SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209, Metro Manila Philippines
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Company Information

SEC Registration No.: AS95009602
Company Name: RGMA NETWORK, INC
Industry Classification: O92132
Company Type: Stock Corporation

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RGMA NETWORK, INC.

Securities and Exchange Commission PHILIPPINES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **RGMA Network Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its reports to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

[redacted]

ATTY. FELIPE L. GOZON
Chairman of the Board of Directors

[redacted]

FELIPE S. YALONG
Corporate Treasurer

[redacted]

MA. LOURDES D. ALONZO
Assistant Vice President for Accounting

RGMA NETWORK INC.
GMA Network Complex, EDSA Cor. Timog Ave, Diliman Quezon City 1103 Philippines
Tel Nos.: (632) 333-7184 to 85 / Telefax : 333-7188 / 333-7166

BEFORE ME, a Notary Public for and in QUEZON CITY personally appeared the following:

Atty. Felipe L. Gozon	TIN	[redacted]
Felipe S. Yalong	TIN	
Ma. Lourdes D. Alonzo	TIN	

Known to me and to me known to be the same persons who executed the foregoing consisting of 1page, and they acknowledged to me that the same is their free and voluntary act and deed.

WITNESS MY HAND AND SEAL, on this 13 of APR 2023 2023 at QUEZON CITY.

[redacted]

ATTY. JONNA O. GUIANG
NOTARY PUBLIC
UNTIL DECE[redacted]
Adm. [redacted]
IBP No [redacted]
PTR No [redacted]
MCLE Co[redacted]
Attorney's R[redacted]

Doc. No. 116
Page No. 25
Book No. I
Series of 2023

Esteban, Cecil D.

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: **A S 9 5 0 0 9 6 0 2**

COMPANY NAME

RGMA NETWORK, INC. (A Subsidiary of GMA Network, Inc.)

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

GMA Network Center, EDSA corner Timog Avenue, Diliman, Quezon City

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
–	**(02)8982-7777**	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
15	**Last Friday of March**	**12/31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Eugene H. Ramos	**[redacted]s@gmanetwork.com**	[redacted]	[redacted]

CONTACT PERSON's ADDRESS

[redacted]

NOTE 1 : *In [redacted] be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
RGMA Network, Inc.
GMA Network Center
EDSA corner Timog Avenue
Diliman, Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RGMA Network, Inc. (a subsidiary of GMA Network, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 24 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of RGMA Network, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

[redacted]

Meynard A. Bonoen
Partner
CPA Certificate No[redacted]
Tax Identification No.[redacted]
BOA/PRC Reg.[redacted] August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No.[redacted]
Valid to cover audit of [redacted] statements of SEC covered institutions
SEC Firm Accreditation No.[redacted]
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No.[redacted] November 10, 2021, valid until November 9, 2024
PTR No. [redacted], January 3, 2023, Makati City

March 31, 2023

RGMA NETWORK, INC.
(A Subsidiary of GMA Network, Inc.)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash (Notes 5, 20 and 21)	**₱138,077,096**	₱206,335,848
Trade and other receivables (Notes 6, 17, 20 and 21)	**36,269,693**	57,901,038
Prepaid expenses and other current assets (Note 7)	**14,423,187**	989,103
Total Current Assets	**188,769,976**	265,225,989
Noncurrent Assets		
Property and equipment (Note 8)	**5,543,418**	11,708,352
Right-of-use asset (Note 19)	–	10,194,249
Deferred tax assets - net (Note 18)	**1,714,294**	24,814,752
Other noncurrent assets (Notes 9 and 20)	**700,916**	529,089
Total Noncurrent Assets	**7,958,628**	47,246,442
	₱196,728,604	₱312,472,431
LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables and other current liabilities (Notes 10, 16, 17, 20 and 21)	**₱56,589,745**	₱30,721,298
Pension liability (Note 16)	**11,853,548**	–
Current portion of lease liability (Note 19)	–	519,678
Income tax payable	–	2,120,238
Total Current Liabilities	**68,443,293**	33,361,214
Noncurrent Liabilities		
Pension liability (Note 16)	–	41,528,678
Accrued vacation leaves (Notes 10 and 11)	–	40,394,240
Lease liability - net of current portion (Note 19)	–	10,108,740
Total Noncurrent Liabilities	–	92,031,658
Total Liabilities	**68,443,293**	125,392,872
Equity (Note 20)		
Capital stock - ₱1 par value		
Authorized - 30,000,000 shares		
Issued and outstanding - 14,705,882 shares	**14,705,882**	14,705,882
Additional paid-in capital (Note 1)	**36,217,430**	36,217,430
Retained earnings (Note 12)	**82,504,879**	139,932,227
Remeasurement loss on defined benefit obligation - net of tax (Note 16)	**(5,142,880)**	(3,775,980)
Total Equity	**128,285,311**	187,079,559
	₱196,728,604	₱312,472,431

See accompanying Notes to Financial Statements.

RGMA NETWORK, INC.
(A Subsidiary of GMA Network, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
REVENUES (Note 17)	**₱249,729,986**	₱340,609,783
COST OF SERVICES (Note 13)	**12,650,522**	13,282,184
GROSS PROFIT	**237,079,464**	327,327,599
GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	**195,208,940**	229,416,341
OTHER INCOME (CHARGES)		
Gain on pre-termination of leases	**949,692**	–
Interest expense (Note 19)	**(429,772)**	(297,922)
Interest income (Note 5)	**65,449**	9,793
Others - net	**44,169**	(3,044)
	629,538	(291,173)
INCOME BEFORE INCOME TAX	**42,500,062**	97,620,085
PROVISION FOR INCOME TAX (Note 18)		
Current	**2,371,318**	29,783,574
Deferred	**23,556,092**	5,522,273
	25,927,410	35,305,847
NET INCOME	**16,572,652**	62,314,238
OTHER COMPREHENSIVE INCOME (LOSS)		
Item not to be reclassified to profit or loss in subsequent periods - Remeasurement loss on defined benefit obligation - net of tax (Note 16)	**(1,366,900)**	(3,900,791)
TOTAL COMPREHENSIVE INCOME	**₱15,205,752**	₱58,413,447

See accompanying Notes to Financial Statements.

