MANILA BROADCASTING COMPANY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR THE FINANCIAL STATEMENTS

The Management of **MANILA BROADCASTING COMPANY** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended December 31, 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co. (SGV & Co.), the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of the presentation upon completion of such audit.

FEDERICO J. ELIZALDE
Chairman of the Board

RUPERTO S. NICDAO, JR.
President

EDUARDO G. CORDOVA
SVP – Chief Finance Officer

MARVEL K. TAN
Audit Committee Chairman/Independent Director

SUBSCRIBED AND SWORN to before me on MAY 16 2022 at CITY OF MANILA, Affiant(s) exhibiting to me their Community Tax Certificates and Senior Citizen ID, as follows:

NAMES	CTC / OSCA NO.	DATE OF ISSUE	PLACE OF ISSUE
FEDERICO J. ELIZALDE	15352627	January 20, 2022	Pasay City
RUPERTO S. NICDAO, JR.	15352783	January 20, 2022	Pasay City
EDUARDO G. CORDOVA	15359227	January 27, 2022	Pasay City
MARVEL K. TAN	OSCA 06215-H	June 9, 2014	Quezon City

Doc No. 71
Page No. 16
Book No. VI
Series of 2022.

ATTY. HENRY D. ADASA
NOTARY PUBLIC CITY OF MANILA
NOTARIAL COMMISSION 2020-097 / 12/31/2021 Manila
IBP NO. [illegible] - 01/03/2022, PASIG
PTR NO. [illegible] - 01/05/2022 MLA
ROLL NO. [illegible]
MCLE COMPL. NO. VI [illegible]
URBAN DECA HOMES MANILA, [illegible]
UNDER SUPREME COURT B.M. NO. 3795 [illegible]

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	0	1	6	7	4

C O M P A N Y   N A M E

MANILA BROADCASTING COMPANY

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

MBC BUILDING, V. SOTTO STREET,
CCP COMPLEX, PASAY CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	832-6127	-

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
604	10/7	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Eduardo G. Cordova	edcor@mbcradio.net	832-6149	-

CONTACT PERSON's ADDRESS

MBC Building, V. Sotto Street, CCP Complex, Pasay City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Manila Broadcasting Company
MBC Building, V. Sotto Street
CCP Complex, Pasay City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Manila Broadcasting Company (the Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 28 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Manila Broadcasting Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Maria Pilar B. Hernandez.

SYCIP GORRES VELAYO & CO.

Maria Pilar B. Hernandez

Maria Pilar B. Hernandez
Partner
CPA Certificate No. 105007
Tax Identification No. 214-318-972
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 105007-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-116-2022, January 20, 2022, valid until January 19, 2025
PTR No. 8853500, January 3, 2022, Makati City

May 16, 2022

MANILA BROADCASTING COMPANY

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash (Notes 5, 23 and 26)	**₱186,958,386**	₱311,228,305
Receivables (Notes 6, 23 and 26)	**427,154,885**	513,443,239
Due from related parties (Notes 14, 23, 25 and 26)	**209,636,879**	109,412,637
Materials and supplies (net of allowance for inventory obsolescence of ₱3,916,316 and ₱920,199 in 2021 and 2020, respectively)	**1,877,226**	4,186,206
Prepaid expenses and other current assets	**4,658,537**	4,501,174
Total Current Assets	**830,285,913**	942,771,561
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 7, 23, and 26)	**289,627,071**	245,656,383
Investment in a subsidiary (Note 8)	**800,000,000**	800,000,000
Property and equipment (Notes 9, 22 and 26):		
At cost	**192,692,500**	116,751,633
At revalued amount	**412,663,500**	399,135,600
Investment properties (Notes 10 and 26)	**43,162,500**	43,162,500
Pension asset - net (Note 20)	**2,907,511**	5,306,699
Intangible assets (Note 11)	–	8,861,228
Goodwill (Note 11)	**38,016,206**	38,016,206
Other noncurrent assets (Note 23)	**32,434,733**	29,406,868
Total Noncurrent Assets	**1,811,504,021**	1,686,297,117
TOTAL ASSETS	**₱2,641,789,934**	₱2,629,068,678
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Notes 12, 23, 24 and 26)	**₱131,000,000**	₱144,500,000
Current portion of long-term debt (Notes 12, 23, 24 and 26)	**66,319,605**	66,319,605
Accounts payable and accrued expenses (Notes 13 14, 23 and 26)	**391,564,284**	423,257,162
Contract liabilities (Note 17)	**61,307,818**	34,854,062
Current portion of lease liabilities (Notes 22, 23, 24 and 26)	**9,324,006**	6,795,218
Income tax payable	**12,161,377**	31,641,081
Dividends payable (Notes 14, 23 and 26)	**22,276,875**	7,957,092
Total Current Liabilities	**693,953,965**	715,324,220
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 12, 23, 24 and 26)	**116,591,906**	182,999,725
Lease liabilities - net of current portion (Notes 22, 23, 24 and 26)	**8,848,211**	10,110,695
Accrued separation costs	**24,257,595**	24,257,595
Deferred tax liabilities - net (Note 21)	**135,340,580**	136,059,076
Total Noncurrent Liabilities	**285,038,292**	353,427,091
Total Liabilities	**978,992,257**	1,068,751,311
Equity		
Capital stock (Note 15)	**402,803,777**	402,803,777
Additional paid-in capital	**79,354**	79,354
Treasury shares - at cost (Note 15)	**(120,787)**	(120,787)
Retained earnings: (Note 16)		
Unappropriated (Note 16)	**481,020,679**	451,078,580
Appropriated (Note 16)	**200,000,000**	200,000,000
Revaluation increment on land (Note 9)	**297,654,980**	268,348,784
Reserve for fluctuation in fair value of financial assets at FVOCI (Note 7)	**231,101,989**	193,716,406
Remeasurement gain on accrued retirement benefits (Note 20)	**50,257,685**	44,411,253
Total Equity	**1,662,797,677**	1,560,317,367
TOTAL LIABILITIES AND EQUITY	**₱2,641,789,934**	₱2,629,068,678

See accompanying Notes to Parent Company Financial Statements.

MANILA BROADCASTING COMPANY
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
REVENUE (Note 17)	**₱973,613,399**	₱862,693,924
COST OF SERVICES (Notes 9, 14, 18, 20 and 22)	**(579,950,159)**	(452,564,731)
GROSS PROFIT	**393,663,240**	410,129,193
OPERATING EXPENSES (Notes 9, 10, 11, 14, 18, 19 and 20)	**(226,869,160)**	(219,510,281)
OTHER INCOME (EXPENSES)		
Income from insurance claims	**36,294,364**	35,015,131
Interest expense (Notes 12 and 22)	**(13,207,490)**	(20,292,610)
Rental income (Note 10)	**9,313,493**	8,051,867
Interest income (Note 5)	**242,176**	1,121,303
Other income (loss) – net	**2,411,061**	(242,134)
	35,053,604	23,653,557
INCOME BEFORE INCOME TAX	**201,847,684**	214,272,469
PROVISION FOR INCOME TAX (Note 21)	**51,242,198**	65,812,490
NET INCOME	**150,605,486**	148,459,979
OTHER COMPREHENSIVE INCOME		
Not to be reclassified to profit or loss in subsequent periods:		
Increase in revaluation increment, net of tax (Note 9)	**29,306,196**	68,136,040
Remeasurement gain on accrued retirement benefits, net of tax (Note 20)	**5,846,432**	1,012,279
Increase in fair value of financial asset at FVOCI, net of tax (Note 7)	**37,385,583**	67,474,651
	72,538,211	136,622,970
TOTAL COMPREHENSIVE INCOME	**₱223,143,697**	₱285,082,949
Basic/Diluted Earnings Per Share (Note 27)	**₱0.37**	₱0.37

See accompanying Notes to Parent Company Financial Statements.

MANILA BROADCASTING COMPANY

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Capital Stock (Note 15)	**Additional Paid-in Capital**	**Treasury Stock**	**Retained Earnings** (Note 16)		**Revaluation Increment on Land** (Note 9)	**Reserve for Fluctuation in Fair Value of Financial Assets at FVOCI** (Note 7)	**Remeasurement Gain on Accrued Retirement Benefits** (Note 20)	**Total**
				Unappropriated	**Appropriated**				
Balances at January 1, 2020	₱402,803,777	₱79,354	₱(120,787)	₱402,618,601	₱100,000,000	₱200,212,744	₱126,241,755	₱43,398,974	₱1,275,234,418
Net income	–	–	–	148,459,979	–	–	–	–	148,459,979
Other comprehensive income	–	–	–	–	–	68,136,040	67,474,651	1,012,279	136,622,970
Appropriation	–	–	–	(100,000,000)	100,000,000	–	–	–	–
Balances at December 31, 2020	402,803,777	79,354	(120,787)	451,078,580	200,000,000	268,348,784	193,716,406	44,411,253	1,560,317,367
Net income	**–**	**–**	**–**	**150,605,486**	**–**	**–**	**–**	**–**	**150,605,486**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**29,306,196**	**37,385,583**	**5,846,432**	**72,538,211**
Cash Dividend (Note 16)	**–**	**–**	**–**	**(120,663,387)**	**–**	**–**	**–**	**–**	**(120,663,387)**
Balances at December 31, 2021	**₱402,803,777**	**₱79,354**	**(₱120,787)**	**₱481,020,679**	**₱200,000,000**	**₱297,654,980**	**₱231,101,989**	**₱50,257,685**	**₱1,662,797,677**

See accompanying Notes to Parent Company Financial Statements.

MANILA BROADCASTING COMPANY
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱201,847,684**	₱214,272,469
Adjustments for:		
Depreciation and amortization (Notes 9, 10, 11 and 18)	**32,766,436**	32,762,583
Interest expense (Notes 12 and 22)	**13,207,490**	20,292,610
Movement in accrued retirement benefits (Note 20)	**4,931,471**	3,825,680
Interest income (Note 5)	**(242,176)**	(1,121,303)
Unrealized foreign exchange gain - net	**149,977**	(77,735)
Working capital changes:		
Decrease (increase) in:		
Receivables (Note 24)	**86,288,354**	(75,737,825)
Due from related parties	**(100,224,242)**	(98,078,516)
Materials and supplies	**2,308,980**	414,136
Prepaid expenses and other current assets (Note 24)	**(157,363)**	2,512,025
Increase (decrease) in:		
Accounts payable and accrued expenses (Notes 13 and 24)	**(31,692,878)**	105,325,116
Contract liabilities	**26,453,756**	5,267,374
Accrued separation cost	**–**	(5,078,710)
Cash flows generated from operations	**235,637,489**	204,577,904
Income taxes paid, including final and creditable withholding tax	**(59,969,656)**	(53,814,340)
Interest received	**193,741**	1,121,303
Net cash flows generated from operating activities	**175,861,574**	151,884,867
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Note 9)	**(92,264,570)**	(24,200,199)
Decrease (increase) in other noncurrent assets	**(3,027,865)**	2,748,105
Net cash flows used in investing activities	**(95,292,435)**	(21,452,094)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of short-term loans (Notes 12 and 24)	**–**	27,500,000
Payments of:		
Long-term debt principal (Notes 12 and 24)	**(66,640,000)**	(66,640,000)
Short-term loan (Notes 12 and 24)	**(13,500,000)**	–
Interest on loans (Notes 12 and 24)	**(11,748,935)**	(17,012,540)
Dividends paid (Notes 16 and 24)	**(106,343,604)**	(296,952)
Lease liabilities (Notes 22 and 24)	**(7,300,427)**	(6,891,641)
Net cash flows used in financing activities	**(205,532,966)**	(63,341,133)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**693,908**	(510,956)
NET INCREASE (DECREASE) IN CASH	**(124,269,919)**	66,580,684
CASH AT BEGINNING OF YEAR	**311,228,305**	244,647,621
CASH AT END OF YEAR (Note 5)	**₱186,958,386**	₱311,228,305

See accompanying Notes to Parent Company Financial Statements.

MANILA BROADCASTING COMPANY
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Manila Broadcasting Company (the Company) was incorporated in the Philippines on September 30, 1947. The Company is primarily engaged in the business of radio broadcasting.

The registered office address of the Company is MBC Building, V. Sotto Street, CCP Complex, Pasay City.

