

EDUARDO G. CORDOVA  
SVP - Chief Finance Officer



Very truly yours,

We trust you will find everything in order.

We are submitting herewith the Quarterly Report (SEC Form 17-Q) of Manila Broadcasting Company for the quarter ended March 31, 2014.

Gentlemen:

Attention: JANET A. ENCARNACION  
Head - Disclosure Department

PHILIPPINE STOCK EXCHANGE  
Ayala Triangle, Ayala Avenue,  
Makati City 1226  
Philippines

May 13, 2014



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **March 31, 2014**
2. Commission identification number: **SEC No. 1674**
3. BIR Tax Identification No: **000-479-027**
4. Exact name of issuer as specified in its charter: **MANILA BROADCASTING COMPANY**
5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office / Postal Code  
**MBC Bldg., V. Sotto St., CCP Complex, Pasay City 1307 Philippines**
8. Issuer's telephone number, including area code: **(02) 832-61-49 to 50**
9. Former name, former address and former fiscal year, if changed since last report: **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<b>Common Shares</b>	<b>402,682,990 shares</b>
<b>Total Liabilities</b>	<b>P271,002,242</b>

11. Are any or all of the securities listed on a Stock Exchange?

Yes  No

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes  No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes  No

## **PART I - FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

Please see attached Financial Statements for March 31, 2014.

### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

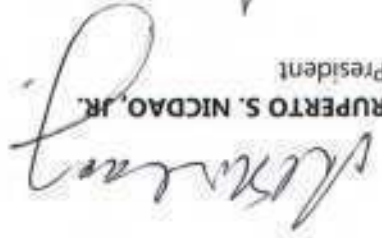
Please see attached management Discussion and Analysis of Financial Condition and Results of Operations.

**SIGNATURES**

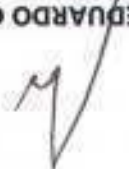
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**MANILA BROADCASTING COMPANY**

Issuer:

  
**RUPERTO S. NICDAO, JR.**  
President

By:

  
**MR. EDUARDO G. CORDOVA**  
SVP – Chief Finance Officer

May 13, 2014

Date:

**MANILA BROADCASTING COMPANY****BALANCE SHEETS**

As of March 31, 2014 and December 31, 2013

	<b>2014 Unaudited (3 Months)</b>	2013 Audited (1 Year)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	<b>43,776,542</b>	94,862,956
Receivables - net	<b>317,951,520</b>	318,758,932
Due from affiliates	<b>138,648,424</b>	125,697,167
Materials and supplies - net	<b>7,382,637</b>	7,280,172
Prepaid expenses and other current assets	<b>624,451</b>	595,672
<b>Total Current Assets</b>	<b>508,383,574</b>	547,194,899
<b>Noncurrent Assets</b>		
Available-for-sale financial assets	<b>25,664,635</b>	25,664,635
Property and Equipment - net		
At cost	<b>98,831,830</b>	100,907,754
At revalued amount	<b>167,180,700</b>	167,180,700
Investment Properties - net	<b>55,120,477</b>	57,112,225
Intangible assets - net	<b>88,612,451</b>	91,566,200
Goodwill	<b>38,016,206</b>	38,016,206
Other Noncurrent Assets	<b>6,373,281</b>	6,631,022
<b>Total Noncurrent Assets</b>	<b>479,799,580</b>	487,078,742
<b>TOTAL ASSETS</b>	<b>988,183,154</b>	1,034,273,641
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable & accrued expenses	<b>160,868,947</b>	206,981,204
Dividends payable	<b>4,185,019</b>	12,853,693
Talent fees and commissions payable	<b>38,460,513</b>	39,473,625
Income tax payable	<b>16,089,232</b>	12,413,014
<b>Total Current Liabilities</b>	<b>219,603,711</b>	271,721,536
<b>Noncurrent Liabilities</b>		
Accrued retirement benefits	<b>27,534,149</b>	30,084,652
Accrued rent	<b>2,276,889</b>	2,276,889
Deferred income tax liabilities - net	<b>21,587,493</b>	21,587,493
<b>Total Noncurrent Liabilities</b>	<b>51,398,531</b>	53,949,034
<b>Total Liabilities</b>	<b>271,002,242</b>	325,670,570
<b>Equity</b>		
Capital stock	<b>402,803,777</b>	402,803,777
Additional paid-in capital	<b>79,354</b>	79,354
Revaluation increment on land	<b>109,980,224</b>	109,980,224
Reserve for fluctuation in available-for-sale financial assets	<b>90,000</b>	90,000
Remeasurements on accrued retirement benefits	<b>11,171,134</b>	11,171,134
Retained earnings	<b>193,177,210</b>	184,599,369
Treasury stock (at cost)	<b>(120,787)</b>	(120,787)
<b>Total Equity</b>	<b>717,180,912</b>	708,603,071
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>988,183,154</b>	1,034,273,641

