



May 12, 2016

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


Attention: MS. JANET A. ENCARNACION  
Head - Disclosure Department

Gentlemen:

We are submitting herewith the Quarterly Report (SEC Form 17-Q) of Manila Broadcasting Company for the quarter ended March 31, 2016.

We trust you will find everything in order.

Very truly yours,

  
EDUARDO G. CORDOVA  
SVP - CFO

# COVER SHEET

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SEC Registration Number

M	A	N	I	L	A	B	R	O	A	D	C	A	S	T	I	N	G	C	O	M	P	A	N	Y					

(Company's Full Name)

M	B	C	B	L	D	G	.	,	V	.	S	O	T	T	O	S	T	.	,											
C	C	P	C	O	M	P	L	E	X	,	P	A	S	A	Y	C	I	T	Y	,										
1	3	0	7	P	H	I	L	I	P	P	I	N	E	S																

(Business Address: No. Street City/Town/Province)

<b>Mr. Eduardo G. Cordova</b>
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(Contact Person)

<b>832-61-49</b>
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(Company Telephone Number)

1	2	3	1
<i>Month</i>	<i>Day</i>	<i>(Calendar Year)</i>	

1	7	-	Q
<i>(Form Type)</i>			

<i>Month</i>	<i>Day</i>
<i>(Annual Meeting)</i>	

<i>(Secondary License Type, If Applicable)</i>

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

<i>Total Amount of Borrowings</i>	
<i>Domestic</i>	<i>Foreign</i>

To be accomplished by SEC Personnel concernec

<i>File Number</i>									

\_\_\_\_\_ *LCU*

<i>Document ID</i>									

\_\_\_\_\_ *Cashier*

STAMPS

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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, 2016**
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**
  - a. Former name, former address and former fiscal year, if changed since last report:  
**N/A**
9. 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>P409,583,289</b>

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

Yes [] No []

11. 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, 2016.

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

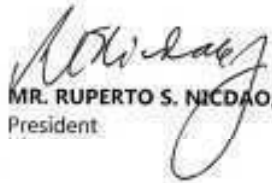
Please see attached management Discussion and Analysis of Financial Condition and Results of Operations.

## 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.

Issuer: **MANILA BROADCASTING COMPANY**

By:

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

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

Date: May 12, 2016

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

As of March 31, 2016 and December 31, 2015

	<b>2016 Unaudited (3 Months)</b>	2015 Audited (1 Year)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	<b>218,911,464</b>	121,516,730
Receivables - net	<b>290,500,082</b>	337,902,488
Due from affiliates	<b>302,189,372</b>	309,347,902
Materials and supplies - net	<b>5,709,815</b>	5,736,655
Prepaid expenses and other current assets	<b>1,348,593</b>	856,592
<b>Total Current Assets</b>	<b>818,659,326</b>	775,360,367
<b>Noncurrent Assets</b>		
Available-for-sale financial assets	<b>42,419,455</b>	42,419,455
Property and Equipment - net		
At cost	<b>111,492,317</b>	114,059,074
At revalued amount	<b>191,527,500</b>	191,527,500
Investment Properties - net	<b>43,163,200</b>	43,163,550
Intangible assets - net	<b>67,936,208</b>	67,936,208
Goodwill	<b>38,016,206</b>	38,016,206
Other Noncurrent Assets	<b>6,836,663</b>	7,205,071
<b>Total Noncurrent Assets</b>	<b>501,391,549</b>	504,327,064
<b>TOTAL ASSETS</b>	<b>1,320,050,875</b>	1,279,687,431
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable & accrued expenses	<b>278,916,732</b>	259,738,701
Dividends payable	<b>6,196,616</b>	8,938,390
Talent fees and commissions payable	<b>30,542,034</b>	30,542,034
Income tax payable	<b>40,675,146</b>	32,324,779
<b>Total Current Liabilities</b>	<b>356,330,528</b>	331,543,904
<b>Noncurrent Liabilities</b>		
Accrued retirement benefits	<b>23,727,685</b>	27,635,054
Accrued rent	<b>4,809,492</b>	4,809,492
Deferred income tax liabilities - net	<b>24,715,584</b>	24,715,584
<b>Total Noncurrent Liabilities</b>	<b>53,252,761</b>	57,160,130
<b>Total Liabilities</b>	<b>409,583,289</b>	388,704,034
<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>126,952,914</b>	126,952,914
Reserve for fluctuation in available-for-sale financial assets	<b>90,000</b>	90,000
Remeasurements on accrued retirement benefits	<b>13,526,849</b>	13,526,849
Retained earnings	<b>367,135,479</b>	347,651,290
Treasury stock (at cost)	<b>(120,787)</b>	(120,787)
<b>Total Equity</b>	<b>910,467,586</b>	890,983,397
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,320,050,875</b>	1,279,687,431