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

The parent company financial statements were authorized for issuance by the Board of Directors (BOD) on May 16, 2022.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The parent company financial statements have been prepared using the historical cost basis, except for unquoted equity investments, which is carried and measured at fair value, and land under property and equipment, which is carried at revalued amount.

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

To conform with the provisions of PFRS 10, *Consolidated and Separate Financial Statements*, the Company consolidated Elizalde Hotels and Resorts, Inc. (EHRI), an 80%-owned company, whose relevant activities are controlled by the Company. The Company prepares and issues consolidated financial statements for the same period as the separate financial statements. The consolidated financial statements were prepared in compliance with PFRSs and can be obtained at the SEC and the Company's registered address.

Changes in Accounting Policies and Disclosures

The Company's accounting policies are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the parent company financial statements.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

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

Effective beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024
- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025
- PFRS 17, *Insurance Contracts*

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*

Significant Accounting Policies

Current versus Noncurrent Classification
The Company presents assets and liabilities in the parent company 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 the 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 the 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.

Fair Value Measurement
The Company measures financial instruments, such as quoted and unquoted equity investments, and non-financial assets such as land classified as property and equipment at revalued amount, at fair value at the end of each financial reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liabilities and the level of the fair value hierarchy. The fair value hierarchy is disclosed in Note 26 to the parent company financial statements.

Cash
Cash includes cash on hand and cash in banks. Cash in banks earn interest at their respective bank deposit rates.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition and measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost
- Financial assets at FVOCI with recycling of cumulative gains and losses
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at FVPL

a) *Financial assets at amortized cost*. The Company measures financial assets at amortized cost if both of the following conditions are met:
   - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
   - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

   Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

   The Company's cash, receivables, due from related parties and refundable deposits (recorded as part of "Other noncurrent assets" account) are included in this category.

b) *Financial assets designated at FVOCI.* Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

   Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income (OCI). Equity instruments designated at FVOCI are not subject to impairment assessment.

   The Company's unquoted equity investments and investment in club shares are classified as equity instruments designated at FVOCI.

As at December 31, 2021 and 2020, the Company has no financial assets at FVPL and debt instruments at FVOCI.

Impairment of financial assets. The Company recognizes expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, due from related parties, advances from stations, other receivables and refundable deposits, the Company applies a general approach in calculating ECLs. The Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on these assets since initial recognition.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each financial reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off, in whole or in part, when the asset is considered uncollectible, the Company has exhausted all practical recovery efforts and has concluded that it has is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial recognition and measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company has no financial liabilities at FVPL or derivatives designated as hedging instruments.

Subsequent measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

This category includes accounts payable and accrued expenses (excluding statutory payables), dividends payable, short-term and long-term loans, and lease liabilities.

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:
- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right

of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Derecognition of Financial Instruments

Financial assets. A financial asset (or, where applicable a part of a financial asset or part of similar financial assets) is derecognized when:
- the contractual right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash from the financial asset and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

When the Company has transferred its right to receive cash from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Fair Value Measurement
The Company measures financial instruments, such as quoted and unquoted equity investments, and non-financial assets such as land classified as property and equipment at revalued amount, at fair value at the end of each financial reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liabilities and the level of the fair value hierarchy. The fair value hierarchy is disclosed in Note 26 to the parent company financial statements.

<u>Materials and Supplies</u>
Materials and supplies are stated at the lower of cost (determined using the first-in, first-out method) and net realizable value (NRV). Cost includes the invoice price and related charges such as freight, insurance, and taxes, among others. NRV is the current replacement cost.

<u>Investment in a Subsidiary</u>
Investment in a subsidiary is accounted for under the cost method of accounting in the financial statements. The investment is carried in the parent company statement of financial position at cost less any impairment in value. The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the subsidiaries arising after the date of acquisition.

Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

<u>Property and Equipment</u>
The Company's property and equipment consist of building and leasehold improvements, broadcasting and transmission equipment, furniture, transportation equipment and right-of-use assets that do not qualify as investment properties.

Property and equipment, except land, are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes, and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment. When assets are sold or retired, their cost, accumulated depreciation and amortization, and any impairment in value are eliminated from the accounts. Any gain or loss resulting from the disposal is included in profit or loss.

Land is stated at revalued amount based on the fair market value of the property determined by an independent firm of appraisers as of reporting period. Land is revalued every three years based on independent valuation of external appraisers. The increase in the valuation of land, net of deferred income tax liability, is credited to "Revaluation increment on land" in the Parent Company statement of financial position and recognized as OCI. Upon disposal, the relevant portion of the revaluation increment realized in respect of the previous valuation will be released from the revaluation increment in OCI directly to retained earnings. Decreases that offset previous increases in respect of the same property are charged against the revaluation increment. All other decreases are charged against current operations in profit or loss.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

Depreciation commences when an asset is in its location and condition and it is capable of being operated in the manner intended by management. It is computed using the straight-line method, based on the estimated useful lives of the assets as follows:

Category	Years
Building	7-17
Broadcasting and transmission equipment	8-11
Furniture and equipment	5
Transportation equipment	4
Right-of-use assets	5-10

Leasehold improvements are amortized over the term of the lease or life of the building and improvements ranging from seven to seventeen years, whichever is shorter.

Construction in-progress represents properties under construction and is stated at cost, including cost of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use.

It is the Company's policy to classify right-of-use assets as part of property and equipment. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties, except land, are measured at cost less accumulated depreciation and accumulated impairment in value. Land is stated at cost less any impairment in value, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A change of use occurs if property meets, or ceases to meet, the definition of investment property. These transfers are recorded using the carrying amount of the investment property at the date of change in use.

Building classified as investment property is depreciated on a straight-line basis over its estimated useful life of ten years.

Intangible Assets
Intangible assets consist of frequency license and intellectual property rights. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The Company's intangible assets are assessed as finite and are amortized over the estimated useful life and assessed for impairment whenever there is an indication that these may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization of intangible assets with finite useful lives is recognized in profit or loss.

Amortization commences when the intangible asset is acquired and is capable of being owned and operated in the manner intended by management. It is computed using the straight-line method, based on the estimated useful lives of the assets as follows:

	Years
Frequency license	13
Intellectual property rights	3

Goodwill

Goodwill is initially measured at cost being the excess of the cost of the business combination over the fair value of the acquiree's net identifiable assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment of Nonfinancial Assets

Property and equipment, investment properties, investment in subsidiaries, intangible assets and other assets. The carrying values of property and equipment, investment properties, intangible assets and other nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists, or when annual impairment testing is required, and where the carrying values exceed the estimated recoverable amounts, the assets or the cash-generating units (CGU) are written down to their recoverable amounts. The recoverable amount of the assets is the greater of the fair value less costs to sell and value-in-use (VIU). The fair value is the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing VIU, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Any impairment loss is recognized in profit or loss.

Goodwill. Goodwill is reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment for goodwill is determined by assessing the recoverable amount of the CGU to which the goodwill relates. An impairment loss is recognized immediately in profit or loss when the recoverable amount of the CGU is less than its carrying amount. Impairment losses relating to goodwill cannot be reversed in future periods.

Capital Stock

Capital stock is the portion of the paid in capital representing the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital represents the amount paid in excess of the par value of the shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declaration and other capital adjustments.

OCI

OCI comprises items of income and expense that are not recognized in profit or loss in accordance with PFRSs. The Company's OCI includes net changes in fair values of financial assets at FVOCI, revaluation increment on land carried at revalued amount and remeasurement gains (losses) on accrued retirement benefits.

Treasury Stock

Treasury stocks are shares of the Company which are reacquired and are measured at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instrument.

Revenue Recognition
Revenue is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has assessed that it is acting as principal in all of its revenue arrangements.

The following specific criteria must also be met before revenue is recognized:

Broadcasting fees. Revenue is recognized at a point in time upon airing of the advertisements.

The Company receives non-cash considerations (such as merchandise or services) from certain customers in exchange for advertising time. The fair value of such non-cash considerations received from the customers is included in the transaction price and measured upon airing of the advertisement.

The Company applies the requirements of PFRS 13, *Fair Value Measurement,* in measuring the fair value of the non-cash considerations. If the fair value cannot be reasonably estimated, the non-cash consideration is measured indirectly by reference to the stand-alone selling price of the advertisements when aired.

Digital services. Revenue from digital services is recognized at point in time when the materials are posted on the Company's social networking sites. The Company uses the cost as stated in the broadcast order.

Talent fees and customer event. Revenue from talent services and customer event is recognized over time upon rendering of services to its customers in accordance with the broadcast order.

Variable considerations. If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The volume discounts given by the Company to the customers give rise to a variable consideration.

Revenue outside the scope of PFRS 15

Rental income arising from operating leases on investment properties is recognized on a straight-line basis over the lease term.

Interest income is recognized as the interest accrues using the EIR method.

Dividend income is recognized when the Company's right to receive the payment is established.

Contract Balances

Trade receivables. A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

Payments received before broadcast (pay before broadcast) represent contract liabilities, which are recognized as revenue upon airing of related advertisements.

Cost of Services and Operating Expenses

Cost of services and operating expenses are recognized when incurred. They are measured at the fair value of the consideration paid or payable. Cost of services and operating expenses are presented as net of recharges or reimbursements of expenses billed to various partner stations in the parent company statement of comprehensive income.

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT, if applicable.

- When VAT from sales of services (output VAT) exceeds VAT passed on from purchases of goods and services (input VAT), the excess is recognized as payable in the parent company statement of financial position.
- When VAT passed on from purchases of goods and services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognized as an asset in the parent company statement of financial position to the extent of the recoverable amount.

The net amount of output VAT is presented under “Accounts payable and accrued expenses” account in the parent company statement of financial position.

Retirement Benefits

Net pension assets as presented in the parent company statement of financial position, is the present value of the defined benefit obligation (PVDBO) at the financial reporting date reduced by the fair value of plan assets (FVPA), adjusted for the effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method. Retirement benefits costs consist of service costs, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. The FVPA is based on market price information. When no market price is available, the FVPA is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the FVPA is higher than the PVDBO, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Accrued Separation Costs

Accrued separation costs, as presented in the parent company statement of financial position, pertain to the unpaid balance of separation pay of employees as at financial reporting date. These are recognized as a liability and an expense when, and only when, the Company is demonstrably committed to either: (a) terminate the employment of an employee or group of employees before the normal retirement date; or (b) provide separation benefits as a result of an offer made in order to encourage voluntary redundancy.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of qualifying assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are available for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest cost.

All other borrowing costs are expensed as incurred.

Income Taxes

Current tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the financial reporting date.

Deferred tax. Deferred tax is provided, using the liability method, on all temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax relating to items recognized outside profit or loss is recognized under OCI in equity.

Deferred tax liabilities are recognized for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the financial reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

<u>Leases</u>
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset even if that right is not explicitly specified in an arrangement.

Company as a Lessee

Lease liabilities. The lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate (IBR).

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the Company's IBR. The IBR is determined based on the rate the Company's bank will charge should an amount equivalent to the value of the asset being leased will be borrowed using the same lease term. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company's right-of-use assets are included in the "Property and equipment" account, and the lease liabilities (current and noncurrent) as separate line item in the parent company statement of financial position.

Short-term leases. The Company applies the short-term lease recognition exemption to its short-term leases of equipment and other rentals (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Company as a Lessor

Leases where the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Earnings Per Share
Basic earnings per share is computed by dividing the net income by the weighted average number of shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net income by the weighted average number of shares outstanding during the year and adjusted for the effects of all dilutive potential common shares, if any.

In determining both the basic and the diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

Foreign Currency-denominated Transactions
Foreign currency-denominated transactions are recorded in Philippine Peso using the exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at the financial reporting date. All exchange rate differences, including those arising on the settlement of monetary items at rates different from those at which they were recorded, are recognized in profit or loss in the period in which the differences arise. For income tax purposes, these gains or losses are treated as taxable income or deductible expense in the period such were realized. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as interest expense and classified as additional provision.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements. These are disclosed in the notes to parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed in the notes to parent company financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the parent company financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the parent company financial statements.

