SECURITIES AND EXCHANGE COMMISSION

SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209, Metro Manila Philippines

Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

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Receipt Date and Time: May 02, 2023 05:58:43 PM

Company Information

SEC Registration No.: 0000001674

Company Name: MANILA BROADCASTING CO.

Industry Classification: O92131

Company Type: Stock Corporation

Document Information

Document ID: OST10502202381087910

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2022

Submission Type: Consolidated

Remarks: None

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

MANILA BROADCASTING COMPANY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management of **MANILA BROADCASTING COMPANY** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the year ended December 31, 2022, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

[redacted]
FEDERICO J. ELIZALDE
Chairman of the Board

[redacted]
RUPERTO S. NICDAO, JR.
President

[redacted]
EDUARDO G. CORDOVA
SVP – Chief Finance Officer

[redacted]
MARVEL K. TAN
Audit Committee Chairman/Independent Director

SUBSCRIBED AND SWORN to before me on 02 MAY 2023 at CITY OF MANILA, Affiant(s) exhibiting to me their Community Tax Certificates and Senior Citizen ID, as follows:

NAMES	CTC / OSCA NO.	DATE OF ISSUE	PLACE OF ISSUE
FEDERICO J. ELIZALDE	[redacted]	January 12, 2023	Pasay City
RUPERTO S. NICDAO, JR.	[redacted]	January 12, 2023	Pasay City
EDUARDO G. CORDOVA	[redacted]	January 12, 2023	Pasay City
MARVEL K. TAN	[redacted]	June 9, 2014	Quezon City

Doc No. _____
Page No. _____
Book No. _____
Series of 2023.

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
APPOINTMENT [redacted] /2023 MANILA
IBP NO. [redacted] / 01/03/2023
PTR NO. [redacted] 01/03/2023
ROLL NO. [redacted], TIN NO. [redacted]
NO. [redacted] 0165 VALID UNTIL APRIL 14, 2025
TAYUMAN ST., STA. CRUZ, MANILA

C O V E R   S H E E T
for
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	0	1	6	7	4

C O M P A N Y   N A M E

MANILA BROADCASTING COMPANY
AND SUBSIDIARIES

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

MBC BUILDING, V. SOTTO STREET,
CCP COMPLEX, PASAY CITY

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

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
rapua@manilabroadcasting.com	(02) 832-6127	-

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
604	10/01	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
Eduardo G. Cordova	[redacted]@mbcradio.net	[redacted]	-

CONTACT PERSON's ADDRESS

[redacted]

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

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

[redacted]

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 Stockholders and the Board of Directors
Manila Broadcasting Company and Subsidiaries
MBC Building, V. Sotto Street
CCP Complex, Pasay City

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Manila Broadcasting Company and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 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 Consolidated 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 consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

[redacted]

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue Recognition of Broadcasting Fees

The Company's revenue is composed of broadcasting fees. Broadcasting fees are recognized when the programs are broadcasted or advertisements are aired by various radio stations nationwide. This matter is significant to our audit because, in addition to the magnitude of the amount, the determination of the timing of the recognition of the broadcasting fees depends on when the programs are broadcasted or advertisements are aired by various radio stations nationwide as evidenced by signed certificates of performance.

The Company's policy on revenue recognition and details of broadcasting fees are disclosed in Notes 2 and 19 to the consolidated financial statements.

Audit response

We updated our understanding of the Company's processes and related controls over the revenue process on broadcasting fees and tested the relevant controls. For the sample billing invoices, we inspected the signed certificates of performance which provide evidence that the programs were broadcasted and advertisements were aired during their scheduled timeslots. We also tested transactions within the in-scope cutoff test period to check the timing of the recognition of the sample broadcasting fees.

Valuation of Unquoted Investments

The Company has unquoted equity investments in Elizalde Holdings Corporation (EHC) and Philippine International Corporation (PIC) representing 5% and 6% ownership interests, respectively, which are classified as financial assets at fair value through other comprehensive income (FVOCI).

As at December 31, 2022, the fair value of these investments amounted to ₱141.6 million, representing 5.3% of the consolidated total assets as of that date. The valuation of these investments is significant to our audit because it is inherently subjective as it involves the use of valuation inputs such as discount rate, revenue growth rate, long-term growth rate and discounts on lack of marketability and lack of control that are not market observable. Management also applied judgment in selecting the valuation technique and the assumptions to be used.

The Company determined the fair value of these investments in unquoted shares of stock using the adjusted net asset value approach, which considers the fair value of the underlying assets and liabilities of the investee companies. The underlying assets primarily consist of investments in quoted and unquoted shares and land. The Company determined the fair value of the investments in unquoted shares using the discounted cash flows approach. The valuation of the land requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors.

[redacted]

The Company's disclosures about financial assets at FVOCI are included in Notes 2, 10 and 28 to the consolidated financial statements.

Audit Response

We checked and evaluated the valuation technique and assumptions used to determine the fair value of the financial assets. These assumptions include discount rates on lack of marketability and lack of control. We assessed the methodology adopted and the discounts on lack of marketability and lack of control applied by referencing to common valuation methodologies and convention.

The assumptions used in determining the fair value of the investments in unquoted shares of the investee companies using the discounted cash flows approach include discount rate, revenue growth rate and the long-term growth rate. We tested the parameters used in the determination of the discount rate against market data. We inquired from management the rationale for the forecasted revenue and we also compared the revenue growth rate against the historical performance of each investee company and against industry/market outlook. We compared the long-term growth rate used against industry/market outlook and other relevant external data.

We also evaluated the methodology and assumptions used in the valuation of the land. We evaluated the competence, capabilities and objectivity of the external appraiser by considering their qualifications, experience and reporting responsibilities. We assessed the methodology adopted by referencing to common valuation models and checked the relevant information supporting the sales and listings of comparable properties. We also inquired from the external appraiser the basis of adjustments made to the sales price, including any impact associated with coronavirus pandemic.

We also checked the Company's disclosures about those assumptions to which the outcome of the valuation is most sensitive; specifically, those that have the most significant effect on the determination of the fair value of the unquoted equity investments.

Adequacy of Expected Credit Losses on Trade Receivables

The Company applies the simplified approach in calculating expected credit loss (ECL) on its trade receivables. Under this approach, the Company establishes a provision matrix that is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment. Allowance for credit losses and the provision for credit losses as of and for the year ended December 31, 2022 and 2021 amounted to ₱29.2 million and ₱29.6 million, respectively. The use of ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Company's credit risk exposures; defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; and incorporating forward-looking information (called overlays), including the impact of the coronavirus pandemic, in calculating ECL.

The Company's disclosures on the allowance for credit losses using the ECL model are included in Notes 2, 3 and 7 of the consolidated financial statements.

[redacted]

Audit Response

We obtained an understanding of the methodology and model used for the Company's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested historical loss rates by inspecting historical recoveries and write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Company's receivable portfolios and industry practices, including the impact of the coronavirus pandemic.

Further, we checked the data used in the ECL model such as the historical aging analysis and default and recovery data, by examining the supporting documents and their subsequent settlements. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We recalculated impairment provisions on a sample basis.

Valuation of Land

The Company accounts for its land under property and equipment using the revaluation model. These properties represent 21.2% of the consolidated assets as at December 31, 2022. The determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors, including any impact associated with coronavirus pandemic. Thus, we considered the valuation of land as a key audit matter.

The disclosures relating to property and equipment are included in Note 11 of the consolidated financial statements.

Audit Response

We evaluated the competence, capabilities and objectivity of the external appraiser by considering their qualifications, experience and reporting responsibilities. We also evaluated the methodology and assumptions used in the valuation of the land. We assessed the methodology adopted by referencing to common valuation models and checked the relevant information supporting the sales and listings of comparable properties. We also inquired from the external appraiser the basis of adjustments made to the sales price, including any impact associated with coronavirus pandemic.

[redacted]

Recoverability of Goodwill

Under PFRSs, the Company is required to annually test the amount of goodwill for impairment. As at December 31, 2022, the Company's goodwill attributable to the acquisition of DWRK station in 2008 amounted to ₱38.0 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic, specifically revenue growth rate, discount rate and the long-term growth rate.

See Note 13 to the consolidated financial statements for the Company's disclosure about goodwill.

Audit Response

We involved our internal specialist in evaluating the methodology and the assumption used, specifically the discount rate, for impairment testing. We evaluated the other assumptions used by the management such as revenue growth rate and the long-term growth rate. We tested the parameters used in the determination of the discount rate against market data. We inquired from management the rationale for the forecasted revenue and we also compared the revenue growth rate against the historical performance of the DWRK station and against industry/market outlook. We compared the long-term growth rate used in the impairment calculation against industry/market outlook and other relevant external data taking into consideration the impact associated with coronavirus pandemic. We also checked the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to date of this auditor's report, and the SEC Form 20 IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2022, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

[redacted]

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

[redacted]

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

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

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

- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Maria Pilar B. Hernandez.

SYCIP GORRES VELAYO & CO.

[redacted]

Partner
CPA Certificate No. [redacted]7
Tax Identification No. [redacted]
BOA/PRC Reg. No. [redacted] August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. [redacted]SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. [redacted]-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. [redacted], January 20, 2022, valid until January 19, 2025
PTR No. [redacted] January 3, 2023, Makati City

May 2, 2023

[redacted]

MANILA BROADCASTING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	**2021**
ASSETS		
Current Assets		
Cash (Note 6)	**₱157,831,973**	₱202,658,474
Receivables (Note 7)	**398,335,222**	433,794,260
Due from related parties (Note 16)	**166,936,573**	334,145,731
Inventories (Note 8)	**4,686,835**	3,813,131
Materials and supplies (net of allowance for inventory obsolescence of ₱3.9 million and ₱0.9 million in 2021 and 2020, respectively)	**3,421,625**	1,877,226
Prepaid expenses and other current assets (Note 9)	**92,605,511**	97,625,906
Total Current Assets	**823,817,739**	1,073,914,728
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 2, 10, 25, and 28)	**141,593,656**	289,627,071
Property and equipment (Note 11)		
At cost	**1,006,088,440**	977,666,434
At revalued amount	**568,496,600**	412,663,500
Investment properties (Note 12)	**43,162,500**	43,162,500
Goodwill and other intangible assets (Note 13)	**38,016,206**	38,016,206
Advances to suppliers	**17,436,297**	17,429,197
Retirement benefit assets (Note 22)	**2,353,485**	2,907,511
Deferred tax assets - net (Note 23)	**2,922,692**	17,084,103
Other noncurrent assets (Note 25)	**32,739,437**	33,529,816
Total Noncurrent Assets	**1,852,809,313**	1,832,086,338
TOTAL ASSETS	**₱2,676,627,052**	₱2,906,001,066
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Note 14)	**₱201,000,000**	₱161,000,000
Current portion of long-term debt (Note 14)	**136,452,118**	71,157,641
Accounts payable and accrued expenses (Notes 15 and 16)	**428,987,137**	443,166,710
Contract liabilities (Note 19)	**55,363,501**	65,440,336
Current portion of lease liabilities (Note 24)	**16,804,582**	21,373,333
Income tax payable	**6,212,044**	11,945,935
Due to related parties (Note 16)	**1,162,483**	26,234,198
Dividends payable (Note 16)	**23,991,898**	22,276,875
Total Current Liabilities	**869,973,763**	822,595,028
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 14)	**74,764,110**	211,215,737
Lease liabilities - net of current portion (Note 24)	**32,781,745**	27,642,995
Accrued separation cost (Note 22)	**24,257,595**	24,257,595
Deferred tax liabilities - net (Note 23)	**131,039,622**	146,877,813
Total Noncurrent Liabilities	**262,843,072**	409,994,140
Total Liabilities	**₱1,132,816,835**	₱1,232,589,168

(*Forward*)

[redacted]

	December 31	
	2022	2021
Equity Attributable to the Equity Holders of the Parent Company		
Capital stock (Note 17)	**₱402,803,777**	₱402,803,777
Additional paid-in capital	**79,354**	79,354
Revaluation increment on land (Note 11)	**314,371,055**	297,654,980
Reserve for fluctuation in fair value of financial assets at FVOCI (Note 10)	**105,273,585**	231,101,989
Remeasurements on accrued retirement benefits (Note 22)	**49,011,796**	50,257,685
Retained earnings:		
Unappropriated (Note 18)	**327,265,615**	334,768,554
Appropriated (Note 18)	**200,000,000**	200,000,000
Treasury shares - at cost (Note 17)	**(120,787)**	(120,787)
	1,398,684,395	1,516,545,552
Non-controlling Interest (Note 4)	**145,125,822**	156,866,346
Total Equity	**1,543,810,217**	1,673,411,898
TOTAL LIABILITIES AND EQUITY	**₱2,676,627,052**	₱2,906,001,066

See accompanying Notes to Consolidated Financial Statements.

[redacted]

MANILA BROADCASTING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
REVENUE (Note 19)	**₱1,218,032,361**	₱992,872,599	₱889,268,782
COST OF SALES AND SERVICES (Notes 11, 16, 20, 21 and 22)	**(657,069,504)**	(629,743,640)	(513,818,448)
GROSS PROFIT	**560,962,857**	363,128,959	375,450,334
OPERATING EXPENSES (Notes 11, 12, 13, 14, 16, 20, 21 and 24)	**(375,168,200)**	(252,238,587)	(246,860,729)
OTHER INCOME (EXPENSES)			
Interest expense (Notes 14 and 24)	**(24,414,795)**	(23,202,197)	(26,782,722)
Rental income (Note 12)	**8,800,092**	9,313,493	8,270,249
Interest income (Note 6)	**238,780**	247,565	1,150,448
Income from insurance claims	–	36,294,364	35,015,131
Other income (loss) - net	**187,299**	2,490,451	(263,186)
	(15,188,624)	25,143,676	17,389,920
INCOME BEFORE INCOME TAX	**170,606,033**	136,034,048	145,979,525
PROVISION FOR INCOME TAX (Note 23)	**69,044,599**	53,839,053	52,054,824
NET INCOME	**101,561,434**	82,194,995	93,924,701
OTHER COMPREHENSIVE INCOME (LOSS)			
Not to be reclassified to profit or loss in subsequent periods:			
Change in fair value of financial asset at FVOCI, net of tax (Note 10)	**(125,828,404)**	37,385,583	67,474,651
Increase in revaluation increment, net of tax (Note 11)	**16,716,075**	29,306,196	68,136,040
Remeasurement gain (loss) on accrued retirement benefits, net of tax (Note 22)	**(1,245,889)**	5,846,432	1,012,279
	(110,358,218)	72,538,211	136,622,970
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱8,796,784)**	₱154,733,206	₱230,547,671
Net Income Attributable to:			
Equity holders of the Parent Company	**₱113,301,958**	₱95,789,549	₱104,831,756
Non-controlling interests (Notes 1 and 4)	**(11,740,524)**	(13,594,554)	(10,907,055)
	₱101,561,434	₱82,194,995	₱93,924,701
Total Comprehensive Income Attributable to:			
Equity holders of the Parent Company	**₱2,943,740**	₱168,327,760	₱241,454,726
Non-controlling interests (Notes 1 and 4)	**(11,740,524)**	(13,594,554)	(10,907,055)
	(₱8,796,784)	₱154,733,206	₱230,547,671
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 29)	**₱0.28**	₱0.24	₱0.26

See accompanying Notes to Consolidated Financial Statements.