RGMA NETWORK, INC.
(A Subsidiary of GMA Network, Inc.)

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	**Additional Paid-in Capital** (Note 1)	**Retained Earnings** (Note 12)	**Remeasurement Gain (Loss) on Defined Benefit Obligation- net of tax** (Note 16)	**Total**
Balances at January 1, 2022	**₱14,705,882**	**₱36,217,430**	**₱139,932,227**	**(₱3,775,980)**	**₱187,079,559**
Total comprehensive income:					
Net income	–	–	**16,572,652**	–	**16,572,652**
Other comprehensive loss	–	–	–	**(1,366,900)**	**(1,366,900)**
Cash dividends (Note 12)	–	–	**(74,000,000)**	–	**(74,000,000)**
Balances as at December 31, 2022	**₱14,705,882**	**₱36,217,430**	**₱82,504,879**	**(₱5,142,880)**	**₱128,285,311**

	Capital Stock	Additional Paid-in Capital (Note 1)	Retained Earnings (Note 12)	Remeasurement Gain (Loss) on Defined Benefit Obligation- net of tax (Note 16)	Total
Balances at January 1, 2021	₱14,705,882	₱36,217,430	₱92,617,989	₱124,811	₱143,666,112
Total comprehensive income:					
Net income	–	–	62,314,238	–	62,314,238
Other comprehensive loss	–	–	–	(3,900,791)	(3,900,791)
Cash dividends (Note 12)	–	–	(15,000,000)	–	(15,000,000)
Balances as at December 31, 2021	₱14,705,882	₱36,217,430	₱139,932,227	(₱3,775,980)	₱187,079,559

See accompanying Notes to Financial Statements.

RGMA NETWORK, INC.
(A Subsidiary of GMA Network, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱42,500,062**	₱97,620,085
Adjustments for:		
Depreciation (Notes 8 and 14)	**7,312,162**	2,763,378
Gain on pre-termination of leases (Note 19)	**(949,692)**	–
Interest expense (Note 19)	**429,772**	297,922
Pension expense (Notes 15 and 16)	**158,528**	21,575,021
Interest income (Note 5)	**(65,449)**	(9,793)
Provision for vacation leave benefits (Note 11)	–	13,189,241
Operating income before changes in working capital	**49,385,383**	135,435,854
Decrease (increase) in:		
Trade and other receivables	**21,631,345**	148,834,403
Prepaid expenses and other current assets	**(13,434,084)**	650,171
Decrease in trade payables and other current liabilities	**(14,525,793)**	(1,930,882)
Net cash generated from operations	**43,056,851**	282,989,546
Employee benefits paid	**(31,656,192)**	–
Income taxes paid	**(4,491,556)**	(37,350,549)
Interest received	**65,449**	9,793
Pension benefits paid (Note 16)	–	(31,608,480)
Payment of accrued vacation leaves	–	(9,001,695)
Net cash provided by operating activities	**6,974,552**	205,038,615
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in other noncurrent assets	**(171,827)**	524,306
Additions to property and equipment (Note 8)	**(54,527)**	(7,367,337)
Net cash used in investing activities	**(226,354)**	(6,843,031)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of cash dividends (Note 12)	**(74,000,000)**	(15,000,000)
Lease payments	**(1,006,950)**	(596,500)
Net cash used in financing activities	**(75,006,950)**	(15,596,500)
NET INCREASE (DECREASE) IN CASH	**(68,258,752)**	182,599,084
CASH AT BEGINNING OF YEAR	**206,335,848**	23,736,764
CASH AT END OF YEAR (Note 5)	**₱138,077,096**	₱206,335,848

See accompanying Notes to Financial Statements.

RGMA NETWORK, INC.
(A Subsidiary of GMA Network, Inc.)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

RGMA Network, Inc. (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 27, 1995. The Company is engaged in the general and integrated business of radio and/or related broadcasting services, production, advertising and marketing activities. The registered office address of the Company is GMA Network Center, EDSA corner Timog Avenue, Diliman, Quezon City.

The Company is a subsidiary of GMA Network, Inc. (the Parent Company or GMA), a company incorporated in the Philippines whose common shares of stock are listed with the Philippine Stock Exchange.

On September 22, 2020, the BOD approved the Company's application with National Telecommunications Commission (NTC) to install and operate a television broadcast station in Butuan City, with provisional authority. On June 16, 2020, the BOD approved the Company's application with NTC to install, operate and maintain digital terrestrial television broadcast stations in Bulacan, San Fernando, Pampanga and in San Pablo City. As at March 26, 2021, the said applications are still ongoing.

On June 30, 2011, the Board of Directors (BOD) approved the Company's plan to undergo equity restructuring by offsetting the deficit against additional paid-in capital. On November 16, 2012, this was approved by SEC subject to the condition that the remaining additional paid-in capital shall not be applied against losses that may be incurred in the future without its approval. Consequently, deficit amounting to ₱124,576,688 as at December 31, 2011 was offset against additional paid-in capital of ₱160,794,118 resulting to a net additional paid-in capital of ₱36,217,430.

<u>Status of Operations</u>
As at December 31, 2022, GMA Network, Inc. ("GMA") no longer renewed its Radio Service Agreement with the Company, this indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern as the radio services to GMA is the Company's main source of revenue. However, as represented by management, the Company will continue to be a dormant entity until the management has determined its plans for the Company. In addition, the Company has significant amount of working capital and sufficient cash to support minimal expenses that will be incurred in the succeeding years. As such, the accompanying financial statements have been prepared on a going concern basis of accounting.

<u>Approval and Authorization for Issuance of Financial Statements</u>
The accompanying financial statements were approved and authorized for issuance in accordance with a resolution of the BOD on March 31, 2023.

2. Basis of Preparation, Statement of Compliance, and Changes in Accounting Policies and Disclosures

<u>Basis of Preparation</u>
The financial statements have been prepared on a historical cost basis and are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The accompanying financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The Company qualifies to use PFRS for Small and Medium-sized Entities (PFRS for SMEs) based on the definition of an SME under the Revised Securities Regulation Code Rule 68, as issued by the SEC. However, the Company elected not to adopt PFRS for SMEs under the exemption provided by the SEC, specifically, being a subsidiary of GMA Network, Inc. which is reporting under full PFRS.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

Effective beginning on or after January 1, 2022

- 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* 2018-2021 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 by the parent, based on the parent's date of transition to PFRS. 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- 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.