Events after the Reporting Period
Post year-end events that provide additional information about the Company's position at the reporting period (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

3. **Significant Accounting Judgments and Estimates**

The preparation of the parent company financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported and disclosed in the parent company financial statements. The judgments, estimates and assumptions used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances that are believed to be reasonable as at the date of the parent company financial statements. Actual results could differ from such estimates.

The judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements:

Recognition of Revenue from Contracts with Customers

a. *Identifying Performance Obligations*. The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

   Revenues earned from contracts with various promises are split into separately identifiable performance obligations based on their relative stand-alone selling price to reflect the substance of the transaction.

   The Company offers bundled radio airtime, digital and hosting and customer event services and is assessed as three separate performance obligations.

b. *Revenue Recognition.* The Company recognizes revenue over time or at a point in time depending on its evaluation of when the customer obtains control of the promised goods or services. Revenue from broadcasting fees are recognized at a point in time when the revenue is aired. Revenues from talent fees and customer event are recognized over time as the Company provides the service. Revenue from digital services is recognized at a point in time when control over goods or services is transferred to the customer upon posting of advertising materials on its social media accounts.

c. *Determining Method to Estimate Variable Consideration and Assessing the Constraint.* The Company provides volume incentives to its customers based on the aggregate annual sales volume for the year. The determination of the sales volume excludes political placements, production costs, prizes, talent fees and other non-revenue accounts. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

   The Company determined that the most likely amount method is appropriate to use in estimating the variable consideration for the volume incentives given to the customers. The most likely amount is the single most likely amount in a range of possible consideration amounts. The Company considered this method to be the more appropriate estimate of the amount of variable consideration since the agreement with its customers has only two possible outcomes, which is, the customer either achieves the required aggregate annual sales volume, or does not.

   Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Definition of Default and Credit-Impaired Financial Assets. The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative Criteria*. The borrower is more than 360 days past due on its contractual payments, which is consistent with the Company's definition of default. The determination of the period is based on the Company's practice and agreement with its customers within the industry.

- *Qualitative Criteria*. The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

  a. The borrower is experiencing financial difficulty or is insolvent;
  b. Concessions have been granted by the Company, for economic or contractual reasons relating to the borrower's financial difficulty;
  c. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the probability of default (PD), loss given default (LGD) and exposure at default (EAD) throughout the Company's ECL calculation.

Simplified Approach for Trade Receivables. The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of advertisers that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Grouping of instruments for losses measured on collective basis. For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. The Company groups its trade receivable based on the type of customer.

Macro-economic Forecasts and Forward-looking Information. Macro-economic forecasts are determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost and effort at the financial reporting date about past events, current conditions and forecasts of future economic conditions.

The Company takes into consideration using different macro-economic variables to ensure linear relationship between internal rates and outside factors. Regression analysis was used to objectively determine which variables to use.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The allowance for ECLs amounted to ₱29.3 million and ₱39.7 million as at December 31, 2021 and 2020, respectively. The carrying amount of receivables amounted to ₱427.2 million and ₱513.4 million as at December 31, 2021 and 2020, respectively (see Notes 6 and 18).

Valuation of Unquoted Equity Securities. PFRS 9 requires all investments in equity instruments and contracts on those instruments to be measured at fair value. In 2021 and 2020, The Company determined the fair value of these investments in unquoted shares of stock using the adjusted net asset value approach. The underlying assets primarily consist of investments in quoted and unquoted shares and land. The Company determined the fair value of the investments in unquoted shares using the discounted cash flows approach while the fair value of the land was determined with the assistance of external appraisers. See Note 26 for the valuation methodology used and key inputs to valuation of the investment in shares of stock.

The fair value of unquoted equity securities amounted to ₱289.6 million and ₱245.7 million as at December 31, 2021 and 2020, respectively (see Note 7).

Valuation of Lease Liabilities and Right-of-Use Assets. The application of PFRS 16 requires the Company to make judgments that affect the valuation of lease liability and the valuation of right-of-use asset. These include: (1) determining contracts in scope of PFRS 16, and (2) determining the contract term and interest rate for discounting of future cash flows.

a. *Determining contracts in scope of PFRS 16*. The Company has lease agreements covering rental of satellite communications capacity called transponder lease, land used as site for broadcasting business and where the hotel property is located, office spaces and transmitter sites. The Company recognized right-of-use assets and lease liabilities for the leases related to transponder lease and land. The Company has assessed leases for office spaces and transmitter sites as short-term and elected not to recognize right-of-use assets and lease liabilities (see Note 22).

b. *Determining the contract term.* The lease term determined by the Company comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. The Company did not consider the renewal options as they need to be mutually agreed upon by both lessor and lessee. The Company considered the significant leasehold improvements on the leased assets to determine that the option to terminate the lease is not reasonably certain to be exercised. The same economic life is applied to determine the depreciation rate of right-of-use assets.

c. *Determining the interest rate for lease assets.* The present value of the lease payments is determined using the discount rate representing the interest rate implicit in the lease, if that rate can be readily determined or the lessee's IBR, if that rate cannot be readily determined. The Company cannot readily determine the interest rate implicit in leases of satellite communications capacity, land principally used for broadcasting business, land where hotel property and other facilities are located, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating). The IBR used ranges between 4.85% to 8.01%.

As at December 31, 2021 and 2020, lease liabilities amounted to ₱14.8 million and ₱16.9 million while right of use assets amounted to ₱12.2 million and ₱15.9 million, respectively (see Notes 9 and 22).

Short-term Leases and Leases of Low-value Assets. The Company applies the short-term recognition exemption to its short-term leases of staff house (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to these leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Rent expense amounted to ₱22.2 million and ₱10.3 million in 2021 and 2020, respectively (see Notes 18 and 22).

Company as Lessor. The Company has arrangements with various lessees covering the building units it offers for lease, the ownership over which was determined to have been retained by the Company. Accordingly, these leases were accounted for as operating leases. Rent income amounted to ₱9.3 and ₱8.1 million in 2021 and 2020, respectively (see Note 10).

Classification of property. The Company determines whether a property is classified as property and equipment or investment property as follows:

- Property and equipment which are occupied for use by, or in the operations of, the Company and not for sale in the ordinary course of business.

- Investment property comprises building spaces and improvements which are not occupied for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

The Company considers each property separately in making its judgment.

Estimations
The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of useful lives of property and equipment and intangible assets. The Company estimated the useful lives of its property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The Company annually reviews the estimated useful lives of property and equipment and intangible assets based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

As at December 31, 2021 and 2020, the carrying value of depreciable property and equipment amounted to ₱58.9 million and ₱79.0 million, respectively (see Note 9). Carrying value of net intangible assets amounted to nil and ₱8.9 million as at December 31, 2021 and 2020, respectively (see Note 11). Total depreciation and amortization relating to property and equipment and intangible assets charged to operations amounted to ₱32.8 million in 2021 and 2020 (see Notes 9, 11 and 18).

Revaluation of land. The Company carries land classified under property and equipment at revalued amounts, with changes in fair value being recognized in OCI. The Company engaged an independent valuation specialist to assess the fair value as at the financial reporting date. The key assumptions used to determine the fair value of the properties are provided in Note 9. As at December 31, 2021 and 2020, the carrying value of the land, carried at fair value, amounted to ₱412.7 million and ₱399.1 million, respectively. As at December 31, 2021 and 2020, revaluation increment on land (net of deferred tax) amounted to ₱278.5 million and ₱268.3 million, respectively (see Note 9).

Assessment of impairment of noncurrent nonfinancial assets except goodwill and land at revalued amount. The Company assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

a. significant adverse changes in the technological, market, or economic environment in which the Company operates;
b. significant decrease in the market value of an asset;
c. significant increase in the discount rate used for the calculations;
d. evidence of obsolescence and physical damage;
e. significant changes in the manner in which an asset is used or expected to be used;
f. plans to restructure or discontinue an operation; and,
g. evidence is available from internal reporting that the economic performance of an asset is, or will be, worse than expected.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and VIU. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

Recoverable amount represents the VIU, determined as the present value of estimated future cash flows expected to be generated from the continued use of the assets. The estimated cash flows are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

Based on management's evaluation, no impairment loss needs to be recognized on the Company's property and equipment (except land at revalued amount), investment properties, investment in subsidiaries, intangible assets (except goodwill) and other noncurrent assets in 2021 and 2020. As at December 31, 2021 and 2020, the total carrying values of the Company's noncurrent nonfinancial assets, excluding goodwill and land at revalued amount, amounted to ₱1,069.7 million and ₱994.9 million, respectively (see Notes 8, 9, 10 and 11).

Assessment of impairment of goodwill. For goodwill, the Company determines whether it is impaired at least on an annual basis. This requires an estimation of the VIU of the CGU to which the goodwill is allocated. The impairment test for goodwill is based on VIU calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company has not yet committed to or significant future investments that will enhance the asset based of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the revenue growth rate and the long-term growth rate for extrapolation purposes. As at December 31, 2021 and 2020, the carrying value of goodwill amounted to ₱38.0 million. The key assumptions used to determine the recoverable amount for the goodwill, including sensitivity analysis, are disclosed and further explained in Note 11.

Recognition of deferred tax assets. The Company reviews the carrying amounts of deferred tax assets at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

Based on management's evaluation, there will be sufficient future taxable profits against which the deferred tax assets can be applied. As at December 31, 2021 and 2020, recognized deferred tax assets amounted to ₱12.6 million and ₱23.4 million, respectively (see Note 21).

Estimation of retirement benefits cost and liability. The determination of the obligation and retirement benefits cost is dependent on assumptions used by the actuary in calculating such amounts. Those assumptions are described in Note 20 and include among others, discount rates which are determined by using risk-free interest rate of government bonds consistent with the estimated term of the obligation and salary increase rates. In accordance with PFRSs, actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement benefits obligation.

Net pension assets amounted to ₱2.9 million and ₱5.3 million as at December 31, 2021 and 2020, respectively (see Note 20).

Provisions. The Company provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle said obligations. An estimate of the provision is based on known information at the end of the financial reporting date, net of any estimated amount that may be reimbursed to the Company.

If the effect of the time value of money is material, provisions are discounted using a pretax rate that reflects the risks specific to the liability. The amount of provision is being reassessed at least on an annual basis to consider new relevant information. There were no provisions recognized in 2021 and 2020.

4. Segment Information

The Company is organized into only one operating division, radio broadcasting, which is its primary activity. The Company has six programming formats, namely DZRH and "Aksyon Radyo" stations, Love Radio, YES FM, Hot-FM, Radyo Natin and Easy Rock.

For management purposes, the Company considers the entire business as one segment. Management monitors the operating results of the business for the purpose of making decisions about resource allocation and performance assessment.

Broadcasting fee (shown as "Revenue" in the parent company statements of comprehensive income), net income, total assets and total liabilities as at and for the years ended December 31, 2021 and 2020 are the same as reported elsewhere in the accompanying parent company financial statements.

		2021	
	Consolidated Balances	**Reconciliation**	**Parent Company Balances**
Broadcasting fee	**₱992,872,599**	**(₱-19,259,200)**	**₱973,613,399**
Net income	**82,194,995**	**68,410,491**	**150,605,486**
Total assets	**2,906,001,066**	**(264,211,132)**	**2,641,789,934**
Total liabilities	**1,232,589,168**	**(253,596,911)**	**978,992,257**

		2020	
	Consolidated Balances	Reconciliation	Parent Company Balances
Broadcasting fee	₱889,268,782	(₱26,574,858)	₱862,693,924
Net income	93,924,701	54,535,278	148,459,979
Total assets	2,931,675,615	(302,606,937)	2,629,068,678
Total liabilities	1,292,333,536	(223,582,225)	1,068,751,311

The Company has no revenue from transactions with a single external customer accounting for more than 10% or more of the broadcasting fee. All customers of the Company are located in the Philippines.

5. Cash

	2021	2020
Cash on hand	**₱9,872,331**	₱9,757,091
Cash in banks	**177,086,055**	301,471,214
	₱186,958,386	₱311,228,305

Interest income from cash in banks amounted to ₱0.2 million and ₱1.1 million in 2021 and 2020, respectively.