[redacted]

MANILA BROADCASTING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Equity Attributable to the Equity Holders of the Parent Company										
	Capital Stock (Note 17)	**Additional Paid-in Capital**	**Revaluation Increment on Land** (Note 11)	**Reserve for Fluctuation in Fair Value of Financial Assets at FVOCI** (Notes 2 and 10)	**Remeasurements on Accrued Retirement Benefits** (Note 22)	**Retained Earnings** (Notes 2 and 18) **Unappropriated**	**Appropriated**	**Treasury Stock** (Note 17)	**Total**	**Non-controlling Interest** (Note 4)	**Total**
Balances at January 1, 2020	₱402,803,777	₱79,354	₱200,212,744	₱126,241,755	₱43,398,974	**₱354,810,636**	₱100,000,000	(₱120,787)	₱1,227,426,453	₱181,367,955	₱1,408,794,408
Appropriation	–	–	–	–	–	**(100,000,000)**	100,000,000	–	–	–	–
Net income	–	–	–	–	–	**104,831,756**	–	–	104,831,756	**(10,907,055)**	93,924,701
Other comprehensive income	–	–	68,136,040	67,474,651	1,012,279	–	–	–	136,622,970	–	136,622,970
Total comprehensive income	–	–	68,136,040	67,474,651	1,012,279	**104,831,756**	–	–	241,454,726	**(10,907,055)**	230,547,671
Balances at December 31, 2020	**402,803,777**	**79,354**	**268,348,784**	**193,716,406**	**44,411,253**	**359,642,392**	200,000,000	**(120,787)**	**1,468,881,179**	**170,460,900**	**1,639,342,079**
Appropriation	–	–	–	–	–	**(120,663,387)**	–	–	(120,663,387)	–	(120,663,387)
Net income	–	–	–	–	–	**95,789,549**	–	–	95,789,549	(13,594,554)	82,194,995
Other comprehensive income	–	–	29,306,196	37,385,583	5,846,432	–	–	–	72,538,211	–	72,538,211
Total comprehensive income	–	–	29,306,196	37,385,583	5,846,432	**95,789,549**	–	–	168,327,760	(13,594,554)	154,733,206
Balances at December 31, 2021	**402,803,777**	**79,354**	**297,654,980**	**231,101,989**	**50,257,685**	**334,768,554**	200,000,000	**₱120,787)**	**1,516,545,552**	**156,866,346**	**1,673,411,898**
Cash dividend (Note 18)	–	–	–	–	–	**(120,804,897)**	–	–	(120,804,897)	–	(120,663,387)
Net income	–	–	–	–	–	**113,301,958**	–	–	113,301,958	(11,740,524)	101,561,434
Other comprehensive income	–	–	16,716,075	(125,828,404)	(1,245,889)	–	–	–	(110,358,281)	–	(110,358,281)
Total comprehensive income	–	–	16,716,075	(125,828,404)	(1,245,889)	**113,301,958**	–	–	2,943,740	(11,740,524)	(8,796,784)
Balances at December 31, 2022	**₱402,803,777**	**₱79,354**	**₱314,371,055**	**₱105,273,585**	**₱49,011,796**	**₱327,265,615**	₱200,000,000	**(₱120,787)**	**₱1,398,684,395**	**₱145,125,882**	**₱1,543,810,217**

See accompanying Notes to Consolidated Financial Statements.

[redacted]

MANILA BROADCASTING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱170,606,033**	₱136,034,048	₱145,979,525
Adjustments for:			
Depreciation and amortization (Notes 11, 12, 13 and 20)	**67,640,346**	79,563,443	80,217,992
Interest expense (Note 14 and 24)	**24,414,795**	23,202,197	26,782,722
Movement in accrued retirement benefits (Note 22)	**(1,107,159)**	4,931,471	3,825,680
Interest income (Note 6)	**(238,780)**	(247,565)	(1,150,448)
Unrealized foreign exchange loss (gain) - net	**214,593**	149,977	(39,594)
Working capital changes:			
Decrease (increase) in:			
Receivables (Notes 7)	**35,459,038**	83,594,371	(75,397,124)
Due from related parties (Note 4)	**60,865,558**	(96,258,440)	(97,849,989)
Inventories, materials and supplies	**(2,418,103)**	2,255,281	3,348,457
Prepaid expenses and other current assets (Notes 9 and 26)	**5,332,039**	(1,683,185)	(2,739,199)
Increase (decrease) in:			
Accounts payable and accrued expenses (Notes 15 and 26)	**(7,361,241)**	(18,910,801)	24,435,861
Due to related parties	**(25,071,715)**	26,234,198	–
Contract liabilities	**(10,076,835)**	27,912,819	2,970,181
Accrued separation cost (Note 22)	**–**	–	(5,078,710)
Cash flows generated from operations	**318,258,569**	266,777,814	105,305,354
Income taxes paid, including final and creditable withholding tax	**(59,718,632)**	(70,937,344)	(54,095,420)
Interest received	**238,780**	247,565	1,150,448
Net cash flows generated from operating activities	**258,778,717**	196,088,035	52,360,382
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment:			
At revalued amount (Notes 4 and 11)	**(133,545,000)**	–	–
At cost (Notes 4, 11 and 26)	**(84,803,144)**	(93,603,127)	(21,057,553)
Decrease in advances to suppliers (Note 26)	**(7,100)**	(7,756,091)	10,849,571
Decrease (increase) in other noncurrent assets	**790,379**	(3,077,867)	2,763,907
Net cash flows used in investing activities	**217,564,865**	(104,437,085)	(7,444,075)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (Notes 18 and 26)	**(12,746,274)**	(106,343,604)	(296,952)
Payments of:			
Short-term loans (Notes 14 and 26)	**(10,000,000)**	(33,500,000)	–
Long-term debt (Notes 14 and 26)	**(71,640,000)**	(67,390,000)	(66,640,000)
Proceeds from:			
Short-term loans (Notes 14 and 26)	**50,000,000**	30,000,000	27,500,000
Long-term debt (Notes 14 and 26)	**–**	–	100,000,000
Interest paid (Note 26)	**(23,368,947)**	(20,151,454)	(19,741,777)
Payment of lease liabilities (Notes 24 and 26)	**(18,285,132)**	(21,872,133)	(17,291,270)
Net cash flows from financing activities	**(86,040,353)**	(219,257,191)	23,530,001
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**–**	(149,977)	(549,097)
NET INCREASE (INCREASE) IN CASH	**(44,826,501)**	(127,756,218)	67,897,211
CASH AT BEGINNING OF YEAR	**202,658,474**	330,414,692	262,517,481
CASH AT END OF YEAR (Note 6)	**₱157,831,973**	₱202,658,474	₱330,414,692

See accompanying Notes to Consolidated Financial Statements.

[redacted]

MANILA BROADCASTING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

a. Corporate Information

Manila Broadcasting Company (the Parent Company) was incorporated in the Philippines on September 30, 1947. The Parent Company is primarily engaged in the business of radio broadcasting. The registered office address of the Parent Company is MBC Building, V. Sotto Street, CCP Complex, Pasay City.

The Parent Company is 72%-owned by Elizalde Holdings Corporation (EHC), a Philippine entity, the immediate and ultimate parent company.

b. Subsidiaries of the Parent Company

Elizalde Hotels and Resorts, Inc. (EHRI) and Feliz Hotel Boracay, Inc. (FHBI)
EHRI was incorporated in the Philippines and registered with the SEC on March 18, 2015. FHBI was incorporated in the Philippines and registered with the SEC on April 23, 2015. EHRI and FHBI are engaged in hotel business. EHRI and FHBI started its commercial operations on January 3, 2019 and July 26, 2019, respectively.

The registered office address of the subsidiaries is MBC Bldg., V. Sotto St., CCP Complex Roxas Blvd., Pasay City.

c. Approval of the Consolidated Financial Statements

The accompanying consolidated financial statements of Manila Broadcasting Company and subsidiaries (the Company) were authorized for issuance by the Board of Directors (BOD) on May 2, 2023.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The Company's consolidated financial statements have been prepared using the historical cost basis, except for unquoted equity investments, which have been measured at fair value, and land under property and equipment, which is carried at revalued amount.

The consolidated financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency. Amounts are rounded to the nearest Peso unless otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

[redacted]

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of these new standards did not have an impact on the consolidated financial statements of the Company.

- 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, *Property, Plant and Equipment: Proceeds before Intended Use*

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

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

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

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

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

[redacted]

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

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

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

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

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

Effective beginning on or after January 1, 2023
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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

<u>Significant Accounting Policies</u>

<u>Basis of Consolidation</u>
The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- Power over an investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

[redacted]

When the Parent Company has less than a majority of the voting rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- the contractual arrangements with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company's voting rights and potential voting rights.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary.

The financial statements of subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets and liabilities, are eliminated in full on consolidation. Unrealized gains and losses are eliminated.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognized directly in equity.

If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income (OCI) to profit or loss or retained earnings, as appropriate.

Non-controlling Interests
Non-controlling interests is the equity in the subsidiaries not attributable, directly and indirectly, to the Parent Company. These are measured at their proportionate share of the value of net identifiable assets of the subsidiaries. These are presented in the consolidated financial statements within equity, separately from the equity of the owners of the Parent Company. Profit or loss and each component of OCI are attributed to the owners of the Parent Company and to the non-controlling interests. Attribution of total comprehensive income to the non-controlling interests continues even if it results in a deficit balance.

Business Combination Involving Entities under Common Control
Business combinations in which all the combining entities within the Company are ultimately controlled by the same party before and after the business combination and that the control is not transitory ("business combinations under common control") are accounted under pooling of interests method.

[redacted]

The general requirements of pooling of interests method are as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect the fair values, or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities.
- No 'new' goodwill is recognized as a result of the combination.
- Any difference between the consideration transferred and the net asset acquired is reflected within equity.

The Company applied this method prospectively and thus, the financial information for comparative periods and any financial information prior to the business combination are not restated.

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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

<u>Cash</u>
Cash includes cash on hand and cash in banks. Cash in banks earn interest at their respective bank deposit rates.

<u>Financial Instruments</u>
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'(SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (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
- Financial assets at FVOCI with recycling of cumulative gains and losses
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at FVPL

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

    - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
    - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI 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 profit or loss when the asset is derecognized, modified or impaired.

    The Company's cash, receivables, due from related parties, construction bond (recorded as part of "Prepaid expenses and other current assets" account) and refundable deposits (recorded as part of "Other noncurrent assets" account) are included in this category.

[redacted]

b) *Financial assets designated at FVOCI.* Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

The Company's unquoted equity investments and investment in club shares are classified as equity instruments designated at FVOCI.

As at December 31, 2022 and 2021, the Company has no financial assets at FVPL and debt instruments at FVOCI.

Impairment of financial assets. The Company recognizes 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 EIR. 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 E). 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, advances from stations, other receivables, due from related parties, construction bond and refundable deposits, the Company applies a general approach in calculating ECLs. The Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on these assets since initial recognition.

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

The Company considers a financial asset in default when contractual payments are 360 days past due for the customers of the Parent Company and EHRI and 90 days past due for the customers of FHBI. 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 expectations of recovering the contractual cash flows.

[redacted]

Financial Liabilities

Initial recognition and measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, at amortized cost, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company has no financial liabilities at FVPL or derivatives designated as hedging instruments.

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

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

This category includes accounts payable and accrued expenses (excluding statutory payables), dividends payable, short-term and long-term loans, and lease liabilities.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments

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

Derecognition of Financial Instruments

Financial assets. A financial asset (or, where applicable a part of a financial asset or part of similar financial assets) is derecognized when:

- the contractual right to receive cash flows from the asset has expired;

[redacted]

- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or

- the Company has transferred its right to receive cash from the financial asset and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Company has transferred its right to receive cash from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has 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 a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in profit or loss.

<u>Fair Value Measurement</u>
The Company measures financial instruments, such as financial assets at FVOCI and non-financial assets such as land classified as property and equipment at revalued amount, at fair value at the end of each reporting period.

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

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 economic best interest.

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 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.

[redacted]

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 consolidated 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 period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liabilities and the level of the fair value hierarchy. The fair value hierarchy is disclosed in Note 28 to the consolidated financial statements.

<u>Inventories</u>
Inventories are valued at the lower of cost and net realizable value ("NRV"). Cost is determined using the moving average method. NRV of food and beverage is based on estimated selling prices less estimated costs to be incurred on completion and disposal. NRV of operating supplies is the replacement cost.

<u>Materials and Supplies</u>
Materials and supplies are stated at the lower of cost (determined using the first-in, first-out method) and NRV. Cost includes the invoice price and related charges such as freight, insurance, and taxes, among others. NRV is the current replacement cost.

<u>Advances to Suppliers</u>
Advances to suppliers are down payments to service-providers in relation to the construction of the building. This is recorded as an asset and is realized through recoupment and application against the amount billed by the contractors.

<u>Property and Equipment</u>
The Company's property and equipment consist of building and leasehold improvements, broadcasting and transmission equipment, furniture, transportation equipment and right-of-use assets that do not qualify as investment properties.

Property and equipment, except land, are stated at cost less accumulated depreciation and any impairment in value.

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

[redacted]

assets are sold or retired, their cost, accumulated depreciation and amortization, and any impairment in value are eliminated from the accounts. Any gain or loss resulting from the disposal is included in profit or loss.

Land is stated at revalued amount based on the fair market value of the property determined by an independent firm of appraisers as of reporting period. Land is revalued every three years based on independent valuation of external appraisers. The increase in the valuation of land, net of deferred income tax liability, is credited to “Revaluation increment on land” in the consolidated statements of financial position and recognized as OCI. Upon disposal, the relevant portion of the revaluation increment realized in respect of the previous valuation will be released from the revaluation increment in OCI directly to retained earnings. Decreases that offset previous increases in respect of the same property are charged against the revaluation increment. All other decreases are charged against current operations in profit or loss.

Depreciation commences when an asset is in its location and condition and it is capable of being operated in the manner intended by management. It is computed using the straight-line method, based on the estimated useful lives of the assets as follows:

	Number of Years
Building	7-17
Broadcasting and transmission equipment	8-11
Furniture and equipment	5
Transportation equipment	4
Right-of-use assets	5-10

Leasehold improvements are amortized over the term of the lease or life of the building and improvements ranging from seven to seventeen years, whichever is shorter.

Construction in-progress represents properties under construction and is stated at cost, including cost of construction and other direct costs. This includes rent incurred under operating leases during the period of construction. Construction in-progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

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

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

It is the Company’s policy to classify right-of-use assets as part of property and equipment. 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 initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, lease payments made at or before the commencement date.

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 their estimated useful life and lease term. Right-of-use assets are subject to impairment.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties, except land, are measured at cost less accumulated depreciation and accumulated impairment in value. Land is stated at cost less any impairment in value, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statements of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A change of use occurs if property meets, or ceases to meet, the definition of investment property. These transfers are recorded using the carrying amount of the investment property at the date of change in use.

Building classified as investment property is depreciated on a straight-line basis over its estimated useful life of ten years.

Intangible Assets

Intangible assets consist of frequency license and intellectual property rights. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The Company's intangible assets are assessed as finite and are amortized over the estimated useful life and assessed for impairment whenever there is an indication that these may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization of intangible assets with finite useful lives is recognized in profit or loss.

Amortization commences when the intangible asset is acquired and is capable of being owned and operated in the manner intended by management. It is computed using the straight-line method, based on the estimated useful lives of the assets as follows:

	Number of Years
Frequency license	13
Intellectual property rights	3

Goodwill

Goodwill is initially measured at cost being the excess of the cost of the business combination over the fair value of the acquiree's net identifiable assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment of Nonfinancial Assets

Property and equipment, investment properties, intangible assets and other assets. The carrying values of property and equipment, investment properties, intangible assets and other nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists, or when annual impairment testing is required, and where the carrying values exceed the estimated recoverable amounts, the assets or the cash-generating units (CGU) are written down to their recoverable amounts. The recoverable amount of the assets is the greater of the fair value less costs to sell and value-in-use (VIU). The fair value is the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing VIU, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Any impairment loss is recognized in profit or loss.

