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Company Name: NINE MEDIA CORPORATION
Industry Classification: K74000
Company Type: Stock Corporation

Document Information

Document ID: OST10626202381380646
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Period Covered: December 31, 2022
Submission Type: Annual
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REPORT OF INDEPENDENT AUDITORS

The Stockholders and the Board of Directors
NINE MEDIA CORPORATION
Upper Ground Floor, Worldwide Corporate Center
Shaw Boulevard, Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NINE MEDIA CORPORATION (a wholly-owned subsidiary of JRLT-JHI CORP.) (the "Company"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in capital deficiency and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred net loss amounting to ₱239.7 million and ₱231.4 million in 2022 and 2021, respectively, and its capital deficiency amounted to ₱465.2 million and ₱226.2 million as at those dates. These conditions indicate a material uncertainty which may cast a significant doubt about the Company's ability to continue as a going concern. Management plans are discussed in Note 1 to the Financial Statements. Also, the management believes that the Company can continue as a going concern given its ability to obtain funding from the Parent Company. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on the Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 23 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of NINE MEDIA CORPORATION. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

[redacted]

CEDRIC M. CATERIO
Partner
CPA Certificate No. [redacted]
Tax Identification No. [redacted]
BOA Accreditation No. [redacted] Valid until April 13, 2024
SEC Accreditation No. [redacted] SEC Group A
Issued April 20, 2022
Valid for Financial Periods 2021 to 2025
BIR Accreditation No. [redacted]
Valid until December 13, 2025
PTR No. [redacted]
Issued January 3, 2023, Makati City

April 14, 2023
Makati City, Metro Manila

nine
MEDIA CORPORATION

CNN Philippines

Upper Ground Floor, Worldwide Corporate Center
Shaw Boulevard, Mandaluyong City 1552 Philippines
Trunkline: +632.548.4688 | www.cnnphilippines.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **NINE MEDIA CORPORATION** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2022. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2022 and the accompanying Annual Income Tax Return are in accordance with the books and records of **NINE MEDIA CORPORATION**, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

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

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

Signature: [redacted]
D. Edgard A. Cabangon
Chairman

Signature: [redacted]
Benjamin V. Ramos
President

Signature: [redacted]
Leon H. Dy
Chief Financial Officer / Treasurer

NINE MEDIA CORPORATION

(A Wholly-owned Subsidiary of JRLT-JHI CORP.)

STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2022	2021
ASSETS			
Current Assets			
Cash		**₱29,168,192**	₱31,297,359
Accounts and other receivables	4	**198,357,823**	206,784,925
Other current assets	5	**146,634,103**	117,551,623
Total Current Assets		**374,160,118**	355,633,907
Noncurrent Assets			
Due from an associate	18	**972,666,306**	948,615,019
Property and equipment	6	**13,898,274**	57,492,683
Intangible assets	7	**13,010,943**	13,433,315
Other noncurrent assets	9	**5,342,198**	5,006,023
Total Noncurrent Assets		**1,004,917,721**	1,024,547,040
		₱1,379,077,839	₱1,380,180,947
LIABILITIES AND CAPITAL DEFICIENCY			
Current Liabilities			
Accounts and other payables	10	**₱408,213,746**	₱355,811,965
Due to Parent Company	18	**1,406,158,530**	1,224,688,530
Current portion of mortgage payable	11	**251,695**	209,555
Total Current Liabilities		**1,814,623,971**	1,580,710,050
Noncurrent Liabilities			
Mortgage payable - net of current portion	11	**44,459**	277,889
Retirement benefits liability	12	**29,621,394**	25,413,022
Total Noncurrent Liabilities		**29,665,853**	25,690,911
Total Liabilities		**1,844,289,824**	1,606,400,961
Capital Deficiency			
Capital stock		**1,784,792,420**	1,784,792,420
Additional paid-in capital		**2,655,526,301**	2,655,526,301
Deficit		**(4,919,336,520)**	(4,679,616,115)
Other comprehensive income (OCI)	12	**13,805,814**	13,077,380
Total Capital Deficiency		**(465,211,985)**	(226,220,014)
		₱1,379,077,839	₱1,380,180,947

See accompanying Notes to Financial Statements.

NINE MEDIA CORPORATION
(A Wholly-owned Subsidiary of JRLT-JHI CORP.)

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2022**	2021
REVENUE	13	**₱407,294,916**	₱389,257,431
COST OF SERVICES	14	**514,884,906**	482,675,058
GROSS LOSS		**(107,589,990)**	(93,417,627)
GENERAL AND ADMINISTRATIVE EXPENSES	15	**(131,438,115)**	(147,592,410)
OTHER INCOME (CHARGES) - Net	16	**(935,111)**	9,615,951
LOSS BEFORE INCOME TAX		**(239,963,216)**	(231,394,086)
BENEFIT FROM DEFERRED INCOME TAX	19	**(242,811)**	(1,308)
NET LOSS		**(239,720,405)**	(231,392,778)
OTHER COMPREHENSIVE INCOME			
Not to be reclassified to profit or loss in subsequent periods -			
Remeasurement gain on retirement benefits liability - net of deferred tax	12	**728,434**	2,909,138
TOTAL COMPREHENSIVE LOSS		**(₱238,991,971)**	(₱228,483,640)

See accompanying Notes to Financial Statements.

NINE MEDIA CORPORATION
(A Wholly-owned Subsidiary of JRLT-JHI CORP.)

STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

	Note	Years Ended December 31 2022	2021
CAPITAL STOCK - ₱10.00 par value			
Authorized - 185,000,000 shares			
Balance at beginning and end of year		**₱1,850,000,000**	₱1,850,000,000
Issued and outstanding - 178,479,242 shares			
Balance at beginning and end of year		**₱1,784,792,420**	₱1,784,792,420
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning and end of year		**2,655,526,301**	2,655,526,301
DEFICIT			
Balance at beginning of year		**(4,679,616,115)**	(4,448,223,337)
Net loss		**(239,720,405)**	(231,392,778)
Balance at end of year		**(4,919,336,520)**	(4,679,616,115)
OTHER COMPREHENSIVE INCOME			
Not to be reclassified to profit or loss in subsequent periods -			
Balance at beginning of year		**13,077,380**	10,168,242
Remeasurement gain on retirement benefits liability - net of deferred tax	12	**728,434**	2,909,138
Balance at end of year		**13,805,814**	13,077,380
		(₱465,211,985)	(₱226,220,014)

See accompanying Notes to Financial Statements.

NINE MEDIA CORPORATION
(A Wholly-owned Subsidiary of JRLT-JHI CORP.)

STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(₱239,963,216)**	(₱231,394,086)
Adjustments for:			
Depreciation and amortization	6	**47,754,150**	73,485,326
Retirement benefits cost	12	**5,713,617**	6,144,116
Provision for ECL on accounts and other receivables	4	**2,137,669**	1,993,252
Interest income	16	**(141,696)**	(230,355)
Interest expense	11	**33,809**	72,830
Operating loss before working capital changes		**(184,465,667)**	(149,928,917)
Decrease (increase) in:			
Accounts and other receivables		**6,289,433**	101,007,112
Other current and noncurrent assets		**(23,113,749)**	2,822,049
Increase (decrease) in accounts and other payables		**52,401,781**	(104,591,763)
Net cash used for operations		**(148,888,202)**	(150,691,519)
Income taxes paid		**(6,304,906)**	(4,783,445)
Retirement benefits paid	12	**(534,000)**	(7,110,713)
Interest received		**141,696**	230,355
Interest paid		**(33,809)**	(72,830)
Net cash flows used in operating activities		**(155,619,221)**	(162,428,152)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to an associate	18	**(24,051,287)**	(70,110)
Additions to:			
Property and equipment	6	**(3,737,369)**	(14,132,798)
Intangible assets	7	**–**	(1,153,030)
Cash flows used in investing activities		**(27,788,656)**	(15,355,938)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from Parent Company	18	**181,470,000**	118,623,500
Payments of mortgage payable	11	**(191,290)**	(175,948)
Net cash flows from financing activities		**181,278,710**	118,447,552
NET DECREASE IN CASH		**(2,129,167)**	(59,336,538)
CASH AT BEGINNING OF YEAR		**31,297,359**	90,633,897
CASH AT END OF YEAR		**₱29,168,192**	₱31,297,359
COMPONENTS OF CASH			
Cash on hand		**₱2,187,660**	₱110,450
Cash in banks		**26,980,532**	31,186,909
		₱29,168,192	₱31,297,359

See accompanying Notes to Financial Statements.

NINE MEDIA CORPORATION

(A Wholly-owned Subsidiary of JRLT-JHI CORP.)

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Corporate Information

General Information

NINE MEDIA CORPORATION (the "Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 5, 2010. The Company is engaged in the acquisition, aggregation, management, development, production, distribution, advertising, leasing, renting and/or marketing of original program content and/or program content acquired by way of license for commercial exhibition on television and other media. The Company is also engaged in any and all activities for revenue generation related to the abovementioned activities, including, but not limited to, the sale of advertisements and to receive and collect income arising from such activities.

The Company's registered office address is located at Upper Ground Floor, Worldwide Corporate Center, Shaw Boulevard, Mandaluyong City.

The Company is a wholly-owned subsidiary of JRLT-JHI CORP. (the "Parent Company"), a domestic holding company incorporated in the Philippines.

Status of Operations

The Company incurred net loss amounting to P239.7 million and P231.4 million for the years ended December 31, 2022 and 2021, respectively, and it's a capital deficiency amounted to P465.2 million and P226.2 million as at those dates. Management is aware of these conditions and has accordingly instituted its plan and actions concerning these matters. Further, the management believes that the Company can continue as a going concern given its ability to obtain funding and commitment of support from its major stockholder.

The COVID-19 pandemic which started in March 2020 has continued to afflict the country through 2021 and 2022, with the unprecedented spike in cases in January 2022 caused by the very transmissible Omicron variant.

In 2022, the anticipated business and economic recovery back to pre-COVID levels did not materialize. The national elections held in May 2022 and the campaign period leading to it, while contributing to some increase in the spending behavior of people, did not significantly impact on the traditional advertising revenues, with the campaign efforts focused on social media platforms with funds channeled to social media influencers, vloggers and content producers. Post-election, ads sales also failed to materially pick up due to spending holdback from clients and agencies with the ensuing high inflationary regime pushing up consumer prices, curtailing purchasing power and consumption, hiking companies' production and operating costs.

Against this backdrop, the Company continued to sustain its cost reduction measures such as retaining the discounted airtime rate, migrating to less costly satellite service provider, stopping certain service level agreements (SLAs) and system maintenance costs and suspending several marketing, human resources and administrative activities. Towards the latter part of the year 2022, the Company aggressively worked on other revenue sources such as selling blocktimes, co-production contracts with revenue sharing terms and content sales, notably of a primetime news program to another network.

For 2023, the forecasts from the government and private economic managers and institutions indicated an improved economic climate with the projected taming of inflation rate, dropping prices of fuel and commodities and increasing consumption and business investments. Thus, advertising budgets are expected to also rise and the Company is poised to benefit from this development, particularly with the absence of the erstwhile biggest TV network in the country. In the coming years, the Company will further strengthen its branded content sales, blocktime revenues, co-production deals, digital content sales and program distribution efforts.

The financial statements have been prepared on the assumption that the Company will continue as a going concern and do not include adjustments that may result from the outcome of the uncertainty.

Approval of Financial Statements
The financial statements as at and for the years ended December 31, 2022 and 2021 were approved and authorized for issuance by the Board of Directors (BOD) on April 14, 2023.

2. Summary of Significant Accounting and Reporting Policies

The significant accounting policies used in the presentation of the financial statements are consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation and Statement of Compliance
The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial and Sustainability Reporting Standards Council (formerly Philippine Financial Reporting Standards Council) and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, Philippine Accounting Standards (PASs) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Bases of Measurements
The financial statements are presented in Philippine Peso (Peso), the Company's functional currency. All amounts are rounded to the nearest Peso, unless otherwise indicated.

The financial statements of the Company have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability.

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 Company uses observable market data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 21, Fair Value of Financial Assets and Liabilities, to the financial statements.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS:

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions resulting from COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021.

  Due to the continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allowed lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The 'costs of fulfilling' a contract comprise the 'costs that relate directly to the contract'. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is 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 the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

  - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removed from Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

The adoption of the amended PFRS did not materially affect the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

<u>Amended PFRS in Issue But Not Yet Effective</u>
Relevant amended PFRS, which are not yet effective as at December 31, 2022 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16, *Leases - Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, *Revenue from Contracts with Customers,* to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

<u>Financial Assets and Liabilities</u>

Recognition and Measurement

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Classification

Classification of Financial Instruments. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

The Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectibility is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

This category includes the Company's cash, accounts and other receivables, rental deposits (presented under "Other current assets"), due from an associate and deposits (presented under "Other noncurrent assets").

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

This category includes accounts and other payables [excluding deferred output value-added tax (VAT), contract liabilities and statutory payable], due to Parent Company and mortgage payable.

Reclassification

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

Impairment of Financial Assets at Amortized Cost
The Company records an allowance for expected credit loss (ECL) which is 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. The difference is then discounted at an approximation to the asset's original effective interest rate.

For accounts receivable and contract assets, the Company has applied the simplified approach and has calculated ECL based on the lifetime ECL. 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.

For other financial assets at amortized cost (excluding cash on hand), the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition

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

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

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership 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, 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 liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Other Assets
Other assets that are expected to be realized over no more than 12 months after the reporting period date are classified as current assets. Otherwise, these are classified as noncurrent assets.

Creditable Withholding Taxes (CWTs). CWTs represent amounts withheld by the Company's customers in relation to its income. CWTs can be utilized as payment for income taxes provided that these are properly supported with certificates of creditable taxes withheld at source. CWTs are stated at face amount less impairment in value, if any.