**MANILA BROADCASTING COMPANY****STATEMENTS OF COMPREHENSIVE INCOME**

For Three Months ended March 31, 2014 and 2013

Tentative and Unaudited

	<b>2014</b>	2013
	<b>(3 Months)</b>	(3 Months)
REVENUE*	<b>169,719,803</b>	174,765,827
EXPENSES	<b>157,465,744</b>	162,027,988
<b>INCOME BEFORE INCOME TAXES</b>	<b>12,254,059</b>	12,737,839
PROVISION FOR INCOME TAX	<b>3,676,218</b>	3,821,352
<b>NET INCOME</b>	<b>8,577,841</b>	8,916,487
OTHER COMPREHENSIVE INCOME	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>8,577,841</b>	8,916,487
<b>Weighted Average Number of Shares Outstanding</b>	<b>402,682,990</b>	402,682,990
<b>Basic/Diluted Earnings Per Share</b>	<b>0.021</b>	0.022

*\*Net of Agency Commission*

**MANILA BROADCASTING COMPANY****STATEMENT OF CASH FLOWS**

For Three Months ended March 31, 2014 and 2013

Tentative and Unaudited

	<b>2014</b>	2013
	<b>(3 Months)</b>	(3 Months)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	<b>8,577,841</b>	8,916,487
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	<b>13,465,562</b>	10,249,440
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	<b>807,412</b>	(11,214,131)
Due from affiliates	<b>(12,951,257)</b>	-
Materials and supplies	<b>(102,465)</b>	7,121
Prepaid expenses and other current assets	<b>(28,779)</b>	(281,574)
Increase (decrease) in:		
Accounts payable and accrued expenses	<b>(46,112,257)</b>	(38,995,355)
Talent fees and commissions payable	<b>(1,013,112)</b>	1,237,283
Income tax payable	<b>3,676,218</b>	3,821,352
Net cash provided by operating activities	<b>(33,680,837)</b>	(26,259,377)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net addition to property, equipment & investment properties	<b>(6,444,141)</b>	(21,234,380)
Other non-current assets	<b>257,741</b>	(100,000)
Accrued retirement benefits	<b>(2,550,503)</b>	(6,339,942.00)
Cash used in investing activities	<b>(8,736,903)</b>	(27,674,322)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends Paid	<b>(8,668,674)</b>	(7,021,242.00)
Net cash provided by (used in) financing activities	<b>(8,668,674)</b>	(7,021,242.00)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(51,086,414)</b>	(61,178,101)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>94,862,956</b>	141,487,141
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>43,776,542</b>	80,309,040

**MANILA BROADCASTING COMPANY****STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

For Three Months ended March 31, 2014 and 2013

	Capital Stock	Additional Paid-in Capital	Revaluation Increment in Land	Reserve for Fluctuation in Available for-sale Financial Assets	Remeasurements on Accrued Retirement Benefits	Retained Earnings	Treasury Stock	Total
Bal. At December 31, 2013	402,803,777	79,354	109,980,224	90,000	11,171,134	184,599,369	(120,787)	708,603,071
Net Income Jan-Mar, 2014						8,577,841		8,577,841
	<b>402,803,777</b>	<b>79,354</b>	<b>109,980,224</b>	<b>90,000</b>	<b>11,171,134</b>	<b>193,177,210</b>	<b>(120,787)</b>	<b>717,180,912</b>
Bal. At December 31, 2012 <i>(as restated)</i>	402,803,777	79,354	103,048,264	60,000	1,278,693	157,879,621	(120,787)	665,028,922
Net Income Jan-Mar, 2013						8,916,487		8,916,487
	<b>402,803,777</b>	<b>79,354</b>	<b>103,048,264</b>	<b>60,000</b>	<b>1,278,693</b>	<b>166,796,108</b>	<b>(120,787)</b>	<b>673,945,409</b>