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

For Three Months ended March 31, 2016 and 2015

Tentative and Unaudited

	<b>2016</b> <b>(3 Months)</b>	2015 (3 Months)
REVENUE	<b>265,850,587</b>	178,106,761
EXPENSES	<b>238,016,031</b>	165,091,705
<b>INCOME BEFORE INCOME TAXES</b>	<b>27,834,556</b>	13,015,056
PROVISION FOR INCOME TAX	<b>8,350,367</b>	3,904,517
<b>NET INCOME</b>	<b>19,484,189</b>	9,110,539
OTHER COMPREHENSIVE INCOME	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>19,484,189</b>	9,110,539
<b>Weighted Average Number of Shares Outstanding</b>	<b>402,682,990</b>	402,682,990
<b>Basic/Diluted Earnings Per Share</b>	<b>0.048</b>	0.023

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

For Three Months ended March 31, 2016 and 2015

Tentative and Unaudited

	<b>2016</b>	2015
	<b>(3 Months)</b>	(3 Months)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	<b>19,484,189</b>	9,110,539
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	<b>4,212,431</b>	7,436,982
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	<b>47,402,406</b>	83,793,963
Due from affiliates	<b>7,158,530</b>	(17,800,720)
Materials and supplies	<b>26,840</b>	(929,397)
Prepaid expenses and other current assets	<b>(492,001)</b>	25,008
Increase (decrease) in:		
Accounts payable and accrued expenses	<b>19,178,031</b>	(61,795,709)
Talent fees and commissions payable	-	(1,512,099)
Income tax payable	<b>8,350,367</b>	3,904,517
Deferred income tax liabilities	-	-
Net cash provided by operating activities	<b>105,320,793</b>	22,233,084
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net addition to property, equipment & investment properties	<b>(1,645,324)</b>	(4,726,155)
Other non-current assets	<b>368,408</b>	125,741
Accrued retirement benefits	<b>(3,907,369)</b>	(5,861,054)
Cash used in investing activities	<b>(5,184,285)</b>	(10,461,468)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends Paid	<b>(2,741,774)</b>	(8,250,000)
Net cash provided by (used in) financing activities	<b>(2,741,774)</b>	(8,250,000)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>97,394,734</b>	3,521,616
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>121,516,730</b>	144,243,784
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>218,911,464</b>	147,765,400



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

For Three Months ended March 31, 2016 and 2015

	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, 2015	402,803,777	79,354	126,952,914	90,000	13,526,849	347,651,290	(120,787)	890,983,397
Net Income Jan-Mar, 2016						19,484,189		19,484,189
	<b>402,803,777</b>	<b>79,354</b>	<b>126,952,914</b>	<b>90,000</b>	<b>13,526,849</b>	<b>367,135,479</b>	<b>(120,787)</b>	<b>910,467,586</b>
Bal. At December 31, 2014	402,803,777	79,354	125,379,594	90,000	13,228,158	224,410,103	(120,787)	765,870,199
Net Income Jan-Mar, 2015						9,110,539		9,110,539
	<b>402,803,777</b>	<b>79,354</b>	<b>125,379,594</b>	<b>90,000</b>	<b>13,228,158</b>	<b>233,520,642</b>	<b>(120,787)</b>	<b>774,980,738</b>

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

For Three Months ended March 31, 2016 and 2015

In Thousands of Pesos

March 31, 2016

	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	184,570	29,436	27,529	21,518	16,091	29,655	(60,397)	248,402
Others	33,278	6,945	615	1,543	3,098	3,845	(7,226)	42,098
<b>TOTAL</b>	<b>217,848</b>	<b>36,381</b>	<b>28,144</b>	<b>23,061</b>	<b>19,189</b>	<b>33,500</b>	<b>(67,623)</b>	<b>290,500</b>

March 31, 2015

	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	161,596	34,889	19,669	9,645	14,935	28,759	(39,560)	229,933
Others	13,754	1,540	1,080	756	4,732	3,632	(3,840)	21,654
<b>TOTAL</b>	<b>175,350</b>	<b>36,429</b>	<b>20,749</b>	<b>10,401</b>	<b>19,667</b>	<b>32,391</b>	<b>(43,400)</b>	<b>251,587</b>

## **MANILA BROADCASTING COMPANY**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **PART I – FINANCIAL INFORMATION**

##### **1. Corporate Information**

Manila Broadcasting Company (the Company) was incorporated in the Philippines on September 30, 1947. The Company is primarily engaged in the business of radio broadcasting. The registered office address of the Company is MBC Building, V. Sotto Street, CCP Complex, Pasay City. On May 20, 1971, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Company's Articles of Incorporation to extend its corporate term for another period of 50 years from and after June 11, 1971.

