MANILA BROADCASTING COMPANY

May 11, 2018

PHILIPPINE STOCK EXCHANGE
6th floor, PSE Tower
28th Street corner 5th Avenue
BGC, Taguig City

Attention: MR. JOSE VALERIANO B. ZUÑO III
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, 2018.

We trust you will find everything in order.

Very truly yours,

EDUARDO G. CORDOVA
SVP - CFO

COVER SHEET

1	6	7	4						

SEC Registration Number

MANILA BROADCASTING COMPANY AND SUBSIDIARIES

(Company's Full Name)

MBC BLDG., V. SOTTO ST., CCP COMPLEX, PASAY CITY, 1307 PHILIPPINES

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

Mr. Eduardo G. Cordova

(Contact Person)

832-61-49

(Company Telephone Number)

1	2		3	1

Month *Day*

(Calendar Year)

1	7	-	Q	

(Form Type)

Quarterly Report

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes

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, 2018**

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 AND SUBSIDIARIES**

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
Common Shares	**402,682,990 shares**
Total Liabilities	**P701,459,706**

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 Consolidated Financial Statements for March 31, 2018.

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 AND SUBSIDIARIES**

By:

MR. RUPERTO S. NICDAO, JR.
President

MR. EDUARDO G. CORDOVA
SVP – Chief Finance Officer

Date: May 11, 2018

MANILA BROADCASTING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of March 31, 2018 and December 31, 2017

	2018 Unaudited (3 Months)	2017 Audited (1 Year)
ASSETS		
Current Assets		
Cash and cash equivalents	**80,435,962**	143,269,271
Receivables - net	**354,833,128**	363,228,205
Due from affiliates	**252,485,724**	263,019,633
Materials and supplies - net	**3,470,647**	3,454,039
Prepaid expenses and other current assets	**167,865,943**	150,571,103
Total Current Assets	**859,091,404**	923,542,251
Noncurrent Assets		
Available-for-sale financial assets	**42,419,455**	42,419,455
Investment in an Associate	**-**	-
Property and Equipment - net		
At cost	**501,806,055**	421,311,279
At revalued amount	**216,498,200**	221,575,900
Investment Properties - net	**43,162,500**	43,162,500
Intangible assets - net	**41,352,467**	44,306,216
Goodwill	**38,016,206**	38,016,206
Deferred tax assets	**3,930,375**	3,930,374
Other Noncurrent Assets	**7,169,839**	6,861,205
Total Noncurrent Assets	**894,355,097**	821,583,135
TOTAL ASSETS	**1,753,446,501**	1,745,125,386
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable & accrued expenses	**351,748,151**	412,206,344
Dividends payable	**18,197,824**	21,041,288
Income tax payable	**9,587,482**	6,121,055
Total Current Liabilities	**379,533,457**	439,368,687
Noncurrent Liabilities		
Accrued retirement benefits	**(859,064)**	4,819,248
Accrued rent	**384,998**	2,022,478
Notes & Mortgage Payable	**280,000,000**	223,940,096
Deferred income tax liabilities - net	**42,400,315**	42,411,200
Total Noncurrent Liabilities	**321,926,249**	273,193,022
Total Liabilities	**701,459,706**	712,561,709
Equity		
Capital stock	**402,803,777**	402,803,777
Additional paid-in capital	**79,354**	79,354
Revaluation increment on land	**144,271,404**	147,825,794
Reserve for fluctuation in available-for-sale financial assets	**90,000**	90,000
Remeasurements on accrued retirement benefits	**23,783,562**	27,861,329
Retained earnings	**375,068,397**	347,038,487
Treasury stock (at cost)	**(120,787)**	(120,787)
	945,975,707	925,577,954
NCI	**106,011,087**	106,985,723
Total Equity	**1,051,986,794**	1,032,563,677
TOTAL LIABILITIES & EQUITY	**1,753,446,501**	1,745,125,386

MANILA BROADCASTING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months ended March 31, 2018 and 2017