Goodwill. Goodwill is reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment for goodwill is determined by assessing the recoverable amount of the CGU to which the goodwill relates. An impairment loss is recognized immediately in profit or loss when the recoverable amount of the CGU is less than its carrying amount. Impairment losses relating to goodwill cannot be reversed in future periods.

Capital Stock

Capital stock is the portion of the paid in capital representing the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital represents the amount paid in excess of the par value of the 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.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration and other capital adjustments.

Other Comprehensive Income (OCI)

OCI comprises items of income and expense that are not recognized in profit or loss in accordance with PFRSs. The Company's OCI includes net changes in fair values of financial assets at FVOCI, revaluation increment on land carried at revalued amount and remeasurement gains (losses) retirement benefit assets.

Treasury Stock

Treasury stocks are shares of the Company which are reacquired and are measured at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instrument.

Revenue Recognition

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, excluding amounts collected on behalf of third parties. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has assessed that it is acting as principal in all of its revenue arrangements.

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

Broadcasting fees. Revenue is recognized at a point in time when the programs are broadcasted or advertisements are aired by various radio stations nationwide

The Company receives non-cash considerations (such as merchandise or services) from certain customers in exchange for advertising time. The fair value of such non-cash considerations received from the customers is included in the transaction price and measured upon airing of the advertisement.

The Company applies the requirements of PFRS 13, *Fair Value Measurement,* in measuring the fair value of the non-cash considerations. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the advertisements when aired.

Digital services. Revenue from digital services is recognized at point in time when the materials are posted on the Company's social networking sites. The Company uses the selling price as stated on the broadcast order.

Talent fees and customer event. Revenue from talent services and customer event is recognized over time upon rendering of services to its customers in accordance with the broadcast order.

Hotel revenues. Revenue from hotel accommodation services are recognized over the period of time under the input method, a time-based measure that results in a straight-line recognition of revenue, as the customer simultaneously receives the benefits from the services rendered by the Company throughout the period when rooms are occupied or services are performed. Payment is due as the customer occupies the room and receives the services except for some customers with specific credit terms.

Variable considerations. If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Company provides volume incentives to certain customers once the volume of purchases during the period exceeds a threshold specified in the contract and sales discount for early payment. To estimate these variable considerations, the Company applies the most likely amount method.

The volume incentives and sales discounts given by the Company to the customers give rise to a variable consideration.

<u>Revenue outside the scope of PFRS 15</u>

Rental income arising from operating leases on investment properties is recognized on a straight-line basis over the lease term.

Interest income is recognized as the interest accrues using the EIR method.

Dividend income is recognized when the Company's right to receive the payment is established.

[redacted]

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.

Payments received before broadcast (pay before broadcast) represent contract liabilities, which are recognized as revenue upon airing of related advertisements.

Cost of Services and Operating Expenses
Cost of services and operating expenses are recognized when incurred. They are measured at the fair value of the consideration paid or payable. Cost of services and operating expenses are presented as net of recharges or reimbursements of expenses billed to various partner stations in the consolidated statements of comprehensive income.

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

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

The net amount of output VAT of the Parent Company and the input VAT of EHRI and FHBI are presented under "Accounts payable and accrued expenses" account and "Other current assets", respectively, in the consolidated statement of financial position.

Retirement Benefits
Retirement benefits asset, as presented in the consolidated statements of financial position, is the present value of the defined benefit obligation (PVDBO) at the financial reporting date reduced by the fair value of plan assets (FVPA), adjusted for the 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.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method. Retirement benefits costs consist of service costs, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

[redacted]

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

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 government 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 OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. The FVPA is based on market price information. When no market price is available, the FVPA is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the FVPA is higher than the PVDBO, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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.

<u>Accrued Separation Costs</u>

Accrued separation costs, as presented in the consolidated statement of financial position, pertain to the unpaid balance of separation pay of employees as at financial reporting date. These are recognized as a liability and an expense when, and only when, the Company is demonstrably committed to either: (a) terminate the employment of an employee or group of employees before the normal retirement date; or (b) provide separation benefits as a result of an offer made in order to encourage voluntary redundancy.

<u>Borrowing Costs</u>

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of qualifying assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are available for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest cost.

All other borrowing costs are expensed as incurred.

[redacted]

Income Taxes

Current tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the financial reporting date.

Deferred tax. Deferred tax is provided, using the liability method, on all temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax relating to items recognized outside profit or loss is recognized under OCI in equity.

Deferred tax liabilities are recognized for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the financial reporting date.

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

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset even if that right is not explicitly specified in an arrangement.

Company as a Lessee

Lease liabilities. The lease liabilities are measured at the present value of he lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate (IBR).

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the Company's IBR. The IBR is determined based on the rate the Company's bank will charge should an amount equivalent to the value of the asset being leased will be borrowed using the same lease term. 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.

[redacted]

The Company's right-of-use assets are included in the "Property and equipment" account (see Note 11), and the lease liabilities (current and noncurrent) as separate line item in the consolidated statement of financial position (see Note 24).

Short-term Leases and Leases of Low-value Assets. The Company applies the short-term recognition exemption to its short-term leases of staff house (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to these leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Company as a Lessor

Leases where the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Earnings Per Share

Basic earnings per share is computed by dividing the net income by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net income by the weighted average number of shares outstanding during the year and adjusted for the effects of all dilutive potential common shares, if any.

In determining both the basic and the diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

Foreign Currency-denominated Transactions

Foreign currency-denominated transactions are recorded in Philippine Peso using the exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at the financial reporting date. All exchange rate differences, including those arising on the settlement of monetary items at rates different from those at which they were recorded, are recognized in profit or loss in the period in which the differences arise. For income tax purposes, these gains or losses are treated as taxable income or deductible expense in the period such were realized. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as interest expense and classified as additional provision.

[redacted]

Segment Reporting
For purposes of management reporting, the Company is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. Such business segments are the bases upon which the Company reports its primary segment information.

Financial information on business segments is presented in Note 5 to the consolidated financial statements. The Company has one geographical segment and derives substantially of its revenues from domestic operations.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continua ly to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

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

3. **Significant Accounting Judgments and Estimates**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances that are believed to be reasonable as at the date of the consolidated financial statements. Actual results could differ from such estimates.

The judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Recognition of Revenue from Contracts with Customers

a. *Identifying Performance Obligations*. The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Company's

[redacted]

promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

Revenues earned from contracts with various promises are split into separately identifiable performance obligations based on their relative stand-alone selling price to reflect the substance of the transaction.

The Company offers bundled radio airtime, digital and hosting and customer event services and is assessed as three separate performance obligations.

b. The Company recognizes revenue over time or at a point in time depending on its evaluation of when the customer obtains control of the promised goods or services. Revenue from broadcasting fees are recognized at a point in time when the revenue is aired. Revenues from talent fees and customer event are recognized over time as the Company provides the service. Revenue from digital services is recognized at a point in time when control over goods or services is transferred to the customer upon posting of advertising materials on its social media accounts

c. *Determining Method to Estimate Variable Consideration and Assessing the Constraint.* The Company provides volume incentives to its customers based on the aggregate annual sales volume for the year. The determination of the sales volume excludes political placements, production costs, prizes, talent fees and other non-revenue accounts. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Company determined that the most likely amount method is appropriate to use in estimating the variable consideration for the volume incentives given to the customers. The most likely amount is the single most likely amount in a range of possible consideration amounts. The Company considered this method to be the more appropriate estimate of the amount of variable consideration since the agreement with its customers has only two possible outcomes, which is, the customer either achieves the required aggregate annual sales volume, or does not.

Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Definition of Default and Credit-Impaired Financial Assets. The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria*. The borrower is more than 360 days past due for the customers of the Parent Company and EHRI and 90 days past due for the customers of FHBI on its contractual payments, which is consistent with the Company's definition of default. The determination of the period is based on the Company's practice and agreement with its customers within the industry.

- *Qualitative Criteria*. The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

  a. The borrower is experiencing financial difficulty or is insolvent;

[redacted]

b. Concessions have been granted by the Company, for economic or contractual reasons relating to the borrower's financial difficulty; or
c. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the probability of default (PD), loss given default (LGD) and exposure at default (EAD) throughout the Company's ECL calculation.

Simplified Approach for Trade Receivables. The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of advertisers that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Grouping of Instruments for Losses Measured on Collective Basis. For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. The Company groups its trade receivable based on the type of customer.

Macro-economic Forecasts and Forward-looking Information. Macro-economic forecasts are determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company takes into consideration using different macro-economic variables to ensure linear relationship between internal rates and outside factors. Regression analysis was used to objectively determine which variables to use.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The allowance for ECLs amounted to ₱29.2 million and ₱29.6 million as at December 31, 2022 and 2021, respectively. The carrying amount of receivables amounted to ₱398.3 million and ₱433.8 million as at December 31, 2022 and 2021, respectively (see Notes 7, 19 and 25).

Valuation of Unquoted Equity Securities. PFRS 9 requires all investments in equity instruments and contracts on those instruments to be measured at fair value. In 2022 and 2021, The Company determined the fair value of these investments in unquoted shares of stock using the adjusted net asset value approach. The underlying assets primarily consist of investments in quoted and unquoted shares and land. The Company determined the fair value of the investments in unquoted shares using the discounted cash flows approach while the fair value of the land was determined with the assistance of external appraisers. See Note 28 for the valuation methodology used and key inputs to valuation of the investment in shares of stock.

The fair value of unquoted equity securities amounted to ₱141.3 million and ₱289.6 million as at December 31, 2022 and 2021, respectively (see Note 10).

[redacted]

Valuation of Lease Liabilities and Right-of-Use Assets. The application of PFRS 16 requires the Company to make judgments that affect the valuation of lease liability and the valuation of right-of-use asset. These include: (1) determining contracts in scope of PFRS 16, and (2) determining the contract term and interest rate for discounting of future cash flows.

a. *Determining contracts in scope of PFRS 16*. The Company has lease agreements covering rental of satellite communications capacity called transponder lease, land used as site for broadcasting business and where the hotel property is located, office spaces and transmitter sites. The Company recognized right-of-use assets and lease liabilities for the leases related to transponder lease and land. The Company has assessed leases for office spaces and transmitter sites as short-term and elected not to recognize right-of-use assets and lease liabilities (see Note 24).

b. *Determining the contract term.* The lease term determined by the Company comprises non-cancellable period of lease contracts, and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. The Company did not consider the renewal options as they need to be mutually agreed upon by both lessor and lessee. The Company considered the significant leasehold improvements on the leased assets to determine that the option to terminate the lease is not reasonably certain to be exercised. The same economic life is applied to determine the depreciation rate of right-of-use assets.

c. *Determining the interest rate for lease assets.* The present value of the lease payments is determined using the discount rate representing the interest rate implicit in the lease, if that rate can be readily determined or the lessee's IBR, if that rate cannot be readily determined. The Company cannot readily determine the interest rate implicit in leases of satellite communications capacity, land principally used for broadcasting business, and land where hotel property and other facilities are located, 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 or when they need to be adjusted to reflect the terms and conditions of the lease. 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 Company's stand-alone credit rating). The IBR used ranges between 4.3% to 7.3% in 2022 and 4.8 to 10.9% in 2021.

Company as lessor. The Company has arrangements with various lessees covering the building units it offers for lease. The Company has determined that it retains substantially all the risks and rewards incidental to the ownership of these properties. Accordingly, these leases were accounted for as operating leases. Rent income amounted to ₱8.8 million, ₱6.6 million, and ₱8.3 million in 2022, 2021 and 2020, respectively (see Note 12).

Classification of property. The Company determines whether a property is classified as property and equipment or investment property as follows:

- Property and equipment which are occupied for use by, or in the operations of, the Company and not for sale in the ordinary course of business.

- Investment property comprises building spaces and improvements which are not occupied for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

The Company considers each property separately in making its judgment.

[redacted]

Contingencies. The Company provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the end of the reporting date, net of any estimated amount that may be reimbursed to the Company. If the effect of the time value of money is material, provisions are discounted using a pretax rate that reflects the risks specific to the liability. The amount of provision is being reassessed at least on an annual basis to consider new relevant information. There were no provisions recognized in 2022 and 2021 (see Note 30).

Estimations

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial 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 discussed below:

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

As at December 31, 2022 and 2021, the carrying value of depreciable property and equipment amounted to ₱767.6 million and ₱791.8 million, respectively (see Note 11). Carrying value of net intangible assets amounted to nil as at December 31, 2022 and 2021 (see Note 13). Total depreciation and amortization relating to property and equipment and intangible assets charged to operations amounted to ₱67.4 million, ₱79.6 million, and ₱80.2 million in 2022, 2021 and 2020, respectively (see Notes 11 and 13).

Revaluation of land. The Company carries land classified under property and equipment at revalued amounts, with changes in fair value being recognized in OCI. The Company engaged an independent valuation specialist to assess the fair value as at the financial reporting date. The key assumptions used to determine the fair value of the properties are provided in Note 11. As at December 31, 2022 and 2021, the carrying value of the land, carried at fair value, amounted to ₱419.2 million and ₱396.9 million, respectively. As at December 31, 2022 and 2021, revaluation increment on land (net of deferred tax) amounted to ₱314.4 million and ₱297.7 million, respectively (see Note 11).

Assessment of impairment of goodwill. For goodwill, the Company deter ines whether it is impaired at least on an annual basis. This requires an estimation of the VIU of the CGU to which the goodwill is allocated. The impairment test for goodwill is based on VIU calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company has not yet committed to or significant future investments that will enhance the asset based of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the revenue growth rate and the long-term growth rate for extrapolation purposes. As at December 31, 2022 and 2021, the carrying value of goodwill amounted to ₱38.0 million. The key assumptions used to determine the recoverable amount for the goodwill, including sensitivity analysis, are disclosed and further explained in Note 13.

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

[redacted]

Based on management's evaluation, there will be sufficient future taxable profits against which the deferred tax assets of the Parent Company can be applied. As at December 31, 2022 and 2021, recognized deferred tax assets amounted to ₱11.8 million and ₱12.6 million, respectively (see Note 23).

In 2022, deferred tax assets related to the 2019 net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) amounting to ₱5.1 million and ₱0.06 million, respectively were derecognized by EHRI since management believes that there will be no sufficient future taxable income available to allow said deferred tax assets to be utilized. As at December 31, 2022 and 2021, unrecognized deferred tax assets on the carryforward benefit of NOLCO and MCIT of EHRI amounted to ₱0.03 million and ₱1.3 million, respectively.

The deferred tax assets related to the NOLCO and MCIT amounting to ₱1.06 million and ₱15.96 million, respectively, as of December 31, 2022 and 2021, were not recognized by FHBI since management believes that there will be no sufficient future taxable income available to allow said deferred tax assets to be utilized.

Estimation of retirement benefits cost and liability. The determination of the obligation and retirement benefits cost is dependent on assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 22 and include among others, discount rates which are determined by using risk-free interest rate of government bonds consistent with the estimated term of the obligation and salary increase rates. In accordance with PFRSs, actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement benefits obligation.

Retirement benefit assets amounted to ₱2.4 million and ₱2.9 million as at December 31, 2022 and 2021, respectively (see Note 22).

