

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

8832-6149

Company Telephone Number

1	2	3	1
Month		Day	
Fiscal Year			

1	7	-	Q
<i>FORM TYPE</i>			

QUARTERLY REPORT

Month		Day	
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

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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November 13, 2020

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, 2020.

We trust you will find everything in order.

Very truly yours,


EDUARDO G. CORDOVA
SVP – CFO



November 13, 2020

SECURITIES AND EXCHANGE COMMISSION

Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
Director – Markets and Securities Regulation Department

Gentlemen:

We are submitting herewith the Quarterly Report (SEC Form 17-Q) of Manila Broadcasting Company for the quarter ended September 30, 2020.

We trust you will find everything in order.

Very truly yours,


EDUARDO G. CORDOVA
SVP - CFO

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 fiscal year ended: **September 30, 2020**
2. SEC Identification Number: **1674**
3. BIR Tax Identification Number: **000-479-027-000**
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. _____ (SEC use only) Industry classification code:
7. Address of principal office / postal code:
MBC Bldg., Vicente Sotto St., CCP Complex, Pasay City, 1307, Philippines
8. Issuer's telephone number, including area code: **(02) 8832-6150**
9. Former address:
No change in name and address since last report
10. Securities registered pursuant to Section 8 and 12 of the SRC, or Section 4 and 8 of the
RSA:

COMMON SHARES	402,682,990
TOTAL LIABILITIES	1,177,952,789

11. Are any or all of these securities listed on a Stock Exchange:

Yes [] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

PHILIPPINE STOCK EXCHANGE - **Common Shares**

12. Check whether the issuer:

- a. Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA rule 11(a)-1 thereunder, and Section 177 of the Revised Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that 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 []

MANILA BROADCASTING COMPANY AND SUBSIDIARIES**STATEMENTS OF FINANCIAL POSITION**

As of September 30, 2020 and December 31, 2019

	2020 Unaudited	2019 Audited
	(9 Months)	(1 Year)
ASSETS		
Current Assets		
Cash and cash equivalents	161,974,801	262,517,481
Receivables - net	486,919,309	441,991,507
Due from affiliates	285,427,621	140,037,302
Inventories	6,035,765	6,693,753
Materials and supplies - net	4,638,339	4,600,342
Prepaid expenses and other current assets	101,386,472	93,328,177
Total Current Assets	1,046,382,308	949,168,562
Noncurrent Assets		
Financial assets at FVOCI	166,274,441	166,274,441
Property and Equipment - net		
At cost	883,287,072	988,388,139
At revalued amount	301,798,400	299,114,400
Retirement benefits asset - net	7,686,266	7,686,266
Investment Properties - net	43,162,500	43,162,500
Intangible assets - net	11,814,977	20,676,224
Goodwill	38,016,206	38,016,206
Advances to Suppliers	89,828,330	57,862,540
Deferred tax assets	6,355,402	6,355,402
Other Noncurrent Assets	30,200,777	33,215,856
Total Noncurrent Assets	1,578,424,372	1,660,751,974
TOTAL ASSETS	2,624,806,680	2,609,920,536
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term loans	124,500,000	137,000,000
Accounts payable & accrued expenses	473,664,078	484,257,871
Contract liabilities	34,557,336	34,557,336
Dividends payable	7,957,092	8,254,044
Income tax payable	5,168,969	18,998,189
Current portion of long-term debt	66,234,505	66,234,505
Current portion of lease liabilities	48,755,197	15,719,734
Total Current Liabilities	760,837,178	765,021,679
Noncurrent Liabilities		
Long-term debt	279,340,547	249,320,547
Lease liabilities - net of current portion	13,001,758	50,473,361
Accrued separation costs	29,336,305	29,336,305
Deferred income tax liabilities - net	95,437,001	106,974,236
Total Noncurrent Liabilities	417,115,611	436,104,449
Total Liabilities	1,177,952,789	1,201,126,128

Equity

Capital stock	402,803,777	402,803,777
Additional paid-in capital	79,354	79,354
Revaluation increment on land	200,212,744	200,212,744
Reserve for fluctuation in fair value of financial assets at FVOCI	126,241,756	126,241,755
Remeasurement gain on accrued retirement benefits	43,398,974	43,398,974
Retained earnings		
Unappropriated	402,056,186	354,810,636
Appropriated	100,000,000	100,000,000
Treasury stock (at cost)	- 120,787 -	120,787
	1,274,672,004	1,227,426,453
Non-controlling Interest	172,181,887	181,367,955
Total Equity	1,446,853,891	1,408,794,408
TOTAL LIABILITIES & EQUITY	2,624,806,680	2,609,920,536