**MANILA BROADCASTING COMPANY****AGING OF ACCOUNTS RECEIVABLE**

For Three Months ended March 31, 2014 and 2013

In Thousands of Pesos

March 31, 2014

	Neither Past Due nor Impaired	Age Analysis of Past Due but not Impaired				Past Due and Impaired	Allowance	Total
		<30 days	30-60 days	60-90 days	90-120 days			
Trade	204,040	43,986	24,880	12,687	19,022	36,264	(50,138)	290,741
Others	18,068	2,150	1,397	483	5,907	4,773	(5,568)	27,210
<b>TOTAL</b>	<b>222,108</b>	<b>46,136</b>	<b>26,277</b>	<b>13,170</b>	<b>24,929</b>	<b>41,037</b>	<b>(55,706)</b>	<b>317,951</b>

March 31, 2013

	Neither Past Due nor Impaired	Age Analysis of Past Due but not Impaired				Past Due and Impaired	Allowance	Total
		<30 days	30-60 days	60-90 days	90-120 days			
Trade	205,668	44,094	25,554	12,276	19,555	36,118	(56,059)	287,206
Others	19,963	2,376	1,543	533	6,526	5,274	(2,423)	33,792
<b>TOTAL</b>	<b>225,631</b>	<b>46,470</b>	<b>27,097</b>	<b>12,809</b>	<b>26,081</b>	<b>41,392</b>	<b>(58,482)</b>	<b>320,998</b>

**PART I – FINANCIAL INFORMATION**

**1. Corporate Information**

Manila Broadcasting Company (MBC or the “Company”) was registered with the Securities and Exchange Commission (SEC) on June 12, 1946, primarily to engage in the business of radio and television broadcasting on a commercial and/or sustaining basis, in all its various forms and processes such as cable TV, pay TV, MMDS, using such means or systems of transmission and distribution of signals that are existing or that may be developed in the future. The registered office address and principal place of business of the Company is at MBC Building, Star City, CCP Complex, Roxas Boulevard, Pasay City.

The Company is listed in the Philippine Stock Exchange (PSE) and has been included in the PSE composite index since October 8, 1949.

**2. Summary of Significant Accounting Policies and Disclosures**

**Basis of Preparation**

The accompanying financial statements have been prepared using the historical cost convention, except for available-for-sale (AFS) financial assets, which have been measured at fair value, and land which is carried at revalued amount.

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

**Statement of Compliance**

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

**Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new standards, amendments to existing standards and Philippine Interpretation based on the interpretation of the International Financial Reporting Interpretations Committee (IFRIC) which became effective on January 1, 2013. Except as otherwise indicated, the adoption of the following new standards, amendments to existing standards and interpretation did not have any impact on the Company’s financial position or performance.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with Philippine Accounting Standard (PAS) 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or ‘similar agreement’, irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format

unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a. the gross amounts of those recognized financial assets and recognized financial liabilities;
- b. the amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c. the net amounts presented in the statement of financial position;
- d. the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
  - i. amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
  - ii. amounts related to financial collateral (including cash collateral); and
- e. the net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*, replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities and will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent compared with the requirements that were in PAS 27. The Company reassessed whether it has control over its investee companies and determined that it does not meet all the criteria for control.
- PFRS 11, *Joint Arrangements*, replaces PAS 31, *Interests in Joint Ventures* and SIC 13, *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.
- PFRS 12, *Disclosure of Interests in Other Entities*, includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.
- PAS 27, *Separate Financial Statements* (as revised in 2011), has been limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements as a consequence of the new PFRS 10 and PFRS 12.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011), has been renamed, as a consequence of the new PFRS 11 and PFRS 12 and describes the application of the equity method to investments in joint ventures in addition to associates.
- PFRS 13, *Fair Value Measurement*, establishes a single source of guidance for fair value measurement and eliminates inconsistencies dispersed in various existing PFRS. It does

not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

As a result of the guidance in PFRS 13, the Company reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The application of PFRS did not have a material impact on the fair value measurement of the Company.

- Amendments to PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*, change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items that will never be reclassified to profit or loss. The amendments affect presentation only and have no impact on the Company's financial position or performance.
- Amendments to PAS 19, *Employee Benefits*, require all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred for defined benefit plans. Prior to adoption of the revised standard, the Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets. Unvested past service costs are recognized as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised standard, the Company changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

In addition, the Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset, which is calculated by multiplying the net defined benefit liability or asset by the discount rate used to measure the defined benefit obligation, each as at the beginning of the annual period.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine and addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Company as it is not involved in any mining activities.
- *Annual Improvements to PFRS (2009 to 2011 cycle)*, contain non-urgent but necessary amendments to PFRS.
  - PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*, clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*, clarifies the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third statement of financial position (which are mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Company's financial position or performance.
- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*, clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory, if otherwise.
- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*, clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12.
- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*, clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and had no impact on the Company's financial position or performance.