Effective Subsequent to December 31, 2022
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023
- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2022, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

PFRS 17 is not applicable to the Company since it is not engaged in providing insurance nor issuing 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*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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3. Summary of Significant Accounting and Financial Reporting Policies

The significant accounting and financial reporting policies adopted in preparing the financial statements are as follows:

<u>Current versus Noncurrent Classification</u>
The Company presents assets and liabilities in the statement of financial position based on current/noncurrent classification.

An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after the reporting period; or
- Cash unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as noncurrent.

A liability is classified as 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 twelve (12) months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Company classifies all other assets and liabilities as noncurrent.

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

Cash
Cash in the statement of financial position comprises of cash on hand and cash in banks stated at face amount.

Fair Value Measurement
Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

The Company determines the policies and procedures for both recurring and non-recurring fair value measurements.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy.

“Day 1” Difference
When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference amount.

Financial Instruments - Initial Recognition and Subsequent Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest’ 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 FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

The Company’s financial assets are under the financial assets at amortized cost classification.

Financial Assets at Amortized Cost (Debt Instruments). The Company measures financial assets at amortized cost if both of the following conditions are met:

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

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

As at December 31, 2022 and 2021, this category includes cash, trade and other receivables and deposits under "Other noncurrent assets" account (see Notes 5, 6 and 9).

<u>Derecognition of Financial Assets</u>
A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired
- the Company transferred its rights to receive the cash flows of the financial 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.

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

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash in banks and trade receivable from Parent Company, the Company applies the low credit risk simplification. The Company evaluates whether the debt instrument is considered to have low credit risk based on the external credit rating of the debt instrument. 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 loss allowance will be based on the lifetime ECL.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off, in whole or in part, when the asset is considered uncollectible, the Company has exhausted all practical recovery efforts and has concluded that it has no reasonable expectation of recovering the financial asset in its entirety or a portion thereof.

Financial Liabilities
Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities are under loans and borrowings classification.

Subsequent Measurement. The measurement of financial liabilities depends on their classification, as described below.

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

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

As at December 31, 2022 and 2021, this category includes trade payables and other current liabilities (excluding deferred output VAT and payable to government agencies) (see Note 10).

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are recorded at cost. Prepaid expenses are expenses paid in advance and recorded as assets before these are utilized. Other current assets also include creditable withholding taxes, which represents amounts withheld by the Company's customers, which are deductible from the Company's income tax payable.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price and other costs directly attributable necessary in bringing the asset to its working condition and location for its intended use. When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the following estimated useful lives of the assets:

Furniture, fixtures and equipment	3-5 years
Transportation equipment	3-5 years
Miscellaneous tools	5 years
Leasehold improvements	5 years or lease term, whichever is shorter

The assets' residual values, useful life and method of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further depreciation is credited or charged to current operations.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

Impairment of Nonfinancial Assets

The carrying value of creditable withholding taxes and property and equipment are reviewed at the end of each reporting period whether there is indication that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets are considered impaired and is written down to their recoverable amount. The recoverable amount of property and equipment is the greater of an asset's or cash-generating unit's fair value less cost to sell or value in use, and is determined for an individual item of property and equipment, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. The fair value less cost to sell is the amount obtainable from the sale of an individual item of property and equipment in an arm's-length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to an individual item of property and equipment. For an individual item of property and equipment that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses on nonfinancial assets, if any, are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. For property and equipment, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

<u>Equity</u>
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.

<u>Retained Earnings</u>
Retained earnings represents accumulated earnings, net of dividends declared.

<u>Dividends</u>
Dividends are recognized as liability and deducted from equity when approved by the shareholders of the Company. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the reporting date.

<u>Revenues</u>

a. Revenue from Contracts 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 assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Revenue is recognized when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

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

Service fees. Revenue is recognized as services are rendered in accordance with the terms of the agreement.

b. Revenue Recognition Outside the Scope of PFRS 15

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

Other income. Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Company through an increase in asset or reduction in liability that can be measured reliably.

Contract Balances

Trade Receivables. A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Assets. 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 Liabilities. 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 customer. If a customer 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 liabilities are recognized as revenue when the Company performs under the contract.

Costs and Expenses
Costs and expenses presented under "Cost of services" and "General and administrative expenses" accounts in the statement of comprehensive income are recognized as incurred.

Pension Benefits
The Company has a funded, noncontributory defined benefit retirement plan which provides a retirement benefit for every year of credited service covering its permanent employees. The cost of providing benefits is determined using the projected unit credit actuarial valuation method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined Benefit Plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability
- Remeasurements of net defined benefit liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee Leave Entitlement. Employee entitlements to annual leave are recognized as a liability when they accrue to the employees. The liability relating to employment leave entitlement is recognized for services rendered equivalent to the credit leaves earned by the employee. Vacation leave are considered noncurrent and expected to be settled upon the employee's resignation or retirement. The present value of the liability is determined by applying the discount rate based on government bonds.

Termination Benefits. Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Leases

Leases. The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as Lessee. The Company applies a single recognition and measurement approach for all leases, except for short-term leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Right-of-use Assets.* The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

- *Lease Liabilities.* At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The 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.

  In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term Leases.* The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date or initial application of PFRS 16 and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Taxes

Current Income Tax. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establish provisions where appropriate.

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

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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 profit 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 profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws to be enacted or substantially enacted at the reporting date.

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

Deferred tax relating to other comprehensive income is recognized in other comprehensive income.

Value-Added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, if applicable.

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade payables and other current liabilities" accounts in the statement of financial position.

<u>Provisions</u>
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

<u>Contingencies</u>
Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

<u>Events after the Reporting Period</u>
Post year-end events that provide additional information about the Company's financial position at the reporting period (adjusting events), are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect amounts reported in the financial statements and related notes at the end of the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

Determination of Lease Term of Contracts with Renewal and Termination Options - Company as a Lessee. 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's lease contract includes extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. 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 or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company did not include the renewal period as part of the lease term for its lease as this is not reasonably certain to be exercised. Furthermore, the period covered by the termination option is included as part of the lease term only when its reasonably certain not to be exercised.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Estimating the Incremental Borrowing Rate. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the counterparty's stand-alone credit rating).