6. Receivables

	2021	2020
Trade (see Note 17)	**₱375,226,846**	₱466,672,926
Advances to stations (see Note 14)	**67,049,300**	73,975,415
Others	**14,173,619**	12,542,163
	456,449,765	553,190,504
Less allowance for ECL	**29,294,880**	39,747,265
	₱427,154,885	₱513,443,239

Trade receivables, advances to stations and other receivables are noninterest-bearing and have credit terms of approximately 90 days.

Movement of allowance for ECLs by class is as follows:

	Trade	**Advances to stations**	**Others**	**Total**
Balance as at January 1, 2020	₱23,032,082	₱363,419	₱7,167,906	₱30,563,407
Provision (see Note 18)	9,183,858	–	–	9,183,858
December 31, 2020	32,215,940	363,419	7,167,906	39,747,265
Provision	2,211,806	–	–	2,211,806
Write-off	(12,664,191)	–	–	(12,664,191)
December 31, 2021	₱21,763,555	₱363,419	₱7,167,906	₱29,294,880

7. Financial Assets at FVOCI

	2021	2020
Investment in corporate shares of stocks and golf shares:		
Unquoted	**₱289,377,071**	₱245,456,383
Quoted	**250,000**	200,000
	₱289,627,071	₱245,656,383

The movements of financial assets at FVOCI in 2021 and 2020 follow:

	2021	2020
Balance at beginning of year	**₱245,656,383**	₱166,274,441
Increase in fair value during the year	**43,970,688**	79,381,942
Balance at end of year	**₱289,627,071**	₱245,656,383

The fair value of the quoted shares of stock is determined based on quoted market price (see Note 26).

As at December 31, 2021, the cumulative changes in the fair value of financial assets at FVOCI are recognized under "Reserve for fluctuation in fair value of financial assets at FVOCI" shown as part of equity in the parent company statement of financial position.

Investments in unquoted shares of stock represent unlisted corporate shares in EHC and Philippine International Corporation (PIC). The cost of the investments in EHC and PIC amounted to ₱17.8 million and ₱16.8 million respectively. In 2021 and 2020, the Company determined the fair value of these investments in unquoted shares of stock using the adjusted net asset value approach. The underlying assets primarily consist of investments in quoted and unquoted shares and land. The Company determined the fair value of the investments in unquoted shares using the discounted cash flows approach while the fair value of the land was determined with the assistance of external appraisers (see Note 26). No dividend income was earned in 2021 and 2020.

8. Investment in a Subsidiary

This account represents 80%-ownership interest in EHRI, a Company engaged in hotel business.

As at December 31, 2021 and 2020, investment in subsidiary amounted to ₱800.0 million.

9. Property and Equipment

a. Property and equipment carried at cost consists of:

	2021							
	Building and Leasehold Improvements	**Broadcasting and Transmission Equipment**	**Furniture and Equipment**	**Transportation Equipment**	**Construction in Progress**	**Right of use asset - Land** (See Note 22)	**Right of use asset - Transponder** (See Note 22)	**Total**
Cost								
Balance at beginning of year	**149,808,088**	**454,765,574**	**117,292,736**	**50,910,503**	**37,749,078**	**10,904,559**	**17,762,044**	**839,192,582**
Additions	**–**	**–**	**–**	**–**	**92,264,570**	**7,581,505**	**–**	**99,846,075**
Balance at end of year	**149,808,088**	**458,437,168**	**117,292,736**	**50,910,503**	**130,013,648**	**18,486,064**	**17,762,044**	**939,038,657**
Accumulated Depreciation								
Balance at beginning of year	**133,739,720**	**425,600,879**	**101,331,070**	**48,989,684**	**–**	**3,512,442**	**9,267,154**	**722,440,949**
Depreciation (see Notes 18 and 22)	**3,473,282**	**6,737,690**	**4,593,602**	**1,063,492**	**–**	**3,403,565**	**4,633,577**	**23,905,208**
Balance at end of year	**137,213,002**	**432,338,569**	**105,924,672**	**50,053,176**	**–**	**6,916,007**	**13,900,731**	**746,346,157**
Net Book Values	**₱12,595,086**	**₱26,098,599**	**₱11,368,064**	**₱857,327**	**₱130,013,648**	**₱11,570,057**	**₱3,861,313**	**₱192,692,500**

	2020							
	Building and Leasehold Improvements	Broadcasting and Transmission Equipment	Furniture and Equipment	Transportation Equipment	Construction in Progress	Right of use asset - Land (See Note 22)	Right of use asset - Transponder (See Note 22)	Total
Cost								
Balances at beginning of year	₱149,808,088	₱451,093,980	₱117,292,736	₱50,910,503	₱19,904,473	₱6,081,409	₱17,762,044	₱812,853,233
Additions	–	3,671,594	–	–	17,844,605	4,823,150	–	26,339,349
Balance at end of year	149,808,088	454,765,574	117,292,736	50,910,503	37,749,078	10,904,559	17,762,044	839,192,582
Accumulated Depreciation								
Balance at beginning of year	132,529,905	419,026,219	96,726,958	47,187,807	–	1,388,896	4,633,577	701,493,362
Depreciation (see Notes 18 and 22)	1,209,815	6,574,660	4,604,112	1,801,877	–	2,123,546	4,633,577	20,947,587
Balance at end of year	133,739,720	425,600,879	101,331,070	48,989,684	–	3,512,442	9,267,154	722,440,949
Net Book Values	₱16,068,368	₱29,164,695	₱15,961,666	₱1,920,819	₱37,749,078	₱7,392,117	₱8,494,890	₱116,751,633

b. Land at revalued amount consists of:

	2021	2020
Cost:		
Balance at beginning of year	**₱15,780,194**	₱13,096,194
Additions	**–**	2,684,000
Balance at end of year	**15,780,194**	15,780,194
Revaluation increment on land:		
Balance at beginning of year	**383,355,406**	286,018,206
Increase	**13,527,900**	97,337,200
Balance at end of year	**396,883,306**	383,355,406
Carrying amount	**₱412,663,500**	₱399,135,600

The revalued amounts of ₱412.7 million and ₱399.1 million as at December 31, 2021 and 2020, respectively, are based on the valuation conducted by independent appraisal companies as at December 31, 2021 and 2020, respectively. The appraisal companies used the market data or sales comparison approach where the fair market values are determined by referring to the extent, character and utility, and sales and holding prices of similar land, significantly adjusted for dissimilarities in the nature, location or condition of the specific properties.

The fair values of these parcels of land are determined using Level 3 valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (see Note 26). The significant unobservable input of price per square meter ranges from ₱96,000 to ₱120,000 in 2021 and ₱1,100 to ₱25,000 in 2020. Significant increases (decreases) in the estimated price per square meter in isolation would result in a significantly higher (lower) fair value.

The revaluation increment, net of tax, of ₱297.7 million and ₱268.3 million as at December 31, 2021 and 2020, respectively, is included in the equity section of the parent company statements of financial position.

10. **Investment Properties**

Investment properties as at December 31, 2021 and 2020 consist of the following:

	Land	Building	Total
Cost at beginning and end of year	₱43,162,500	₱80,381,524	₱123,544,024
Accumulated depreciation at beginning and end of year	–	80,381,524	80,381,524
Net Book Values	₱43,162,500	₱–	₱43,162,500

Investment properties are leased to employees and third parties. The total fair value of the investment properties, based on the recent appraisal reports, amounted ₱162.8 million for land and ₱79.8 million for building. The latest appraisal report was as at December 31, 2021. The fair values of the properties are based on valuations performed by an accredited independent appraiser.

The fair values of these investment properties were determined using Level 3 valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (see Note 26).

The appraiser used the market data or sales comparison approach in determining the fair value of the land. The valuation was made on the basis of the market value determined by referring to the extent, character and utility, and sales and holding prices of similar properties, significantly adjusted for dissimilarities in the nature, location or condition of the specific properties.

The fair value of building and other property, which represent reproduction cost less depreciation, was arrived at by the appraiser using the cost approach. This method determines the fair value of the building and other property by estimating the cost to create the same structure with the same design and using similar construction materials.

The highest and best use of investment properties, as determined by the appraiser, is a mixed commercial and residential utility, which is similar to their current use.

Rental income generated from these investment properties amounted to ₱9.3 million and ₱8.1 million in 2021 and 2020, respectively. Related direct operating expenses amounted to ₱3.9 million in 2021 and 2020.

11. Intangible Assets and Goodwill

The Company's intangible assets and goodwill pertain to a radio station acquired in 2008 at a cost of ₱229.6 million. The excess of acquisition cost over the adjusted fair values of the identifiable assets amounting to ₱38.0 million was recognized as goodwill.

The net book values of the intangible assets as at December 31 are as follows:

	2021		
	Frequency license	**Intellectual Property Rights**	**Total**
Cost			
Balance at beginning and end of year	**₱153,594,927**	**₱5,810,867**	**₱159,405,794**
Accumulated Amortization			
Balance at beginning of year	**144,733,699**	**5,810,867**	**150,544,566**
Amortization (see Note 18)	**8,861,228**	**–**	**8,861,228**
Balance at end of year	**153,594,927**	**5,810,867**	**159,405,794**
Net Book Values	**₱–**	**₱–**	**₱–**

	2020		
	Frequency license	Intellectual Property Rights	Total
Cost			
Balance at beginning and end of year	₱153,594,927	₱5,810,867	₱159,405,794
Accumulated Amortization			
Balance at beginning of year	132,918,703	5,810,867	138,729,570
Amortization (see Note 18)	11,814,996	–	11,814,996
Balance at end of year	144,733,699	5,810,867	150,544,566
Net Book Values	₱8,861,228	₱–	₱8,861,228

On December 10, 2020, the Company submitted an application for the renewal of the frequency license of DWRK to the National Telecommunications Commission. The frequency license was approved on December 18, 2020 and will be valid until December 31, 2023. Thus, the remaining estimated useful life of frequency license as at December 31, 2020 is extended to 3 years.

Impairment Testing of Goodwill

The Company performs its annual impairment test every December of each year. Goodwill is allocated to only one CGU, which is the DWRK radio station. The recoverable amount of the CGU determined based on VIU, is compared to its carrying amount. An impairment loss is recognized if the carrying amount of the CGU exceeds its recoverable amount.

The recoverable amount of the CGU, which exceeds its carrying amount by ₱305.2 million and ₱213.8 million as at December 31, 2021 and 2020, respectively, has been determined based on the VIU calculations using cash flow projections from financial budgets covering a five-year period. The pre-tax discount rates applied to the cash flow projections and the expected growth rates used in the extrapolation of the cash flows beyond the five-year period are shown in the key assumptions disclosure below. The expected growth rate is comparable with the long-term average growth rate for the media industry. As a result of this analysis, management has determined that there was no impairment loss in 2021 and 2020 since the VIU exceeds the carrying value of the identifiable assets of the CGU.

Key Assumptions. The following are the key assumptions used in management's analysis:

	2021	2020
Discount rate	**13.11%**	11.90%
Revenue growth rate	**10.00%**	10.00%*
Long-term growth rate	**7.5%**	6.00%

**Growth rate will apply starting year 2023*

In 2020, the Company projected under a conservative forecast that DWRK revenues will be back to the 2019 level, 2 years from 2020. Based on the Company's prior year projection, once the operations normalize in 2022, the revenue will increase by 10% on the years that will follow.

In 2021, the Company projected that there will be 10% increase in revenue and 5% increase in costs and expenses of DWRK.

Sensitivity to Changes in Assumptions. The discount rates represent the current market assessment of the risk specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate is derived from the weighted average cost of capital, which takes into account both debt and equity. The cost of equity is derived from the expected return on investment of the Company's investors. The cost of debt is based on average lending rates. Segment specific risk is incorporated by applying individual beta factors, evaluated annually based on publicly available market data. The carrying amount of the CGU is enough to absorb significant changes in the discount rates as at December 31, 2021.

On the average, the revenue of the CGU over the next five years is projected to grow in line with the economy or with the forecasted gross output of the broadcasting industry. Historically, advertising spending growth had a direct correlation with economic growth. Even with a revenue growth rate of zero percent, there would still be no impairment in 2021.

The long-term growth rate is based on the projected growth of the Company, based on historical experience, economic conditions and the Company's future plans.

No impairment loss on goodwill was recognized by the Company in 2021 and 2020.