Advances to Suppliers. Advances to suppliers are recognized whenever the Company pays in advance for its purchase of goods and services. These advances are measured at transaction price less impairment in value, if any, and recognized to corresponding asset or expense account when the goods for which the advances were made are received.

Prepayments. Prepayments are expenses paid in advance and recorded as asset before these are utilized. These advances are measured at face amount less impairment in value, if any. Prepayments are apportioned over the period covered by the payment and charged to appropriate accounts in profit or loss when incurred.

Supplies. Supplies are initially recorded as assets and measured at transaction amounts. Subsequently, these are recognized in profit or loss as these are consumed in operations or expired.

VAT. Revenue, expenses and assets are recognized net of the amount of VAT, except for receivables and payables that are stated with the amount of VAT included. This is measured at face amount less impairment in value, if any.

The net amount of VAT recoverable from the taxation authority is presented as "Input VAT."

In accordance with the Revenue Regulations (RR) No. 16-2005, as amended by RR. No. 13-2018, input VAT on purchases or imports of the Company of capital goods (depreciable assets for income tax purposes) made prior to January 1, 2022, with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT that is expected to be realized within 12 months after the financial reporting period is classified as current asset. Otherwise, it is classified as noncurrent asset.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million or if the purchase was made on or after January 1, 2022, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

The unamortized amount of input VAT on capital goods is presented as "Deferred input VAT" while the amount of VAT for revenue not yet collected is presented as "Deferred output VAT" under "Accounts and other payables" account in the statements of financial position.

Due from an Associate

Due from an associate pertains to cash advances intended for future investments and is carried at cost less any impairment in value.

Investment in an Associate

An associate is an entity in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Company's investment in an associate is carried at cost, less any impairment in value.

The investment is derecognized when it is sold or disposed. Gains or losses arising from derecognition of an investment in an associate is measured as the difference between the net proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any accumulated impairment losses.

The initial cost of property and equipment comprises its purchase price, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year 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 costs of property and equipment. The cost of replacing a component of an item of property and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When significant parts of an item of property and equipment have different useful lives, these are accounted for as separate items (major components) of property and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the property and equipment:

Asset Type	Number of Years
Broadcasting, studio and audio visual equipment	2 to 5
Office furniture, fixtures and equipment	2 to 5
Transportation equipment	3 to 5
Leasehold improvements	2 to 3 or lease term, whichever is shorter

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 items of property and equipment.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Intangible Assets
Intangible assets, which pertain to broadcasting licenses and foreign film rights and computer software, are stated at cost less accumulated amortization and any impairment in value. Cost comprises the purchase price and other directly attributable costs. Amortization of broadcasting licenses and foreign film rights is computed on a straight-line basis over the number of aired episodes while the amortization for computer software is computed on a straight-line basis over the useful life of three years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset are recognized in profit or loss.

Fully amortized intangible assets are retained in the accounts until they are no longer in use and no further charge for amortization is made in respect of those assets.

Gains or losses arising from disposition of an intangible asset measured as the difference between the disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Nonfinancial Assets
The carrying amounts of the Company's nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the cost of disposal. In assessing value in use, 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 cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

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

Capital Deficiency

Capital Stock. Capital stock is measured at par value for all shares issued and outstanding.

Additional Paid-in Capital. Additional paid-in capital represents the excess of proceeds or fair value of consideration received over par value.

Deficit. Deficit represents the cumulative balance of the Company's results of operations.

Other Comprehensive Income. Other comprehensive income pertains to the accumulated remeasurement gain or loss on the Company's retirement benefits liability arising from experience adjustments and changes in financial assumptions. Remeasurements of retirement benefits liability, and the corresponding deferred tax component, are recognized immediately in OCI and are included in equity. These are not reclassified to profit or loss in subsequent periods.

Income Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

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

Advertising. Revenue from advertising includes revenue from advertising and marketing of original program content or program content acquired by way of license for commercial exhibition on television and other media. Revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Company's performance as the services are rendered at an amount that reflects the consideration to which the Company expects to be entitled in exchange for these services.

Digital Platform. Revenue from digital platform includes revenue from advertising and marketing of program content through digital and online platforms. Revenue is recognized in the period when the advertisements are posted on the digital and/or online platform.

Production. Revenue from production includes revenue from creating original program content based on the specifications of the client. These materials are usually bundled with advertisement and digital platform. Revenue is recognized at a point in time when the material is completed and ready for advertisement. These are usually bundled with advertisements and digital platform but accounted for under separate revenue recognition criteria.

The Company also receives goods, such as program materials, merchandises or services, from certain customers in exchange for the Company's services. The fair value of the noncash consideration 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 noncash considerations. If the fair value cannot be reasonably estimated, the noncash consideration is measured indirectly by reference to the stand-alone selling price of the advertisements when aired.

Income from Other Sources

Income from other sources is recognized as follows:

Interest Income. Interest income is recognized as it accrues, net of final tax, using the effective interest method.

Other Income. Income from other sources is recognized when earned during the period.

Contract Balances

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 a consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract assets as at December 31, 2022 is disclosed in Note 4.

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 a consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made by the customer or when the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. Contract liabilities also include payments received by the Company from the customers for which revenue recognition has not yet commenced and payments in excess of revenue recognized based on certificate of performance.

Contract liabilities as at December 31, 2022 and 2021 is disclosed in Note 10.

Cost to Obtain a Contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. Otherwise, these are treated as expense.

Contract Fulfillment Asset. Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company first considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment costs, the Company applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of these criteria requires the application of judgment, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

As at December 31, 2022 and 2021, the Company does not have outstanding contract fulfillment assets.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. These are charged to profit or loss in the period when these are incurred.

Cost of Services. Cost of services include expenses incurred by the Company for the services rendered.

General and Administrative Expenses. General and administrative expenses represent cost of administering the business.

Interest Expense. Interest expense consists of interest incurred in connection with the borrowing of funds. Interest expense is recognized as it accrues on a time proportion basis using the effective interest rate method.

Retirement Benefits

The Company has an unfunded, noncontributory defined benefit plan covering all qualified employees. The retirement benefits cost is determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes current service cost and interest expense on the retirement benefits liability in profit or loss.

The Company determines the interest expense on retirement benefits liability by applying the discount rate to the retirement benefits liability at the beginning of the year, taking into account any changes in the liability during the period as a result of benefit payments.

Remeasurements comprising actuarial gains and losses are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement benefits liability recognized by the Company is the present value of the defined benefits obligation. This is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement benefits liability.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Leases

The Company assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

i. the right to obtain substantially all of the economic benefits from the use of the identified asset; and,

ii. the right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential separate lease component.

Leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low-value are recognized as an expense on a straight-line basis.

For income tax reporting purposes, payments under operating lease agreements are treated as deductible expense in accordance with the terms of the lease agreements.

Foreign Currency Transactions and Translations

Transactions in currencies other than Peso are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of NOLCO can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates and tax laws 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 by the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to items directly recognized in OCI.