The Company's lease liability amounted to nil and ₱10.2 million as at December 31, 2022 and 2021, respectively (see Note 19).

Pension Benefits. The determination of the Company's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by the actuaries in calculating such amounts. Those assumptions are described in Note 16 and include, among others, discount rate and expected rate of salary increase. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

While it is believed that the Company's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's pension liability.

Pension liability amounted to ₱11.9 million and ₱41.5 million as at December 31, 2022 and 2021, respectively (see Note 16).

Estimating Realizability of Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the following reporting date. This forecast is based on the Company's future expectations on revenue and expenses.

The carrying amount of recognized deferred tax assets amounted to ₱1.7 million and ₱24.8 million as at December 31, 2022 and 2021, respectively (see Note 18).

5. Cash

This account consists of:

	2022	2021
Cash on hand	**₱213,000**	₱373,000
Cash in banks	**137,864,096**	205,962,848
	₱138,077,096	₱206,335,848

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to ₱65,449 and ₱9,793 in 2022 and 2021, respectively.

6. Trade and Other Receivables

This account consists of:

	2022	2021
Trade receivable from Parent Company (see Note 17)	**₱34,128,815**	₱53,191,473
Advances to officers and employees	**1,712,436**	4,500,199
Due from Parent Company (see Note 17)	**247,117**	106,228
Others	**181,325**	103,138
	₱36,269,693	₱57,901,038

The terms and conditions on the above receivables follow:

- The terms and conditions relating to related party receivables are discussed in Note 17.

- Advances to officers and employees and other receivables are noninterest-bearing and are normally collected within the next financial year.

There were no provisions for expected credit losses in 2022 and 2021.

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2022	2021
Creditable withholding tax	**₱14,423,187**	₱–
Prepaid expenses	–	989,103
	₱14,423,187	₱989,103

Prepaid expenses are expected to be utilized within the next financial year.

Creditable withholding taxes represent amounts withheld by the company's customer which are deductible from the company's income taxes payable.

8. Property and Equipment

2022

	Land	**Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Miscellaneous Tools**	**Leasehold Improvements**	**Antenna and transmitter systems**	**Total**
Cost							
Balance at beginning of year	**₱1,277,100**	**₱14,684,778**	**₱995,000**	**₱524,851**	**₱5,032,447**	**₱6,374,558**	**₱28,888,734**
Additions	–	**29,887**	–	–	–	**24,640**	**54,527**
Disposal	–	–	–	–	**(5,032,447)**	–	**(5,032,447)**
Balance at end of year	**1,277,100**	**14,714,665**	**995,000**	**524,851**	–	**6,399,198**	**23,910,814**
Accumulated Depreciation							
Balance at beginning of year	–	**13,765,223**	**995,000**	**460,053**	**456,744**	**1,503,362**	**17,180,382**
Depreciation (see Note 14)	–	**345,785**	–	**32,667**	**4,575,703**	**1,265,306**	**6,219,461**
Disposal	–	–	–	–	**(5,032,447)**	–	**(5,032,447)**
Balance at end of year	–	**14,111,008**	**995,000**	**492,720**	–	**2,768,668**	**18,367,396**
Net Book Value	**₱1,277,100**	**₱603,657**	**₱–**	**₱32,131**	**₱–**	**₱3,630,530**	**₱5,543,418**

2021

	Land	**Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Miscellaneous Tools**	**Leasehold Improvements**	**Antenna and transmitter systems**	Total
Cost							
Balance at beginning of year	₱1,277,100	₱13,945,681	₱995,000	₱524,851	₱284,245	₱4,494,520	₱21,521,397
Additions	–	739,097	–	–	4,748,202	1,880,038	7,367,337
Balance at end of year	1,277,100	14,684,778	995,000	524,851	5,032,447	6,374,558	28,888,734
Accumulated Depreciation							
Balance at beginning of year	–	13,443,655	995,000	426,851	284,245	–	15,149,751
Depreciation (see Note 14)	–	321,568	–	33,202	172,499	1,503,362	2,030,631
Balance at end of year	–	13,765,223	995,000	460,053	456,744	1,503,362	17,180,382
Net Book Value	₱1,277,100	₱919,555	₱–	₱64,798	₱4,575,703	₱4,871,196	₱11,708,352

Fully depreciated assets that are still in use amounted to ₱15.2 million as at December 31, 2022 and 2021.

9. Other Noncurrent Assets

This account consists of:

	2022	2021
Deposits (see Note 19)	**₱374,609**	₱529,089
Bail and security bonds (see Note 22)	**326,307**	–
	₱700,916	₱529,089

Deposits include rental deposits amounting to ₱0.1 million and ₱0.2 million for short-term leases entered into as a lessee as at December 31, 2022 and 2021, respectively (see Note 19).

10. Trade Payables and Other Current Liabilities

This account consists of:

	2022	2021
Trade payables	**₱234,354**	₱318,780
Accrued expenses	**40,215,050**	893,416
Payable to government agencies	**7,788,548**	18,489,546
Nontrade payables	**4,646,034**	5,228,447
Deferred output VAT	**3,656,659**	5,699,087
Due to Parent Company (see Note 17)	**49,100**	92,022
	₱56,589,745	₱30,721,298

The terms and conditions of the liabilities follow:

- Trade payables are noninterest-bearing and are normally settled on 30-days term.
- Accrued expenses consist of accruals for payroll of employees and current vacation leaves which are expected to be settled within the next financial year.
- Payable to government agencies, comprise statutory contributions and other taxes which are remitted within 30 days after reporting period.
- Deferred output VAT represents output VAT on unpaid portion of recognized trade receivables. This amount is reported as output VAT upon collection of receivables.
- Nontrade payables and accrued expenses are normally settled within the next financial year.
- The terms and conditions relating to related party payables are discussed in Note 17.