In 2002, the "Hating Kapatid" system (the System) was devised to change the way the Company was handling the operations of the radio stations as well as its marketing, engineering, administrative, and financial functions (support functions). Under the System, the operations of each radio station and support functions were outsourced to service companies managed and operated by former station managers and officers of the Company (affiliated service companies). As such, substantially all employees of the Company were separated. As approved by the BOD, the Company shall provide financial support to certain radio stations through advances as well as payment of certain operating expenses of the said radio stations until these radio stations can financially sustain their operations.

As a result of the System, the Company entered into service agreements with affiliated service companies. These affiliated service companies provide production and creative services, promotions, accounting, personnel, collection, procurement, engineering, and other related services. The Company pays the affiliated service companies a certain percentage of collection as service fee.

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

###### **Basis of Preparation**

The financial statements of the Company 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 under property and equipment, which is carried at revalued amount.

The financial statements provide comparative information in respect of the previous period.

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 and amended standards effective for the Company beginning January 1, 2015. Unless otherwise indicated, the adoption of these standards did not have an impact on the Company's financial statements:

- Amendments to PAS 19, *Defined Benefit Plans: Employee Contributions*

#### Annual Improvements to PFRSs (2010-2012 cycle)

The annual Improvements to PFRS (2010-2012 cycle) are effective from July 1, 2014. These amendments have no impact on the Company's financial statements. They include:

- PFRS 2, *Share-based Payment- Definition of Vesting Condition*
- PFRS 3, *Business Combinations- Accounting for Contingent Consideration in a Business Combination*
- PFRS 8, *Operating Segments- Aggregation of Operating Segments and Reconciliations of the Total of the Reportable Segments' Assets to the Entity's Assets*
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
- PAS 24, *Related Party Disclosures – Key Management Personnel*

#### Annual Improvements to PFRSs (2011-2013 Cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective July 1, 2014. These amendments have no impact on the Company's financial statements. They include:

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
- PFRS 13, *Fair Value Measurement – Portfolio Exception*
- PAS 40, *Investment Property*

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### Future Changes in Accounting Policies

The company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

#### Pronouncements Issued but Not yet Effective

Pronouncements issued but not yet effective as at December 31, 2015 are listed below. These pronouncements are those that the Company reasonably expects to have an impact on its accounting policies or disclosures unless otherwise indicated. The Company intends to adopt the following pronouncements when they become effective.

#### Deferred

- Philippine Interpretation IFRIC 15, *Agreement for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as a construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with construction materials and where the risks and rewards are transferred to the buyer on a continuous basis will also be accounted for based on the stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

#### Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendments)*

These Amendments clarify the exemption on PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an entity that is not an investment entity and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Company.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements (Amendments)*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests (Amendments)*

The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re measured on the acquisition of an additional interest in the same joint operation while in joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not to have any impact to the Company.

- PAS 1, *Presentation of Financial Statements* – Disclosure Initiative (Amendments)

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions.
- That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to the financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single item, and classified between those items that will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that the fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Company is currently assessing the impact of these amendments on its financial statements.

- PFRS 14, *Regulatory Deferral Accounts*.

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.

- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

#### Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company. They include:

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The

amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- *PFRS 7- Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- *PAS 19, Employee Benefits - regional market issue regarding discount rate*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- *PAS 34, Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

#### Effective January 1, 2018

- *PFRS 9, Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Company did not early adopt PFRS 9.

The Company is currently assessing the impact of adopting this standard.



In addition, the IASB has issued the following new standards that have not yet been adopted locally by the SEC and FRSC.

- International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 by the International Accounting Standards Board (IASB) and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, *Leases*

On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

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 non-derivative 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 non-derivative 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, 2016 and Dec. 31, 2015 is as follows:

	<b>2016</b>	<b>2015</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>(3 months)</b>	<b>(1 Year)</b>
Loans and receivables		
Cash in bank and cash equivalents	218,911,464	121,516,730
Receivables (net):		
Trade	248,402,228	296,171,862
Others	42,097,854	41,730,626
	509,411,546	459,419,218
Due from affiliates	302,189,372	309,347,902
	811,600,918	768,767,120
AFS financial assets	42,419,455	42,419,455
	854,020,373	811,186,575

### Credit quality of financial assets

The table below summarized the credit quality of the Company's financial assets as of March 31, 2016:

	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	218,911,464				218,911,464
Receivables (net)					
Trade	45,988,202	102,482,262	76,076,919	23,854,845	248,402,228
Others	8,797,632	19,605,060	10,413,670	3,281,492	42,097,854
Due from affiliates		302,189,372			302,189,372
AFS financial assets		42,419,455			42,419,455
Total	273,697,298	466,696,149	86,790,589	27,136,337	854,020,373

- **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 nine months ended March 31, 2016 as all bank loans were fully paid as of December 31, 2014.
10. The Company is organized into only one operating division – radio and television broadcasting, which is its primary activity. The Company has seven programming formats, namely: DZRH, Aksyon Radyo, Love Radio, Yes-FM, Easy Rock and Radyo Natin and RHTV which represent about 14%, 4%, 55%, 10%, 12%, 4% and 1% of the total broadcasting fee for the first three months of 2016.
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, 2016.

### MARCH 31, 2016 VS. MARCH 31, 2015

#### Results of Operations

The Company achieved aggregative revenue of P265.9 million, during the first three months of 2016, an increase of 49.26% over the P178.1 million registered for the same period in 2015 mainly due to advertisement spending by political candidates in line with their election campaign. Total costs and expenses for the three months amounted to P238 million, which increased by 44.17% from P165 million last year mainly due to service fees incurred as a result of higher revenues.

#### Liquidity and Capital Resources

The total assets increased by 2.21% to P1,307.9 million from 2015 year-end balance of P1,279.7 million. Of the total consolidated resources of P1,307.9 million, P910.4 million was accounted for by stockholders' equity with the balance of P397.5 million in liabilities. The increase in stockholders' equity was mainly due to net income of P19.5 million for the three months ended March 31, 2016. 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	
		2016	2015
1.	Return on sales (ROS)		
	Net income	19,484,189	9,110,539
	Divide by: Sales	265,850,587	178,106,761
	<b>ROS</b>	<b>7.329%</b>	<b>5.110%</b>
2.	Earnings Per Share (EPS)		
	Net income	19,484,189	9,110,539
	Divide by: No. of Shares Outstanding	402,682,990	402,682,990
	<b>EPS</b>	<b>0.048</b>	<b>0.023</b>
3.	Current Ratio		
	Current assets	818,659,326	525,570,989
	Divide by: Current liabilities	356,330,528	196,280,056
	<b>Current Ratio</b>	<b>2.297</b>	<b>2.678</b>
4.	Debt-Equity Ratio		
	Total liabilities	409,583,289	246,480,265
	Divide by: Total stockholders' equity	910,467,586	774,980,738
	<b>Debt-Equity Ratio</b>	<b>0.450</b>	<b>0.318</b>

5.	Book Value Per Share		
	Total stockholders' equity	910,467,586	774,980,738
	Divide by: No. of shares outstanding	402,682,990	402,682,990
	<b>Book Value Per Share</b>	<b>2.261</b>	<b>1.925</b>
6.	Asset to Equity Ratio		
	Total stockholders' equity	910,467,586	774,980,738
	Divide by: Total assets	1,320,050,875	1,021,461,003
	<b>Asset to Equity Ratio</b>	<b>0.690</b>	<b>0.759</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

- Return on sales increased from 5.110% to 7.329% primarily due to higher net income earned for the first quarter of 2016.
- EPS increased by P0.025, from P0.023 to P0.048 per share. It is mainly due to the increased reported net income during the period.
- The current ratio decreased to 2.297:1 from 2.678:1. At this current level, the Company will be capable of meeting its maturing obligations on time.
- The debt-equity ratio increased from 0.318 in 1<sup>st</sup> quarter of 2015 to 0.450 in the same period of 2016. 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.
- The book value per share increased to 2.261 from 1.925 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 1.26 the par value per share of P1.00.
- 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 0.690 indicates the conservative approach of the company with respect to its financial leveraging.

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

- Cash and Cash Equivalents increased by 97.4 or 80.15% from 121.5 million in 2015 to 218.9 million in 2016 due to increased net cash flows generated from operations.
- Receivables – net decreased by 14.03% or P47.4 million. It is mainly due to the efficient collection of accounts during the period.
- 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 of the first quarter amounted to P302 million.

4. Prepaid expenses and other current assets increased from P0.86 million in 2015 to 1.35 million in 2016. It is mainly due to additional prepayments for the first quarter.
5. Dividends payable decreased by 30.67% or P2.74 million as a result of payments made to stockholders.
6. Income tax payable increased by P8.3 million or 25.83% which represents the provision for income tax for the 1<sup>st</sup> quarter of 2016.
7. Accrued retirement benefits decreased by P3.91 million or 14.14% mainly due to the contribution payments made to the Company's retirement fund 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 10.23 percent.

## **PART II – OTHER INFORMATION**

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