Tentative and Unaudited

	2018 (3 Months)	2017 (3 Months)
REVENUE	**303,329,157**	286,671,794
EXPENSES	**254,433,442**	241,436,585
INCOME BEFORE INCOME TAXES	**48,895,715**	45,235,209
PROVISION FOR INCOME TAX	**14,668,714**	13,570,563
NET INCOME	**34,227,000**	31,664,646
OTHER COMPREHENSIVE INCOME	**-**	-
TOTAL COMPREHENSIVE INCOME	**34,227,000**	31,664,646
Weighted Average Number of Shares Outstanding	**402,682,990**	402,682,990
Basic/Diluted Earnings Per Share	**0.085**	0.079

MANILA BROADCASTING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months ended March 31, 2018 and 2017

Tentative and Unaudited

	2018 (3 Months)	2017 (3 Months)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	34,227,000	31,664,646
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,800,450	7,040,450
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	8,395,077	(7,836,187)
Due from affiliates	10,533,909	(75,185,790)
Materials and supplies	(16,608)	(26,260)
Prepaid expenses and other current assets	(17,294,840)	4,998,404
Increase (decrease) in:		
Accounts payable and accrued expenses	(60,458,194)	(21,155,853)
Income tax payable	3,455,542	14,237,693
Accrued Rent	(1,637,480)	-
Net cash provided by operating activities	**(15,995,143)**	**(46,262,897)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Net addition to property, equipment & investment properties	(89,989,893)	(14,504,409)
Other non-current assets	(308,635)	424,493
Accrued retirement benefits	(9,756,078)	(1,953,685)
Cash used in investing activities	**(100,054,606)**	**(16,033,601)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends Paid	(2,843,464)	(5,327,159)
Notes & Mortgage Payable	56,059,904	-
Net cash provided by (used in) financing activities	**53,216,440**	**(5,327,159)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(62,833,309)**	**(67,623,657)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**143,269,271**	**217,153,826**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**80,435,962**	**149,530,169**

MANILA BROADCASTING COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For Three Months ended March 31, 2018 and 2017

	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	Non-controlling Interest	Total
Bal. At December 31, 2017	402,803,777	79,354	147,825,794	90,000	27,861,328	347,038,487	(120,787)	925,577,953	106,985,723	1,032,563,676
Effect of business combination under common control						(6,197,090)		(6,197,090)	(974,636)	(7,171,726)
Net Income Jan-March, 2018						34,227,000		34,227,000		34,227,000
Other comprehensive income			(3,554,390)		(4,077,766)			(7,632,156)		(7,632,156)
	402,803,777	**79,354**	**144,271,404**	**90,000**	**23,783,562**	**375,068,397**	**(120,787)**	**945,975,707**	**106,011,087**	**1,051,986,794**
Bal. At December 31, 2016	402,803,777	79,354	144,271,404	90,000	23,783,563	353,261,206	(120,787)	924,168,517	-	924,168,517
Net Income Jan-March, 2017						31,664,647		31,664,647	-	31,664,647
	402,803,777	**79,354**	**144,271,404**	**90,000**	**23,783,563**	**384,925,853**	**(120,787)**	**955,833,164**	**-**	**955,833,164**

MANILA BROADCASTING COMPANY AND SUBSIDIARIES

AGING OF ACCOUNTS RECEIVABLE

For Three Months ended March 31, 2018 and 2017

In Thousands of Pesos

March 31, 2018

	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	186,893	87,883	50,556	14,190	7,886	12,545	(62,253)	297,700
Others	6,651	4,398	9,910	6,963	4,465	32,278	(7,532)	57,133
TOTAL	**193,544**	**92,281**	**60,466**	**21,153**	**12,351**	**44,823**	**(69,785)**	**354,833**

March 31, 2017

	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	155,383	35,024	21,815	18,346	15,790	61,756	(49,127)	258,987
Others	12,346	8,036	4,268	3,165	4,660	11,831	(6,088)	38,218
TOTAL	**167,729**	**43,060**	**26,083**	**21,511**	**20,450**	**73,587**	**(55,215)**	**297,205**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PART I – FINANCIAL INFORMATION

1. **Organization and Business**

a. Corporate Information

Manila Broadcasting Company (the Parent 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 23, 2017, 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, 2021.

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

b. Subsidiaries of the Parent Company

Elizalde Hotels and Resorts, Inc. (EHRI) and Feliz Hotel Boracay, Inc. (FHBI)

On December 29, 2017, the Parent Company acquired additional investments in EHRI, increasing its ownership interest from 44.44% to 80%. Consequently, the Parent Company obtained control over EHRI and its wholly-owned subsidiary, FHBI.