4. Noncontrolling Interests

In 2017, the Parent Company acquired additional shares from EHRI amounting to ₱240.0 million to bring its total ownership interest to 80%. Consequently, the Parent Company obtained control over EHRI and its wholly-owned subsidiary, FHBI. The carrying amount of the initial investment and the additional consideration paid is equal to the net assets acquired.

This transaction was accounted for under pooling of interest method since the Parent Company and EHRI are under common control of EHC.

As at December 31, 2022 and 2021, the ownership interest of the Parent Company in EHRI and FHBI follows:

	Effective Percentage of Ownership	
	Direct	Indirect
EHRI Group	8	–
FHBI	–	80

[redacted]

The financial information of subsidiaries that have material non-controlling interests is provided below.

	As at December 31				As at December 31		Year-ended December 31	
	2022		2021		**2022**	2021	**2022**	2021
	Proportion of ownership interest and voting rights held by non-controlling interest				**Non-controlling interest**			
Subsidiaries	**Economic**	**Voting**	Economic	Voting				
		(In Percentages)						
EHRI Group	**20.0**	**20.0**	20.0	20.0	**(₱4,169,784)**	₱156,916,559	**(₱249,098)**	(₱13,544,341)

The summarized financial information (stand-alone financial statements before inter-company eliminations within the Company) of subsidiaries with material non-controlling interests are provided below:

Summarized Statements of Financial Position

	2022		2021	
	EHRI	**FHBI**	EHRI	FHBI
Current assets	**₱146,035,313**	**₱92,788,991**	₱145,335,86	₱102,498,609
Noncurrent assets	**859,359,013**	**595,365,658**	867,388,917	653,368,785
Current liabilities	**23,060,205**	**134,814,984**	28,388,249	97,918,633
Noncurrent liabilities	**3,433,040**	**84,895,988**	4,189,959	115,734,716
Net assets	**₱978,901,081**	**₱468,443,677**	₱980,146,570	₱542,214,04
Attributable to:				
Equity holders of the Parent Company	**783,120,865**	**374,754,942**	784,117,256	433,771,236
Non-controlling Interest	**195,780,216**	**93,688,735**	196,029,314	108,442,809
	₱978,901,081	**₱468,443,677**	₱980,146,570	₱542,214,044

Summarized Statements of Comprehensive Income

	2022		2021		2020	
	EHRI	**FHBI**	EHRI	FHBI	EHRI	FHBI
Revenue	**₱4,031,857**	**₱104,351,761**	₱2,800,655	₱19,187,463	₱3,515,664	₱26,574,859
Cost of sales	**(3,041,705)**	**(99,697,965)**	(2,497,329)	(52,522,399)	(3,235,150)	(64,152,249)
Gross profit (loss)	**990,152**	**4,653,797**	303,326	(33,334,936)	280,514	(37,577,390)
General and administrative expense	**(1,906,795)**	**(38,787,884)**	(1,642,250)	(21,233,397)	(1,848,226)	(22,665,819)
Other expense	**(744,327)**	**(8,490,615)**	(550,965)	(8,882,290)	(333,645)	(6,148,375)
Loss before income tax	**(1,660,970)**	**(42,624,702)**	(1,889,889)	(63,450,624)	(1,901,357)	(66,391,584)
Income tax provision (benefit)	**(415,481)**	**31,145,666**	(371,667)	(13,547,031)	3,188,736	(16,508,682)
Net loss	**(₱1,245,489)**	**(₱73,770,368)**	(₱1,518,222)	(₱49,903,593)	(₱5,090,093)	(₱49,882,902)
Attributable to:						
Equity holders of the Parent Company	**(₱996,391)**	**(₱59,016,295)**	(₱1,214,578)	(₱39,922,874)	(₱4,072,074)	(₱39,906,322)
Non-controlling Interest	**(249,098)**	**(14,754,074)**	(303,644)	(9,980,719)	(1,018,019)	(9,976,580)
	(₱1,245,489)	**(₱73,770,368)**	(₱1,518,222)	(₱49,903,593)	(₱5,090,093)	(₱49,882,902)

[redacted]

Summarized cash flow information:

	2022		2021		2020	
	EHRI	**FHBI**	EHRI	FHBI	EHRI	FHBI
Operating	**(₱3,515,712)**	**₱33,018,328**	(₱2,877,210)	₱50,520,624	(₱19,447,278)	(₱126,054,049)
Investing	**481,322**	**(16,231,551)**	(3,787,876)	(43,874,854)	20,390,668	39,777,242
Financing	**865,298**	**(20,655,079)**	10,000,000	(13,470,224)	(379,824)	87,067,909
Effect of foreign exchange rate changes	–	–	–	3,241	–	(38,141)
Net increase (decrease) in cash	**(₱3,899,688)**	**(₱3,868,302)**	₱3,334,914	(₱6,821,213)	₱563,566	₱752,961

Status of Operations of FHBI
On March 11, 2020, the World Health Organization declared COVID-19 as a global pandemic. In a move to contain the pandemic, the Philippine Government has taken measures in order to contain the effect of COVID-19, including the issuance of a series of memorandums to impose stringent social distancing measures and community quarantine in the country. As part of the restrictions, only hotels that have guests with existing bookings for foreigners, guests with long-term leases and hotels accepting guests from exempted establishments are allowed to operate at a reduced capacity. On June 30, 2020, hotels with Department of Tourism Certificate of Authority were already allowed to operate basic accommodation services to guests through an in-house skeleton workforce, including a maximum operational capacity. On June 1, 2021, an updated operational guidelines for DOT-accredited accommodation establishments and staycation hotels including oint-to-point travel guides and lifting of age restrtictions allowing guests below 18 and above 65 years old.

FHBI's plan for future action to address the possible negative effects of the pandemic include effective cost-reduction strategies, working closely with the Department of Tourism, implementation of effective cash conservation efforts and ensuring the availability of cash for working capital requirements.

5. Segment Information

An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

- Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

- For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The BOD, the Company's chief operating decision maker, monitors operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements.

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The Company is organized into only two operating divisions, radio broadcasting and hotel business. The radio broadcasting division has seven programming formats, namely DZRH and “Aksyon Radyo” stations, Love Radio, YES FM, Hot-FM, Radyo Natin, Easy Rock and New Media. The hotel business has started its operations on July 26, 2019.

Revenues, net income, total assets and total liabilities as at and for the years ended December 31, 2022 and 2021 are the same as reported elsewhere in the accompanying consolidated financial statements.

	2022			
	Radio Broadcasting	**Hotel Business**	**Eliminations**	**Consolidated Financial Statements**
Revenues	**₱1,113,611,256**	**₱108,383,618**	**(₱3,962,513)**	**1,218,032,361**
Net income (loss)	**161,727,483**	**(75,015,857)**	**14,849,807**	**101,561,433**
Total assets	**2,498,794,776**	**1,693,548,975**	**(1,515,716,699)**	**2,676,627,052**
Total liabilities	**905,432,731**	**246,204,217**	**(18,820,113)**	**1,132,816,835**

	2021			
	Radio Broadcasting	Hotel Business	Eliminations	Consolidated Financial Statements
Revenues	₱973,613,399	₱19,187,463	(₱71,737)	₱992,872,599
Net income (loss)	150,605,486	(67,972,765)	43 ,726	82,194,995
Total assets	2,641,789,934	1,747,895,534	1,483,684,402	2,906,001,067
Total liabilities	978,992,257	242,085,878	(11,511,033)	1,232,589,168

	2020			
	Radio Broadcasting	Hotel Business	Eliminations	Consolidated Financial Statements
Revenues	₱862,693,924	₱26,574,858	₱–	₱889,268,782
Net income (loss)	148,459,979	(54,535,278)	–	93,924,701
Total assets	2,629,068,678	1,786,346,444	(1,483,739,507)	2,931,675,615
Total liabilities	1,068,751,311	212,126,295	11,455,930	1,292,333,536

The Company has no revenue from transactions with a single external customer accounting for more than 10%. All customers of the Company are located in the Philippines.

6. Cash

	2022	2021
Cash on hand	**₱9,860,631**	₱9,987,331
Cash in banks	**147,971,342**	192,671,143
	₱157,831,973	₱202,658,474

Interest income from cash in banks amounted to ₱0.2 million, ₱0.2 million, and ₱1.2 million in 2022, 2021 and 2020, respectively.

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7. Receivables

	2022	2021
Trade (see Note 19)	**₱338,128,340**	₱381,491,108
Advances to stations (see Note 16)	**79,522,180**	67,049,300
Others	**9,856,933**	14,874,910
	427,507,453	463,415,318
Less allowance for ECLs	**(29,172,231)**	(29,621,058)
	₱398,335,222	₱433,794,260

Trade receivables and advances to stations are noninterest-bearing and have credit terms of approximately 90 days.

Movement of allowance for ECLs by class is as follows:

	Trade	Advances to stations	Others	Total
Balance as at January 1, 2021	₱32,542,118	₱363,419	₱7,167,906	₱40,073,443
Provision (see Note 20)	2,211,806	–	–	2,211,806
Write-off	(12,664,191)	–	–	(12,664,191)
December 31, 2021	22,089,733	363,419	7,167,906	29,621,058
Provision (see Note 20)	1,061,517	–	–	1,061,517
Write-off	(1,510,344)	–	–	(1,510,344)
December 31, 2022	₱21,640,906	₱363,419	₱7,167,906	₱29,172,231

8. Inventories

	2022	2021
At cost:		
Food and beverage	**₱1,263,872**	₱740,817
Operating supplies	**3,422,963**	3,072,314
	₱4,686,835	₱3,813,131

Inventories charged to cost of sales amounted to ₱12.2 million and ₱3.1 million in 2022 and 2021, respectively (see Note 20).

9. Prepaid Expenses and Other Current Assets

	2022	2021
Input VAT	**₱86,785,316**	₱91,050,784
Prepaid expenses	**4,879,898**	6,160,441
Creditable withholding taxes	**821,325**	398,907
Deferred input VAT	–	15,774
Others	**118,972**	–
	₱92,605,511	₱97,625,906

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Input VAT arose from the purchases of goods and services of FHBI and EHRI related to the construction and hotel operations.

Prepaid expenses pertain to various prepayments of the Company which are expected to be amortized in the next financial reporting period.

10. Financial Assets at FVOCI

	2022	2021
Investment in corporate shares of stocks and golf shares:		
Unquoted	**₱141,343,656**	₱289,377,071
Quoted	**250,000**	250,000
	₱141,593,656	₱289,627,071

The movements of financial assets at FVOCI follow:

	2022	2021
Balance at beginning of year	**₱289,627,071**	₱245,656,383
Increase (decrease) in fair value during the year	**(148,033,415)**	43,970,688
Ending balance at end of year	**₱141,593,656**	₱289,627,071

The fair value of the quoted shares of stock is determined based on quoted market price (see Note 28).

The change in fair value of financial asset at FVOCI, net of tax, recognized in the statements of comprehensive income are as follows:

	2022	2021	2020
Revaluation increment	**(₱148,033,415)**	₱43,970,688	₱79,381,942
Income tax effect	**22,205,011**	(6,585,105)	(11,907,291)
	(₱125,828,404)	₱37,385,583	₱67,474,651

As at December 31, 2022 and 2021, the cumulative changes in the fair value of financial assets at FVOCI are recognized under "Reserve for fluctuation in fair value of financial assets at FVOCI" shown as part of equity in the consolidated statement of financial position.

Investments in unquoted shares of stock represent unlisted corporate shares in EHC and Philippine International Corporation (PIC). The cost of the investments in EHC and PIC amounted to ₱16.8 million and ₱1.0 million, respectively. In 2022 and 2021, the Company determined the fair value of these investments in unquoted shares of stock using the adjusted net asset value approach. The underlying assets primarily consist of investments in quoted and unquoted shares and land. The Company determined the fair value of the investments in unquoted shares using the discounted cash flows approach while the fair value of the land was determined with the assistance of external appraisers (see Note 28). No dividend income was earned in 2022, 2021 and 2020.

[redacted]

11. **Property and Equipment**

a. Property and equipment carried at cost consists of:

	2022						
	Building and Leasehold Improvements	**Broadcasting and Transmission Equipment**	**Furniture and Equipment**	**Transportation Equipment**	**Construction in-Progress**	**Right-of-use Assets**	**Total**
Cost							
Balance at beginning of year	**₱857,807,814**	**₱454,871,174**	**₱206,785,612**	**₱50,910,503**	**₱185,809,381**	**₱88,314,681**	**₱1,844,499,165**
Effect of rent concession (see Notes 2 and 24)	**–**	**–**	**–**	**–**	**–**	**(193,015)**	**(193,015)**
Additions	**–**	**1,057,592**	**2,174,732**	**641,864**	**80,928,957**	**16,818,609**	**101,621,754**
Reclassifications	**347,312**	**–**	**–**	**–**	**(5,713,698)**	**–**	**(5,366,386)**
Balance at end of year	**858,155,126**	**455,928,766**	**208,960,344**	**51,552,367**	**261,024,640**	**104,940,275**	**1,940,561,518**
Accumulated Depreciation							
Balance at beginning of year	**202,531,973**	**432,733,783**	**134,378,239**	**50,053,176**	**–**	**47,135,560**	**866,832,731**
Depreciation (see Note 20)	**26,702,466**	**4,732,174**	**16,339,753**	**910,817**	**–**	**18,955,137**	**67,640,347**
Balance at end of year	**229,234,439**	**437,465,957**	**150,717,992**	**50,963,993**	**–**	**66,090,697**	**934,473,078**
Net Book Values	**₱628,920,687**	**₱18,462,809**	**₱58,242,352**	**₱588,374**	**₱261,024,640**	**₱38,849,578**	**₱1,006,088,440**

	2021						
	Building and Leasehold Improvements	Broadcasting and Transmission Equipment	Furniture and Equipment	Transportation Equipment	Construction in-Progress	Right-of-use Assets	Total
Cost							
Balance at beginning of year	₱863,154,465	₱454,871,174	₱205,898,139	₱50,910,503	₱87,747,076	₱77,692,963	₱1,740,274,320
Effect of rent concession (see Notes 2 and 24)	–	–	–	–	–	(761,515)	(761,515)
Additions	56,830	–	887,473	–	92,658,824	11,383,233	104,986,360
Reclassifications	(5,403,481)	–	–	–	5,403,481	–	–
Balance at end of year	857,807,814	454,871,174	206,785,612	50,910,503	185,809,381	88,314,681	1,844,499,165
Accumulated Depreciation							
Balance at beginning of year	175,426,164	425,996,093	117,667,487	48,989,684	–	30,480,600	798,560,028
Depreciation (see Note 20)	27,105,809	6,737,690	16,710,752	1,063,492	–	19,084,472	70,702,215
Effect of rent concession (see Notes 2 and 24)	–	–	–	–	–	(2,429,512)	(2,429,512)
Balance at end of year	202,531,973	432,733,783	134,378,239	50,053,176	–	47,135,560	866,832,731
Net Book Values	₱655,275,841	₱22,137,391	₱72,407,373	₱857,327	₱185,809,381	₱41,179,121	₱977,666,434

No borrowing cost was capitalized as part of the construction in-progress in 2022 and 2021.

b. Land at revalued amount as at December 31, 2022 and 2021 consists of:

	2022	2021
Cost:		
Balance at beginning of year	**₱15,780,194**	₱15,780,194
Addition	**133,545,000**	–
Balance at end of year	**149,325,194**	15,780,194
Revaluation increment on land:		
Balance at beginning of year	**396,883,306**	383,355,406
Increase	**22,288,100**	13,527,900
Balance at end of year	**419,171,406**	396,883,306
Carrying amount	**₱568,496,600**	₱412,663,500

The revalued amounts of ₱568.5 million and ₱412.7 million as at December 31, 2022 and 2021, respectively, are based on the valuation conducted by independent appraisal companies as at December 31, 2022 and 2021, respectively. The appraisal companies used the market data or sales comparison approach where the fair market values are determined by referring to the extent,

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character and utility, and sales and holding prices of similar land, significantly adjusted for dissimilarities in the nature, location or condition of the specific properties.