12. Loans

Short-term Loans

Short-term loans are peso-denominated loans which the Company availed from a financial institution with annual interest ranging from 4.25% to 5.7% and 4.5 % to 5.7% in 2021 and 2020, respectively, to finance its capital expenditure requirements. Interest expense on short-term loans amounted to ₱12.7 million and ₱6.6 million in 2021 and 2020, respectively.

	2021	2020
Balance at beginning of year	**₱144,500,000**	₱117,000,000
Availment (payment)	**(13,500,000)**	27,500,000
Balance at end of year	**₱131,000,000**	₱144,500,000

Interest repricing date is every 30 days from date of inception. Interest repricing date is every 30 days from date of inception. On November 15, 2019, the Company applied for a for a renewal of the short-term loans with Bank of the Philippine Islands and the maturity date was extended until 2020. On August 31 and October 31, 2020, the Company further applied for a renewal of the short-term loans and the maturity date was extended until February 19, 2021.

As at December 31, 2021 and 2020, the short-term loans are not subject to loan covenants.

Long-term Loans

	2021	2020
Principal		
Balance at beginning of year	**₱250,040,000**	₱316,680,000
Payments	**(66,640,000)**	(66,640,000)
Balance at end of year	**183,400,000**	250,040,000
Unamortized discount		
Balance at beginning of year	**720,670**	1,124,948
Amortization	**(232,181)**	(404,278)
Balance at end of year	**488,489**	720,670
Carrying amount	**182,911,511**	249,319,330
Less current portion of long-term debt*	**66,319,605**	66,319,605
	₱116,591,906	₱182,999,725

**Net of unamortized debt discount of ₱0.4 million in 2021 and 2020.*

On May 12, 2017, the Company entered into a ₱350.0 million seven-year term loan facility with Bank of the Philippine Islands (the "Lender" or "BPI"). The proceeds of the loan were used by the Company to finance its investment in EHRI, which will invest in Feliz Hotel Boracay, Inc., for the purpose of constructing and operating a hotel in Boracay Island, Aklan. The facility was fully drawn in 2018.

Details are shown below:

Drawdown Date	Amount
July 2017	₱70,000,000
August 2017	60,000,000
October 2017	50,000,000
December 2017	45,000,000
January 26, 2018	55,000,000
April 4, 2018	70,000,000
	₱350,000,000

The loans are payable over seven years in 21 consecutive quarterly installments on each repayment date commencing on July 4, 2019 while the interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date.

Interest Rate
The Company has an option to pay interest based on a fixed interest rate or a floating interest rate set forth in the notice of borrowing at each drawdown. The Company elected to pay floating interest for all drawdowns made as at year-end. Floating interest rate is the bid yield for the relevant benchmark 3-month PDSTR2 at approximately 4:15pm one banking day prior to the first banking day of each quarterly interest period and a spread of point ninety-five percent (0.95%) per annum subject to a

floor rate based on the sum of the prevailing Term Deposit Facility rate or similar rate of the Bangko Sentral ng Pilipinas for tenors closest to the Interest Period ("BSP TDF") plus a spread of 0.50% per annum.

Prepayment Option
The Company also have the option to prepay the loan after the third year from the initial drawdown, wholly or partially, at any time during the term. The amount payable in respect of each prepayment shall be the full or partial outstanding principal amount of the loan plus any accrued but unpaid interest, penalties and other charges, if any.

As at December 31, 2021 and 2020, the fixed interest rate conversion option and prepayment option were not exercised by the Company. Both options were assessed as clearly and closely related to the loan and does not require bifurcation.

Debt Issuance Costs and Interest Expense
Costs incurred in relation to the loan drawdown which amounted to a total of ₱2.1 million were capitalized as debt issue costs at each drawdown date. Debt issue costs were amortized using EIR method.

Borrowing costs related to the long-term loan recognized as expense in the parent company statement of comprehensive income amounted to ₱18.3 million and ₱12.3 million in 2021 and 2020, respectively. This comprises of interest expense amounting to ₱17.9 million and ₱11.9 million in 2021 and 2020, respectively, and amortization of debt issue cost amounting to ₱0.2 and ₱0.4 million in 2021 and 2020, respectively.

Unamortized debt discount amounting to ₱0.5 and ₱0.7 million as of December 31, 2021 and 2020, respectively, representing capitalized debt issue costs is presented as deduction from the Company's long-term loans.

Debt Covenants
The Company's loan facility contains certain restrictive covenants that require the Company to comply with specified financial ratios, namely, debt-to-equity ratio which is not allowed to exceed 2:1 and current ratio not to fall below 1:1. As at December 31, 2021 and 2020, the Company is compliant with its debt covenants (see Note 23).

Suretyship
The loan is secured by a Continuing Suretyship of EHC and Star Parks Corporation (SPC) essentially as primary obligors, being jointly and severally liable with the Company to BPI, its successors and assigns, or its subsidiaries or affiliates for the payment of the loan.

13. Accounts Payable and Accrued Expenses

	2021	2020
Trade	**₱243,231,118**	₱175,453,982
Accrued expenses:		
Service fees	**44,532,894**	68,004,174
Agency commissions	**28,819,949**	44,009,645
Program cost	**16,093,295**	24,575,345
Personnel	**7,294,380**	11,138,919

(Forward)

	2021	2020
Dues, membership, subscription fees	**₱3,135,716**	₱4,788,410
Communication, light and water	**2,085,150**	3,184,139
Interest	**895,571**	1,367,586
Professional fees	**658,773**	1,005,983
Outside services	**447,708**	683,675
Rent	**157,084**	239,876
Others	**2,596,829**	3,265,551
Output VAT - net	**33,673,117**	56,658,188
Refund liability	–	22,306,436
Withholding taxes payable	**3,957,980**	2,812,876
Others	**3,984,720**	3,762,377
	₱391,564,284	₱423,257,162

Trade payables and accrued expenses consist of amounts due to suppliers and service providers and are usually payable within 30 days.

Other payables consist dues to various government agencies which are normally settled within the following year.

14. **Related Party Transactions**

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. Key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties.

In the normal course of business, the Company has transactions with the following related parties:
- EHC, ultimate parent company;
- Cebu Broadcasting Company (CBC), an entity under common control;
- Philippine Broadcasting Corporation (PBC), an entity under common control;
- Pacific Broadcasting System, Inc. (PBSI), an entity under common control;
- Star Parks Corporation (SPC), an entity under common control;
- Feliz Hotel Boracay, Inc. (FHBI), a subsidiary;
- Aliwan Productions and Events, Inc. (ALEI), an entity under common control and
- Other related parties under common control

These transactions will be settled through cash.

The summary of transactions and outstanding balances with related parties are presented below:

	2021		2020		
Related Party/Nature	**Transactions during the Year**	**Outstanding Balance**	Transactions during the Year	Outstanding Balance	**Terms and conditions**
Ultimate parent company:					
EHC					
Advances	**₱86,445,941**	**₱195,495,647**	₱94,770,201	₱109,049,706	Unsecured, interest-free with no definite call dates; with offsetting agreement; no impairment
Entities under common control:					
CBC					
Advances	**14,997,934**	**(43,043,129)**	28,330,431	(28,045,195)	Unsecured, interest-free with no definite call dates; with offsetting agreement; no impairment
Program costs	**110,232,973**	–	110,232,973	(131,673,528)	Trade transactions; Refer to discussion on marketing agreements below.
Rent income	**90,000**	–	90,000	–	Unsecured, noninterest bearing
PBC					
Advances	**–**	**13,839,392**	2,250,000	14,351,064	Unsecured, interest-free with no definite call dates; with offsetting agreement; no impairment
Program costs	**22,745,858**	**–**	14,471,294	(15,118,124)	Trade transactions Refer to discussion on marketing agreements below.
Rent income	**90,000**	**–**	90,000	–	Unsecured, noninterest- bearing
PBSI					
Advances	**637,907**	**16,888,423**	8,069,715	16,250,516	Unsecured, interest-free with no definite call dates; with offsetting agreement; no impairment
Program costs	**50,120,618**	**–**	50,120,618	(57,125,523)	Trade transactions Refer to discussion on marketing agreements below.
Rent income	**90,000**	**–**	90,000	–	Unsecured, noninterest-bearing
SPC					
Rent expense	**–**	**–**	–	–	Unsecured, noninterest-bearing

Related Party/Nature	2021 Transactions during the Year	2021 Outstanding Balance	2020 Transactions during the Year	2020 Outstanding Balance	Terms and conditions
Ultimate parent company:					
EHC					
Advances	**₱86,445,941**	**₱195,495,647**	₱94,770,201	₱109,049,706	Unsecured, interest-free with no definite call dates; with offsetting agreement; no impairment
Entities under common control:					
CBC					
Advances	**14,997,934**	**(43,043,129)**	28,330,431	(28,045,195)	Unsecured, interest-free with no definite call dates; with offsetting agreement; no impairment
Program costs	**110,232,973**	–	110,232,973	(131,673,528)	Trade transactions; Refer to discussion on marketing agreements below.
Rent income	**90,000**	–	90,000	–	Unsecured, noninterest bearing
PBC					
Advances	**–**	**13,839,392**	2,250,000	14,351,064	Unsecured, interest-free with no definite call dates; with offsetting agreement; no impairment
Program costs	**22,745,858**	**–**	14,471,294	(15,118,124)	Trade transactions Refer to discussion on marketing agreements below.
Rent income	**90,000**	**–**	90,000	–	Unsecured, noninterest- bearing
ALEI					
Advances	**–**	**(150,000)**	–	(1,000,000)	Unsecured, noninterest-bearing.
Affiliated service companies					
Advances	**–**	**–**	3,100,000	8,512,708	Unsecured, interest-free with no definite call dates and no impairment
Recharges/reimbursements	**–**	**–**	49,888,887	–	Unsecured, noninterest-bearing
Service fees	**–**	**–**	83,350,567	(25,504,174)	Unsecured, interest-free with no definite call dates and no impairment
Subsidiaries:					
FHBI					
Advances	**27,500,000**	**26,306,546**	–	(1,193,454)	Unsecured, interest-free with no definite call dates; with offsetting agreement; no impairment
Other related parties:					
Key management personnel					
Short-term employee benefits	**19,416,263**	–	16,448,160	–	None

The Company's significant related party transactions are as follows:

a. The Company and several affiliated broadcasting companies, which are owned and managed by certain stockholders and/or members of the BOD of the Company, entered into marketing agreements, whereby the affiliated broadcasting companies designated the Company as their sole marketing outfit for the sales, promotion, and marketing of the radio commercial airtime of all radio broadcast stations of these affiliated broadcasting companies. The original marketing agreement, which was effective for a period of five years from January 1, 1998, has been renewed annually, thereafter.

   Under the marketing agreements, the Company shall remit to the affiliated broadcasting companies a certain percentage of the annual revenue from the sale of the commercial time of the radio broadcast stations after agency commission. Total fees pertaining to related parties included under "Program costs" presented as part of "Costs of services" in the parent company statements of comprehensive income amounted to in 2021 and 2020. (see Note 18).

b. The Company also charges its affiliated broadcasting companies for their share in the expenses for operating the radio broadcast stations amounting to ₱72.7 million and ₱49.9 million in 2021 and 2020, respectively, which are shown as "Recharges/reimbursements" under "Operating expenses" account in the parent company statement of comprehensive income (see Note 18).

c. On January 4, 2021, CBC, PBC and PBSI (collectively referred to herein as "the Networks"), the Company and EHC, entered into a Memorandum of Agreement confirming the agreement among the parties to the net settlement of the respective receivables and payables as at December 31, 2021 (see Note 25).

d. The Company grants and obtains short-term interest-free advances to and from its affiliates, which are owned and managed by certain stockholders and/or members of the BOD of the Company.

e. The payable to affiliated service companies amounting to ₱16.7 million and ₱25.5 million as at December 31, 2021 and 2020, respectively, are included in "Accrued expenses" as part of "Service fees". The advances to affiliated service companies and other related parties amounting to ₱7.7 million and ₱8.5 million in 2021 and 2020, respectively, are included in "Receivables" as part of "Advances to stations" (see Note 6).

f. The short-term employee benefits of key management personnel amounted to ₱19.4 million and ₱16.4 million in 2021 and 2020, respectively. The pension benefits of the key management personnel are not covered by the Company's retirement plan.