11. Accrued Vacation Leaves

The movement in accrued vacation leaves follows:

	2022	2021
Balance at beginning of year	**₱40,394,240**	₱27,204,999
Provision (reclass) during the year (see Note 15)	**(21,699,565)**	13,189,241
	₱18,694,675	₱40,394,240

In 2022, this is part of accrued expenses under "Trade Payables and Other Current Liabilities"

12. Retained Earnings

Cash Dividends
The Company declared the following cash dividends which were taken out of the unrestricted retained earnings:

	Dividends		
Date of Declaration	Per share	Amount	Payment Date
March 26, 2021	₱1.02	₱15,000,000	September 30, 2021
March 25, 2022	5.03	74,000,000	April 19, 2022

As at December 31, 2022, the Company's unappropriated retained earnings exceeded its paid-in capital. The Company subsequently declared its excess retained earnings over its paid-in capital as at December 31, 2022 as cash dividends in 2023 (see Note 24).

13. Cost of Services

This account consists of:

	2022	2021
Production cost	**₱12,268,728**	₱12,950,688
Transportation and travel	**196,727**	177,857
Utilities	**106,436**	84,969
Others	**78,631**	68,670
	₱12,650,522	₱13,282,184

14. General and Administrative Expenses

This account consists of:

	2022	2021
Personnel costs (see Note 15)	**₱168,297,011**	₱208,264,748
Outside services	**10,630,004**	9,561,270
Depreciation (see Notes 8 and 9)	**7,312,161**	2,763,378
Taxes and licenses	**3,573,582**	2,162,589
Transportation and travel	**1,121,369**	1,205,173
Repairs and maintenance	**961,818**	1,842,723
Freight and handling	**919,218**	933,907
Communication and utilities	**881,737**	843,666
Office supplies	**623,836**	1,011,142
Rent (see Note 19)	**269,026**	193,669
Entertainment, amusement and recreation	**13,805**	13,224
Others	**605,373**	620,852
	₱195,208,940	₱229,416,341

15. Personnel Costs

This account consists of:

	2022	2021
Salaries and wages	**₱150,944,886**	₱152,231,724
Other employee benefits (see Note 11)	**17,193,597**	34,458,003
Pension expense (see Note 16)	**158,528**	21,575,021
	₱168,297,011	₱208,264,748

16. Pension Benefits

The Company has a non-contributory defined benefit retirement plan covering its permanent employees. The Company's latest actuarial valuation report is as at December 31, 2020.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Changes in the net pension liability of the Company for the year ended December 31, 2022, are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Pension Liability
At January 1, 2022	**₱73,665,273**	**₱32,136,595**	**₱41,528,678**
Pension expense:			
Current service cost	**4,734,985**	**–**	**4,734,985**
Net interest cost	**3,631,698**	**1,584,334**	**2,047,364**
Settlement gain/loss	**(6,623,821)**	**–**	**(6,623,821)**
	1,742,862	**1,584,334**	**158,528**
Benefits paid from plan assets	**(9,770,114)**	**(9,770,114)**	**–**
Benefits directly paid from Company's funds - Settlement	**(31,656,192)**	**–**	**(31,656,192)**
	(41,426,306)	**(9,770,114)**	**(31,656,192)**
Remeasurements recognized in OCI –			
Return on plan assets (excluding amount included in net interest)	**–**	**(1,822,534)**	**1,822,534**
At December 31, 2022	**₱33,981,829**	**₱22,128,281**	**₱11,853,548**

Changes in the net pension liability of the Company for the year ended December 31, 2021, are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Pension Liability
At January 1, 2021	₱80,667,943	₱25,317,052	₱55,350,891
Pension expense:			
Current service cost	4,734,985	–	4,734,985
Net interest cost	3,076,301	1,066,571	2,009,730
Settlement loss	14,830,306	–	14,830,306
	22,641,592	1,066,571	21,575,021
Benefits paid from Plan Assets	(2,432,861)	(2,432,861)	–
Benefits directly paid from Company's funds	(1,000,000)	–	(1,000,000)
Benefits directly paid from Company's funds - Settlement	(30,608,480)	–	(30,608,480)
	(34,041,341)	(2,432,861)	(31,608,480)
Contributions	–	9,001,695	(9,001,695)
Remeasurements recognized in OCI:			
Actuarial changes arising from changes in financial assumptions	(6,952,764)	–	(6,952,764)
Actuarial changes due to demographic assumptions	(3,760,227)	–	(3,760,227)
Actuarial changes due to experience	15,110,070	–	15,110,070
Return on plan assets (excluding amount included in net interest)	–	(815,862)	815,862
	4,397,079	(815,862)	5,212,941
At December 31, 2021	₱73,665,273	₱32,136,595	₱41,528,678

The movement in remeasurement loss - net of tax accounted under equity as at December 31, 2022 and 2021 follows:

	2022	2021
Balance at beginning of year	**(₱3,775,980)**	₱124,811
Remeasurement loss	**(1,822,534)**	(5,212,941)
Income tax effect	**455,634**	1,312,150
	(1,366,900)	(3,900,971)
Balance at year end	**(₱5,142,880)**	(₱3,775,980)

The plan asset of the Company pertains to Unit Investment Trust Funds (UITF).

The principal assumptions used in determining pension expense and liability 2021 are shown below:

	2021
Discount rate	4.93%
Expected rate of salary increase	5.00%

The sensitivity analysis below has been determined by remeasuring the defined benefit obligation at the reporting period after first adjusting one of the current assumption that were reasonably possible at the valuation date while other assumptions remained unchanged. It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	Increase (decrease) in basis points	Increase (decrease) in defined benefit obligation 2021
Discount rates	1%	(₱2,899,527)
	(1%)	3,091,574)
Future salary increases	1%	3,074,325
	(1%)	(2,911,082)

The weighted average duration of the defined benefit obligation as at December 31, 2022 is 1 year.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2022:

	Amount
Less than 1 year	₱11,853,548

17. Related Party Disclosures

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. Related parties may be individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties

There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2022 and 2021, the Company did not make any provision for doubtful accounts relating to amounts owed by related parties. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates. Settlement of outstanding balances at year-end occurs in cash for the outstanding receivables from/payables to related parties.