The fair values of these parcels of land are determined using Level 3 valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (see Note 28). The significant unobservable input of price per square meter ranges from ₱1,450 to ₱35,300 in 2022 and ₱1,150 to ₱33,700 in 2022. Significant increases (decreases) in the estimated price per square meter in isolation would result in a significantly higher (lower) fair value.

The increase in revaluation increment recognized in the statements of comprehensive income are as follows:

	2022	2021	2020
Revaluation increment	**₱22,288,100**	₱13,527,900	₱97,337,200
Income tax effect	**(5,572,025)**	(3,381,975)	(29,201,160)
Impact of CREATE Law	–	19,160,272	–
	₱16,716,075	₱29,306,197	₱68,136,040

12. **Investment Properties**

The movement of the account as of December 31, 2022 and 2021 as follows:

	Land	Buildin	Total
Cost at beginning and end of year	₱43,162,500	₱80,381,524	₱123,544,024
Accumulated depreciation at beginning and end of year	–	80,381,524	80,381,524
Net Book Values	₱43,162,500	₱–	₱43,162,500

Investment properties are leased to employees and third parties. The total fair value of the investment properties, based on the recent appraisal reports, amounted ₱162.8 million for land and ₱79.8 million for building. The latest appraisal report was as at December 31, 2018. The fair values of the properties are based on valuations performed by an accredited independent appraiser.

The fair values of these investment properties were determined using Level 3 valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (see Note 28).

The appraiser used the market data or sales comparison approach in determining the fair value of the land. The valuation was made on the basis of the market value determined by referring to the extent, character and utility, and sales and holding prices of similar properties, significantly adjusted for dissimilarities in the nature, location or condition of the specific properties.

The fair value of building and other property, which represent reproduction cost less depreciation, was arrived at by the appraiser using the cost approach. This method determines the fair value of the building and other property by estimating the cost to create the same structure with the same design and using similar construction materials. The highest and best use of investment properties, as determined by the appraiser, is a mixed commercial and residential utility, which is similar to their current use.

[redacted]

Rental income generated from these investment properties amounted to ₱8.8 million in 2022, ₱6.6 million in 2021 and ₱8.3 million in 2020. Related direct operating expenses amounted to ₱3.4 million, ₱3.9 million and ₱7.1 million in 2022, 2021 and 2020, respectively.

13. Goodwill and Other Intangible Assets

The Company's intangible assets and goodwill pertain to a radio station acquired in 2008 at a cost of ₱229.6 million. The excess of acquisition cost over the adjusted fair values of the identifiable assets amounting to ₱38.0 million was recognized as goodwill.

The net book values of the intangible assets as at December 31 are as follows:

	2022		
	Frequency license	**Intellectual Property Rights**	**Total**
Cost			
Balance at beginning and end of year	**₱153,594,927**	**₱5,810,867**	**₱159,405,794**
Accumulated Amortization			
Balance at beginning of year	**153,594,927**	**5,810,867**	**159,405,794**
Amortization (see Note 20)	**–**	**–**	**–**
Balance at end of year	**153,594,927**	**5,810,867**	**159,405,794**
Net Book Values	**₱–**	**₱–**	**₱–**

	2021		
	Frequency license	Intellectual Property Rights	Total
Cost			
Balance at beginning and end of year	₱153,594,927	₱5,810,867	₱159,405,794
Accumulated Amortization			
Balance at beginning of year	144,733,699	5,810,867	150,544,566
Amortization (see Note 20)	8,861,228	–	8,861,228
Balance at end of year	153,594,927	5,810,867	159,405,794
Net Book Values	₱–	₱–	₱–

As at December 31, 2019, the remaining estimated useful life of frequency license is 2 years.

On December 10, 2020, the Company submitted an application for the renewal of the frequency license of DWRK to the National Telecommunications Commission. The frequency license was approved on December 18, 2020 and will be valid until December 31, 2023. Thus, the remaining estimated useful life of the frequency license as at December 31, 2021 and 2020 is 2 years and 3 years, respectively.

Impairment Testing of Goodwill
The Company performs its annual impairment test every December of each year. Goodwill is allocated to only one CGU, which is the DWRK radio station. The recoverable amount of the CGU determined based on VIU, is compared to its carrying amount. An impairment loss is recognized if the carrying amount of the CGU exceeds its recoverable amount.

The recoverable amount of the CGU, which exceeds its carrying amount by ₱188.5 million, ₱154.7 million, and ₱213.8 million as at December 31, 2022, 2021, and 2020, respectively, has been determined based on the VIU calculations using cash flow projections from financial budgets covering a five-year period. The pre-tax discount rates applied to the cash flow projections and the

[redacted]

expected growth rates used in the extrapolation of the cash flows beyond the five-year period are shown in the key assumptions disclosure below. The expected growth rate is comparable with the long-term average growth rate for the media industry. As a result of this analysis, management has determined that there was no impairment loss in 2022, 2021 and 2020 sin the VIU exceeds the carrying value of the identifiable assets of the CGU.

Key Assumptions. The following are the key assumptions used in management's analysis:

	2022	2021	2020
Discount rate	**10.44%**	14.35%	11.90%
Revenue growth rate	**10.00%**	10.00%	10.00%*
Long-term growth rate	**7.0%**	7.5%	6.00%

**Growth rate will apply starting year2023*

The Company projected under a conservative forecast that DWRK revenues will be back to the 2019 level, 2 years from 2020. Based on the Company's projection, once the operations normalize in 2022, the revenue will increase by 10% on the years that will follow.

Sensitivity to Changes in Assumptions. The discount rates represent the current market assessment of the risk specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate is derived from the weighted average cost of capital, which takes into account both debt and equity. The cost of equity is derived from the expected return on investment of the Company's investors. The cost of debt is based on average lending rates. Segment specific risk is incorporated by applying individual beta factors, evaluated annually based on publicly available market data. The carrying amount of the CGU is enough to absorb significant changes in the discount rates as at December 31, 2022.

On the average, the revenue of the CGU over the next five years is projected to grow in line with the economy or with the forecasted gross output of the broadcasting industry. Historically, advertising spending growth had a direct correlation with economic growth. Even with a revenue growth rate of zero percent, there would still be no impairment in 2022.

The long-term growth rate is based on the projected growth of the Company, based on historical experience, economic conditions and the Company's future plans. Even with a revenue growth rate of zero percent, there would still be no impairment in 2022.

[redacted]

14. **Loans**

Short-term Loans

These are peso-denominated loans which the Company availed from a financial institution with annual interest of 4.25% to 7.25% and 4.03% to 5.0% in 2022 and 2021, respectively, to finance its working capital requirements. Interest expense on short-term loans amounted to ₱9 million and ₱8.0 million in 2022 and 2021, respectively.

	2022	2021
Balance at beginning of year	**₱161,000,000**	₱164,500,000
Availments	**50,000,000**	30,000,000
Repayments	**(10,000,000)**	(33,500,000)
Balance at end of year	**₱201,000,000**	₱161,000,000

As at December 31, 2022 and 2021, the short-term loans are unsecured and not subject to loan covenants.

Long-term Loans

	2022	2021
Principal		
Balance at beginning of year	**₱282,650,000**	₱350,040,000
Availment	–	–
Payments	**(71,640,000)**	(67,390,000)
Balance at end of year	**211,760,000**	282,650,000
Unamortized discount		
Balance at beginning of year	**1,026,622**	720,670
Amortization	**(482,850)**	(444,048)
Balance at end of year	**543,772**	276,622
Carrying amount	**211,216,228**	282,373,378
Less current portion*	**136,452,117**	71,157,641
	₱74,764,111	₱211,215,737

a. Parent Company - ₱350.0 million loan

On May 12, 2017, the Parent Company entered into a ₱350.0 million seven-year term loan facility with Bank of the Philippine Islands (the "Lender" or "BPI"). The proceeds of the loan will be used for constructing and operating a hotel in Boracay Island, Aklan. The facility was fully drawn in 2018.

Details are shown below:

Drawdown Dates	Amount
July 2017	₱70,000,000
August 2017	60,000,000
October 2017	50,000,000
December 2017	45,000,000
January 26, 2018	55,000,000
April 4, 2018	70,000,000
	₱350,000,000

[redacted]

The loans are payable over seven years in 21 consecutive quarterly installments on each repayment date commencing on July 4, 2019 while the interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date.

Interest Rate
The Parent Company has an option to pay interest based on a fixed interest rate or a floating interest set forth in the notice of borrowing at each drawdown. The Parent Company elected to pay floating interest for all drawdowns made. Floating interest rate is the bid yield for the relevant benchmark 3-month PDSTR2 at approximately 4:15pm one banking day prior to the first banking day of each quarterly interest period and a spread of point ninety-five percent (0.95%) per annum subject to a floor rate based on the sum of the prevailing Term Deposit Facility rate or similar rate of the Bangko Sentral ng Pilipinas for tenors closest to the Interest Period ("BSP TDF") plus a spread of 0.50% per annum.

Prepayment Option
The Parent Company also has the option to prepay the loan after the third year from the initial drawdown, wholly or partially, at any time during the term. The amount payable in respect of each prepayment shall be the full or partial outstanding principal amount of the loan plus any accrued but unpaid interest, penalties and other charges, if any.

As at December 31, 2022 and 2021, the fixed interest rate conversion option and prepayment option were not exercised by the Parent Company. Both options were assessed as clearly and closely related to the loan and does not require bifurcation.

Debt Issuance and Borrowing Costs
Costs incurred in relation to the loan drawdown which amounted to a total of ₱2.1 million were capitalized as debt issue costs at each drawdown date. Debt issue costs were amortized using EIR method.

Borrowing costs related to the long-term loan recognized as expense in the consolidated statements of comprehensive income amounted to ₱11.2 million in 2022 and 2021. This comprises interest expense and amortization of debt issue cost. No borrowing costs related to the loan were capitalized as part of property and equipment in 2022 and 2021.

Unamortized debt discount amounting to ₱0.5 million and ₱0.3 million as at December 31, 2022 and 2021, respectively, representing capitalized debt issue costs is presented as deduction from the Company's long-term loans.

Debt Covenants
The Parent Company's loan facility contains certain restrictive covenants that require the Parent Company to comply with specified financial ratios, namely, debt-to-equity ratio which is not allowed to exceed 2:1 and current ratio not to fall below 1:1. As at December 31, 2021, the Parent Company is in compliance with its debt covenants (see Note 25).

As of December 31, 2022, the non-current portion of MBC's loan amounting to ₱116.6 million was classified as an accounting adjustment and presented as current in the statement of financial position as a result of the breach of the prescribed current ratio in the loan agreement with the Lender. The reclassification is only for financial statement presentation and does not affect the term of the loan's original maturity.

[redacted]

As at May 2, 2023, the Parent Company was not issued any demand letter from the Lender for the immediate repayment of the outstanding balance. As a result, the Company will follow the original payment terms stipulated in the agreement dated May 12, 2017.

Suretyship
The loan is secured by a Continuing Suretyship of EHC and Star Parks Corporation (SPC) essentially as primary obligors, being jointly and severally liable with the Company to BPI, its successors and assigns, or its subsidiaries or related parties for the pa ent of the loan.

b. <u>FHBI - ₱100.0 million loan</u>

On July 10, 2020 and October 5, 2020, the FHBI entered into a seven-year term, unsecured loan facility with Metropolitan Bank and Trust Co. with a fixed interest rate of 5.25% per annum amounting to ₱60.0 million and ₱40.0 million, respectively. Both long-term loans will mature on July 9, 2027. The loan is obtained to refinance the construction of FHBI. The loans are payable over seven years in 20 consecutive quarterly installments on each repayment date commencing on October 10, 2022 while the interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date.

Debt Issuance and Borrowing Costs
Costs incurred in relation to the loan drawdowns recognized as expense in the consolidated statement of comprehensive income amounted to ₱0.8 million in 2020. Interest expense recognized in the consolidated statement of comprehensive income amounted to ₱5.4 million and ₱5.4 million in 2022 and 2021, respectively.

Debt Covenants
FHBI's loan facility contains certain restrictive covenants that require FHBI to comply with specified financial ratios, namely, debt service coverage ratio which is not to fall below 1:1, debt-to-equity ratio which is not allowed to exceed 1.5:1 and current ratio not to fall below 0.5:1.

FHBI's operations were significantly affected by the pandemic. This resulted in FHBI not being able to comply with a certain loan covenant which is debt-service coverage ratio. Accordingly, the loan was classified as part of current liabilities in the 2020 statement of financial position. On June 4, 2021, the bank granted FHBI a 2-year grace period from the date of the first drawdown to comply with the financial covenants. As such, the loan as at December 31, 2022 was presented as noncurrent liability in the statement of financial position.

15. **Accounts Payable and Accrued Expenses**

	2022	2021
Trade	**₱259,792,719**	₱271,788,984
Accrued expenses:		
Service fees (see Note 16)	**46,097,922**	44,532,894
Agency commissions	**27,971,712**	28,819,949
Program cost	**15,619,633**	16,093,295
Personnel	**9,124,627**	7,384,999
Dues, membership and subscription	**3,043,425**	3,135,716
Communication, light and water	**3,427,612**	2,880,138
Interest	**917,406**	2,274,616
Outside services	**639,384**	1,592,228

[redacted]

	2022	2021
Professional fees	**884,531**	658,773
Rent	**152,461**	157,084
Others	**2,730,400**	1,755,074
Output VAT – net	**33,647,032**	₱33,673,117
Retention fee payable	**11,770,622**	12,835,659
Withholding taxes payable	**4,422,722**	4,836,239
Refund liability	–	841,755
Payable to contractors	–	–
Other payables	**8,744,927**	9,906,190
	₱428,987,137	₱443,166,710

Trade payables and accrued expenses consist of amounts due to suppliers and service providers and are usually payable within 30 days.

Payable to contractors are due within 30 to 60 days upon receipt of progress billing.

Retention fee payable is due 60 days after the construction of the property. This is noninterest-bearing and is expected to be settled within the following year .

Other payables consist of dues to various government agencies which are normally settled within the following year.

16. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. Key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties.

In the normal course of business, the Company has transactions with the following related parties:

- EHC, ultimate parent company;
- Cebu Broadcasting Company (CBC), an entity under common control;
- Philippine Broadcasting Corporation (PBC), an entity under common control;
- Pacific Broadcasting System, Inc. (PBSI), an entity under common control;
- Star Parks Corporation (SPC), an entity under common control;
- Aliwan Productions and Events, Inc. (ALEI), an entity under common control and
- Other related parties under common control

These transactions will be settled through cash.