New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective Subsequent to December 31, 2013

The standards, amendments and interpretations, which have been issued but are not yet effective as at December 31, 2013, are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on its financial position or performance. The relevant disclosures will be included in the notes to the financial statements when these become effective.

*Effective in 2014*

- *Investment Entities* (Amendments to PFRS 10 and 11 and PAS 27), provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). It is not expected that these amendments will be relevant to the Company as it will not qualify as an investment entity under PFRS 10.
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*, clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems

(such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and will have no impact on the Company's financial position or performance.

- Amendments to PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets*, remove the unintended consequence of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is applied. The Company did not early adopt the amendments. These amendments will affect disclosures only and will have no impact on the Company's financial position or performance.
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*, provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments are not expected to have an impact on the Company's financial position or performance.
- Philippine Interpretation IFRIC 21, *Levies*, clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Company does not expect that the interpretation will have a material financial impact on its future financial statements.

#### *Effective in 2015*

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*, apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments will not have any significant impact on the financial statements of the Company as its retirement plan is noncontributory.
- *Annual Improvements to PFRS (2010 to 2012 cycle)*, contain non-urgent but necessary amendments to the following standards:
  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*, revised the definitions of vesting condition and market condition, and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Company as it currently has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*, clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Company shall consider this amendment for future business combinations.
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*, requires entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and will not have an impact on the Company's financial position or performance.
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*, clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.
- PAS 16, *Property, Plant and Equipment: Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  - b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Company's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*, clarifies that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that

obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will affect disclosures only and will have no impact on the Company's financial position or performance.

- PAS 38, *Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Amortization*, clarifies that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  - b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. These amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments will have no impact on the Company's financial position or performance.

- *Annual Improvements to PFRS (2011 to 2013 cycle)*, contain non-urgent but necessary amendments to the following standards:
  - PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of Effective PFRS*, clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Company as it is not a firsttime adopter of PFRS.
  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*, clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.



- PFRS 13, *Fair Value Measurement - Portfolio Exception*, clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no impact on the Company's financial position or performance.
- PAS 40, *Investment Property*, clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment will have no significant impact on the Company's financial position or performance.

*Effectivity date to be determined*

- PFRS 9, *Financial Instruments: Classification and Measurement*, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules based hedge accounting model of PAS 39 with a more principles-based approach. PFRS 9 also requires more extensive disclosures for hedge accounting. PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. The Philippine SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

### 3. **Financial instruments, classification and measurements:**

#### **Cash and Cash Equivalents**

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to six months or less and that are subject to an insignificant risk of change in value.

#### **Financial Assets and Financial Liabilities**

Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs, if any, are included in the initial measurement of financial assets and financial liabilities, except for any financial instrument measured at fair value through profit or loss (FVPL). The Company recognizes a financial asset or liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial instruments are classified as financial assets or financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or other financial liabilities, as appropriate.

The Company determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

#### **Loans and receivables**

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost in the balance sheet. Amortization is determined using the effective interest rate method. Loans and receivables are classified as current assets if maturity is within twelve months of the balance sheet date. Otherwise, these are classified as noncurrent assets.

Included under this category are the Company's cash in banks, short-term investments, receivables and due from affiliates.

#### **AFS financial assets**

AFS financial assets are those nonderivative financial assets that are designated as such or are not classified in any of the other categories. Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Included under this category are the Company's quoted and unquoted equity investments.

After initial recognition, quoted AFS financial assets are measured at fair value with gains or losses recognized as a separate component of equity and as OCI until the investment is derecognized or until the investment is determined to be impaired. Unquoted FS financial assets, on the other hand, are carried at cost, net of impairment, until the investment is derecognized. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from balance sheet date.

### **Other financial liabilities**

This category pertains to financial liabilities that are neither held for trading nor designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Included under this category are the Company's accounts payable and accrued expenses, due to affiliates, dividends payable, talent fees and commissions payable.

### **Classification of Financial Instruments**

The Company classifies a financial instrument, or its component parts, on initial recognition, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the balance sheets.

### **Valuation of financial assets and financial liabilities**

The Company carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. The significant components of fair value measurement were determined using verifiable objective evidence.

