



**MANILA
BROADCASTING
COMPANY**

November 13, 2019

PHILIPPINE STOCK EXCHANGE

6TH floor, PSE Tower
28th Street corner 5th Avenue
Bonifacio Global City, Taguig City


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 September 30, 2019.

We trust you will find everything in order.

Very truly yours,


EDUARDO G. CORDOVA
SVP - CFO





111142019002019



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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Company Type Stock Corporation

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COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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

MR. EDUARDO G. CORDOVA

Contact Person

832-61-49

Company Telephone Number

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Month

3	1
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Day

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FORM TYPE

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Month

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Day

Fiscal Year

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

Top be accomplished by SEC Personnel concerned

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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: **September 30, 2019**
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	P1,056,848,166

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 September 30, 2019.

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.

MANILA BROADCASTING COMPANY AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION

As of September 30, 2019 and December 31, 2018

	2019 Unaudited (9 Months)	2018 Audited (1 Year)
ASSETS		
Current Assets		
Cash and cash equivalents	78,344,619	61,501,006
Receivables - net	360,101,242	346,727,551
Due from affiliates	375,519,117	313,716,889
Materials and supplies - net	4,828,530	5,244,616
Prepaid expenses and other current assets	99,645,834	81,527,595
Total Current Assets	918,439,341	808,717,657
Noncurrent Assets		
Financial assets at FVOCI	164,532,562	164,532,562
Investment in an Subsidiary	-	-
Property and Equipment - net		
At cost	821,969,605	786,700,127
At revalued amount	288,515,500	288,374,500
Pension asset - net	7,512,744	7,512,744
Investment Properties - net	43,162,500	43,162,500
Intangible assets - net	23,629,973	32,491,220
Goodwill	38,016,206	38,016,206
Advances to Suppliers	101,478,917	67,879,520
Deferred tax assets	10,058,110	10,058,110
Other Noncurrent Assets	34,642,657	32,492,066
Total Noncurrent Assets	1,533,518,774	1,471,219,555
TOTAL ASSETS	2,451,958,116	2,279,937,212
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term loans	48,000,000	48,000,000
Accounts payable & accrued expenses	398,513,813	401,563,089
Contract liabilities	57,129,229	20,837,452
Dividends payable	8,254,044	22,573,826
Income tax payable	15,314,878	7,345,829
Current portion of long-term debt	32,853,998	32,853,998
Total Current Liabilities	560,065,961	533,174,194
Noncurrent Liabilities		
Long-term debt	360,890,590	315,550,590
Accrued separation costs	29,436,574	29,436,574
Accrued rent	2,022,478	2,022,478
Deferred income tax liabilities - net	104,432,563	98,712,611
Total Noncurrent Liabilities	496,782,205	445,722,253
Total Liabilities	1,056,848,166	978,896,447
Equity		
Capital stock	402,803,777	402,803,777
Additional paid-in capital	79,354	79,354
Revaluation increment on land	194,584,814	194,584,814
Reserve for fluctuation in fair value of financial assets at FVOCI	124,761,158	124,761,158
Remeasurement gain on accrued retirement benefits	38,489,660	38,489,661
Retained earnings	444,053,314	346,389,469
Treasury stock (at cost)	- 120,787	- 120,787
Total Equity	1,204,651,290	1,106,987,446
Non-controlling Interest	190,458,655	194,053,319
Total Equity	1,395,109,945	1,301,040,765
TOTAL LIABILITIES & EQUITY	2,451,958,116	2,279,937,212

MANILA BROADCASTING COMPANY AND SUBSIDIARIES**STATEMENTS OF COMPREHENSIVE INCOME**For the Nine Months ended September 30, 2019 and 2018
Tentative and Unaudited