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Company plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Related Party Relationships and Transactions

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

Related party transactions consist of transfers of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

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

Events after the Reporting Date
Events after the reporting date that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments and Estimates

The judgments, estimates and assumptions used in the financial statements are based on management's evaluation of relevant facts and circumstances as at the reporting date. 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 estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period when 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.

The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Assessing Going Concern. The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has resources to continue in business in the foreseeable future. The management believes that the losses sustained can be recovered in the coming years and that this condition does not constitute a material uncertainty. Furthermore, management is not aware of any events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Management's plans in regard to this matter are disclosed in Note 1. Accordingly, the financial statements continue to be prepared on a going concern basis.

Classifying Lease Commitments - Company as a Lessee. The Company has entered into commercial property leases for its office space and has availed of the exemption for short-term leases with term of 12 months or less. Accordingly, the lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Information on the Company's rental expense is disclosed in Note 17.

Assessing Extension Options of Lease Commitments. The Company's lease commitments contain extension options that are exercisable by the Company prior the end of the contract period. Where practicable, the Company seeks to include the extension options to provide operational flexibility. The Company assessed at lease commencement that it is not reasonably certain that the Company will exercise the extension options on its lease contracts. A reassessment is made whether it is reasonably certain to exercise the extension options if there is a significant event or significant change in circumstances within its control.

Assessing ECL on Accounts Receivable and Contract Assets. The Company, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for accounts receivable. The provision matrix specifies provision rates depending on the number of days that an accounts receivable is past due. The Company also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments.

The Company then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions. The information about the ECL on the Company's receivables is disclosed in Note 20.

Allowance for ECL on accounts receivable and their carrying amount as at December 31, 2022 and 2021 are disclosed in Note 4.

Assessing ECL on Other Financial Assets at Amortized Cost (excluding Cash on Hand). The Company determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL. The information about the ECL on the Company's other financial assets at amortized cost is disclosed in Note 20.

No provision for ECL on other financial assets at amortized cost was recognized in 2022 and 2021. The transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults.

The carrying amounts of cash in banks, contract assets, advances to officers and employees, deposits and other current assets aggregated ₱55.3 million and ₱58.6 million as at December 31, 2022 and 2021, respectively.

Estimating Useful Lives of Property and Equipment and Intangible Assets. The useful lives of property and equipment and intangible assets are estimated based on the period over which the assets are expected to be available for use. The estimation of the useful lives of the assets is also based on a collective assessment of industry practices, internal technical valuation and experience with similar assets.

The estimated useful lives are reviewed and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, or legal or other limitations on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in these factors and circumstances.

There were no changes in the estimated useful lives of property and equipment and intangible assets in 2022 and 2021. The carrying amounts of property and equipment and intangible assets as at December 31, 2022 and 2021 are disclosed in Notes 6 and 7, respectively.

Assessing Impairment of Nonfinancial Assets. The Company assesses impairment on investment in an associate, due from an associate, property and equipment, intangible assets and other assets (except deposits) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The relevant factors that the Company considers in deciding whether to perform an asset impairment review include the following:

- significant underperformance of a business in relation to expectations;
- significant negative industry or economic trends; and
- significant changes or planned changes in the use of the assets.

The Company applied significant judgment in selecting the assumptions used in the future cash flow estimates, such as the use of income approach, the amount of terminal value, growth rate and discount rate estimates. While the Company believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amount and may lead to future impairment charges. Any resulting impairment loss could have a material adverse impact on the Company's financial position and performance.

Investment in an associate has been fully provided with allowance for impairment losses as at December 31, 2022 and 2021 (see Note 8). No impairment loss was recognized on other nonfinancial assets in 2022 and 2021. The carrying amounts of other current assets, property and equipment, intangible assets, other noncurrent assets (except deposits) and due from an associate, are disclosed in Notes 5, 6, 7, 9 and 18, respectively.

Evaluating Provisions and 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 reporting period, 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 current pre-tax rate that reflects the risks specific to the liability. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information.

No provisions or contingencies were recognized in 2022 and 2021. Pursuant to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, information expected to seriously prejudice the position of an entity, subject of the provision need not be disclosed.

Assessing of Recognition of Deferred Tax Assets. The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Recognition of deferred tax assets is determined based on forecasted taxable income of the Company. This forecast is based on the Company's past results and future expectations on revenue and expenses.

The Company did not recognize deferred tax assets amounting to ₱194.0 million and ₱183.2 million as at December 31, 2022 and 2021, respectively, since the Company believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized within the period allowed by the tax regulations (see Note 19).

4. Accounts and Other Receivables

This account consists of:

	2022	2021
Accounts receivable	**₱211,876,840**	₱219,206,126
Advances to officers and employees	**1,923,731**	2,275,245
Contract assets	**1,449,764**	–
Others	**881,673**	940,070
	216,132,008	222,421,441
Less allowance for ECL	**17,774,185**	15,636,516
	₱198,357,823	₱206,784,925

Accounts receivable are generated from the sale of services and are noninterest-bearing and are generally collectible on 30 to 90 days credit term.

Advances to officers and employees are subject either to liquidation or salary deduction within 30 days.

Contract assets pertain to unbilled services which are unsecured, noninterest-bearing and are generally collectible within 30 to 90 days upon billing.

Movements in the allowance for ECL are as follows:

	Note	2022	2021
Balance at beginning of year		**₱15,636,516**	₱13,643,264
Provision for ECL	15	**2,137,669**	1,993,252
Balance at end of year		**₱17,774,185**	₱15,636,516

5. Other Current Assets

This account consists of:

	2022	2021
CWTs	**₱71,620,094**	₱65,315,188
Advances to suppliers	**25,734,622**	15,374,929
Rental deposits	**24,054,891**	24,211,349
Prepayments:		
Software license	**18,709,022**	4,237,186
Insurance	**–**	73,500
Others	**332,389**	168,758
Supplies	**4,650,506**	3,588,241
Deferred input VAT	**1,532,579**	4,582,472
	₱146,634,103	₱117,551,623

Advances to suppliers pertain to advances payments made for purchases of goods and services not yet received as at year-end.