## **4. Financial Risk Management Objectives and Policies**

The Main risk arising from the Company's financial instruments are credit risk, liquidity risk, and interest rate risk.

- **Credit risk**

Credit risk, or the risk of counterparties defaulting, is controlled by the application of control and monitoring procedures. It is the Company's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. Receivables and due from affiliate's balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is not significant.

### **Gross maximum exposure to credit risk**

The maximum exposure to credit risk as of March 31, 2014 and Dec. 31, 2013 is as follows:

	<b>2014 Unaudited (3 months)</b>	<b>2013 Audited (1 Year)</b>
Loans and receivables		
Cash in bank and cash equivalents	43,776,542	94,862,956
Receivables:		
Trade	290,740,753	292,713,462
Others	27,210,767	26,045,470
	361,728,062	413,621,888
Due from affiliates	138,648,424	125,697,167
	500,376,486	539,319,055

AFS financial assets	25,664,635	25,664,635
	526,041,121	564,983,690

### Credit quality of financial assets

The table below summarized the credit quality of the Company's financial assets as of March 31, 2014:

	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total
	High grade	Standard grade			
Loans and receivables:					
Cash in banks	43,776,542				43,776,542
Receivables (net)					
Trade	53,904,845	120,124,080	85,781,846	30,929,982	290,740,753
Others	4,646,004	10,353,373	8,248,961	3,962,429	27,210,767
Due from affiliates		138,648,424			138,648,424
AFS financial assets		25,664,635			25,664,635
Total	102,237,391	294,790,512	94,030,807	34,892,411	526,041,121

- **Liquidity risk**

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

- **Interest rate risk**

The Company's exposure to the risk of changes in market interest rate is minimal since the Company has paid all of its notes payable.

5. The Company has no investment on foreign securities.
6. There are no seasonal aspects that have a material effect on the financial condition or results of operations.
7. There are no unusual items affecting assets, liabilities, equity, net income or cash flows.
8. There are no changes in estimates of amounts reported in prior interim periods of the current financial year or in estimates of amounts reported in prior financial years.
9. There were no payments of bank loans for the three months ended March 31, 2014 as all bank loans were fully paid as of December 31, 2013.
10. The Company is organized into only one operating division – radio broadcasting, which is its primary activity. The Company has seven programming formats, namely: DZRH, Aksyon

Radyo, Love Radio, Yes-FM, Easy Rock, Hot FM and Radyo Natin which represent about 16%, 4%, 49%, 14%, 9%, 4% and 4% of the total broadcasting fee for the first three months of 2014.

11. The Company plans to earmark P75.0 Million capital expenditure for its various projects, namely: purchase of new transmitters for provincial stations, RHTV broadcast expansion over various cable and TV channels, leasehold improvement of Head Office, audio and video streaming over the internet, and improvement of existing stations' equipment and facilities nationwide. This will be funded by cash flows from operating activities.
12. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
13. There are no changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.
14. There are no changes in contingent liabilities or contingent assets since the last annual balance sheet date.
15. There are no material contingencies and any events or transactions that are material to an understanding of the current interim period.
16. There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity;
17. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations;
18. There are no significant elements of income or loss that did not arise from the company's continuing operations.
19. There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
20. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company's interim financial statements for the three months ended March 31, 2014

### MARCH 31, 2014 VS. MARCH 31, 2013

#### Results of Operations

The Company achieved aggregative revenue of P169.7 million, net of agency commission, during the first three months of 2014, a decrease of 2.89% over the P174.8 million (net) registered for the same period in 2013 mainly due to advertising spending by political candidates in line with their campaign for the national and local elections last year. Total costs and expenses for the three months amounted to P157.4 million, decreased by 2.82% from P162.0 million last year.

#### Liquidity and Capital Resources

The assets decreased slightly by 4.46% to P988.2 million from 2013 year-end balance of P1,034.2 million. Of the total consolidated resources of P988.2 million, P717.2 million was accounted for by stockholders' equity with the balance of P271.0 million in liabilities. The increase in stockholders' equity was due to net income of P8.6 million for the three months ended March 31, 2014. No cash or stock dividends were declared in the period under review. The Company instead used its current income to finance expansion and operation and paid its maturing obligations.