	2019	2018	2019	2018
	(9 Months)	(9 Months)	(July - September)	(July - September)
REVENUE	800,403,222	785,576,726	257,918,556	254,515,899
COST OF SERVICES	- 449,702,740 -	475,554,292 -	125,587,368 -	150,444,491
GROSS PROFIT	350,700,482	310,022,434	132,331,189	104,071,408
OPERATING EXPENSES	- 216,984,399 -	182,393,332 -	81,616,548 -	65,350,170
OTHER INCOME (EXPENSES)				
Interest expense on loans	- -	7,521,436	- -	4,619,990
Rental income	6,208,374	6,332,032	2,089,230	1,958,320
Interest income	43,292	108,247	8,309	17,086
Other income	2,119,648	2,389,528	666,328	1,201,032
	8,371,314	1,308,372	2,763,867 -	1,443,551
INCOME BEFORE INCOME TAX	142,087,396	128,937,474	53,478,508	37,277,686
PROVISION FOR INCOME TAX	- 44,423,551 -	38,681,242 -	17,840,884 -	11,183,306
NET INCOME	97,663,846	90,256,231	35,637,624	26,094,380
Basic/Diluted Earnings Per Share	0.24	0.22	0.09	0.06

MANILA BROADCASTING COMPANY AND SUBSIDIARIES**STATEMENTS OF CASH FLOWS**

For the Nine Months ended September 30, 2019 and 2018
Tentative and Unaudited

	2019	2018
	(9 Months)	(9 Months)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	97,663,846	90,256,231
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,835,333	21,005,424
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	- 13,373,691	- 103,197,964
Due from affiliates	- 61,802,228	- 127,868,522
Materials and supplies	416,086	- 3,448,905
Prepaid expenses and other current assets	- 18,118,239	29,191,754
Increase (decrease) in:		
Accounts payable and accrued expenses	33,242,500	- 35,058,367
Income tax payable	13,689,001	7,723,699
Net cash provided by operating activities	75,552,609	- 121,396,650
CASH FLOWS FROM INVESTING ACTIVITIES		
Net addition to property, equipment & investment properties	- 53,979,227	- 235,205,056
Other non-current assets	- 2,150,591	24,137,268
Accrued retirement benefits	-	- 35,301,863
Advances to Suppliers	- 33,599,397	107,932,892
Cash used in investing activities	- 89,729,215	- 138,436,759
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends Paid	- 14,319,782	- 12,767,591
Notes & Mortgage Payable	45,340,000	175,000,000
Net cash provided by (used in) financing activities	31,020,218	162,232,410
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,843,612	- 97,600,999
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	61,501,006	143,269,271
CASH AND CASH EQUIVALENTS AT END OF YEAR	78,344,619	45,668,272

MANILA BROADCASTING COMPANY AND SUBSIDIARIES

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For Nine Months ended September 30, 2019 and 2018

	Capital Stock	Additional Paid-in Capital	Revaluation Increment in Land	Reserve for Fluctuation in Available for-sale Financial Assets	Reserve for Fluctuation in Fair Value of Financial Assets at FVOCI	Remeasurement Gain on Accrued Retirement Benefits	Retained Earnings	Treasury Stock	Total	Non-controlling Interest	Total
Bal. At December 31, 2018	402,803,777	79,354	194,584,814	-	124,761,158	38,489,661	346,389,469	(120,787)	1,106,987,446	194,053,319	1,301,040,765
Net Income Jan - September, 2019							97,663,846		97,663,846		97,663,846
Effect of Consolidation										(3,594,664)	(3,594,664)
Balances at September 30, 2019	402,803,777	79,354	194,584,814	-	124,761,158	38,489,661	444,053,315	(120,787)	1,204,651,292	190,458,655	1,395,109,945
Bal. At December 31, 2017	402,803,777	79,354	147,825,794	90,000	-	27,861,329	347,038,487	(120,787)	925,577,954	106,985,723	1,032,563,677
Effect of business combination under common control							9,958,561		9,958,561	(4,514,206)	5,444,355
Net Income Jan - September, 2018							90,256,231		90,256,231		90,256,231
Balances at September 30, 2018	402,803,777	79,354	147,825,794	90,000	-	27,861,329	447,253,279	(120,787)	1,025,792,746	102,471,517	1,128,264,263