[redacted]

The summary of transactions and outstanding balances with related parties are presented below (in millions):

	2022		2021		
Related Party/Nature	**Transactions during the Year**	**Outstanding Balance**	Transactions during the Year	Outstanding Balance	**Terms and conditions**
Ultimate parent company					
EHC					
Advances	**12.65**	**₱355.62**	86.45	₱322.96	Unsecured, interest-free with no definite call dates; with offsetting agreement; no impairment
Dividend declaration	**89.85**	**(89.84)**	–	–	
Entities under common control:					
CBC					
Advances	**33.77**	**(76.81)**	14.99	(43.04)	Unsecured, interest-free with no definite call dates; with offsetting agreement; no impairment
Program costs	**148.70**	**–**	110.23	(19.36)	Trade transactions. Refer to discussion on marketing agreements below.
Recharges/reimbursements	**–**	**–**	–	–	Unsecured, noninterest-bearing
Rent income	**–**	**–**	0.09	–	Unsecured, noninterest-bearing
PBC					
Advances	**5.92**	**7.92**	0.64	13.84	Unsecured, interest-free with no definite call dates; with offsetting agreement; no impairment
Program costs	**18.43**	**–**	50.12	(2.37)	Trade transaction. Refer to discussion on marketing agreements below.
Recharges/reimbursements	**–**	**–**	–	–	Unsecured, noninterest-bearing
Rent income	**–**	**–**	0.09	–	Unsecured, noninterest- bearing
PBSI					
Advances	**11.45**	**5.44**	–	16.88	Unsecured, interest-free with no definite call dates; with offsetting agreement; no impairment
Program costs	**–**	**–**	–	(3.50)	Trade transaction. Refer to discussion on marketing agreements below.
Recharges/reimbursements	**–**	**–**	–	–	Unsecured, noninterest-bearing
Rent income	**–**	**–**	–	–	Unsecured, noninterest- bearing
SPC					
Rent expense	**–**	**–**	–	(709.71)	Unsecured, noninterest-bearing
Advances	**–**	**0.04**	–	–	
Service fees	**–**	**(0.19)**	–	–	

(Forward)

[redacted]

Related Party/Nature	**2022** Transactions during the Year	**2022** Outstanding Balance	2021 Transactions during the Year	2021 Outstanding Balance	Terms and conditions
Affiliated service companies					
Advances	–	**₱0.04**	27.50	₱–	Unsecured, interest-free with no definite call dates and no impairment
Recharges/reimbursements	**(1.55)**	**(2.90)**	–	–	Unsecured, noninterest-bearing
Rental revenue	**0.08**	**0.05**	–	–	
Service fees	**1.77**	**5.75**	–	–	Unsecured, interest-free with no definite call dates and no impairment
Other related parties:					
Key management personnel					
Short-term employee benefits	**19.89**	–	19.41	–	None

The Company's significant related party transactions are as follows:

a. The Company and several affiliated broadcasting companies, which are owned and managed by certain stockholders and/or members of the BOD of the Company, entered into marketing agreements, whereby the affiliated broadcasting companies designated the Company as their sole marketing outfit for the sales, promotion, and marketing of the radio commercial airtime of all radio broadcast stations of these affiliated broadcasting companies. The original marketing agreement, which was effective for a period of five years from January 1, 1998, has been renewed annually, thereafter.

   Under the marketing agreements, the Company shall remit to the affiliated broadcasting companies a certain percentage of the annual revenue from the sale of the commercial time of the radio broadcast stations after agency commission. Total fees pertaining to related parties included under "Program costs" presented as part of "Costs of services" in the consolidated statements of comprehensive income amounted to ₱167.13 million, ₱160.4 million and ₱174.8 million in 2022, 2021 and 2020, respectively (see Note 20).

b. The Company charges its affiliated broadcasting companies for their share in the expenses for operating the radio broadcast stations amounting to ₱72.7 million, ₱49.9 million, and ₱71.6 million in 2022, 2021 and 2020, respectively, which are shown as "Recharges/ reimbursements" under "Operating expenses" account in the consolidated statements of comprehensive income (see Note 20).

c. On December 29, 2020, CBC, PBC and PBSI (collectively referred to herein as "the Networks"), the Company and EHC, entered into a Memorandum of Agreement confirming the agreement among the parties to the net settlement of the respective receivables and payables as at December 31, 2020. The Networks, the Company and EHC made a similar agreement on December 29, 2020 for the net settlement of receivables and payables as at December 31, 2020 (see Note 27).

d. The Company grants and obtains short-term interest-free advances to and from its related parties, which are owned and managed by certain stockholders and/or members of the BOD of the Company.

[redacted]

e. Payable to affiliated service companies amounting to ₱16.7 million and ₱25.5 million as at December 31, 2021 and 2020, respectively, are included in “Accrued expenses” as part of “Service fees”. The advances to affiliated service companies and other related parties amounting to ₱79.5 and ₱27.5 million in 2022 and 2021, respectively, are included in “Receivables” as part of “Advances to stations” (see Note 7).

f. Short-term employee benefits of key management personnel amounted to ₱19.89 million, ₱19.4 million and ₱23.01 million in 2022, 2021 and 2020, respectively. The pension benefits of the key management personnel are not covered by the Company’s retirement plan.

17. **Capital Stock**

The Parent Company was listed with the Philippine Stock Exchange on October 8, 1949. In its initial public offering, the Parent Company offered the share at a price of ₱1.05. The Parent Company had 604, 604, and 605 shareholders on record as at December 31, 2022, 2021 and 2020, respectively.

As at December 31, 2022 and 2021, capital stock consists of 1.0 billion authorized common shares with par value of ₱1.00 per share, 402.7 million shares of which have been issued.

Treasury shares at cost comprised of 120,787 shares as at December 31, 2022 and 2021.

Set out below is MBC’s track record of registration of securities:

Year approved	Number of Shares registered	Issue/Offer Price
1970	1,473,711	₱1.05
1978	2,029,851	1.04
1979	2,232,494	1.04
1980	2,452,735	1.03
1981	2,575,837	1.03
1985	3,803,777	1.02
1997	252,683,164	1.00
1998	252,682,990	1.00
2001	402,682,990	1.00

18. **Retained Earnings**

On December 17, 2021, the BOD of the Company declared cash dividends amounting to ₱120.7 million or ₱0.30 per share to stockholders on record as at January 16, 2022, which was paid on February 3, 2022.

On December 20, 2019, at the special meeting of the BOD of the Parent Company, the BOD authorized the appropriation amounting to ₱100.0 million for the acquisition of land or office building to be taken from the unrestricted retained earnings of the Parent Company as at December 31, 2019 to ensure business continuity and that its operations are not hampered by the uncertainty of the renewal of its sub-lease from SPC. The BOD deems it to the best interest of the Parent Company to purchase its own property for its business operations.

On December 23, 2020, at the special meeting of the BOD of the Parent Company, the BOD authorized the additional appropriation of ₱100 million for the acquisition of land or office building to be taken from the unrestricted retained earnings of the Parent Company as of December 31, 2020.

[redacted]

On December 28, 2022, the Company's BOD declared cash dividends of ₱0.30 per share in favor of shareholders of record as of January 27, 2023 amounting to ₱120,804,897.

The Parent Company's unappropriated retained earnings are not available for declaration as dividends to the extent of the cost of treasury stock and recognized deferred tax assets.

19. Revenues

	2022	2021	2020
Broadcasting fees	**₱1,117,878,705**	₱978,418,959	₱880,866,867
Hotel, food and beverage	**104,421,105**	19,259,200	26,574,858
Less volume and sales discounts	**(4,267,449)**	(4,805,560)	(18,172,943)
	₱1,218,032,361	₱992,872,599	₱889,268,782

<u>Disaggregated Revenue Information</u>

	2022	2021	2020
Type of services:			
Broadcasting	**₱1,031,971,635**	₱954,264,289	₱845,646,696
Hotel, food and beverage	**104,421,105**	21,988,118	26,574,858
Digital	**15,677,396**	12,542,174	11,114,581
Hosting and customer event	**65,962,225**	6,694,655	5,932,647
	₱1,218,032,361	₱995,489,236	₱889,268,782

	2022	2021	2020
Timing of revenue recognition:			
Point in time	**₱1,152,070,136**	₱988,794,581	₱883,336,135
Over time	**65.962,225**	6,694,655	5,932,647
	₱1,218,032,361	₱995,489,236	₱889,268,782

<u>Contract Balances</u>

	2022	2021
Trade receivables - net (see Notes 7 and 25)	**₱380,448,787**	₱380,448,787
Contract liabilities	**55,363,501**	65,440,336

Contract liabilities are advances received from sponsors pertaining to non-refundable placement fees paid by customers for future broadcast airings as well as advances received from customers representing the Company's obligation to provide hotel services to its customers.

Revenue from contract liability is recognized when the related service is rendered.

Revenue recognized in 2022 and 2021 that was included in the beginning balance of contract liabilities amounted to ₱55.6 million and ₱31.9 million, respectively.

[redacted]

20. Cost of Sales and Services and Operating Expenses

Cost of Sales and Services

	2022	2021	2020
Program costs (see Note 16)	**₱305,207,015**	₱287,108,138	₱176,484,984
Service fees (see Note 16)	**276,907,980**	240,448,789	225,992,551
Food and beverage	**12,205,259**	3,150,407	2,685,620
Personnel expenses (see Notes 16, 21 and 22)	**33,096,679**	36,990,826	34,764,607
Replacement parts	**15,567,617**	10,205,650	15,339,590
Depreciation (see Note 11)	**14,010,261**	51,839,830	58,551,096
Insurance	**74,693**	–	–
	₱657,069,504	₱629,743,640	₱513,818,448

Operating Expenses

	2022	2021	2020
Salaries, wages and bonuses (see Notes 16, 21 and 22)	**₱130,889,336**	₱116,897,622	₱95,585,182
Communication, light and water	**55,969,244**	25,511,730	26,414,430
Depreciation and amortization (see Notes 11 and 13)	**53,630,087**	27,723,613	21,666,896
Sales commissions	**46,845,269**	40,951,197	34,783,832
Outside services	**21,864,964**	12,284,417	13,139,984
Travel and transportation	**19,470,669**	7,051,279	3,995,838
Taxes and licenses	**16,735,882**	13,544,231	21,483,976
Rent (see Note 24)	**12,624,160**	22,749,765	11,837,181
Advertising and promotions	**11,983,587**	6,079,229	3,477,150
Repairs	**10,918,173**	5,912,434	17,013,675
Supplies	**8,921,895**	–	–
Professional fees	**6,993,709**	7,912,790	5,920,868
Subscription fee	**5,279,468**	–	–
Replacement parts	**4,924,972**	5,170,436	6,525,474
Dues and membership	**4,606,878**	1,866,401	5,572,216
Commissions	**4,451,618**	451,842	388,979
Entertainment, amusement and recreation	**2,716,383**	1,254,080	394,257
Materials and supplies	**2,096,037**	1,454,904	1,668,449
Insurance	**1,177,997**	–	–
Provision for ECL - net (see Note 7)	**1,061,517**	2,211,806	9,510,036
Others	**29,101,428**	25,932,634	17,371,193
	452,263,273	324,960,410	296,749,616
Reimbursement/recharges (see Note 16)	**(77,095,073)**	(72,721,823)	(49,888,887)
	₱375,168,200	₱252,238,587	₱246,860,729

Materials and supplies that are recognized as part of "Program costs" and "Materials and supplies" accounts under "Cost of services" and "Operating expenses", respectively, amounted to ₱11.0 million, ₱1.5 million, and ₱1.7 million in 2022, 2021 and 2020, respectively.

[redacted]

21. **Personnel Expenses**

	2022	2021	2020
Salaries, wages and bonuses	**₱144,812,396**	₱134,976,108	₱112,968,192
Retirement benefits cost (see Note 22)	**3,153,323**	1,735,145	3,825,680
Other short-term employee benefits	**16,020,296**	17,177,195	13,555,917
	₱163,986,015	₱153,888,448	₱130,349,789

22. **Retirement Benefits and Accrued Separation Cost**

Retirement Benefits

The Company has a funded, noncontributory defined benefit retirement plan covering all of its remaining employees. The benefits are based on years of service and compensation on the last year of employment. The latest actuarial valuation report is as at December 31, 2022.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of a 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 for the plan.

The components of retirement benefits cost are as follows:

	2022	2021	2020
Current service cost	**₱3,298,117**	₱4,931,471	₱4,209,224
Net interest cost	**(144,794)**	(3,196,326)	(383,544)
	₱3,153,323	₱1,735,145	₱3,825,680

Remeasurements on retirement benefit assets recognized in OCI consist of actuarial gains (losses) on:

	2022	2021	2020
PVDBO	**₱2,655,974**	₱8,616,664	₱867,593
FVPA	**(4,317,159)**	(9,280,707)	578,520
	(1,661,185)	(664,043)	1,446,113
Income tax effect	–	166,011	(433,834)
Impact of CREATE Law	–	6,344,464	–
	(₱1,661,185)	₱5,846,432	₱1,012,279

Movements in the remeasurements on retirement benefits asset follow:

	2022	2021
Beginning balance	**₱50,257,685**	₱44,411,253
Remeasurement gain, net of deferred tax liability	**(1,245,889)**	(498,032)
Impact of CREATE	–	6,344,464
Ending balance	**₱49,011,796**	₱50,257,685

Deferred income tax effect of remeasurements amounted to ₱0.4 million, ₱0.2 million, and ₱0.4 million in 2022, 2021 and 2020, respectively (see Note 23).

[redacted]

The amounts recognized in the statements of financial position are as follows:

	2022	2021
FVPA	**₱73,206,073**	₱73,269,100
PVDBO	**70,852,588**	70,361,589
Retirement benefit assets – net	**₱2,353,485**	₱2,907,511

Movements in the net retirement benefits asset follow:

	2022	2021
Balance at beginning of year	**₱2,907,511**	₱5,306,699
Retirement benefit costs	**(3,153,323)**	(1,735,145)
Remeasurement effects in OCI	**(1,661,185)**	(664,043)
Benefits paid	**4,260,482**	–
Balance at end of year	**₱2,353,485**	₱2,907,511

The changes in PVDBO are as follows:

	2022	2021
Balance at beginning of year	**₱70,361,589**	₱70,168,066
Current service cost	**3,298,117**	4,931,471
Interest cost	**3,504,007**	2,686,189
Actuarial gains arising from changes in assumptions	**(2,655,974)**	(7,424,137)
Benefits paid	**(3,655,151)**	–
Balance at end of year	**₱70,852,588**	₱70,361,589

The changes in FVPA are as follows:

	2022	2021
Balance at beginning of year	**₱73,269,100**	₱75,474,765
Actuarial gain (loss)	**(4,317,159)**	(5,051,064)
Interest income	**3,648,801**	2,845,399
Contribution	**4,260,482**	–
Benefits paid	**(3,655,151)**	–
Balance at end of year	**₱73,206,073**	₱73,269,100

The Fund consists of the following assets and investments:

- Investments in government securities, which include retail treasury bonds and fixed treasury notes that bear interest ranging from 2.60% to 6.30%% and will mature in 2.1 to 4.8 years;
- Investments in debt securities, consisting of various corporate bonds which earn interest ranging from 3.25% to7.50% and have remaining maturities of 0.2 to 4.2 years;
- Investment in stocks of a third party with a market value of ₱100.50 per share;
- Investment in BDO institutional equity fund;
- Dividends receivables, interest receivables and accounts receivables from brokers; and
- Cash and cash equivalents, which include regular savings and time deposits earning interest at their respective bank deposit rates;

The objective of the plans portfolio is capital preservation by earning higher than regular deposit rates over a long period given a small degree of risk on principal and interest. Asset purchases and sales

[redacted]

are determined by the plan's trustee bank, who have been given discretionary authority to manage the distribution of the assets to achieve the plan's investment objectives. In order to minimize the risks of the fund, the committee monitors compliance with target asset allocations and composition of the investment portfolio on a regular basis.

The Company expects to contribute ₱4.9 million in 2023. The Company does not have any asset-liability matching strategy.