6. Property and Equipment

The composition of and movements in this account are as follows:

	2022				
	Broadcasting, Studio and Audio Visual Equipment	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Leasehold Improvements**	**Total**
Cost					
Balances at beginning of year	**₱565,036,542**	**₱94,232,877**	**₱45,932,688**	**₱107,668,090**	**₱812,870,197**
Additions	**1,510,183**	**2,227,186**	**–**	**–**	**3,737,369**
Balances at end of year	**566,546,725**	**96,460,063**	**45,932,688**	**107,668,090**	**816,607,566**
Accumulated Depreciation and Amortization					
Balances at beginning of year	**513,204,853**	**89,097,721**	**45,672,304**	**107,402,636**	**755,377,514**
Depreciation and amortization	**44,477,497**	**2,594,145**	**260,136**	**–**	**47,331,778**
Balances at end of year	**557,682,350**	**91,691,866**	**45,932,440**	**107,402,636**	**802,709,292**
Carrying Amount	**₱8,864,375**	**₱4,768,197**	**₱248**	**₱265,454**	**₱13,898,274**

	2021				
	Broadcasting, Studio and Audio Visual Equipment	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost					
Balances at beginning of year	₱554,089,022	₱91,047,599	₱45,932,688	₱107,668,090	₱798,737,399
Additions	10,947,520	3,185,278	–	–	14,132,798
Balances at end of year	565,036,542	94,232,877	45,932,688	107,668,090	812,870,197
Accumulated Depreciation and Amortization					
Balances at beginning of year	442,510,900	87,465,863	45,372,121	107,402,636	682,751,520
Depreciation and amortization	70,693,953	1,631,858	300,183	–	72,625,994
Balances at end of year	513,204,853	89,097,721	45,672,304	107,402,636	755,377,514
Carrying Amount	₱51,831,689	₱5,135,156	₱260,384	₱265,454	₱57,492,683

Depreciation and amortization are summarized as follows:

	Note	**2022**	2021
Property and equipment		**₱47,331,778**	₱72,625,994
Intangible assets	7	**422,372**	859,332
		₱47,754,150	₱73,485,326

Depreciation and amortization are charged as follows:

	Note	**2022**	2021
Cost of services	14	**₱45,800,214**	₱72,056,320
General and administrative expenses	15	**1,953,936**	1,429,006
		₱47,754,150	₱73,485,326

The carrying amount of transportation equipment under a mortgage agreement amounted to ₱300,183 and ₱600,365 as at December 31, 2022 and 2021, respectively (see Note 11).

Cost of fully depreciated property and equipment still in use amounted to ₱596.2 million and ₱584.3 million as at December 31, 2022 and 2021, respectively.

7. Intangible Assets

The composition of and movements in this account are as follows:

		2022		
	Note	Broadcasting Licenses and Foreign Film Rights	Computer Software	Total
Cost				
Balance at beginning and end of year		**₱133,600,431**	**₱45,795,782**	**₱179,396,213**
Amortization				
Balance at beginning of year		**120,239,201**	**45,723,697**	**165,962,898**
Amortization	6	**350,287**	**72,085**	**422,372**
Balance at end of year		**120,589,488**	**45,795,782**	**166,385,270**
Carrying Amount		**₱13,010,943**	**₱–**	**₱13,010,943**

		2021		
	Note	Broadcasting Licenses and Foreign Film Rights	Computer Software	Total
Cost				
Balance at beginning of year		₱132,447,401	₱45,795,782	₱178,243,183
Additions		1,153,030	–	1,153,030
Balance at end of year		133,600,431	45,795,782	179,396,213
Amortization				
Balance at beginning of year		119,494,840	45,608,726	165,103,566
Amortization	6	744,361	114,971	859,332
Balance at end of year		120,239,201	45,723,697	165,962,898
Carrying Amount		₱13,361,230	₱72,085	₱13,433,315

Cost of fully amortized intangible assets still in use amounted to ₱52.8 million as at December 31, 2022 and 2021.

8. Investment in an Associate

The Company has 34.2% ownership interest in Radio Philippine Network, Inc. ("RPN") as at December 31, 2022 and 2021. The cost of investment in an associate amounting to ₱104.6 million as at December 31, 2022 and 2021 has been fully provided with allowance for impairment loss due to accumulated operating losses and capital deficiency being sustained by RPN in the previous years.

The summarized financial information of the Company's associate is as follows:

	2022	2021
Current assets	**₱246,375,545**	₱223,907,665
Noncurrent assets	**134,199,881**	159,370,710
Current liabilities	**1,339,589,002**	1,319,097,985
Noncurrent liabilities	**1,493,364,210**	1,504,989,463
Capital deficiency	**(2,452,377,786)**	(2,440,809,073)
Revenue	**118,549,329**	108,701,747
Net loss	**(11,568,713)**	(15,471,345)

9. Other Noncurrent Assets

This account consists of:

	2022	2021
Deferred input VAT - net of current portion	**₱2,028,413**	₱1,692,237
Deposits	**1,736,797**	1,736,797
Others	**1,576,988**	1,576,989
	₱5,342,198	₱5,006,023

Deposits are refundable upon termination of the agreement.

10. Accounts and Other Payables

This account consists of:

	Note	2022	2021
Accounts payable:			
Third parties		**₱149,297,651**	₱67,639,250
Related party	18	**189,873,208**	175,622,405
Deferred output VAT		**26,685,891**	27,137,348
Contract liabilities		**25,128,216**	23,832,614
Statutory payable		**9,486,308**	7,217,829
Accrued expenses		**7,654,042**	54,274,089
Others		**88,430**	88,430
		₱408,213,746	₱355,811,965

Accounts payable are noninterest-bearing and are normally settled on a 30 to 60-day term.

Contract liabilities pertain to deposits received from customers. The amount of revenue recognized from contract liabilities amounted to ₱1.4 million and ₱2.1 million as at December 31, 2022 and 2021, respectively.

Statutory payable pertains to obligations to various government agencies that are normally settled in the following month.

Accrued expenses consist of accrual for production costs, professional fees, licenses, salaries and wages and contracted services which are normally settled on the next financial year.

11. Mortgage Payable

The Company obtained loans from local commercial banks to finance its acquisition of transportation equipment. Movements in this account are as follows:

	2022	2021
Balance at beginning of year	**₱487,444**	₱663,392
Payments	**(191,290)**	(175,948)
	296,154	487,444
Less current portion	**251,695**	209,555
Noncurrent portion	**₱44,459**	₱277,889

The loan is payable in monthly installments up to 2024 and bears effective interest of 10.08% per annum. This loan is secured by a chattel mortgage on the transportation equipment with total carrying amount of ₱300,183 and ₱600,365 as at December 31, 2022 and 2021, respectively (see Note 6). Interest expense amounted to ₱33,809 and ₱72,830 in 2022 and 2021, respectively (see Note 16).

12. Retirement Benefits Liability

The Company's retirement plan is unfunded, non-contributory defined benefit plan with a single lump-sum payment covering retirement based on Republic Act No. 7641 (Retirement Law). The retirement benefits are based on years of service and compensation on the last year of employment as determined by an external actuary using the projected credit unit method. The latest actuarial was conducted as at February 22, 2023 for the year ended December 31, 2022.

The components of retirement benefits cost are as follows (see Note 15):

	2022	2021
Current service cost	**₱4,536,114**	₱5,245,181
Interest cost	**1,177,503**	898,935
	₱5,713,617	₱6,144,116

Movements in the retirement benefits liability as shown in the statements of financial position are as follows:

	2022	2021
Balance at beginning of year	**₱25,413,022**	₱29,290,065
Current service cost	**4,536,114**	5,245,181
Interest cost	**1,177,503**	898,935
Remeasurement gain (loss) on:		
Change in financial assumptions	**(2,518,982)**	(3,267,707)
Experience adjustments	**1,547,737**	357,261
Benefits paid	**(534,000)**	(7,110,713)
Balance at end of year	**₱29,621,394**	₱25,413,022

The principal assumptions used in determining the retirement benefits liability are as follows:

	2022	2021
Discount rate	**7.1%**	5.0%
Future salary increases	**4.0%**	3.0%
Turnover rate	**31%**	31%

This sensitivity analysis shows the impact of changes in key actuarial assumptions.