Transactions with the Parent Company consist of the following:

Category	Year	Amount/ Volume of Transactions	Outstanding Receivable (Payable)	Terms and Conditions
Share in broadcast revenue and engineering fees/Trade receivable (see Note 6)	**2022**	**₱249,729,986**	**₱34,128,815**	30-60 days; noninterest-bearing; unsecured; not impaired
	2021	₱340,609,783	₱53,191,473	
Due from Parent Company (see Note 6)	**2022**	**140,889**	**247,117**	30-60 days; noninterest-bearing; unsecured, not impaired
	2021	–	106,228	
Due to Parent Company (see Note 10)	**2022**	**42,923**	**(49,100)**	30-60 days; noninterest-bearing; unsecured
	2021	72,424	(92,022)	

Share in broadcast revenue and engineering fees are recorded based on the Company's agreement with the Parent Company. The agreement for broadcast revenue is effective for a period of five (5) years, from January 1, 2015 to December 31, 2021. In 2022, the Company renewed the broadcast revenue agreement from January 1 to December 31, 2022 and was signed on October 12, 2022 subject to renewal annually upon mutual agreement with the Parent Company. The agreement for engineering fees is subject to renewal on an annual basis.

The compensation of key management personnel of the Company follows:

	2022	2021
Salaries and other short-term benefits	**₱26,278,687**	₱19,500,847
Pension expense (see Note 16)	**1,158,093**	9,967,498
	₱27,436,780	₱29,468,345

18. **Income Tax**

Current Income Tax

The Company's provision for current income tax for the years ended December 31 is composed of the following:

	2022	2021
Minimum corporate income tax (MCIT)	**₱2,371,318**	₱–
Regular corporate income tax (RCIT)	–	31,628,815
Adjustment recognized in 2022 for current income tax of 2021 due to enactment of CREATE*	–	(1,845,241)
	₱2,371,318	₱29,783,574

*Reduction in the RCIT rate from 30% to 25% effective July 1, 2021

Deferred Tax Assets - net

The components of deferred tax assets - net are as follows:

	2022	2021
Deferred tax assets:		
Pension liability – remeasurement on OCI	**₱1,714,294**	₱10,382,169
Accrued vacation leaves	–	10,098,560
Unamortized past service cost	–	4,225,480
Lease liability	–	2,657,105
	1,714,294	27,363,314
Deferred tax liability – Right-of-use assets	–	(2,548,562)
	₱1,714,294	₱24,814,752

Deferred tax assets amounting to ₱15.3 million as at December 31, 2022, have not been recognized for the following deductible temporary differences, since management believes that it is not probable that it will have sufficient future taxable profits against which the deferred tax assets can be utilized:

Pension liability	**₱1,249,094**
Accrued vacation leaves	**4,673,669**
Unamortized past service cost	**3,624,559**
NOLCO	**3,400,117**
MCIT	**2,371,318**
	₱15,318,757

Deferred tax accounted under equity which pertains to remeasurement gain on defined benefit obligation amounted ₱1.7 million and ₱1.3 million as at December 31, 2022 and 2021, respectively. Provision for deferred income tax related to remeasurement gain on defined benefit obligation which is a component of other comprehensive income amounted to ₱0.5 million and ₱1.3 million in 2022 and 2021, respectively.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower RCIT rate of 25% effective July 1, 2020. Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2021 is 27.5%.

The reconciliation of the Company's provision for income tax at statutory tax rate to the provision for income tax as shown in the statements of comprehensive income is as follows:

	2022	2021
Income tax computed at statutory income tax rate	**₱10,625,015**	₱24,405,021
Income tax effects of:		
Unrecognized DTA	**15,318,757**	–
Interest income subjected to final tax	**(16,362)**	(2,448)
Nondeductible expenses	–	7,902,120
Change in tax rate from 30% to 25%	–	3,001,154
	₱25,927,410	₱35,305,847

As of December 31, 2022, the Company has incurred NOLCO amounting to ₱3.4 million which can be claimed as deduction from the regular taxable income for the next (3) consecutive taxable years.

In 2022, the carry-forward benefit of MCIT that can be claimed as deductions from the regular taxable income for over three years amounted to ₱2.4 million.

19. Lease Agreements

The Company, as a lessee, entered into various lease agreements for office spaces. These leases are for a period of one year and are renewable at the option of both parties.

As at December 31, 2022 and 2021, the carrying amounts of right-of-use assets and movements during the year follows:

Cost	**2022**	2021
Balance at beginning of year	**₱10,926,996**	₱–
Additions	–	10,926,996
Pre-termination	**(10,926,996)**	–
Balance at end of year	–	10,926,996
Accumulated Depreciation		
Balance at beginning of year	**(732,747)**	–
Depreciation	**(1,092,701)**	(732,747)
Pre-termination	**1,825,448**	–
Balance at end of year	–	(732,747)
Net book value	**₱–**	₱10,194,249

Below are the carrying amounts of lease liabilities and movements during the year:

	2022	2021
Balance at beginning of year	**₱10,628,418**	₱–
Pre-termination	**(10,051,240)**	–
Payments	**(1,006,950)**	(596,500)
Accretion of interest	**429,772**	297,922
Additions	**–**	10,926,996
Balance at end of year	**₱–**	₱10,628,418

The current and non-current lease liability amounted to ₱0.5 million and ₱10.1 million, respectively as at December 31, 2021.

Shown below is the maturity analysis of the undiscounted lease payments in 2021:

1 year	₱949,450
More than 1 year to 2 years	1,036,985
More than 2 years to 3 years	1,132,903
More than 3 years to 4 years	1,238,023
More than 5 years	8,810,423

The following are the amounts recognized in statement of comprehensive income:

	2022	2021
Depreciation expense of right-of-use asset (see Note 14)	**₱1,092,701**	₱732,747
Gain on pre-termination of lease	**(949,692)**	–
Interest expense on lease liability	**429,772**	297,922
Expense related to short term leases (see Note 14)	**269,026**	193,669
Total amount recognized in profit or loss	**₱841,807**	₱1,224,338

20. Financial Risk Management Objectives and Policies

The Company's principal financial instruments include cash, trade and other receivables and due from/to Parent Company. The main purposes of these financial instruments include raising financing for the Company's operations and managing identified financial risks. The Company has other financial assets and liabilities such as deposits and trade payables and other current liabilities (excluding deferred output VAT and payable to government agencies), which arise directly from its operations.