The categories of plan assets as a percentage of the FVPA as at December 31 are as follows:

	2022	2021
Investments in government securities:		
Fixed treasury notes	**67.62%**	75.61%
Retail treasury bonds	**0.00%**	0.00%
Investments in debt securities:	**22.25%**	18.92%
Investment in unit investment trust fund	**0.71%**	4.21%
Investment in stocks	**0.72%**	0.75%
Receivables	**0.51%**	0.51%
Cash in banks	**8.14%**	–
	100.00%	100.00%

The assumptions used to determine retirement benefits of the Company as at January 1 are as follows:

	2022	2021
Discount rate	**3.77%**	4.98%
Salary increase rate	**4.00%**	4.00%

The sensitivity analysis below has been determined based on the reasonably possible change of each significant actuarial assumption on the retirement obligation as at December 31, 2022 assuming all other assumptions were held constant:

	Increase (Decrease)	Increase (Decrease) in Retirement Benefit Obligation
Discount rate:		
Sensitivity 1	0.50%	(₱470,405)
Sensitivity 2	-0.50%	536,736
Salary increase rate:		
Sensitivity 1	1.00%	1,148,883
Sensitivity 2	-1.00%	(896,337)

The table below shows the maturity analysis of the undiscounted benefit payments as at December 31, 2022:

Plan year	Amount
Within one year	₱40,527,600
More than one year to five years	5,554,039
More than five years to 10 years	7,181,688
More than 10 years to 15 years	28,800,955
More than 15 years to 20 years	47,204,214
More than 20 years	377,404,221

[redacted]

The defined benefit retirement plan is funded by other participating companies, which are related parties of the Company. The plan contributions are based on the actuarial present value of accumulated plan benefits and FVPA are determined using an independent actuarial valuation. The net defined benefit cost and the contributions to the plan are specifically identifiable, such that, the Company's PVDBO pertains only to the benefit of the Company's employees and the FVPA pertains only to the contributions made by the Company. The Company shall contribute to the Fund such amounts as shall be required, under actuarial principles, to provide the benefits and the expenses incident to the operation and administration of the Fund.

There are no related party transactions between the Fund and the Company.

Accrued Separation Cost

Accrued separation cost pertains to the unpaid balance of separation pay of employees who were transferred in 2002 to the affiliated service companies. These employees expressly agreed in writing to receive their separation pay from the Company only after their final and actual separation or resignation from the affiliated service companies.

As at December 31, 2022 and 2021, accrued separation cost amounted to ₱24.3 million.

23. **Income Taxes**

Income Taxes

a. The provision for income tax consists of:

	2022	2021	2020
Current income tax			
Regular corporate income tax	**₱53,621,507**	₱56,802,003	₱66,696,320
Minimum corporate income tax	**51,590**	–	5,610
Final tax	–	18,265	36,382
	53,673,097	51,242,198	66,738,312
Deferred income tax	**15,371,502**	(4,831,821)	(14,683,488)
	₱69,044,599	₱53,839,053	₱52,054,824

b. Deferred income tax charged directly to equity during the year follows:

	2022	2021	2020
Reserve for fluctuations in fair value of financial assets at FVOCI	**₱22,205,011**	₱6,588,385	₱11,907,291
Revaluation increment on land	**(5,572,025)**	3,381,975	29,201,160
Remeasurements on retirement benefits	**415,296**	(166,011)	433,834
Adjustment to the beginning balance due to change in the tax rate	–	(12,815,806)	–
	₱17,048,282	(₱3,011,457)	₱41,542,285

[redacted]

c. The reconciliation of income tax computed at the statutory tax rate to provision for income tax as shown in profit or loss follows:

	2022	2021	2020
Statutory income tax	**₱43,250,618**	₱34,021,677	₱43,793,858
Additions to (reductions in) income tax resulting from:			
Expired NOLCO and MCIT	**12,188,244**	764,253	2,784,321
Nondeductible expenses	**1,569,767**	1,161,604	1,502,317
Movement in unrecognized deferred tax assets and others	**12,087,364**	17,935,187	4,283,083
Interest income subjected to final tax at a lower rate	**(51,394)**	(43,668)	(308,755)
Provision for income tax	**₱69,044,599**	₱53,839,053	₱52,054,824

d. The components of the Parent Company's net deferred tax liabilities consist of the tax effects of the following:

	2022	2021
Deferred tax assets on:		
Allowances for:		
Doubtful accounts	**₱7,211,513**	₱7,323,720
Inventory obsolescence	**252,429**	979,079
Lease liabilities - net	**1,270,596**	685,212
Accrued separation costs	**2,305,056**	2,305,056
Unearned rent	**302,927**	297,919
Unamortized past service cost	**326,926**	470,805
Unrealized foreign exchange loss	**170,379**	290,943
Provision for rebates	**–**	210,439
	11,839,826	12,563,173
Deferred tax liabilities on:		
Revaluation increment on land	**104,792,852**	99,220,827
Reserve for fluctuations in fair value of financial assets at FVOCI	**18,546,121**	40,751,133
Retirement benefit assets - net	**588,371**	726,878
Unamortized debt issue costs	**41,901**	99,714
Others	**8,102,034**	18,642,434
	132,071,279	159,440,986
	₱120,231,453	₱146,877,813

[redacted]

The components of net deferred tax assets of EHRI and FHBI as at December 31, 2022 and 2021 are as follows:

	2022	2021
Deferred tax assets on:		
Lease liabilities - net	**₱1,144,724**	₱146,199
NOLCO	**1,007,972**	15,952,104
Contract liability	**718,933**	987,431
MCIT	**54,623**	8,714
	2,926,252	17,094,448
Deferred tax liability on:		
Unrealized foreign exchange gain	**(3,560)**	(10,345)
	₱2,922,692	₱17,084,103

The deferred tax assets related to the NOLCO and MCIT amounting to ₱42.6 million and nil, respectively, as of December 31, 2022 and 2021, were not recognized by FHBI since management believes that there will be no sufficient future taxable income available to allow said deferred tax assets to be utilized.

The carryforward benefits of NOLCO of EHRI and FHBI, which can be claimed as deduction against future regular taxable income, as at December 31, 2022 are as follows:

		EHRI			FHBI		
Year Incurred	Expiry Year	NOLCO	Expired	Balance	NOLCO	Expired	Balance
2020	2025	₱1,313,728	₱–	₱1,313,728	₱43,712,522	₱–	₱43,712,522
2022	2025	1,661,374	–	1,661,374	64,575,542	–	64,575,542
2021	2024	1,056,787	–	1,056,787	61,970,016	–	61,970,016
2019	2022	5,141,549	(5,141,549)	–	40,553,354	(40,553,354)	–
		₱9,173,438	(₱5,141,549)	₱4,031,889	₱210,811,434	(₱40,553,354)	₱170,258,080

<u>Revenue Regulations No. 25-2020</u>
On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 (bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2022, EHRI and FHBI's unused MCIT that can be carried forward and be claimed as deduction against future RCIT due are as follows:

Year Incurred/Paid	Expiry Date	EHRI	FHBI
2022	December 31, 2025	₱9,902	₱41,689
2021	December 31, 2024	3,033	–
2020	December 31, 2023	5,610	–
2019	December 31, 2022	68,103	701,415
		81,648	743,104
Expired during the year		(63,103)	(701,415)
		₱18,545	₱41,689

[redacted]

24. **Lease Arrangements**

a. The Company leases satellite communications capacity for the performance of its broadcasting services called the Transponder Lease, which considers certain space segment capacity and transponder power. The lease agreement is for a period of five years from November 1, 2012 and was renewed for another five years commencing on November 1, 2017, with a monthly payment of $8,500. The Company entered into another new lease agreement with another lessor. The new lease agreement is for a period of five years from September 1, 2022 to August 31, 2027 with monthly rental payments of $5,600.

b. The Company has lease agreements with various individuals for the rent of land used principally to its broadcasting business as well as the site for its radio broadcasting stations. The Company is allowed to construct buildings and improvements on the leased premises provided that upon the expiration of the lease term, all structure, except the transmitter, antennae systems, discs and other related broadcast and communications equipment and accessories, shall belong to the lessor without reimbursing the Company for its expenses.

   On June 1, 2019, the Company entered into another lease agreement for the lease of land located in Pagatpat, Cagayan de Oro City to replace its site in Barrio Bayabas. The lease has a term of 10 years with a monthly payment of ₱20,000 with an escalation of 5% every three years. The Company started leasing the property without terminating the contract on its former site.

   In 2020, the Company entered into three new lease agreements located in Iloilo, General Santos and Koronadal and recognized additional right-of-use assets amounting to ₱4.8 million (see Note 9). The Company's obligations under these leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets except for its related parties. Termination and renewal options are mutually agreed by lessor and lessee.

c. The Company has a lease agreement with ELI, a related party for the land where its hotel property and other facilities are located. The lease agreement is for a period of ten years commencing on October 1, 2018 at ₱116.45 per square meter per month.

   Under the terms of the lease, the Company makes a monthly fixed lease payment. However, due to events arising from COVID-19 in 2020, ELI agreed to forgive 50% of the lease payments from March 16, 2020 until June 30, 2022 amounting to a total of ₱1.5 million. There are no other changes to terms a d conditions of the lease.

d. The Company also has a lease agreement with BPI Century Tokyo Leasing and Financing Corporation covering its kitchen and bar equipment, generator sets, and air-conditioning units for a period of 3-4 years commencing on December 2019, March 2019, and April 2019, respectively, at an annual rental amounting to ₱0.21 million, ₱0.55 million, and ₱0.20 million, respectively.

e. The Company has a lease agreement with a related party for its office space, renewable annually with a fixed monthly rental of ₱0.9 million. The Company applies the 'short-term lease' recognition exemptions for these leases. Rent expense on this lease agreement is included under "Rent" presented as part of "Operating expenses" in the 2022, 2021 and 2020 consolidated statements of comprehensive income.

f. The Company has lease agreements with various individuals for the rent of transmitter sites. The Company applies the 'short-term lease' recognition exemptions for these leases. Rent expense on

[redacted]

these lease agreements is included under "Rent" presented as part of "Operating expenses" in the consolidated statements of comprehensive income (see Note 20).

g. During 2022 the Company entered into two (2) new lease agreements for the lease for the rent of studios to be used in broadcasting activies. The first lease agreement is for a lease term of one year from October 1, 2022 to September 30, 2023, while the second lease term is for a lease term of 2 years from August 28, 2022 to August 27, 2024. Monthly lease payments are ₱28,125 and ₱24,541, respectively.

h. The rollforward analysis of lease liabilities follows:

	2022	2021
Balance at beginning of year	**₱49,016,328**	₱56,813,156
Additions (Note 11)	**17,387,109**	11,383,233
Effect of rent concession (see Note 2)	**(761,515)**	(761,515)
Payments	**(19,313,396)**	(22,254,779)
Interest expense	**3,043,208**	3,977,407
Unrealized foreign exchange loss (gain)	**214,593**	(141,174)
Balance at end of year	**49,586,327**	49,016,328
Less current portion	**16,804,582**	21,373,333
	₱32,781,745	₱27,642,995

The following are the amounts recognized in the consolidated statements of comprehensive income:

	2022	2021
Depreciation expense of right-of-use assets (see Notes 11 and 20)	**₱18,955,137**	₱17,629,462
Interest expense on lease liabilities	**3,043,208**	4,670,351
Expenses relating to short-term leases (see Notes 20)	**11,990,462**	22,749,765
	₱33,988,807	₱45,049,578

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

	2022	2021
Within one year	**₱13,434,269**	₱19,216,639
After one year but not more than five years	**28,075,942**	18,187,617
More than five years	**5,846,511**	6,829,660
	₱47,356,722	₱44,233,916

The Company has no lease contracts that contain variable payments.

25. Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash, due from related parties, short-term loan and long-term debt. The main purpose of these financial instruments is to fund the Company's operations. The other financial assets and financial liabilities arising directly from its operations are receivables, due from related parties, construction bond, refundable deposits, accounts payable and accrued expenses, dividends payable, and lease liabilities. Other financial instruments arising from investing activities of the Company include financial assets at FVOCI.

[redacted]

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The BOD reviews and approves policies for managing each of these risks.

Credit Risk
Credit risk, or the risk of counterparties defaulting, is controlled by the application of control and monitoring procedures. It is the Company's policy that all clients who wish to trade on credit terms are subjected to credit verification procedures. Receivables, due from related parties, construction bond and refundable deposits balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is not significant. The Company evaluates the concentration of risk with respect to its receivables as low, as its customers are located in several industries and operate in largely independent markets.

With respect to credit risk arising from the Company's cash in banks, the Company's exposure arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company deals only with financial institutions duly evaluated and approved by the BOD. The Company avoids concentrations of credit risk on its liquid assets as these are spread over several financial institutions.

The table below shows the maximum exposure to credit risk for the Company's financial assets as at December 31, 2022 and 2021. The Company does not hold collaterals as security.

	2022	2021
Cash in banks	**₱157,831,973**	₱192,671,143
Receivables	**398,335,222**	433,794,260
Due from related parties	**166,936,573**	334,145,731
Refundable deposits	**3,967,034**	4,618,880
Financial assets at FVOCI	**141,593,656**	289,627,071
	₱868,664,458	₱1,254,857,085

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix as at December 31, 2022 and 2021:

	December 31, 2022							
	Current	**<30 days**	**30-60 days**	**61-90 days**	**91-360 days**	**Over 360 days**	**Credit Impaired**	**Total**
ECL rate	**1.10%**	**2.78%**	**5.19%**	**9.59%**	**36.91%**	**75.69%**	**100%**	
Estimated EAD	**₱168,672,403**	**₱75,822,056**	**₱34,845,404**	**₱19,637,973**	**₱30,352,947**	**₱2,688,184**	**₱–**	**₱332,018,968**
ECL	**2,279,212**	**2,108,602**	**1,806,969**	**1,883,348**	**11,201,853**	**2,034,745**	**–**	**21,314,728**
	₱137,997,472	**₱33,588,275**	**₱33,042,616**	**₱61,118,176**	**₱84,485,798**	**₱3,230,955**	**₱–**	**₱353,333,696**

	December 31, 2021							
	Current	<30 days	30-60 days	61-90 days	91-360 days	Over 360 days	Credit Impaired	Total
ECL rate	1.08%	1.17%	1.45%	2.75%	13.52%	50.75%	100%	
Estimated EAD	₱111,724,966	₱42,825,110	₱42,626,224	₱71,645,119	₱97,956,179	₱5,345,663	₱9,367,847	₱381,491,108
ECL	1,206,630	501,054	618,080	1,970,848	13,243,675	2,712,924	9,367,847	29,621,058
	₱110,518,336	₱42,324,056	₱42,008,144	₱69,674,271	₱84,712,504	₱2,632,739	₱–	₱351,870,050

Liquidity Risk
Liquidity risk arises when obligations are not met when they fall due. It is the Company's objective to finance capital expenditures, services, and maturing obligations as scheduled. To cover the Company's financing requirements and at the same time, manage its liquidity risk, the Company uses internally generated funds and proceeds from debt. Projected and actual cash flow information are regularly evaluated and funding sources are continuously assessed.