	Change in Assumption	Effect on Retirement Benefits Liability
Discount rate	+1%	(₱2,027,238)
	-1%	2,292,053
Salary increase rate	+1%	2,467,305
	-1%	(2,211,665)
Turnover rate	+20%	(1,336,501)
	-20%	1,673,379

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement benefits liability at the reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remain unchanged. The corresponding change in the retirement benefits liability was expressed as a percentage change from the base amount.

The Company does not maintain a fund for its retirement benefits liability. While funding is not a requirement of the law, there is a risk that the Company may not have the cash if several employees retire within the same year.

The average duration of the retirement liability as at December 31, 2022 and 2021 are 9 years and 13 years, respectively.

Details of cumulative remeasurement gain on retirement benefits liability recognized in equity are as follows:

	2022	2021
Balance at beginning of year	**₱17,436,506**	₱14,526,060
Remeasurement gain	**971,245**	2,910,446
Balance at end of year	**18,407,751**	17,436,506
Less deferred tax liability:		
Balance at beginning of year	**4,359,126**	4,357,818
Remeasurement gain	**242,811**	727,611
Change in tax rate	**–**	(726,303)
Balance at end of year	**4,601,937**	4,359,126
	₱13,805,814	₱13,077,380

The table below shows the maturity profile of the undiscounted benefit payments:

	2022	2021
Less than one year	**₱4,341,436**	₱3,346,085
One year to less than five years	**20,616,507**	11,256,692
Five years to less than ten years	**21,342,897**	25,495,591
Ten years to less than fifteen years	**38,539,521**	28,598,677
Fifteen years to less than twenty years	**17,604,613**	17,380,727
Twenty years and above	**29,871,756**	20,859,632

13. Revenue

This account consists of:

	2022	2021
Services recognized over time -		
Advertising	**₱306,712,741**	₱290,319,151
Services recognized at a point in time:		
Digital platform	**73,579,021**	80,337,627
Production	**27,003,154**	18,600,653
	₱407,294,916	₱389,257,431

14. Cost of Services

This account consists of:

	Note	2022	2021
Salaries, wages and benefits		**₱155,390,514**	₱158,569,832
License fees	17	**139,285,901**	108,096,337
Airtime and satellite costs	17	**83,463,367**	82,545,838
Depreciation and amortization	6	**45,800,214**	72,056,320
Production costs		**34,303,912**	17,773,566
Talent fees		**30,717,440**	29,178,682
Outside services		**6,183,748**	4,129,070
Management fees		**5,676,875**	5,144,917
Transportation		**3,546,690**	2,209,164
Communication		**1,337,257**	1,601,309
Others		**9,178,988**	1,370,023
		₱514,884,906	₱482,675,058

15. General and Administrative Expenses

This account consists of:

	Note	2022	2021
Rental	17	**₱40,868,703**	₱38,681,575
Salaries, wages and other benefits		**31,403,661**	30,745,155
Outside services		**11,801,200**	14,278,356
Utilities		**10,693,713**	9,952,089
Repairs and maintenance		**7,192,988**	7,110,033
Retirement benefits cost	12	**5,713,617**	6,144,116
Taxes and licenses		**5,644,469**	5,242,180
Provision for ECL	4	**2,137,669**	1,993,252
Depreciation and amortization	6	**1,953,936**	1,429,006
Management fees		**1,625,925**	4,236,445
Transportation		**1,437,943**	2,546,279
Supplies		**1,071,687**	1,755,938
Dues and subscription		**967,000**	1,046,632
Advertising and promotions		**609,921**	14,664,427
Professional fees		**447,349**	395,000
Representation		**276,468**	604,280
Trainings and seminars		**18,936**	–
Others		**7,572,930**	6,767,647
		₱131,438,115	₱147,592,410

Others mainly pertain to penalties, pandemic-related expenses, bank charges and other miscellaneous expenses.

16. Other Income (Charges) - Net

This account consists of:

	Note	2022	2021
Foreign exchange gain - net		**(₱3,178,553)**	(₱334,409)
Interest income		**141,696**	230,355
Interest expense	11	**(33,809)**	(72,830)
Others		**2,135,555**	9,792,835
		(₱935,111)	₱9,615,951

Others mainly pertain derecognition of long-outstanding liabilities and proceeds from sale of shirts and other promotional items.

17. Significant Agreements

Brand and Content License Agreement (BCLA)

In October 2014, the Company entered into a BCLA with Turner Broadcasting System Asia Pacific, Inc. in relation to the license of CNN branded materials, programming content and its associated website for a term of five years. The BCLA is renewable upon mutual agreement by both parties.

On December 12, 2019, the agreement was renewed for another five years until December 31, 2024.

License fees arising from BCLA, presented as part of "License fees" account under "Cost of Services" in 2022 and 2021, are disclosed in Note 14.

Airtime Agreement
In May 2018, the Company entered into an Amended and Restated Memorandum of Agreement with RPN which guarantees a daily airtime of 18 hours. RPN charges the Company the net amount of ₱8.2 million monthly for airtime fee, after offsetting the cost of money for the outstanding payable to the latter.

In 2021, RPN granted 20% discount for the airtime fees effective January 2021 until December 2022.

Airtime costs arising from MOA with RPN are presented as part of "Airtime and satellite costs" account under "Cost of Services" in 2022 and 2021 is disclosed in Note 14.

Operating Lease Commitments
The Company entered into a lease agreement with a third party covering its office spaces for a term ranging from six months up to one year. The contract is renewable upon mutual agreement of the parties.

Rental deposit amounting to ₱24.1 million and ₱24.2 million as at December 31, 2022 and 2021, respectively, will be refunded upon termination of the contract (see Note 5).

Rental expense charged to general and administrative expenses amounted to ₱40.9 million and ₱38.7 million in 2022 and 2021, respectively (see Note 15).

18. Related Party Transactions

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

		Nature of	Amount of Transaction		Outstanding Balance	
Related Parties	Note	Transaction	**2022**	2021	**2022**	2021
Due from an associate						
		Advances	**₱24,051,287**	₱70,110		
		Reimbursable expenses	**13,566,088**	12,502,128		
		Offset	**(13,566,088)**	(12,502,128)	**₱972,666,306**	₱948,615,019
Accounts and other payables	10					
Associate		Airtime charges	**₱86,191,444**	₱86,191,444		
		Payments	**(58,374,553)**	(69,316,671)		
		Offset	**(13,566,088)**	(12,502,128)	**₱189,873,208**	₱175,622,405
Due to Parent Company						
		Advances	**₱181,470,000**	₱118,623,500	**₱1,406,158,530**	₱1,224,688,530

Cash advances to an associate are intended for future investments. Cash advances from Parent Company are for working capital and capital expenditures and are unsecured, noninterest-bearing and payable in cash upon demand.
No impairment loss was recognized on due from an associate in 2022 and 2021.