The main risks arising from the use of the Company's financial instruments are credit risks and liquidity risk.

The Company's BOD reviews and approves the objectives and policies.

Credit Risk. Credit risk is the risk that a customer or counterparty fails to fulfill its contractual obligations to the Company. This includes the risk of non-payment by borrowers and issuers, failed settlement of transactions and default on outstanding contracts.

The Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of the instruments.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position as at December 31:

	2022	2021
Financial assets at amortized cost		
Cash in bank*	**₱136,864,096**	₱204,962,848
Trade and other receivables:		
Trade receivable from Parent Company	**34,128,815**	53,191,473
Advances to officers and employees	**1,712,436**	4,500,199
Due from Parent Company	**247,117**	106,228
Others	**181,325**	103,138
Deposits**	**374,609**	529,089
	₱173,508,398	₱263,392,975

**Excluding cash on hand amounting to ₱0.2 and .4 million as at December 31, 2022 and 2021.*
***Included under "Other noncurrent assets" account in the statements of financial position (see Note 9).*

The maximum exposure for cash and cash equivalents (excluding cash on hand) is the carrying amount less insured amount by the Philippine Deposit Insurance Corporation equivalent to the actual cash balance to a maximum of ₱0.5 million per depositor per bank. The maximum exposure of trade and non-trade receivables and refundable deposits is equal to its carrying amount.

The Company's credit risk is concentrated in the Parent Company covering 100% and 100% of the total receivables as at December 31, 2022 and 2021, respectively.

Credit Quality of Financial Assets

The financial assets of the Company are grouped according to stage whose description is explained as follows:

Stage 1 - Those that are considered current and up to 120 past due and based on change in rating delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 120 to 360 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Company's financial assets are as follows:

	2022			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Financial assets at amortized cost				
Cash in bank*	**₱137,864,096**	**₱–**	**₱–**	**₱137,864,096**
Trade and other receivables:				
Trade receivable from Parent Company	**34,128,815**	–	–	**34,128,815**
Advances to officers and employees	**1,712,436**	–	–	**1,712,436**
Due from Parent Company	**247,117**	–	–	**247,117**
Others	**181,325**	–	–	**181,325**
Deposits (Under "Other noncurrent assets")	**374,609**	–	–	**374,609**
	₱174,508,398	**₱–**	**₱–**	**₱174,508,398**

**Excluding cash on hand amounting to ₱0.2 million as at December 31, 2022.*

2021				
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Financial assets at amortized cost				
Cash in bank*	₱205,962,848	₱–	₱–	₱205,962,848
Trade and other receivables:				
Trade receivable from Parent Company	53,191,473	–	–	53,191,473
Advances to officers and employees	4,500,199	–	–	4,500,199
Due from Parent Company	106,228	–	–	106,228
Others	103,138	–	–	103,138
Deposits (Under "Other noncurrent assets")	529,089	–	–	529,089
	₱264,392,975	₱–	₱–	₱264,392,975

**Excluding cash on hand amounting to ₱0.4 million as at December 31, 2021.*

Liquidity Risk. The Company is exposed to the possibility that adverse changes in the business environment and/or its operations would result in substantially higher working capital requirements and subsequently pose difficulty in financing the additional working capital.

The Company manages liquidity risk by maintaining a pool of credit lines from financial institutions that exceeds expected financing requirements for working capital. The Company likewise regularly evaluates other financing instruments and arrangements to broaden the Company's range of financing sources.

The tables below summarize the maturity profile of the Company's financial assets used for liquidity risk management purposes and financial liabilities based on contractual undiscounted payments as at December 31:

			2022		
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**More than 12 months**	**Total**
Financial assets at amortized cost					
Cash*	**₱137,864,096**	**₱–**	**₱–**	**₱–**	**₱137,864,096**
Trade and other receivables:					
Trade receivable from Parent Company	**18,127,701**	**16,001,114**	**–**	**–**	**34,128,815**
Advances to officers and employees	**1,712,436**	**–**	**–**	**–**	**1,712,436**
Due from Parent Company	**156,988**	**–**	**90,129**	**–**	**247,117**
Others	**–**	**121,275**	**60,050**	**–**	**181,325**
Deposits (Under "Other noncurrent assets")	**374,609**	**–**	**–**	**–**	**374,609**
	₱158,235,830	**₱16,122,389**	**₱150,179**	**₱–**	**₱174,508,398**
Loans and borrowings					
Trade payables and other current liabilities**	**₱26,400,763**	**–**	**–**	**₱–**	**₱26,400,763**
Due to Parent	**–**	**9,119**	**39,981**	**–**	**49,100**
	₱26,400,763	**₱9,119**	**₱39,981**	**₱–**	**₱26,449,863**

**Excluding cash on hand amounting to ₱0.2 million as at December 31, 2022.*
***Excluding deferred output VAT of ₱3.7 million and payable to government agencies of ₱5.2 million*
****Gross contractual payments*

			2021		
	On Demand	Less than 3 Months	3 to 12 Months	More than 12 months	Total
Financial assets at amortized cost					
Cash*	₱205,962,848	₱–	₱–	₱–	₱205,962,848
Trade and other receivables:					
Trade receivable from Parent Company	–	53,191,473	–	–	53,191,473
Advances to officers and employees	2,230,688	1,352,760	916,751	–	4,500,199
Due from Parent Company	–	–	106,228	–	106,228
Others	1,630	–	101,507	–	103,137
Deposits (Under "Other noncurrent assets")	529,089	–	–	–	529,089
	₱208,724,255	₱54,544,233	₱1,124,486	₱1,124,486	₱264,392,974
Loans and borrowings					
Trade payables and other current liabilities**	₱6,201,154	₱16,742	₱222,746	₱–	₱6,440,642
Due to Parent	–	5,847	86,175	–	92,022
Lease liabilities***	–	226,000	723,450	12,218,335	13,167,785
	₱6,201,154	₱248,589	₱1,032,371	₱12,218,335	₱19,700,449

**Excluding deferred output VAT of ₱21.8 million and payable to government agencies of ₱5.5 million.*

Capital Management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

No changes were made in objectives, policies or processes for the years ended December 31, 2022 and 2021.