EHRI was incorporated in the Philippines and registered with the SEC on March 18, 2015. EHRI was established primarily to acquire, construct, manage, own, lease, maintain, operate and/or engage in the business of hotels, resorts, private clubs, restaurants, cocktail bars and other allied business necessary or connected therewith and to operate, manage, and/or maintain any and all services and facilities incident or necessary thereto and/or invest in companies engaged in the said business.

EHRI's wholly-owned subsidiary, FHBI, was incorporated in the Philippines and registered with the SEC on April 23, 2015. FHBI is engaged in the business of hotels, resorts, private clubs, restaurants, cocktail bars and other allied businesses necessary connected therewith.

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

The subsidiaries are still in their pre-operating stage and thus, have not started their commercial operations as at December 31, 2017.

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

Basis of Preparation

The consolidated 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 consolidated financial statements do not provide comparative information in respect of the previous interim period.

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

Statement of Compliance
The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) which includes statements named PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council.

Changes in Accounting Policies and Disclosures
The Company applied for the first-time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendment to PFRSs 12, *Clarification of the Scope of the Standard (*Part of *Annual Improvements* to *PFRSs 2014-2016* Cycle)

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

<u>Standards Issued but not yet Effective</u>

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

<u>Effective beginning on or after January 1, 2018</u>

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS9, Financial Instruments, with PFRS4*

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Company is currently assessing the impact of PFRS 15.

- PFRS 9, *Financial Instrument*

  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.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's application of hedge accounting and on the amount of its credit losses. The Company is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

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

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

<u>Effective beginning on or after January 1, 2019</u>

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 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 adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Current versus Noncurrent Classification

The Company presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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

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. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within a period generally established by regulation or convention in the marketplace.

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, notes and mortgage payable, due to affiliates, dividends payable, and 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 Company's principal financial instruments consist of cash. The main purpose of these financial instruments is to fund the Company's operations. The other financial assets and financial liabilities arising directly from its operations are receivables, due to from affiliates, AFS financial assets, accounts payable and accrued expenses, notes and mortgage payable, talent fees, commissions payable and dividends payable.

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

- **Credit risk**
  Credit risk, or the risk of counterparties defaulting, is controlled by the application of control and monitoring procedures. It is the Company's policy that all clients who wish to trade on credit terms are 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. The Company evaluates the concentration of risk with respect to its receivables as low, as its customers are located in several industries and operate in largely independent markets.

Gross maximum exposure to credit risk
The maximum exposure to credit risk as of March 31, 2018 and Dec. 31, 2017 is as follows:

	2018 Unaudited (3 months)	**2017 Audited (1 Year)**
Loans and receivables		
Cash in bank and cash equivalents	80,435,962	143,269,271
Receivables (net):		
Trade	297,699,271	313,979,308
Others	57,133,857	49,248,897
	435,269,090	506,497,476
Due from affiliates	252,485,724	263,019,633
	687,754,814	769,517,109
AFS financial assets	42,419,455	42,419,455
	730,174,269	811,936,564

Credit quality of financial assets
The table below summarized the credit quality of the Company's financial assets as of March 31, 2018:

	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	80,435,962				80,435,962
Receivables (net)					
Trade	45,963,900	137,891,696	113,742,282	101,393	297,699,271
Others	1,568,486	4,705,457	19,937,313	30,922,601	57,133,857
Due from affiliates		252,485,724			252,485,724
AFS financial assets		42,419,455			42,419,455
Total	127,968,348	437,502,332	133,679,595	31,023,994	730,174,269

- **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**
  Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to changes in interest rates relates primarily to its long-term debt obligations.

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. Bank loans availed as of March 31, 2018 amounted to P280,000,000.

10. The Company is organized into only one operating division – radio and television broadcasting, which is its primary activity. The Company has eight programming formats, namely: DZRH, Aksyon Radyo, Love Radio, Yes-FM, Easy Rock, Radyo Natin, RHTV and New Media which represent about 15%, 8%, 47%, 15%, 9%, 4%, 1% and 1% of the total broadcasting fee for the first three months of 2018.

11. The Company plans to earmark P50.0 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 consolidated financial statements for the interim period.