Compensation of Key Management Personnel
Compensation of key management personnel, consisting of salaries and government-mandated benefits, are as follows:

	2022	2021
Short-term employee benefits	**₱2,935,190**	₱2,613,500
Post-employment benefits	**2,825,924**	2,924,738
	₱5,761,114	₱5,538,238

19. Income Taxes

The Company has no taxable income in 2022 and 2021 due to Company's tax loss position.

Details of the Company's unrecognized net deferred tax assets are as follows:

	2022	2021
NOLCO	**₱175,886,361**	₱166,976,240
Contract liabilities	**6,282,054**	5,958,154
Retirement benefits liability:		
Profit or loss	**12,007,286**	10,712,382
OCI	**(4,601,939)**	(4,359,127)
Allowance for ECL on accounts and other receivables	**4,443,546**	3,909,129
	₱194,017,308	₱183,196,778

The Company did not recognize deferred tax assets in the statements of financial position, since the Company believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized within the period allowed by the tax regulations.

The details of the Company's NOLCO are as follows:

Year Incurred	Beginning	Incurred	Expired	Ending	Expiry Date
2022	₱–	₱231,458,215	₱–	₱231,458,215	2025
2021	254,985,991	–	–	254,985,991	2026
2020	217,101,238	–	–	217,101,238	2025
2019	195,817,733	–	(195,817,733)	–	2022
	₱667,904,962	₱231,458,215	(195,817,733)	₱703,545,444	

The reconciliation of benefit from income tax computed at the statutory tax rate and the effective tax rate follows:

	2022	2021
Benefit from income tax computed at the statutory tax rate	**(₱59,990,804)**	(₱57,848,522)
Tax effects of:		
Expired NOLCO	**48,954,433**	45,621,458
Income already subjected to a final tax	**(35,424)**	(57,589)
Nondeductible expenses	**8,454**	14,397
Change in unrecognized deferred tax assets	**10,820,530**	11,542,645
Effect of change in tax rate in recognized deferred tax assets	**–**	726,303
Benefit from income tax computed at the effective tax rate	**(242,811)**	(₱1,308)

On March 26, 2021, RA No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Act" (the "Act") was signed into law by the President of the Philippines. Under the Act, domestic corporations will be subject to 25% or 20% regular corporate income tax depending on the amount of total assets or total amount of taxable income. In addition, minimum corporate income tax shall be computed at 1% of gross income for a period of three years. The changes in the income tax rates retrospectively became effective beginning July 1, 2020.

20. Financial Risk Management Objectives and Policies and Capital Management

<u>Financial Instruments Risk Management</u>

The Company's financial assets comprise of cash in banks, accounts and other receivables, rental deposits (presented under "Other current assets"), and deposits (presented under "Other noncurrent assets"). The Company's financial liabilities comprise of accounts and other payables (excluding contract liabilities, deferred output VAT and statutory payable), due to Parent Company and mortgage payable. The main purpose of these financial instruments is to finance the Company's operations.

The main risks arising from the Company's financial instruments are credit risk, interest rate risk and liquidity risk. The Company's BOD and management review and approve the policies for managing each of the risks summarized below.

<u>Credit Risk</u>

Credit risk is the risk that a counterparty will fail to fulfill its obligations to the Company. Counterparty such as banks and customers who pay on or before due date have minimum risk exposure because the default in settling its obligations is remote. The Company deals only with reputable banks and customers to limit this risk.

The table below shows the gross maximum exposure of the Company to credit risk before taking into consideration collateral and other credit enhancements:

	2022	2021
Cash in banks	**₱26,980,532**	₱31,186,909
Accounts and other receivables	**216,132,008**	222,421,441
Deposits	**25,791,688**	25,948,146
	₱268,904,228	₱279,556,496

As at December 31, 2022 and 2021, the amount of cash in banks was classified as *"High Grade"*; accounts and other receivables (excluding impaired accounts) and deposits were classified as *"Standard Grade"*; and impaired accounts and other receivables were classified as *"Substandard Grade"*.

The credit quality of such financial assets at amortized cost is managed by the Company using the internal credit quality ratings as follows:

- *High Grade*. Pertains to counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies. Credit quality was determined based on the credit standing of the counterparty.

- *Standard Grade*. Pertains to counterparty with performance rating ranging from satisfactory to acceptable and repayment capacity has to be monitored.

- *Substandard Grade*. Financial assets not belonging to high grade and standard grade financial assets are included in this category. These include financial assets which are past due and impaired and require persistent effort from the Company to collect.

Impairment of Accounts Receivable. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable are considered impaired if past due for more than 90 days and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Company's accounts receivable as at December 31, 2022 and 2021.

	2022			
	Neither Past due nor Impaired	**Past Due but not Impaired**	**Impaired**	**Total**
Accounts receivable	**₱114,261,751**	**₱79,840,904**	**₱17,774,185**	**₱211,876,840**

	2021			
	Neither Past due nor Impaired	Past Due but not Impaired	Impaired	Total
Accounts receivable	₱130,202,828	₱73,366,782	₱15,636,516	₱219,206,126

A reconciliation of the allowance for ECL on accounts receivable as at December 31, 2022 and 2021 is shown in Note 4.

Impairment of Other Financial Assets at Amortized Cost. The Company's other financial assets at amortized cost are composed of cash in banks, deposits and other receivables. The Company limits its exposure to credit risk by investing its cash only with banks that have good credit standing and reputation in the local banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

For deposits and other receivables, credit risk is low since the Company only transacted with reputable companies with respect to these financial assets.

It is the Company's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Credit Quality Analysis of Other Financial Assets

Other financial assets at amortized cost as at December 31, 2022 and 2021, respectively, were subject to a 12-month ECL allowance (see Notes 4, 9 and 18).

Interest Rate Risk

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The primary source of the Company's interest rate risk relates to mortgage payable as disclosed in Notes 11. These borrowings have fixed interest rates.

As at December 31, 2022 and 2021, the Company's interest-bearing debt obligations to local commercial banks consist of mortgage payable with fixed interest rates. In 2022 and 2021, the Company did not engage in any freestanding derivative transactions nor did the Company have any outstanding derivative contracts.

The Company has no floating interest rate. The Company is not exposed to cash flow interest rate risk.

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. It may result from either the inability to sell assets quickly at fair values or failure to collect from counterparty.

The Company's objective is to maintain a balance between continuity of funding and flexibility through related party advances and aims to manage liquidity as follows:

a. To ensure that adequate funding is available at all times;
b. To meet commitments as they arise without recurring unnecessary costs; and,
c. To be able to assess funding when needed at the least possible cost.