MANILA BROADCASTING COMPANY AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE

For Nine Months ended September 30, 2019 and 2018

In Thousands of Pesos

September 30, 2019

	Neither Past Due nor Impaired	Age Analysis of Past Due but not Impaired				Past Due and Impaired	Allowance	TOTAL
		<30 days	31 - 60 days	61 - 90 days	91 - 120 days			
Trade	202,098	66,952	40,391	23,178	6,290 -	10,949 -	22,432	305,528
Others	11,709	3,799	891	23	4,632	41,050 -	7,531	54,573
TOTAL	213,807	70,751	41,282	23,201	10,922	30,101 -	29,963	360,101

September 30, 2018

	Neither Past Due nor Impaired	Age Analysis of Past Due but not Impaired				Past Due and Impaired	Allowance	TOTAL
		<30 days	31 - 60 days	61 - 90 days	91 - 120 days			
Trade	190,572	59,943	32,020	10,043	5,268	27,360 -	62,253	262,953
Others	12,621	2,150	2,503	6,166	2,191	2,991 -	7,531	21,091
TOTAL	203,193	62,093	34,523	16,209	7,459	30,351 -	69,784	284,044

MANILA BROADCASTING COMPANY AND SUBSIDIARIES
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.

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.

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

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

❖ *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to

PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

❖ PFRS 9, *Financial Instruments*

PFRS 9, *Financial Instruments*, replaces PAS 39, *Financial Instruments: Recognition and Measurement*, for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied PFRS 9 with an initial application date of January 1, 2018. The Company has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other comprehensive income (OCI).

❖ PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

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

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at FVPL. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

❖ 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. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

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

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

Effective beginning on or after January 1, 2019

❖ Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are 'SPPI on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

❖ PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company is currently assessing the impact of PFRS 16.

❖ *Amendments to PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- a. Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- b. Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in OCI.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

❖ Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

❖ Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Annual Improvements to PFRSs 2015-2017 Cycle

❖ Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Company but may apply to future transactions.

❖ PAS 12, *Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, OCI or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

❖ Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, OCI or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

❖ Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Effective beginning on or after January 1, 2021

❖ PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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.

Non-controlling Interests

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

Business Combination Involving Entities under Common Control

Business combinations in which all the combining entities within the 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 interest method.

The general requirements of pooling of interest 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 September 30, 2019 and Dec. 31, 2018 is as follows:

	2019 Unaudited (9 months)	2018 Audited (1 year)
Loans and receivables		
Cash in bank and cash equivalents	78,344,619	61,501,006
Receivables (net):		
Trade	305,528,079	289,368,750
Others	<u>54,573,163</u>	<u>57,358,801</u>
	438,445,861	408,228,557
Due from affiliates	375,519,117	313,716,889
	<u>813,964,978</u>	<u>721,945,446</u>

Credit quality of financial assets

The table below summarized the credit quality of the Company's financial assets as of September 30, 2019:

	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	78,344,619	-	-	-	78,344,619
Receivables (net)					
Trade	57,610,291	143,441,867	124,257,735	(19,781,814)	305,528,079
Others	6,028,267	5,303,783	4,827,005	38,414,109	54,573,163
Due from affiliates	-	375,519,117	-	-	375,519,117
TOTAL	141,983,177	524,264,767	129,084,740	18,632,295	813,964,978

- **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 September 30, 2019 amounted to P441 million.
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 13%, 7%, 50%, 14%, 11%, 4%, 1% and 0.1% of the total broadcasting fee for the first nine months of 2019.
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 28, 2018, the Parent Company acquired additional investments in EHRI, increasing its ownership interest from 640,000 common shares to 800,000 common shares. 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 nine months ended September 30, 2019.

