998,564
Depreciation Expense	12,984,069
Light and power expense	9,493,869
Repairs and maintenance	4,598,821
Supplies expense	2,725,363
Permits taxes and licenses	2,487,404
Commission fee	2,255,032
Representation expense	1,669,010
Gas, oil and lubricant expense	1,312,768
SSS/PHIC/HDMF contribution	1,203,548

(forward)

(continued)

Professional fees	1,097,429
Medical supplies	992,988
Security services	935,157
Janitorial supplies	415,037
Trainings and seminars	388,681
Water expense	280,350
Travel and accommodation costs	271,705
Office supplies	267,167
Talent fee	263,652
Registration and screening fees	232,602
Medical expenses	185,526
Telephone, telegraph and postage	175,762
KBP monthly dues	55,055
Bank charges	39,876
Deliveries and freight	9,858
Miscellaneous expense	392,635
	₱93,239,284

II. Based on RR No. 15-2010

The Company paid and reported the following taxes:

Value-added tax

Sales consist of:

	2022
Vatable sales/receipts	₱368,411,249
Sales to government	210,357
Zero-rated sales	610,000
	₱369,231,606

Purchases consist of:

	2022
Domestic purchases of goods	₱14,584,219
Domestic purchases of services	326,065,020
Purchases not qualified for input VAT	16,034,889
	₱356,684,128

VAT payments consist of:

	2022
Output VAT	₱44,234,593
Input VAT	(42,792,452)
Input VAT carried over	(15,153,681)
Input VAT withheld to government	(10,518)
Excess input VAT	13,722,058
	₱–

Withholding taxes

Withholding taxes consists of:

	Accrued	Paid	2022
Expanded withholding tax	₱1,334,371	₱13,536,513	₱14,870,884
Final withholding tax	₱362,047	₱15,041,553	₱15,403,600
Withholding tax on compensation	₱110,269	₱731,127	₱841,396

Other taxes and licenses

This account consists of:

	2022
Real property tax	₱72,614
BIR annual registration fee	500
Business and other taxes and licenses	2,414,290
	₱2,487,404

Tax Assessments
The Company has no outstanding tax assessments as of December 31, 2022.

Tax Cases
The Company has no pending tax case in courts or other regulatory bodies outside the administration of the BIR as of December 31, 2022.