13. On December 29, 2017, the Parent Company acquired additional investments in EHRI, increasing its ownership interest from 44.44% to 80%. Consequently, the Parent Company obtained control over EHRI and its wholly-owned subsidiary, FHBI.

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 consolidated financial statements for the three months ended March 31, 2018.

MARCH 31, 2018 VS. MARCH 31, 2017

Results of Operations

The Company achieved aggregate revenue of P303.3 million during the first three months of 2018, an increase of 5.8% over the P286.7 million registered for the same period in 2017. Total costs and expenses for the three months amounted to P254.4 million, which increased by 5.4% from P241.4 million last year mainly due to service fees incurred as a result of higher revenues.

Liquidity and Capital Resources

The total assets increased to P1,753.4 million from 2017 year-end balance of P1,745.1 million. Of the total consolidated resources of P1,753.4 million, P1,051.9 million was accounted for by stockholders' equity with the balance of P701.5 million in liabilities. The increase in stockholders' equity was mainly due to net income of P34.2 million for the three months ended March 31, 2018. 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	
		2018	**2017**
1.	Return on sales (ROS)		
	Net income	34,227,000	31,664,646
	Divide by: Sales	303,329,157	286,671,794
	ROS	**11.28%**	**11.05%**
2.	Earnings Per Share (EPS)		
	Net income	34,227,000	31,664,646
	Divide by: No. of Shares Outstanding	402,682,990	402,682,990
	EPS	**0.085**	**0.078**
3.	Current Ratio		
	Current assets	859,091,404	631,154,992
	Divide by: Current liabilities	379,533,457	329,762,635
	Current Ratio	**2.264**	**1.914**
4.	Debt-Equity Ratio		
	Total liabilities	701,459,706	383,293,640
	Divide by: Total stockholders' equity	1,051,986,794	955,833,163
	Debt-Equity Ratio	**0.667**	**0.401**

5.	Book Value Per Share		
	Equity attributable to the Equity Holders of the Parent Company	945,975,707	955,833,163
	Divide by: No. of shares outstanding	402,682,990	402,682,990
	Book Value Per Share	**2.349**	**2.374**
6.	Asset to Equity Ratio		
	Total stockholders' equity	1,051,986,794	955,833,163
	Divide by: Total assets	1,753,446,501	1,339,126,803
	Asset to Equity Ratio	**0.600**	**0.714**

Discussion on Key Performance Indicators

1. Return on sales increased from 11.05% to 11.28%. This is an indication that higher profits were generated by the company in its revenue during the period.

2. EPS increased from P0.078 to P0.085 per share. It is mainly due to the increase in reported net income during the period, with the number of shares outstanding remaining constant.

3. The current ratio increased to 2.264:1 from 1.914:1. At this current level, the Company will be capable of meeting its maturing obligations on time.

4. The debt-equity ratio increased from 0.401 to 0.667. At this level, the company is not highly leveraged and has capacity for increasing its credit lines.

5. The book value (BV) per share decreased to 2.349 from 2.374 mainly due to the decrease in the Company's stockholders' equity for the period with the number of outstanding shares remaining constant.

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 0.600 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 P62.8 million or 43.9% from 143.3 million in 2017 to P80.4 million in 2018. It is mainly due to advances made by affiliated companies, capital expenditures and settlement of maturing obligations.

2. Receivables – net decreased by P8.4 million. The Company normally extends a 60-day credit term to advertising agency and/or advertisers.

3. 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 P252.5 million.

4. Prepaid expenses and other current assets increased from P150.6 million in 2017 to P167.9 million in 2018 due to deposits made to various suppliers in the construction of hotel in Boracay.

5. Property and Equipment - net at cost increased by P80.5 million mainly due to the on-going expenditures of the company such as purchase and construction of new FM transmitters, head office extension and improvements and construction of hotel in Boracay.

6. Intangible Asset arose from the Company's acquisition of DWRK. The decrease of P2.9 million represents amortization costs during the period.

7. Accounts payable and accrued expenses decreased by P54.3 million mainly due to settlement of maturing obligations.

8. Dividends payable decreased by P2.8 million as a result of payments made to stockholders.

9. Income tax payable increased by P3.5 million mainly due to the provision for income tax for the 1st quarter of 2018. The year-end balances of P6.1 million were subsequently paid in April 2018.

10. Retained Earnings increased by P28.0 million mainly due to 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 10.23 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.