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

For the Nine Months ended September 30, 2020 and 2019

Tentative and Unaudited

	2020 (9 Months)	2019 (9 Months)	2020 (July - September)	2019 (July - September)
REVENUE	545,458,140	800,403,222	187,152,492	252,869,037
COST OF SERVICES	- 247,054,508 -	449,702,740 -	66,510,289 -	103,604,643
GROSS PROFIT	298,403,632	350,700,482	120,642,203	149,264,394
OPERATING EXPENSES	- 233,921,108 -	216,984,399 -	94,374,685 -	91,599,272
OTHER INCOME (EXPENSES)				
Interest expense	- 3,552,345	- -	1,509,700	41,841
Rental income	5,828,087	6,208,374	5,345	2,089,230
Interest income	917,549	43,292	165,277	8,309
Other income	- 55,101	2,119,648 -	114,885	666,328
	3,138,190	8,371,314 -	1,453,963	2,805,708
INCOME BEFORE INCOME TAX	67,620,714	142,087,397	24,813,555	60,470,830
PROVISION FOR INCOME TAX	- 20,375,161 -	44,423,551 -	8,494,822 -	15,380,578
NET INCOME	47,245,553	97,663,846	16,318,733	45,090,252
Basic/Diluted Earnings Per Share	0.12	0.24	0.04	0.11

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

For the Nine Months ended September 30, 2020 and 2019

Tentative and Unaudited

	2020	2019
	(9 Months)	(9 Months)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	47,245,553	97,663,846
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	54,946,650	23,835,333
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	- 44,927,802	13,373,691
Due from affiliates	- 145,390,319	61,802,228
Inventories	657,988	-
Materials and supplies	- 37,997	416,086
Prepaid expenses and other current assets	- 8,058,295	18,118,239
Advances to Suppliers	- 31,965,790	33,599,397
Increase (decrease) in:		
Accounts payable and accrued expenses	- 10,593,793	33,242,500
Income tax payable	- 25,366,455	13,689,001
Net cash provided by operating activities	- 163,490,260	41,953,211
CASH FLOWS FROM INVESTING ACTIVITIES		
Net addition to property, equipment & investment properties	47,145,592	53,979,227
Other non-current assets	3,015,079	2,150,591
Cash used in investing activities	50,160,670	56,129,818
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends Paid	- 296,952	14,319,782
Long-term debt	17,520,000	45,340,000
Lease liabilities	- 4,436,140	-
Net cash provided by (used in) financing activities	12,786,908	31,020,218
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	- 100,542,682	16,843,611
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	262,517,481	61,501,006
CASH AND CASH EQUIVALENTS AT END OF YEAR	161,974,801	78,344,621

MANILA BROADCASTING COMPANY AND SUBSIDIARIES

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For Nine Months ended September 30, 2020 and 2019
Tentative and Unaudited

	Capital Stock	Additional Paid-in Capital	Revaluation Increment in Land	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, 2019	402,803,777	79,354	200,212,744	126,241,755	43,398,974	454,810,636	(120,787)	1,227,426,453	181,367,955	1,408,794,408
Net Income Jan - September 2020						47,245,553		47,245,553		47,245,553
Non-controlling interest									(9,186,068)	(9,186,068)
Balances at September 30, 2020	402,803,777	79,354	200,212,744	126,241,755	43,398,974	502,056,189	(120,787)	1,274,672,007	172,181,887	1,446,853,893
Bal. At December 31, 2018	402,803,777	79,354	194,584,814	124,761,158	38,489,660	346,389,469	(120,787)	1,106,987,445	194,053,319	1,301,040,764
Net Income Jan - September 2019						97,663,846		97,663,846		97,663,846
Non-controlling interest									(3,594,665)	(3,594,665)
Balances at September 30, 2019	402,803,777	79,354	194,584,814	124,761,158	38,489,660	444,053,315	(120,787)	1,204,651,291	190,458,654	1,395,109,945

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

For Nine Months ended September 30, 2020 and 2019

In Thousands of Pesos

September 30, 2020

	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	154,874	89,567	65,253	44,090	43,478	44,123 -	23,032	418,353
Others	39,689	20,135	7,277	4,052	2,005	2,939 -	7,531	68,566
TOTAL	194,563	109,702	72,530	48,142	45,483	47,062 -	30,563	486,919

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	180,200	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	191,909	70,751	41,282	23,201	10,922	51,999 -	29,963	360,101

MANILA BROADCASTING COMPANY AND SUBSIDIARIES
NOTES TO 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)

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.

EHRI and FHBI started its commercial operations on January 3, 2019 and July 26, 2019, respectively.

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 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, 2019. Adoption of these pronouncements did not have a significant impact on the Company's financial position or performance unless otherwise indicated.

❖ PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

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. Therefore, PFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC 4.

Leases previously accounted for as operating leases

The Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short term leases and leases of low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of

incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

❖ 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.

❖ 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.

Standards Issued but not yet Effective

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2023

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between 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.