The Company's financial liabilities based on contractual undiscounted payments as at December 31, 2022 and 2021 are as follows:

	2022			
		Contractual Undiscounted Payments		
	Carrying Amount	On Demand	< 1 Year	>1 to 5 Years
Accounts and other payables*	₱346,913,331	₱–	₱346,913,331	₱–
Due to Parent Company	1,406,158,530	1,406,158,530	–	–
Mortgage payable	296,154	–	251,695	44,459
	₱1,753,368,015	₱1,406,158,530	₱347,165,026	₱44,459

**Excluding contract liabilities, deferred output VAT and statutory payable*

	2021			
		Contractual Undiscounted Payments		
	Carrying Amount	On Demand	< 1 Year	>1 to 5 Years
Accounts and other payables*	₱297,624,174	₱–	₱297,624,174	₱–
Due to Parent Company	1,224,688,530	1,224,688,530	–	–
Mortgage payable	487,444	–	209,555	277,889
	₱1,522,800,148	₱1,224,688,530	₱297,833,729	₱277,889

**Excluding contract liabilities, deferred output VAT and statutory payable*

<u>**Capital Management**</u>

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders, and,
- To provide an adequate return to stockholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it whenever there are changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to stockholders, return capital to stockholders, issue new shares, or sell assets to reduce debt.

There were no changes in the objectives, policies or processes from previous year.

The Company considers the equity presented in the statements of financial position as its core capital and it is not subject to any externally-imposed capital requirements.

21. Fair Value of Financial Assets and Liabilities

The table below presents the carrying amounts and fair values of the Company's financial assets and financial liabilities as at December 31, 2022 and 2021.

	2022		2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets at Amortized Cost				
Cash	**₱29,168,192**	**₱29,168,192**	₱31,297,359	₱31,297,359
Accounts and other receivables	**198,357,823**	**198,357,823**	206,784,925	206,784,925
Rental deposits*	**24,054,891**	**24,054,891**	24,211,349	24,211,349
Due from an associate	**971,255,497**	**971,255,497**	947,439,768	947,439,768
Deposits**	**25,791,688**	**25,791,688**	25,948,146	25,948,146
	₱1,248,628,091	**₱1,248,628,091**	1,235,681,547	1,235,681,547
Financial Liabilities at Amortized Cost				
Accounts and other payables***	**₱346,913,331**	**₱346,913,331**	₱297,624,174	₱297,624,174
Due to Parent Company	**1,406,158,530**	**1,406,158,530**	1,224,688,530	1,224,688,530
Mortgage payable	**296,154**	**300,628**	487,444	494,808
	₱1,753,368,015	**₱1,753,372,489**	₱1,522,800,148	₱1,522,807,512

**Included in "Other current assets" in the statements of financial position*
***Included in "Other noncurrent assets" in the statements of financial position*
****Excluding contract liabilities, deferred output VAT and statutory payable*

The following methods and assumptions were used to estimate the fair values of each class of financial instruments.

Cash, Accounts and Other Receivables, Accounts and Other Payables (excluding Contract Liabilities, Deferred Output VAT and Statutory Payable) and Due to Parent Company. The carrying amounts of these financial instruments approximate their fair values due to their relatively short-term maturities.

Mortgage Payable. Fair value is determined based on the discounted cash flow analysis using effective interest rates for similar types of instruments. This financial instrument is classified under Level 3 of the fair value hierarchy groups. The rate applied to the mortgage payable is 10.08%.

Sensitivity Analysis. Generally, significant increases (decreases) in interest rate on liability would result in a significantly higher (lower) fair value measurement.

Deposits. The carrying amounts of deposits approximate the fair value due to the existence of renewal options on the service agreements for which these will be utilized.

The fair value hierarchy groups the financial assets and liabilities into Levels 1 to 3 based on the degree to which the fair value is observable.

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements in 2022 and 2021.

22. Reconciliation of Liabilities Arising from Financing Activities

The table below shows changes in the Company's liabilities arising from financing activities:

		Financing Cash Flows		
	2021	**Proceeds**	**Payments**	**2022**
Due to Parent Company	**₱1,224,688,530**	**₱181,470,000**	**₱–**	**₱1,406,158,530**
Mortgage payable	**487,444**	**–**	**(191,290)**	**296,154**
	₱1,225,175,974	**₱181,470,000**	**(₱191,290)**	**₱1,406,454,684**

		Financing Cash Flows		
	2020	Proceeds	Payments	2021
Due to Parent Company	₱1,106,065,030	₱118,623,500	₱–	₱1,224,688,530
Mortgage payable	663,392	–	(175,948)	487,444
	₱1,106,728,422	₱118,623,500	(₱175,948)	₱1,225,175,974

23. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

The information for 2022 as required by Revenue Regulation No.15-2010 is presented below:

Output VAT

Movements in output VAT declared by the Company for the year ended December 31, 2022 are shown below:

	Base Amount	Output VAT
VATable receipts	₱390,936,200	₱46,912,344
Zero Rated Sales/Receipts	14,717,664	–
		46,912,344
Less:		
Input VAT applied against output VAT		30,334,140
Payment of VAT		16,358,790
Balance at end of year		₱219,414

Zero-rated sales pertain to sales to customers covered by Section 106 of the National Internal Revenue Code, which states that sales to persons or entities whose exception under special laws or international agreements to which the Philippines is a signatory, effectively subjects such sales to zero-rating.

Input VAT

Movements in input VAT claimed by the Company for the year ended December 31, 2022 are shown below:

		Amount
Balance at beginning of year:		
Deferred input VAT		₱6,274,709
Add current year's purchases/payments for:		
Services	₱193,969,257	23,276,311
Goods other than capital goods	35,679,256	4,281,511
Capital goods not exceeding ₱1.0 million	521,671	62,601
		33,895,132
Less:		
Input VAT claimed against output VAT		30,334,140
Input VAT on capital goods deferred for the succeeding period		3,560,992
Balance at end of year		₱–

Documentary Stamp Taxes (DSTs)

DSTs paid amounted to ₱98,798 for insurance availment in 2022. DSTs are included as part of "Taxes and licenses" account under "General and administrative expenses" in the 2022 statement of comprehensive income.

All Other Local and National Taxes

All other local and national taxes for the year ended December 31, 2022 consist of:

	Amount
Local:	
Permits and licenses	₱4,751,367
Others	793,804
	5,545,171
National:	
BIR annual registration	500
	₱5,545,671

The local and national taxes are classified as part of "Taxes and licenses" account under "General and administrative expenses" in the 2022 statement of comprehensive income.

Withholding Taxes

Withholding taxes paid and accrued during the year consist of:

	Paid	Accrued
Withholding tax on compensation	₱20,999,068	2,175,879
Final withholding tax	8,391,318	2,853,497
Expanded withholding tax	8,263,680	1,241,743
	₱37,654,066	₱6,271,119

Tax Assessments and Cases

The Company received a Final Assessment and Formal Letter of Demand from the BIR on various internal revenue taxes for the taxable year 2016. The Company, through its legal counsel, filed its protest against the assessment and demand in January 2020. The request for reinvestigation was approved in February 2020. In January 2023, the Company has complied with the documents requested by the BIR. As at April 14, 2023, the Company is still awaiting final decision on the protest.