15. Capital Stock

The Company was listed with the Philippine Stock Exchange on October 8, 1949. In its initial public offering, the Company offered the share at a price of ₱1.05. As at December 31, 2021 and 2020, the Company had 604 shareholders on record.

As at December 31, 2021 and 2020, capital stock consists of 1,000,000,000 authorized common shares with par value of ₱1.00 per share, of which 402,803,777 shares have been issued.

Treasury shares at cost comprised of 120,787 shares as at December 31, 2021 and 2020.

Set out below is MBC's track record of registration of securities:

Year approved	Number of Shares registered	Issue/Offer Price
1970	1,473,711	₱1.05
1978	2,029,851	1.04
1979	2,232,494	1.04
1980	2,452,735	1.03
1981	2,575,837	1.03
1985	3,803,777	1.02
1997	252,683,164	1.00
1998	252,682,990	1.00
2001	402,682,990	1.00

On October 19, 1976, the stockholders approved the increase in the authorized capital stock of the Company from ₱1.5 million, divided into 1.5 million shares with par value of ₱1.00 each to ₱5.0 million, divided into 5.0 million shares with par value of ₱1.00 each. On the same date, the stockholders approved the declaration of 50% stock dividends payable to stockholders of record as at October 30, 1976.

In 1978, the stockholders reduced the proposed increase to ₱4.0 million, divided into 4.0 million shares with par value of ₱1.00 each, and approved the payment of the 50% stock dividend to stockholders of record as at October 30, 1976. The increase in authorized capital stock was approved by the Philippine SEC on April 28, 1978.

The BOD and stockholders approved on January 29, 1997 and February 26, 1997, respectively, the increase in the Company's authorized capital stock from ₱4.0 million, divided into 4.0 million shares with par value of ₱1.00 each to ₱1.0 billion, divided into 1.0 billion shares with the same par value.

16. **Retained Earnings**

On December 23, 2020, at the special meeting of the BOD of the Company, the BOD authorized the additional appropriation of ₱100 million for the acquisition of land or office building to be taken from the unrestricted retained earnings of the Company as of December 31, 2020. The Company plans to acquire a land in December 2021 while construction of the building is targeted to commence on the second half of 2022.

On March 24, 2022, the Parent Company's Board of Directors, approved the acquisition of UnionBank property located Barangay 89, Zone 9, District 1, San Rafael, Pasay City for their future headquarters. As at May 16, 2022, the construction of the building has not yet started.

As at December 31, 2021 the appropriated retained earnings amounted to ₱200 million.

On December 17, 2021, the BOD of the Company declared cash dividends amounting to ₱120.7 million or ₱0.30 per share to stockholders on record as at January 16, 2022 payable on February 3, 2022.

The Company's retained earnings are not available for declaration as dividends to the extent of the cost of treasury stock and recognized deferred tax assets.

17. **Revenue**

	2021	2020
Broadcasting fees	**₱978,418,959**	₱880,866,867
Less:		
Volume discounts (see Note 13)	**4,805,560**	17,469,330
Sales discounts	**–**	703,613
	₱973,613,399	₱862,693,924

In 2021 and 2020, revenue arising from exchange of goods and services, included in broadcasting fees, amounted to ₱1.0 million.

Disaggregated Revenue Information

	2021	2020
Type of services:		
Broadcasting	**₱954,264,289**	₱845,646,696
Digital	**12,654,455**	11,114,581
Hosting and customer event	**6,694,655**	5,932,647
	₱973,613,399	₱862,693,924

	2021	2020
Timing of Revenue Recognition:		
Point in time	**₱966,918,744**	₱856,761,277
Over time	**6,694,655**	5,932,647
	₱973,613,399	₱862,693,924

Contract Balances

	2021	2020
Trade receivables* (see Notes 6 and 23)	**₱353,463,291**	₱434,456,986
Contract liabilities - advances from sponsors	**61,307,818**	34,854,062

**Net of allowance for expected credit loss amounting to ₱21.7 million and ₱32.2 million in 2021 and 2020, respectively.*

Contract liabilities are advances received from sponsors pertaining to non-refundable placement fees paid by customers for future broadcast airings.

Revenue recognized in 2021 and 2020 that was included in the beginning balance of advances from sponsors amounted to ₱34.9 million and ₱29.6 million, respectively.

18. Cost of Services and Operating Expenses

Cost of services

	2021	2020
Program costs (see Notes 14 and 23)	**₱287,108,138**	₱176,484,984
Service fees (see Note 14)	**235,742,343**	224,436,362
Personnel expenses (see Notes 14, 19 and 20)	**29,817,048**	28,751,559
Depreciation (see Note 9)	**17,076,980**	15,945,470
Replacement parts	**10,205,650**	6,946,356
	₱579,950,159	₱452,564,731

Operating expenses:

	2021	2020
Personnel (see Notes 14, 19 and 20)	**₱112,678,776**	₱91,961,376
Sales commissions	**40,951,197**	34,783,832
Communication, light and water	**25,236,838**	26,156,438
Rent (see Note 22)	**21,618,049**	10,309,641
Depreciation and amortization (see Notes 9, 10 and 11)	**15,689,455**	16,817,113
Taxes and licenses	**13,186,446**	16,559,243
Outside services	**9,331,960**	8,150,269
Professional fees	**7,026,448**	5,174,525
Travel and transportation	**6,752,096**	3,589,281
Repairs	**5,912,434**	17,011,032
Replacement parts	**5,170,436**	6,525,474
Advertising and promotions	**4,848,576**	1,402,194
Subscription fee	**4,070,254**	2,349,905
Provision for doubtful accounts (see Note 6)	**2,211,806**	9,183,858
Dues and membership	**1,866,401**	5,572,216
Materials and supplies	**1,454,904**	1,463,390
Entertainment, amusement and recreation	**493,695**	234,737
Commissions	**143,612**	388,979
Others	**20,947,600**	11,765,665
	299,590,983	269,399,168
Recharges/reimbursements (see Note 14)	**(72,721,823)**	(49,888,887)
	₱226,869,160	₱219,510,281

19. Personnel Expenses

	2021	2020
Salaries, wages and bonuses	**₱123,583,484**	₱103,331,338
Retirement benefits cost (see Note 20)	**1,735,145**	3,825,680
Other short-term employee benefits	**17,177,195**	13,555,917
	₱142,495,824	₱120,712,935

20. **Retirement Benefits**

The Company has a funded, noncontributory defined benefit retirement plan covering all of its remaining employees. The benefits are based on years of service and compensation on the last year of employment. The latest actuarial valuation report is as at December 31, 2021.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of a retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding for the plan.

The components of retirement benefits cost are as follows:

	2021	2020
Current service cost	**₱4,931,471**	₱4,209,224
Net interest cost	**(3,196,326)**	(383,544)
	₱1,735,145	₱3,825,680

Remeasurements on accrued retirement benefits recognized in OCI consist of actuarial gains (losses) on:

	2021	2020
PVBO	**₱8,616,664**	₱867,593
FVPA	**(9,280,707)**	578,520
	(₱664,043)	₱1,446,113

Movements in the remeasurement gain on accrued retirement benefits follow:

	2021	2020
Balance at beginning of year	**₱44,411,253**	₱43,398,974
Remeasurement gain, net of tax	**5,846,432**	1,012,279
Balance at end of year	**₱50,257,685**	₱44,411,253

Deferred income tax effect of remeasurement gains amounted to ₱0.2 million and ₱0.4 million 2021 and 2020, respectively.

The amounts recognized in the statements of financial position are as follows:

	2021	2020
FVPA	**₱73,269,100**	₱75,474,765
PVBO	**70,361,589**	70,168,066
Pension asset - net	**₱2,907,511**	₱5,306,699

Movements in the net pension asset follow:

	2021	2020
Balance at beginning of year	**₱5,306,699**	₱7,686,266
Remeasurement effects in OCI	**(664,043)**	1,446,113
Retirement benefits cost	**(1,735,145)**	(3,825,680)
Balance at end of year	**₱2,907,511**	₱5,306,699

The changes in PVBO are as follows:

	2021	2020
Balance at beginning of year	**₱70,168,066**	₱72,778,413
Current service cost	**4,931,471**	4,209,224
Interest cost	**2,686,189**	3,631,643
Actuarial losses (gains)	**(7,424,137)**	(867,593)
Benefits paid	**–**	(9,583,621)
Balance at end of year	**₱70,361,589**	₱70,168,066

The changes in FVPA are as follows:

	2021	2020
Balance at beginning of year	**₱75,474,765**	₱80,464,679
Remeasurement gain (loss) on plan assets	**(5,051,064)**	578,520
Interest income	**2,845,399**	4,015,187
Benefits paid	**–**	(9,583,621)
Balance at end of year	**₱73,269,100**	₱75,474,765

The management and the trustee bank review the performance of the retirement fund (the Fund) on a regular basis and assess whether the Fund will achieve an investment return which, together with contributions, will be sufficient to pay retirement benefits when they fall due.

The Fund consists of the following assets and investments:

- Investments in government securities, which include retail treasury bonds and fixed treasury notes that bear interest ranging from 2.60% to 6.30% and will mature in 2.1 to 4.8 years;
- Investments in debt securities, consisting of various corporate bonds which earn interest ranging from 3.25% to 7.50% and have remaining maturities of 0.2 to 4.2 years;
- Investment in stocks of a third party with a market value of ₱100.50 per share; and
- Investment in BDO institutional equity fund.
- Dividends receivables, interest receivables and accounts receivables from brokers;
- Cash and cash equivalents, which include regular savings and time deposits earning interest at their respective bank deposit rates;

The objective of the plans portfolio is capital preservation by earning higher than regular deposit rates over a long period given a small degree of risk on principal and interest. Asset purchases and sales are determined by the plan's trustee bank, who have been given discretionary authority to manage the distribution of the assets to achieve the plan's investment objectives. In order to minimize the risks of the fund, the committee monitors compliance with target asset allocations and composition of the investment portfolio on a regular basis.

The Company does not expect to contribute to the fund in 2022. The Company does not have any asset-liability matching strategy.

The categories of plan assets as a percentage of the FVPA as at December 31 are as follows:

	2021	2020
Investments in government securities:		
Fixed treasury notes	**74.82%**	75.33%
Retail treasury bonds	**2.19%**	1.91%
Investments in debt securities:		
Property	**6.21%**	5.87%
Utilities	**4.75%**	5.83%
Banks	**3.42%**	4.26%
Holding firm	**2.35%**	2.36%
Telecommunications	**2.31%**	1.64%
Investment in unit investment trust fund	**2.34%**	1.55%
Investment in stocks	**1.01%**	0.63%
Receivables	**0.6%**	0.62%
Cash and cash equivalents	**–**	–
Investment in unsecured debt securities	**–**	–
	100.00%	100.00%

The assumptions used to determine retirement benefits of the Company as at January 1 are as follows:

	2021	2020
Discount rate	**3.50%**	3.50%
Salary increase rate	**4.00%**	4.00%

The sensitivity analysis below has been determined based on the reasonably possible change of each significant actuarial assumption on the retirement obligation as at December 31, 2021 assuming all other assumptions were held constant:

	Increase (decrease)	Increase (decrease) in retirement benefit obligation
Discount rate:		
Sensitivity 1	0.50%	(₱728,217)
Sensitivity 2	(0.50%)	836,405
Salary increase rate:		
Sensitivity 1	1.00%	1.757,464
Sensitivity 2	(1.00%)	(1,360,473)

The table below shows the maturity analysis of the undiscounted benefit payments as at December 31, 2021:

Plan year	Amount
Within one year	₱40,149,618
More than one year to five years	5,561,298
More than five years to 10 years	10,745,995
More than 10 years to 15 years	21,895,877
More than 15 years to 20 years	51,112,177
More than 20 years	299,541,563

The defined benefit retirement plan is funded by other participating companies, which are related parties of the Company. The plan contributions are based on the actuarial present value of accumulated plan benefits and fair value of plan assets are determined using an independent actuarial valuation. The net defined benefit cost and the contributions to the plan are specifically identifiable, such that, the Company's PVBO pertains only to the benefit of the Company's employees and the FVPA, pertains only to the contributions made by the Company. The Company shall contribute to the Fund such amounts as shall be required, under actuarial principles, to provide the benefits and the expenses incident to the operation and administration of the Fund.