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, 2020 and Dec. 31, 2019 is as follows:

	2020 Unaudited (9 months)	2019 Audited (1 year)
Loans and receivables		
Cash in bank and cash equivalents	161,974,801	262,517,481
Receivables (net):		
Trade	418,352,879	388,566,307
Others	<u>68,566,430</u>	<u>53,425,200</u>
	648,894,110	704,508,988
Due from affiliates	285,427,621	140,037,302
	<u>934,321,731</u>	<u>844,546,290</u>

Credit quality of financial assets

The table below summarized the credit quality of the Company's financial assets as of September 30, 2020:

	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	161,974,801	-	-	-	161,974,801
Receivables (net)					
Trade	21,741,789	132,901,570	240,085,062	23,624,459	418,352,880
Others	7,204,848	31,046,498	27,815,092	2,499,992	68,566,430
Due from affiliates	-	285,427,621	-	-	285,427,621
TOTAL	190,921,438	449,375,689	267,900,154	26,124,451	934,321,731

- **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, 2020 amounted to P476.5 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%, 6%, 52%, 14%, 8%, 5%, 1% and 1% of the total broadcasting fee for the first nine months of 2020.
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. There are no changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.
14. On April 26, 2020 and May 5, 2020, the Company received a sum of P35.0 million in advance from insurance companies.
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. The COVID-19 pandemic had a material impact on the net sales of the Company.
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, 2020.

SEPTEMBER 30, 2020 VS. SEPTEMBER 30, 2019

Results of Operations

The Company achieved aggregate revenue of P545.5 million during the first nine months of 2020, a decrease of 31.85% over the P800.4 million registered for the same period in 2019. Total costs and expenses for the nine months amounted to P484.5 million, which decreased by 27.32% from P666.7 million last year. The consolidated net income amounted to P47.2 million for the nine months ended September 30, 2020.

Liquidity and Capital Resources

The total assets increased to P2,624.8 billion from 2019 year-end balance of P2,610.0 billion. Of the total consolidated resources of P2,624.8 billion, P1,446.9 billion was accounted for by stockholders' equity with the balance of P1,178.0 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	
	2020	2019
1. Return on Sales (ROS)		
Net income	47,245,553	97,663,846
Divide by: Sales	545,458,140	800,403,222
ROS	8.66%	12.20%

2. Earnings per Share (EPS)		
Net income	47,245,553	97,663,846
Divide by: No. of Shares Outstanding	402,682,990	402,682,990
EPS	0.117	0.243
3. Current Ratio		
Current assets	1,046,382,308	918,439,341
Divide by: Current liabilities	760,837,178	560,065,961
CURRENT RATIO	1.375	1.640
4. Debt-Equity Ratio		
Total Liabilities	1,177,952,789	1,056,848,166
Divide by: Total Stockholders' Equity	1,446,853,891	1,395,109,945
DEBT-EQUITY RATIO	0.814	0.758
5. Asset to Equity Ratio		
Total Stockholders' Equity	1,446,853,891	1,056,848,166
Divide by: Total Assets	2,624,806,680	2,451,958,116
ASSET TO EQUITY RATIO	0.551	0.431

Discussion on Key Performance Indicators

- Return on sales decreased from 12.20% to 8.66%. It is mainly due to the decrease in net income as a result of significant drop in revenues brought by the COVID-19 pandemic.
- EPS decreased from P0.243 to P0.117 per share. It is mainly due to the decrease in reported net income during the period, with the number of shares outstanding remaining constant.
- The current ratio decreased to 1.375:1 from 1.640:1. At this current level, the Company is still capable of meeting its maturing obligation on time.
- The debt-equity ratio increased from 0.758 to 0.814. At this level, the company is not highly leveraged and has capacity for increasing its credit lines.
- 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 0.551 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 P100.5 million or 38.30% from P262.5 million in 2019 to P162.0 million in 2020. This was mainly due to the capital expenditures and advances to affiliated companies.
2. Receivables – net increased by P44.9 million. This was mainly due to the industry-wide slowing down in the collection as a result of the pandemic.
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 as of end of September 30, 2020 amounted to P285.4 million.
4. Prepaid expenses and other current assets increased from P93.3 million in 2019 to P101.4 million in 2020 due to deposits made to various suppliers in the construction of hotel building in Boracay Island.
5. Property and Equipment decreased from P988.4 million in 2019 to P883.3 million in 2020 as a result of the adjustment made by Feliz Hotel Boracay, Inc. in its Property and Equipment account balance.
6. Intangible Asset arose from the Company's acquisition of DWRK. The decrease of P8.9 million represents amortization costs during the period.
7. Advances to suppliers increased to P89.8 million in 2020 from P57.9 million in 2019 mainly due to advances made to contractors of EHRI/FHBI for its various projects.
8. Retained Earnings increased by P47.2 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.



SIGNATURE

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: 
EDUARDO G. CORDOVA
SVP – CFO

Date: November 13, 2020