[redacted]

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2022 and 2021 based on contractual undiscounted payments:

	2022				
	On demand	**Less than 3 months**	**3 to 12 Months**	**More than 12 months**	**Total**
Other financial liabilities					
Accounts payable and accrued expenses*	**₱399,067,877**	**₱14,115,965**	**₱11,380,573**	**₱**	**424,564,415**
Dividends payable	**130,335,498**	–	–	–	**130,335,498**
Short-term loans:					
Principal	–	**201,000,000**	–	–	**201,000,000**
Interest	–	**667,887**	–	–	**667,887**
Long-term debt:					
Principal	–	**10,000,000**	**126,592,397**	**75,000,000**	**211,592,397**
Interest	–	**1,017,365**	**3,154,543**	**7,234,931**	**11,406,839**
Lease liabilities	–	**2,306,386**	**6,527,246**	**34,930,284**	**43,763,916**
	₱529,403,375	**₱229,107,603**	**₱147,654,759**	**₱117,165,215**	**₱1,023,330,952**

**Amounts are exclusive of nonfinancial liabilities amounting to ₱4.42 million as at December 31, 2022.*

	2021				
	On demand	Less than 3 months	3 to 12 Months	More than 12 months	Total
Other financial liabilities					
Accounts payable and accrued expenses*	₱110,642,122	₱104,447,059	₱223,241,290	₱–	₱438,330,471
Dividends payable	22,276,875	–	–	–	22,276,875
Short-term loans:					
Principal	–	161,000,000	–	–	161,000,000
Interest	–	632,100	–	–	632,100
Long-term debt:					
Principal	–	–	66,640,000	215,733,378	282,373,378
Interest	–	4,134,243	11,051,863	23,776,761	38,962,867
Lease liabilities	–	1,605,319	19,768,014	27,642,995	49,016,328
	₱132,918,997	₱271,818,721	₱320,701,167	₱267,153,134	₱992,592,019

**Amounts are exclusive of statutory liabilities amounting to ₱4.8 million as at December 31, 2021.*

The maturity group of financial liabilities was based on the remaining period from the end of the reporting period to the contractual maturity date. When a counter party has a choice when the amount is paid, the liability is allocated to the earliest period in which the Company is required to pay.

The Company's financial assets (consisting of cash, receivables and due from related parties) which are available to settle maturing obligations amounted to ₱723.1 million and ₱970.6 million as at December 31, 2022 and 2021, respectively.

<u>Interest Rate Risk</u>
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rates relates primarily to its long-term debt with floating interest rates.

The following table demonstrates the sensitivity of the Company's income before income tax (through the impact on floating rate borrowings) in 2022 to a reasonably possible change in interest rates, with all other variables held constant. There is no impact on the Company's equity other than those already affecting the net income.

[redacted]

Drawdown date	EIR	Increase by 1%	Decrease by 1%
July 2017	4.57%	₱13,134,104	₱16,070,698
August 2017	4.57%	(15,720,053)	(19,240,944)
October 2017	4.55%	(18,269,847)	(22,373,166)
December 2017	4.81%	(11,824,461)	(14,462,330)
January 2018	4.86%	(14,371,239)	(17,583,268)
April 2018	5.02%	(18,221,773)	(22,299,387)

Capital Management

The Company's capital structure pertains to the mix of long-term sources of funds. When the Company expands, it needs capital, and that capital can come from debt or equity.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios and strong credit ratings while viably supporting its business to maximize shareholder value.

The following table summarized the Company's capital structure as at December 31:

	2022	2021
Capital stock	**₱402,803,777**	₱402,803,777
Additional paid-in capital	**79,354**	79,354
Retained earnings	**527,265,615**	534,768,554
Treasury stock	**(120,787)**	(120,787)
	₱930,027,959	₱937,530,898

The Company's approach focuses on efficiently allocating internally generated cash for operational requirements and investments to grow the existing business. Shortages if any and acquisitions or investments in new business are funded by the incurrence of additional debt largely capped by existing loan covenants on financial ratios.

All financial ratios of the Parent Company are as follows (see Note 14):

Financial Ratios	Required	**2022**	2021
Loan Agreement			
Debt to equity	Not allowed to exceed 2:1	**0.42:1**	0.81:1
Current ratio	Not allowed to fall below 1:1	**0.95:1**	1.31:1

26. Note to Consolidated Statement of Cash Flows

In 2022, the principal noncash transactions pertain to additional right-of-use assets under "Property and equipment" account in the consolidated statement of financial position amounting to ₱16.8 million and the effect of rent concession amounting to ₱0.8 million (see Notes 2, 11 and 24).

In 2021, the principal noncash transactions pertain to additional right-of-use assets under "Property and equipment" account in the consolidated statement of financial position amounting to ₱11.4 million and the effect of rent concession amounting to ₱0.8 million (see Notes 2, 11 and 24). The Company also applied its advances to suppliers against its retention payable presented under "Accounts payable and accrued expenses" in the consolidated statement of financial position amounting to ₱9.7 million.

[redacted]

The movements of the Company's liabilities (assets) arising from financing activities in the consolidated statements of cash flows follow:

	January 1, 2022	**Cash flows**	**Additions**	**Interest expense**	**Translation adjustment**	**Effect of rent concession** (see Note 2)	**December 31, 2022**
Short-term loans	**₱161,000,000**	**(₱10,000,000)**	**₱50,000,000**	**₱–**	**₱–**	**₱–**	**₱201,000,000**
Long-term debt	**282,373,378**	**(71,640,000)**	**–**	**482,85**	**–**	**–**	**211,216**
Accrued interest	**2,235,658**	**(23,368,947)**	**–**	**21,917,001**	**–**	**–**	**783,712**
Dividends payable	**22,276,875**	**(119,089,874)**	**120,804,897**	**–**	**–**	**–**	**23,991,898**
Lease liabilities	**49,016,328**	**(18,285,132)**	**17,387,109**	**2,014,944**	**214,593**	**(761,515)**	**49,586,327**
Total liabilities from financing activities	**₱514,541,925**	**(₱242,383,953)**	**₱188,192**	**₱**	**₱214,593**	**(₱761,515)**	**₱486,578**

	January 1, 2021	Cash flows	Additions	Interest expense	Translation adjustment	Effect of rent concession (See Note 2)	December 31, 2021
Short-term loans	₱164,500,000	(₱33,500,000)	₱30,000,000	–	₱–	₱–	₱161,000,000
Long term loans	349,319,330	(67,390,000)	–	444,048	–	–	282,373,378
Accrued (prepaid) interest	1,367,586	(20,151,454)	–	18,659,213	–	–	(124,655)
Dividends payable	7,957,092	(106,343,604)	120,663,387	–	–	–	22,276,875
Lease liabilities	56,813,156	(21,872,133)	11,383,233	3,970,245	(141,173)	(1,137,000)	49,016,328
Total liabilities from financing activities	₱579,957,164	(249,257,191)	₱162,046,620	₱23,073,506	(141,173)	(1,137,000)	₱514,541,926

27. **Offsetting of Financial Assets and Financial Liabilities**

The Company offsets its receivable and payable to its related parties as the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously (see Note 16). The gross amounts of the due from and due to its related parties and the amounts disclosed in the statement of financial position as at December 31 are as follows:

	2022			
	Gross amounts	**Amounts offset[(a)]**	**Reported amounts[(b)]**	**Net exposure**
Due from related parties [(c)]	**₱166,936,573**	**₱–**	**₱166,936,573**	**₱166,936,573**
Due to related parties [(d)]	**–**	**–**	**–**	**–**

(a) Amounts offset under PAS 32
(b) Reported amounts in the consolidated statement of financial position
(c) Total advances in Note 16
(d) Advances from CBC and ALEI in Note 16

	2021			
	Gross amounts	Amounts offset[(a)]	Reported amounts[(b)]	Net exposure
Due from related parties [(c)]	₱334,145,731	₱–	₱334,145,731	₱334,145,731
Due to related parties [(d)]	–	–	–	–

(a) Amounts offset under PAS 32
(b) Reported amounts in the consolidated statement of financial position
(c) Total advances in Note 16
(d) Advances from CBC and ALEI in Note 16

[redacted]

28. **Fair Value Measurement**

As at December 31, 2022 and 2021, the carrying values of financial assets and liabilities are equal to their estimated fair values.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial assets at FVOCI

<u>Unquoted Shares of Stock</u>
The Company valued its investment in unquoted shares of stocks in PIC and EHC using adjusted net asset value approach which considers the fair value of the underlying assets and liabilities of the investee companies. Significant unobservable inputs categorized under Level 3, used under this approach include discounts on lack of control (DLOC) and discounts on lack of marketability (DLOM) within the range of 20% to 30%. The underlying assets primarily consist of investments in quoted and unquoted shares and land.

The Company determined the fair value of the underlying investments in unquoted shares using the discounted cash flows approach. Significant unobservable inputs used under this approach include use of valuation inputs such as discount rates ranging from 8% to 12.3% and 9% to 14% in 2022 and 2021, respectively, and revenue growth rate and long-term growth rate of 8% in 2022 and 2021. These inputs are categorized under Level 3.

On the other hand, the valuation of the land requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors, including any impact associated with coronavirus pandemic. The significant unobservable input of price per square meter ranges from ₱1,150 to ₱33,700 in 2022 and ₱1,100 to ₱25,000 in 2021. These inputs are categorized under Level 3.

The sensitivity analysis below has been determined based on the reasonably possible change of each significant unobservable input on the fair value of the unquoted investments as at December 31, 2022 assuming all other assumptions were held constant:

Significant unobservable input	Increase (Decrease)	Increase (Decrease) in Fair Value of Investment
Revenue growth rate	(2%)	(₱8,012,551)
Long-term growth rate	2%	14,491,611
Discount on lack of control	(5%)	10,523,215
Discount on lack of marketability	(5%)	12,269,317
Sales price of comparable properties	(29%)	(7,855,138)

<u>Quoted Shares of Stock</u>
The fair value of the quoted shares of stock as at December 31, 2022 and 2021 is based on quoted market price (Level 1).

Other financial assets and financial liabilities. Due to the short-term nature of other financial assets and financial liabilities, the fair value of cash, receivables, due from related parties, construction bond, accounts payable and accrued expenses and dividends payable approximate the carrying value as at the financial reporting date.

[redacted]

Refundable deposits. The fair value of approximates its cost due to uncertain timing of redemption.

Investment properties. The carrying value of investment properties amounted to ₱43.2 million as at December 31, 2022 and 2021. The total fair value of the investment properties, based on the recent appraisal report, amounted ₱162.8 million for land and ₱79.8 million for building. The fair values of the properties are based on valuations performed by an accredited independent appraiser as at December 31, 2022. The fair value of the land was obtained by considering sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. The significant unobservable input of price per square meter ranges from ₱65,000 to ₱86,500 based on the latest appraisal report. Accordingly, the fair value measurement is categorized under Level 3.

Loans payable. As at December 31, 2022 and 2021, the carrying value of the Parent Company's long term loan approximates fair value due to quarterly repricing. As at December 31, 2022 and 2021, the fair value of the ₱95.0 million loan of FHBI amounted to ₱94.8 million and ₱74.6 million, respectively, using a discount rate of 2.81% and 2.76%, respectively.

Lease liabilities. The fair value of the lease liabilities amounted to ₱44.7 million and ₱45.4 million as at December 31, 2022 and 2020, respectively. The fair value is estimated to be the present value of the future cash flows discounted using the IBR. Interest rates used for discounting range between 5.21% to 6.56% and 5.01% to 4.19% as at December 31, 2022 and 2021, respectively.

The following table provides the fair value hierarchy of the Company's assets measured at fair value and those for which fair values are disclosed and the carrying amounts differ from fair value as at December 31, 2022 and 2021:

		2022 Fair Value Measurement Using		
	Total	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets measured at fair value:				
Financial assets at FVOCI (see Note 10):				
Unquoted equity securities	**₱141,343,657**	**₱–**	**₱–**	**₱141,343,657**
Quoted equity securities	**250,000**	**250,000**	**–**	**–**
Land at revalued amount (see Note 11)	**568,496,600**	**–**	**–**	**568,496,600**

		2021 Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:				
Financial assets at FVOCI (see Note 10):				
Unquoted equity securities	₱289,377,071	₱–	₱–	₱289,377,071
Quoted equity securities	250,000	250,000	–	–
Land at revalued amount (see Note 11)	412,663,500	–	–	412,663,500

There were no transfers between the different hierarchy levels in 2022 and 2021.

[redacted]

29. Earnings per Share (EPS) on Net Income Attributable to Equity Holders of the Company

Basic EPS is computed based on the weighted average number of issued and outstanding common shares during each year. Diluted EPS is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as at the beginning of the year. When there are no potential common shares or other instruments that may entitle the holder to common shares, diluted EPS, is the same as the basic EPS.

There are no dilutive financial instruments in 2022, 2021 and 2020, hence, diluted EPS is the same as the basic EPS.

The Company's EPS were computed as follows:

	2022	2021	2020
(a) Net income attributable to equity holders of the Parent Company	**₱113,301,958**	₱95,789,549	₱104,831,756
(b) Weighted average number of shares outstanding	**402,682,990**	402,682,990	402,682,990
Basic/diluted EPS (a/b)	**₱0.28**	₱0.24	₱0.26

30. Contingencies

<u>Contingent liabilities</u>
The Company is and may become a defendant/respondent in various cases and assessments which are pending in the courts or under protest. Management and its legal counsels believe that the liability, if any, that may result from the outcome of these cases and investigation will not materially affect its financial position and results of operations.

[redacted]

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
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Manila Broadcasting Company and Subsidiaries
MBC Building, V. Sotto Street
CCP Complex, Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manila Broadcasting Company and Subsidiaries (the Company) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated May 2, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

[redacted]
Partner
CPA Certificate No. [redacted]
Tax Identification No. [redacted]
BOA/PRC Reg. No. [redacted] August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. [redacted]EC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. [redacted]-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. [redacted] January 20, 2022, valid until January 19, 2025
PTR No. [redacted], January 3, 2023, Makati City

May 2, 2023

[redacted]

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
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND SCHEDULE

The Stockholders and the Board of Directors
Manila Broadcasting Company and Subsidiaries
MBC Building, V. Sotto Street
CCP Complex, Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manila Broadcasting Company and Subsidiaries (the Company) as at December 31, 2022, 2021 and 2020, and have issued our report thereon dated May 2, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated 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 consolidated financial statements. This has been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

[redacted]

Maria Pilar B. Hernandez
Partner
CPA Certificate No. [redacted]
Tax Identification No. [redacted]
BOA/PRC Reg. No. [redacted] August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. [redacted]-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. [redacted]EC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. [redacted] January 20, 2022, valid until January 19, 2025
PTR No. [redacted] January 3, 2023, Makati City

May 2, 2023

[redacted]

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 ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Manila Broadcasting Company and Subsidiaries
MBC Building, V. Sotto Street
CCP Complex, Pasay City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Manila Broadcasting Company and Subsidiaries (the Company) as at and for the year ended December 31, 2022 and have issued our report thereon dated May 2, 2023. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at and for the December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

[redacted]

Partner
CPA Certificate No. [redacted]
Tax Identification No. [redacted]
BOA/PRC Reg. No. [redacted], August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. [redacted] SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. [redacted] SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. [redacted] January 20, 2022, valid until January 19, 2025
PTR No. [redacted], January 3, 2023, Makati City

May 2, 2023

[redacted]

MANILA BROADCASTING COMPANY AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

December 31, 2022

I. Schedule of retained earnings available for dividend declaration

II. Map showing the relationship among the Company and its ultimate parent company, subsidiaries, co-subsidiaries and associates

III. Supplementary schedules required by Annex 68-E

MANILA BROADCASTING COMPANY AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2022

Unappropriated retained earnings, beginning	₱481,020,679
Adjustment:	
Deferred tax assets closed to retained earnings, beginning	(12,563,173)
Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning	468,457,506
Add: Net income actually earned/realized during the year	
Net income during the year closed to retained earnings	161,727,483
Movement in deferred tax assets in profit or loss	(7,920,346)
	153,807,137
Cash dividends during the year	(120,804,897)
Total retained earnings available for dividend declaration, end	₱501,459,746