There are no related party transactions between the Fund and the Company.

21. **Income Taxes**

a. The provision for income tax consists of:

	2021	2020
Regular corporate income tax (current income tax)	**₱40,471,687**	₱66,696,320
Final tax on interest income	**18,265**	36,381
	40,489,952	66,732,701
Provision for (benefit from) deferred income tax	**10,752,246**	(920,211)
	₱51,242,198	₱65,812,490

b. Deferred income tax charged directly to equity follows:

	2021	2020
Revaluation increment on land	**₱15,785,795**	₱29,201,160
Reserve for fluctuations in financial assets at FVOCI	**(6,595,885)**	11,907,291
Remeasurements on accrued retirement benefits	**2,280,832**	433,834
	₱11,470,742	₱41,542,285

c. The reconciliation of income tax computed at the statutory tax rate to provision for income tax as shown in profit or loss follows:

	2021	2020
Statutory income tax	**₱50,461,921**	₱64,281,741
Additions to (reductions in) income tax resulting from:		
Nondeductible expenses	**1,080,978**	1,830,760
Interest income subjected to final tax at a lower rate	**(42,279)**	(300,011)
Due to change in tax rate	**(258,422)**	–
Provision for income tax	**₱51,242,198**	₱65,812,490

d. The components of the Company's net deferred tax liabilities consist of the tax effects of the following:

	2021	2020
Deferred income tax assets on:		
Allowances for:		
Expected credit loss	**₱7,323,720**	₱11,924,179
Inventory obsolescence	**979,079**	276,059
Provisions for volume discounts	**210,439**	6,691,931
Accrued separation costs	**2,305,056**	2,766,068
Unamortized contribution to past service cost	**470,805**	708,739
Unrealized foreign exchange loss	**290,943**	415,074
Unearned rent	**297,919**	349,183
Lease liabilities - net	**685,212**	305,672
	12,563,173	23,436,905
Deferred income tax liabilities on:		
Revaluation increment on land	**99,220,827**	115,006,622
Reserve for fluctuations in financial assets at FVOCI	**40,751,133**	34,155,248
Pension assets - net	**726,878**	1,592,010
Unamortized debt issue costs	**99,714**	216,201
Others	**7,105,201**	8,525,900
	147,903,753	159,495,981
	₱135,340,580	₱136,059,076

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which are relevant and have an impact on the Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000 (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated RCIT rate of the Company for the year ended December 31, 2021 and 2020 is 25% and 27.5%, respectively.

The CREATE Act's retrospective 2.5% income tax rate reduction resulted in lower provision for current income for the year ended December 31, 2020 and lower income tax payable as at December 31, 2020 reflected in the Company's 2020 annual income tax return amounting to ₱5.6 million. Such changes were recognized, for financial reporting purposes for the year ended December 31, 2021.

22. **Lease Arrangements**

a. The Company leases satellite communications capacity for the performance of its broadcasting services called the Transponder Lease, which considers certain space segment capacity and transponder power. The lease agreement is for a period of five years from November 1, 2012 and was renewed for another five years commencing on November 1, 2017, with a monthly payment of $8,500.

b. The Company has lease agreements with various individuals for the rent of land and office space used principally to its broadcasting business as well as the site for its radio broadcasting stations. The Company is allowed to construct buildings and improvements on the leased premises provided that upon the expiration of the lease term, all structure, except the transmitter, antennae systems, discs and other related broadcast and communications equipment and accessories, shall belong to the lessor without reimbursing the Company for its expenses. Shown below are the details of the leases:

Location	Start date	End date	Monthly payment	Asset leased	Escalation
Pagatpat, Cagayan De Oro	6/1/2019	5/31/2029	20,000	Land	5% every three years
Krislamville-Kakar, Cotabato City	1/1/2019	3/29/2024	40,365	Land	10% every two years
Barrio Rizal, Santiago, Isabela	1/1/2019	1/31/2024	25,101	Land	10% every two years
Lapaz, Iloilo City	1/1/2020	6/30/2024	37,268	Land	10% per annum
Barrio Lagao, Gen. Santos City	1/1/2020	6/30/2023	34,237	Land	10% per annum
General Santos Drive, Koronadal City	1/1/2020	3/31/2024	20,000	Office space	₱1,000 per annum
Sorsogon City, Sorsogon Province	5/1/2021	4/30/2023	53,521	Land	-
Pahina Central, Cebu City	1/1/2021	7/1/2022	20,000	Office space	-
Poblacio, Tuba, Benguet	8/1/2021	7/31/2031	20,000	Land	2.5% per annum
Bago City, Negros Occidental	4/1/2021	3/31/2026	57,487	Land	10% per annum

In 2020, the Company entered into three new lease agreements located in Iloilo, General Santos and Koronadal and recognized additional right-of-use assets amounting to ₱4.8 million (see Note 9). The Company's obligations under these leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets except for its related parties. Termination options are mutually agreed by lessor and lessee.

In 2021, the Company entered into three new lease agreements located in Sorsogon Province, Cebu City, Benguet and Negros Occidental and recognized additional right-of-use assets amounting to ₱7.6 million (see Note 9). The Company's obligations under these leases are usually the same with the leases entered into in the prior year.

Shown below is the maturity analysis of the undiscounted lease payments:

	2021	2020
Within one year	**₱8,642,963**	₱7,254,566
After one year but not more than five years	**8,475,095**	10,364,845
More than five years	**1,427,866**	652,680
	₱18,545,924	₱18,272,091

The Company also has certain leases of office spaces with lease terms of 12 months or less. The Company applies the ‘short-term lease’ recognition exemptions for these leases.

The following are the amounts recognized in the parent company statement of comprehensive income:

	2021	2020
Depreciation expense of right-of-use assets (see Note 9)	**₱7,581,505**	₱6,757,123
Interest expense on lease liabilities	**1,126,399**	1,383,551
Expenses relating to short-term leases (see Note 18)	**21,618,049**	10,309,641
Total amount recognized in statement of income	**₱29,326,579**	₱18,450,315

The rollforward analysis of lease liabilities follows:

	2021	2020
Balance at beginning of year	**₱16,905,913**	₱18,179,544
Additions	**7,581,505**	4,823,150
Interest expense	**1,126,399**	1,383,551
Payments	**(7,300,427)**	(6,891,641)
Revaluation	**(141,173)**	(588,691)
Balance at end of year	**18,172,217**	16,905,913
Less current portion	**9,324,006**	6,795,218
	₱8,848,211	₱10,110,695

The Company has no lease contracts that contain variable payments.

Refundable deposits related to the leases included in “Other noncurrent assets” amounted to ₱1.2 million and ₱0.9 million as at December 31, 2021 and 2020, respectively.

Rent expense pertaining to short-term leases shown as part of “Operating expenses” in the parent company statement of comprehensive income amounted to ₱21.6 million and ₱10.3 million in 2021 and 2020, respectively (see Note 18).

23. Financial Risk Management Objectives and Policies

The Company’s principal financial instruments consist of cash and loans. 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 from related parties, refundable deposits, financial assets at FVOCI, accounts payable and accrued expenses, dividends payable accrued separation costs and lease liabilities.

The main risks arising from the Company's financial instruments are credit risk, interest rate risk and liquidity 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 subjected to credit verification procedures. Receivables, due from related parties and refundable deposits 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.

With respect to credit risk arising from the Company's cash in banks, the Company's exposure arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company deals only with financial institutions duly evaluated and approved by the BOD. The Company avoids concentrations of credit risk on its liquid assets as these are spread over several financial institutions.

The table below shows the maximum exposure to credit risk for the Company's financial assets as of December 31, 2021 and 2020. The Company does not hold collaterals as security.

	2021	2020
Cash in banks	**₱66,786,036**	₱301,471,214
Receivables	**427,154,885**	513,443,239
Due from related parties	**209,636,879**	109,412,637
Refundable deposits	**3,523,797**	3,234,544
Financial assets at FVOCI	**289,627,071**	245,656,383
	₱996,728,668	₱1,173,218,017

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix as at December 31, 2021 and 2020:

	December 31, 2021							
	Current	**<30 days**	**30-60 days**	**61-90 days**	**91-360 days**	**Over 360 days**	**Credit Impaired**	**Total**
ECL rate	**1.08%**	**1.17%**	**1.45%**	**2.33%**	**4.76%**	**50.75%**	**100%**	
Estimated EAD	**131,357,349**	**33,986,397**	**33,528,162**	**62,608,058**	**98,674,199**	**6,560,655**	**8,512,026**	**374,158,325**
ECL	**(6,640,122)**	**398,122**	**485,546**	**1,489,882**	**14,188,402**	**3,329,699**	**8,512,026**	**19,551,749**
	137,997,472	**33,588,275**	**33,042,616**	**61,118,176**	**84,485,798**	**3,230,955**	**–**	**354,606,576**

	December 31, 2020							
	Current	<30 days	30-60 days	61-90 days	91-360 days	Over 360 days	Credit Impaired	Total
ECL rate	1.40%	2.11%	3.23%	4.96%	9.34%	52.13%	100.00%	
Estimated EAD	₱138,290,474	₱52,967,784	₱52,721,391	₱88,671,661	₱118,920,398	₱6,589,192	₱8,512,026	₱466,672,926
ECL	1,937,656	1,119,552	1,704,406	4,401,340	11,106,338	3,434,622	8,512,026	32,215,940
	₱136,352,818	₱51,848,232	₱51,016,985	₱84,270,321	₱107,814,060	₱3,154,570	₱–	₱434,456,986

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 and at the same time, manage its liquidity risk, the Company uses internally generated funds and proceeds from debt. Projected and actual cash flow information are regularly evaluated and funding sources are continuously assessed.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2021 and 2020 based on contractual undiscounted payments:

	2021				
	On demand	Less than 3 months	3 to 12 Months	More than 12 months	Total
Other financial liabilities					
Accounts payable and accrued expenses*	**₱269,764,720**	**₱68,064,463**	**₱53,735,101**	**₱–**	**₱391,564,284**
Dividends payable	**22,276,875**	–	–	–	**22,276,875**
Short-term loans					
Principal	–	**131,000,000**	–	–	**131,000,000**
Interest	–	**895,571**	–	–	**895,571**
Long-term debt					
Principal	–	**16,660,000**	**49,980,000**	**116,760,000**	**183,400,000**
Interest	–	**3,633,146**	**3,208,895**	**2,307,309**	**9,149,350**
Lease liabilities	–	**1,914,646**	**5,743,939**	**4,603,913**	**12,262,498**
	₱ 10,805,539,015	**₱556,387,123**	**₱232,939,702**	**₱319,405,628**	**₱750,548,578**

**Amounts are exclusive of nonfinancial liabilities amounting to ₱7.5 million as at December 31, 2021.*

	2020				
	On demand	Less than 3 months	3 to 12 Months	More than 12 months	Total
Other financial liabilities					
Accounts payable and accrued expenses*	₱116,608,868	₱162,846,876	₱64,836,794	₱–	₱344,292,538
Dividends payable	7,957,092	–	–	–	7,957,092
Short-term loans					
Principal	–	144,500,000	–	–	144,500,000
Interest	–	8,412,828	–	–	8,412,828
Long-term debt					
Principal	–	16,660,000	49,980,000	183,400,000	250,040,000
Interest	–	3,633,146	3,208,895	3,624,190	10,466,231
Lease liabilities	–	1,799,593	5,454,973	11,017,525	18,272,091
	₱124,565,960	₱337,852,443	₱123,480,662	₱198,041,715	₱783,940,780

**Amounts are exclusive of nonfinancial liabilities amounting to ₱6.5 million as at December 31, 2020.*

The maturity group of financial liabilities was based on the remaining period from the end of the reporting period to the contractual maturity date. When a counter party has a choice when the amount is paid, the liability is allocated to the earliest period in which the Company is required to pay.

The Company's financial assets (consisting of cash, receivables and due from related parties) which are available to settle maturing obligations amounted to ₱704.7 million and ₱934.1 million as at December 31, 2021 and 2020, respectively.