The Company's capital management process is undertaken by the Parent Company. Total equity, before other comprehensive income, amounted to ₱133.4 million and ₱190.9 million as at December 31, 2022 and 2021, respectively.

21. Fair Value Measurement and Hierarchy

Fair Value Determination

The carrying amounts of the financial assets and liabilities (excluding lease liabilities) approximate the fair values due to the short-term nature of transactions.

For lease liabilities, the fair value amounting to ₱10.5 million in 2021, is based on the discounted value of future cash flows using the applicable rates for similar types of loans plus the applicable credit spread. Discount rate used ranged from 0.99% to 4.89% in 2021.

Fair Value Hierarchy

The Company has no financial instruments carried at fair value which is based on the three-level fair value hierarchy.

22. Other Matters

Bail Bonds

The Company is a party to certain claims in the ordinary course of business. The Company's management and legal counsel believe that the outcome of these cases will not have a material adverse effect on the financial statements. Accordingly, no provisions for losses were made on these contingencies. The Company, however, was required to deposit bail bonds which are collectible upon final settlement by the local courts of these pending legal cases. Bail bonds, which are included under "Other noncurrent assets" account, amounted to ₱326,308 and nil as at December 31, 2022 and 2021, respectively (see Note 9).

23. Changes in Liabilities Arising from Financing Activities

The movement in the Company's financing activities are as follow:

	January 1, 2022	**Additions**	**Payments**	**Others***	**December 31, 2022**
Lease liabilities (see Note 19)	**₱10,628,418**	**₱–**	**(₱1,006,950)**	**(₱9,621,468)**	**₱–**
Dividends payable	**–**	**74,000,000**	**(74,000,000)**	**–**	**–**
Total liabilities from financing activities	**₱10,628,418**	**₱74,000,000**	**(₱75,006,950)**	**(₱9,621,468)**	**₱–**

** Others pertains to interest accretion and gain on pretermination on lease liabilities*

	January 1, 2021	Additions	Payments	Others*	December 31, 2021
Lease liabilities (see Note 19)	₱–	₱10,926,996	(₱596,500)	₱297,922	₱10,628,418
Dividends payable	–	15,000,000	(15,000,000)	–	–
Total liabilities from financing activities	₱–	₱25,926,996	(₱15,596,500)	₱297,922	₱10,628,418

** Others pertains to interest accretion on lease liabilities*

24. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

The Company reported and/or paid the following types of taxes in 2022:

a. Output VAT

Net Receipts and Output VAT declared in the Company's VAT returns for the year 2022:

	Net Receipts	Output VAT
Taxable sales – Sale of services	₱266,750,217	₱32,010,026

Sale of services pertains to gross receipts/collections on revenue from share in broadcasting revenue and engineering fees that are lodged under the account "Revenues" in the books of the Company.

The Company has no VAT-exempt sales/receipts for the year.

b. Input VAT

Balance at beginning of year	₱–
Current year's domestic purchases/payments for services lodged under other accounts	1,070,078
Total allowable input VAT	1,070,078
Applied against output VAT	(1,070,078)
Balance at end of year	₱–

c. Other Taxes and Licenses

Business taxes	₱3,304,845
National Telecommunications Commission	268,237
Annual registration	500
	₱3,573,582

d. Withholding Taxes

Details of total remittances and balance of withholding taxes as at December 31, 2022 are as follows:

	Accrued	Paid	Total
Withholding taxes on compensation and benefits	₱4,642,390	₱7,948,290	₱12,590,680
Expanded withholding taxes	208,015	1,717,592	1,925,607

e. Tax Assessments and Cases

The Company has no final tax assessments and cases pending before the Bureau of Internal Revenue (BIR) as at December 31, 2022. Likewise, the Company has no other pending tax cases outside the administration of the BIR as at December 31, 2022.

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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Fax: (632) 8819 0872
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
RGMA Network, Inc.
GMA Network Center
EDSA corner Timog Avenue
Diliman, Quezon City

We have audited the accompanying financial statements of RGMA Network, Inc. (a subsidiary of GMA Network, Inc.), as at December 31, 2022 and for the year then ended, on which we have rendered the attached report dated March 31, 2023.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has a total of eight (8) stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

[redacted]

Meynard A. Bonoen
Partner
CPA Certificate No[redacted]
Tax Identification No[redacted]
BOA/PRC Reg[redacted] August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No.[redacted]
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No[redacted]
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No[redacted]ovember 10, 2021, valid until November 9, 2024
PTR No[redacted]anuary 3, 2023, Makati City

March 31, 2023

SGV
Building a better working world

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**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

The Board of Directors and Stockholders
RGMA Network, Inc.
GMA Network Center
EDSA corner Timog Avenue
Diliman, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of RGMA Network, Inc. (a subsidiary of GMA Network, Inc.) as at December 31, 2022 and 2021, and have issued our report thereon dated March 31, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not part of the basic financial statements. This has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

[redacted]

Meynard A. Bonoen
Partner
CPA Certificate No. [redacted]
Tax Identification No. [redacted]
BOA/PRC Reg. No. 0001, [redacted] 2021, valid until April 15, 2024
SEC Partner Accreditation No. [redacted]
Valid to cover audit of 2021 to [redacted] statements of SEC covered institutions
SEC Firm Accreditation No. [redacted]
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. [redacted] November 10, 2021, valid until November 9, 2024
PTR No. [redacted]anuary 3, 2023, Makati City

March 31, 2023

RGMA NETWORK, INC.
(A Subsidiary of GMA Network, Inc.)

Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2022

Unappropriated Retained Earnings, unadjusted, beginning	**₱139,932,227**
Less: Deferred tax assets, beginning	(23,556,092)
Unappropriated Retained Earnings, as adjusted, beginning	**116,376,135**
Add: Net income actually earned/realized during the period	
Net income during the year closed to retained earnings	16,572,652
Less: Recognized deferred tax asset during the year	23,556,092
Net income actually earned during the period	**40,128,744**
Less: dividend declarations during the year	(74,000,000)
Retained earnings available for dividend distribution, end	**₱82,504,879**