#### Key Financial Indicators

		January to March	
		2014	2013
1.	Return on sales (ROS)		
	Net income	8,577,841	8,916,487
	Divide by: Sales	169,719,803	174,765,827
	<b>ROS</b>	<b>5.054%</b>	<b>5.102%</b>
2.	Earnings Per Share (EPS)		
	Net income	8,577,841	8,916,487
	Divide by: No. of Shares Outstanding	402,682,990	402,682,990
	<b>EPS</b>	<b>0.021</b>	<b>0.022</b>
3.	Current Ratio		
	Current assets	508,383,574	547,194,899
	Divide by: Current liabilities	219,603,711	271,721,536
	<b>Current Ratio</b>	<b>2.315</b>	<b>2.014</b>
4.	Debt-Equity Ratio		
	Total liabilities	271,002,242	325,670,570
	Divide by: Total stockholders' equity	717,180,912	708,603,071
	<b>Debt-Equity Ratio</b>	<b>0.378</b>	<b>0.460</b>

5.	Book Value Per Share		
	Total stockholders' equity	717,180,912	708,603,071
	Divide by: No. of shares outstanding	402,682,990	402,682,990
	<b>Book Value Per Share</b>	<b>1.781</b>	<b>1.760</b>
6.	Asset to Equity Ratio		
	Total stockholders' equity	717,180,912	708,603,071
	Divide by: Total assets	988,183,154	1,034,273,641
	<b>Asset to Equity Ratio</b>	<b>0.726</b>	<b>0.685</b>
7.	Interest Rate Coverage Ratio		
	Not applicable as the Company has no interest-bearing loan balances during the period under review.		

### Discussion on Key Performance Indicators

1. ROS decreased from 5.102% to 5.054% mainly due to the greater increase in the Company's sales than increase in the net income.
2. EPS decreased by P0.001, from P0.022 to P0.021 per share. It is because net income during the period under review decreased from P8.91 million to P8.57 million while the number of outstanding shares remained constant.
3. The current ratio increased to 2.014 from 2.315:1. At this current level, the Company will be capable of meeting its maturing obligations on time.
4. The debt-equity ratio decreased from 0.460 in 1<sup>st</sup> quarter of 2013 to 0.378 in the same period of 2014. It showed a favorable indication since there are more owners' equities than liabilities. Suppliers and banks prefer a lower debt-equity ratio. This also means that the company has more leverage for increasing its credit lines.
5. The book value per share increased to 1.781 from 1.760 mainly due to the increase in the Company's stockholders equity for the period while the number of outstanding shares remained constant. This increase in BV per share is a positive indication since this amount exceeds by 78% the par value per share of P1.00.
6. The asset to equity ratio is a financial ratio indicating the relative proportion of equity used to finance the company's assets. The relatively high equity ratio of 0.726 indicates the conservative approach of the company with respect to its financial leveraging.

### Causes for Material Change from Period to Period (5%)

1. Cash and cash equivalents decreased by P51.1 million or 53.85% mainly due to capital expenditures and settlement of accounts payable and accrued expenses during the period.
2. Due from affiliates represents the interest-free advances made by the Company to its affiliated companies such as Elizalde Holdings Corporation, Cebu Broadcasting Company, Philippine Broadcasting Company and Pacific Broadcasting System, Inc. The balance at the end of the quarter amounted to P138.6 million.

3. Property and equipment – net (at cost) decreased by P2.08 million or 2.06% primarily due the depreciation expense for the period.
4. Investment properties decreased by 3.49% due to depreciation and amortization charges during the year.
5. Intangible assets arise from the Company's acquisition of DWRK. The decrease of P2.9 million or 3.23% represents amortization costs during the year.
6. Accounts payable and accrued expenses for the period decreased by 22.28% or P46.1 million from last year's P207 million to P160.9 million. It is due to the accelerated payments made by the Company to its suppliers and other creditors.
7. Dividends payable decreased by 67.44% or P8.7 million as a result of payments made to stockholders.
8. Income tax payable increased by P3.6 million or 29.62% mainly due to higher income tax payable in 2013 compared to 2012 which is due by April 15th of the following year.
9. Accrued retirement benefits decreased by P2.5 million or 8.48% mainly due to the contribution payments made to the Company's retirement fund during the period.
10. Retained earnings increased by P8.5 million or 4.65% mainly due to the net income earned during the period.

#### **Other Matters**

- **Rule on Minimum Public Ownership as a Continuing Listing Requirement**

The Company is a compliant with the 10-percent minimum public ownership requirement for listed companies under Section 3, Article XVIII on the Continuing Listing requirements of the Listing and Disclosure Rules of the Exchange. The public float of the Company is currently at 10.19 percent.

## **PART II – OTHER INFORMATION**

There is no other information not previously reported in SEC Form 17-C that need to be reported in this section.