<u>Interest Rate Risk</u>

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 market risk for changes in interest rates relates primarily to its loans payable with floating interest rates.

The following table demonstrates the sensitivity of the Company's income before income tax (through the impact on floating rate borrowings) in 2021 to a reasonably possible change in interest rates, with all other variables held constant. There is no impact on the Company's equity other than those already affecting the net income.

Drawdown date	EIR	Increase by 1%	Decrease by 1%
July 2017	3.55%	(₱23,304,563)	(₱16,070,698)
August 2017	3.58%	(27,906,227)	(31,533,355)

Drawdown date	EIR	Increase by 1%	Decrease by 1%
October 2017	3.63%	(₱28,999,801)	(₱23,374,706)
December 2017	3.52%	(21,130,646)	(23,870,182)
January 2018	3.60%	(23,942,440)	(29,095,936)
April 2018	3.62%	(32,831,481)	(33,446,723)

Capital Management

The Company's capital structure pertains to the mix of long-term sources of funds. When the Company expands, it needs capital, and that capital can come from debt or equity.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios and strong credit ratings while viably supporting its business to maximize shareholder value.

The following table summarized the Company's capital structure as at December 31:

	2021	2020
Capital stock	**₱402,803,777**	₱402,803,777
Additional paid-in capital	**79,354**	79,354
Retained earnings	**681,020,679**	651,078,580
Treasury shares - at cost	**(120,787)**	(120,787)
	₱1,083,783,023	₱1,053,840,924

The Company's approach focuses on efficiently allocating internally generated cash for operational requirements and investments to grow the existing business. Shortages if any and acquisitions or investments in new business are funded by the incurrence of additional debt largely capped by existing loan covenants on financial ratios.

All financial ratios are within the required limits in 2021 and 2020 as follows:

Financial Ratios	Required	**2021**	2020
Loan Agreement			
Debt to equity	Not allowed to exceed 2:1	**0.59:1**	0.68:1
Current ratio	Not allowed to fall below 1:1	**1.20:1**	1.32:1

24. Note to Parent Company Statement of Cash Flows

The movements of the Company's liabilities arising from financing activities in the 2021 and 2020 parent company statements of cash flows follow:

	January 1, 2021	**Cash flows**	**Additions**	**Interest expense**	**Others**	**December 31, 2021**
Short-term loans	**₱144,500,000**	**(₱13,500,000)**	**₱–**	**₱–**	**₱–**	**₱131,000,000**
Long term debt	**249,319,330**	**(66,640,000)**	–	**232,181**	–	**182,911,511**
Accrued (prepaid) interest	**1,367,586**	**(11,748,935)**	–	**11,781,400**	–	**1,400,051**
Dividends payable	**7,957,092**	**(106,343,604)**	**120,663,387**	–	–	**22,276,875**
Lease liabilities	**16,905,913**	**(7,300,427)**	**1,610,676**	**992,699**	**(141,172)**	**12,704,947**
Total liabilities from financing activities	**₱420,049,921**	**(₱205,532,966)**	**₱122,274,063**	**₱13,006,280**	**(₱141,172)**	**₱350,293,384**

	January 1, 2020	Cash flows	Additions	Interest expense	Others	December 31, 2020
Short-term loans	₱117,000,000	₱27,500,000	₱–	₱–	₱–	₱144,500,000
Long term debt	315,555,052	(66,640,000)	–	404,278	–	249,319,330
Accrued (prepaid) interest	(124,655)	(17,012,540)	–	18,504,781	–	1,367,586
Dividends payable	8,254,044	(296,952)	–	–	–	7,957,092
Lease liabilities	18,179,544	(6,891,641)	4,823,150	1,383,551	(588,691)	16,905,913
Total liabilities from financing activities	₱458,863,985	(₱63,341,133)	₱4,823,150	₱20,292,610	(₱588,691)	₱420,049,921

25. Offsetting of Financial Instruments

The Company offsets its receivable and payable to its affiliates as the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously (see Note 14). The gross amounts of the due from and due to its affiliates and the amounts disclosed in the parent company statement of financial position as at December 31 are as follows:

	2021			
	Gross amounts	**Amounts offset[(a)]**	**Reported amounts[(b)]**	**Net exposure**
Due from related affiliates[(c)]	**₱253,680,008**	**₱44,043,129**	**₱209,636,879**	**₱209,636,879**
Due to related affiliates [(d)]	**44,043,129**	**44,043,129**	**–**	**–**

(a) Amounts offset under PAS 32
(b) Reported amounts in the parent company statement of financial position
(c) Total advances in Note 14
(d) Advances from CBC in Note 14

	2020			
	Gross amounts	Amounts offset[(a)]	Reported amounts[(b)]	Net exposure
Due from related affiliates[(c)]	₱139,651,286	₱30,238,649	₱109,412,637	₱109,412,637
Due to related affiliates [(d)]	30,238,649	30,238,649	–	–

(a) Amounts offset under PAS 32
(b) Reported amounts in the parent company statement of financial position
(c) Total advances in Note 14
(d) Advances from CBC in Note 14

26. Fair Value Measurement

As at December 31, 2021 and 2020, the carrying values of financial assets and liabilities are equal to their estimated fair values.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial assets at FVOCI

<u>Unquoted Shares of Stock</u>

The Company valued its investment in unquoted shares of stocks in PIC and EHC using adjusted net asset value approach which considers the fair value of the underlying assets and liabilities of the investee companies. Significant unobservable inputs categorized under Level 3, used under this approach include discounts on lack of control (DLOC) and discounts on lack of marketability (DLOM) within the range of 20% to 30%. The underlying assets primarily consist of investments in quoted and unquoted shares and land.

The Company determined the fair value of the underlying investments in unquoted shares using the discounted cash flows approach. Significant unobservable inputs used under this approach include use of valuation inputs such as discount rates ranging from 8.0% to 12.3%, revenue growth rate and long-term growth rate of 5.0%. These are categorized under Level 3. Changes in the said valuation inputs are significant at PIC and EHC level but no longer have a significant effect in the fair value determination at investment level.

On the other hand, the valuation of the land requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors, including any impact associated with coronavirus pandemic. The significant unobservable input of price per square meter ranges from ₱96,000 to ₱120,000 in 2021 and₱1,100 to ₱25,000 in 2020. These are categorized under Level 3.

The assumptions to which the outcome of the valuation is most sensitive is the DLOC, DLOM and sales listing of comparable properties. The sensitivity analysis below has been determined based on the reasonably possible change of each significant unobservable input on the fair value of the unquoted investments as at December 31, 2021 assuming all other assumptions were held constant:

Significant unobservable input	Increase (Decrease)	Increase (Decrease) in Fair Value of Investment
Revenue growth rate	(2%)	(₱33,070,490)
Long-term growth rate	2%	(24,933,890)
Discount on lack of control	(5%)	17,236,640
Discount on lack of marketability	(5%)	17,532,599
Sales price of comparable properties	(29%)	(3,853,850)

Quoted Shares of Stock
The fair value of the quoted shares of stock as at December 31, 2021 and 2020 is based on quoted market price (Level 1).

Other financial assets and financial liabilities. Due to the short-term nature of other financial assets and financial liabilities, the fair value of cash, receivables, due from affiliates, accounts payable and accrued expenses and dividends payable approximate the carrying value as at the financial reporting date.

Refundable deposits. The fair value approximates its cost due to uncertain timing of redemption.

Investment properties. The carrying value of investment properties amounted to ₱43.2 million as at December 31, 2021 and 2020. The total fair value of the investment properties, based on the recent appraisal report, amounted ₱162.8 million for land and ₱79.8 million for building. The fair values of the properties are based on valuations performed by an accredited independent appraiser as at December 31, 2021. The fair value of the land was obtained by considering sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. The significant unobservable input of price per square meter ranges from ₱96,000 to ₱120,000 based on the latest appraisal report. Accordingly, the fair value measurement is categorized under Level 3.

Loans payable. The carrying value approximates fair value due to quarterly repricing.

Lease liabilities. The fair value of the lease liabilities amounted to ₱13.0 million and ₱17.3 million as at December 31, 2021 and 2020, respectively. The fair value is estimated to be the present value of the future cash flows discounted using the incremental borrowing rate. Interest rates used for discounting range between 1.01% to 4.19% and 4.8% to 8% as at December 31, 2021 and 2020, respectively.

The following table provides the fair value hierarchy of the Company's assets measured at fair value and those for which fair values are disclosed and the carrying amounts differ from fair value as at December 31, 2021 and 2020:

	2021			
	Fair value measurement using			
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value:				
Financial assets at FVOCI:				
Unquoted equity securities (see Note 7)	**₱289,377,071**	**₱–**	**₱–**	**₱289,377,071**
Quoted equity securities	**250,000**	**250,000**	**–**	**–**
Land at revalued amount (see Note 9)	**412,663,500**	**–**	**–**	**412,663,500**

	2020			
	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Financial assets at FVOCI:				
Unquoted equity securities (see Note 7)	₱245,456,383	₱–	₱–	₱245,456,383
Quoted equity securities	200,000	200,000	–	–
Land at revalued amount (see Note 9)	399,135,600	–	–	399,135,600

There were no transfers between the different hierarchy levels in 2021 and 2020.

27. Earnings per Share (EPS)

Basic EPS is computed based on the weighted average number of issued and outstanding common shares during each year. Diluted EPS is computed as if the potential common share or instrument that may entitle the holder to common share were exercised as at the beginning of the year. When there are no potential common shares or other instruments that may entitle the holder to common shares, diluted EPS, is the same as the basic EPS.

There are no dilutive financial instruments in 2021 and 2020, hence, diluted EPS is the same as the basic EPS.

The Company's EPS was computed as follows:

	2021	2020
(a) Net income	**₱150,605,486**	₱148,459,978
(b) Weighted average number of shares outstanding	**402,682,990**	402,682,990
Basic/ diluted EPS (a/b)	**₱0.37**	₱0.37

28. **Supplementary Information Required Under Revenue Regulations 15-2010**

In compliance with Bureau of Internal Revenue Regulations 15-2010 issued on November 25, 2010, mandating all taxpayers to disclose information on taxes and license fees paid and accrued during the taxable year, summarized below are the taxes paid and accrued by the Company in 2021.

a. Output VAT declared by the Company amounted to ₱135,305,186 based on receipts of ₱1,127,543,218. Outstanding net output tax payable amounted to ₱5,283,932 as at December 31, 2021.

   The Company's revenue on which output VAT is declared, is based on collections, hence, may not be the same as the amounts accrued in the parent company statement of comprehensive income.

   The total output VAT includes deferred output VAT, hence, may not be the same as the amount of net output tax payable declared in the returns.

b. Movements in input VAT are as follows:

	Amount
Balance, January 1	₱–
Current year payments for capital goods subject to amortization	94,485,369
Total available input VAT during the period	94,485,369
Claims for tax credit and other adjustments	(94,485,369)
Balance, December 31	₱–

c. Taxes and licenses paid by the Company are as follows:

	Amount
Business permits	₱4,391,843
Permits and fees	3,083,839
Real property taxes	847,172
Documentary stamp tax	27,804
Others	511,878
	₱8,862,536

The Company also accrued ₱4,323,910 for the deficiency taxes in 2020.

d. Withholding taxes paid and accrued by the Company are as follows:

	Paid	Accrued	Total
Expanded withholding tax	₱23,593,855	₱2,165,464	₱25,759,319
Withholding tax on compensation and benefits	10,678,916	2,262,102	12,941,018
	₱34,272,771	₱4,427,566	₱38,700,337

e. The Company has no ongoing tax assessments or tax cases as at December 31, 2021.

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Manila Broadcasting Company
MBC Building, V. Sotto Street
CCP Complex, Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Manila Broadcasting Company as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated May 16, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the supplementary schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Pilar B. Hernandez

Maria Pilar B. Hernandez
Partner
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Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
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PTR No. 8853500, January 3, 2022, Makati City

May 16, 2022

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INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND SCHEDULE

The Stockholders and the Board of Directors
Manila Broadcasting Company
MBC Building, V. Sotto Street
CCP Complex, Pasay City

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Manila Broadcasting Company as at December 31, 2021, and have issued our report thereon dated May 16, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. This has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Pilar B. Hernandez

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