SEPTEMBER 30, 2019 VS. SEPTEMBER 30, 2018

Results of Operations

The Company achieved aggregate revenue of P800.4 million during the first nine months of 2019, an increase of 2.95% over the P785.6 million registered for the same period in 2018. Total costs and expenses for the nine months amounted to P666.7 million, which increased by 0.18% from P665.5 million last year.

Liquidity and Capital Resources

The total assets increased to P2.4 billion from 2018 year-end balance of P2.3 billion. Of the total consolidated resources of P2.4 billion, P1.4 billion was accounted for by stockholders' equity with the balance of P1.0 billion in liabilities. 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 - September	
	2019	2018
1. Return on Sales (ROS)		
Net income	97,663,846	90,256,231
Divide by: Sales	800,403,222	785,576,726
ROS	12.20%	11.49%
2. Earnings per Share (EPS)		
Net income	97,663,846	90,256,231
Divide by: No. of Shares Outstanding	402,682,990	402,682,990
EPS	0.243	0.224
3. Current Ratio		
Current assets	918,439,341	948,987,822
Divide by: Current liabilities	560,065,961	394,447,751
CURRENT RATIO	1.640	2.406
4. Debt-Equity Ratio		
Total Liabilities	1,056,848,166	837,813,413
Divide by: Total Stockholders' Equity	1,395,109,945	1,128,264,264
DEBT-EQUITY RATIO	0.758	0.743
5. Book Value per Share		
Equity attributable to the equity Holders of the Parent Company	1,204,651,290	1,025,792,746
Divide by: No. of Shares Outstanding	402,682,990	402,682,990
BOOK VALUE PER SHARE	2.992	2.547
6. Asset to Equity Ratio		
Total Stockholders' Equity	1,395,109,945	1,128,264,264
Divide by: Total Assets	2,451,958,116	1,966,077,681
ASSET TO EQUITY RATIO	0.569	0.574

Discussion on Key Performance Indicators

1. Return on sales increased from 11.49% to 12.20%. It is mainly due to the increase in reported net income during the period.
2. EPS increased from P0.224 to P0.243 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 decreased to 1.640:1 from 2.406:1 mainly due to the decrease in current assets. At this current level, the Company is still capable of meeting its maturing obligation on time.
4. The debt-equity ratio increased from 0.743 to 0.758. At this level, the company is not highly leveraged and has capacity for increasing its credit lines.
5. The book value (BV) per share increased to 2.992 from 2.547 mainly due to the increase in equity during the year as a result of the impact of the adoption of PFRS 9 with the number of outstanding shares remaining constant. The increase in book value per share is a positive indication since this amount exceeds by 1.992 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 0.569 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 increased by P16.8 million or 27.39% from P61.5 million in 2018 to P78.3 million in 2019.
2. Receivables – net increased by P13.4 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 third quarter amounted to P375.5 million.
4. Prepaid expenses and other current assets increased from P81.5 million in 2018 to P99.6 million in 2019 due to deposits made to various suppliers in the construction of hotel building in Boracay Island.
5. Property and Equipment - net at cost increased by P35.3 million mainly due to the increase in 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 P8.9 million represents amortization costs during the period.

7. Accounts payable and accrued expenses increased by P33.2 million or 7.87% mainly due to accruals made by the Company and higher amount due to suppliers related to construction of hotel in Boracay.
8. Dividends payable decreased by P14.3 million as a result of payments made to stockholders.
9. Income tax payable increased by P13.7 million mainly due to the provision for income tax for the 3rd quarter of 2019. The year-end balances of P7.3 million were subsequently paid in April 2019.
10. Retained Earnings increased by P97.7 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 is no other information not previously reported in SEC Form 17-C that need to be reported in this section.



**MANILA
BROADCASTING
COMPANY**

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. EDUARDO G. CORDOVA
SVP – Chief Finance Officer

Date: November 13, 2019 