



**MANILA  
BROADCASTING  
COMPANY**

October 29, 2015

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


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

Gentlemen:

We are submitting herewith the Quarterly Report (SEC Form 17-Q) of Manila Broadcasting Company for the quarter ended September 30, 2015.

We trust you will find everything in order.

Very truly yours,

  
EDUARDO G. CORDOVA  
SVP - CFO

# COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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

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

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

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

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Month      Day  
(Calendar Year)

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(Form Type)

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Month      Day  
(Annual Meeting)

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings	
Domestic	Foreign

To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **September 30, 2015**
2. Commission identification number: **SEC No. 1674**
3. BIR Tax Identification No: **000-479-027**
4. Exact name of issuer as specified in its charter: **MANILA BROADCASTING COMPANY**
5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office / Postal Code  
**MBC Bldg., V. Sotto St., CCP Complex, Pasay City 1307 Philippines**
8. Issuer's telephone number, including area code: **(02) 832-61-49 to 50**
  - a. Former name, former address and former fiscal year, if changed since last report:  
**N/A**
9. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<b>Common Shares</b>	<b>402,682,990 shares</b>
<b>Total Liabilities</b>	<b>P231,940,949</b>

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

Yes [] No []

11. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes  No

## **PART I - FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

Please see attached Financial Statements for September 30, 2015.

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

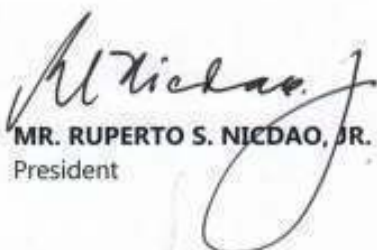
Please see attached management Discussion and Analysis of Financial Condition and Results of Operations.

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **MANILA BROADCASTING COMPANY**

By:



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



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

Date: **October 29,, 2015**

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

As of September 30, 2015 and December 31, 2014

	<b>2015 Unaudited (9 Months)</b>	<b>2014 Audited (1 Year)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	<b>84,522,363</b>	144,243,784
Receivables - net	<b>337,645,064</b>	335,381,359
Due from affiliates	<b>123,010,118</b>	102,191,218
Materials and supplies - net	<b>2,133,193</b>	5,074,195
Prepaid expenses and other current assets	<b>260,155</b>	247,671
<b>Total Current Assets</b>	<b>547,570,893</b>	587,138,227
<b>Noncurrent Assets</b>		
Available-for-sale financial assets	<b>42,419,455</b>	42,419,455
Property and Equipment - net		
At cost	<b>108,168,774</b>	94,099,019
At revalued amount	<b>189,179,800</b>	189,179,800
Investment Properties - net	<b>43,339,047</b>	49,196,072
Intangible assets - net	<b>70,889,957</b>	79,751,204
Goodwill	<b>38,016,206</b>	38,016,206
Other Noncurrent Assets	<b>5,408,493</b>	6,064,826
<b>Total Noncurrent Assets</b>	<b>497,421,732</b>	498,726,582
<b>TOTAL ASSETS</b>	<b>1,044,992,625</b>	1,085,864,809
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable & accrued expenses	<b>137,282,302</b>	188,686,756
Dividends payable	<b>5,104,072</b>	13,354,072
Talent fees and commissions payable	<b>30,542,034</b>	30,442,034
Income tax payable	<b>8,812,332</b>	31,450,485
<b>Total Current Liabilities</b>	<b>181,740,740</b>	263,933,347
<b>Noncurrent Liabilities</b>		
Accrued retirement benefits	<b>21,445,231</b>	27,306,285
Accrued rent	<b>4,221,216</b>	4,221,216
Deferred income tax liabilities - net	<b>24,533,762</b>	24,533,762
<b>Total Noncurrent Liabilities</b>	<b>50,200,209</b>	56,061,263
<b>Total Liabilities</b>	<b>231,940,949</b>	319,994,610
<b>Equity</b>		
Capital stock	<b>402,803,777</b>	402,803,777
Additional paid-in capital	<b>79,354</b>	79,354
Revaluation increment on land	<b>125,379,594</b>	125,379,594
Reserve for fluctuation in available-for-sale financial assets	<b>90,000</b>	90,000
Remeasurements on accrued retirement benefits	<b>13,228,158</b>	13,228,158
Retained earnings	<b>271,591,581</b>	224,410,103
Treasury stock (at cost)	<b>(120,787)</b>	(120,787)
<b>Total Equity</b>	<b>813,051,677</b>	765,870,199
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,044,992,625</b>	1,085,864,809

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

For Nine Months ended September 30, 2015 and 2014

Tentative and Unaudited

	<b>2015</b> <b>(9 Months)</b>	2014 (9 Months)	<b>2015</b> <b>(July - September)</b>	2014 (July - September)
REVENUE	<b>690,949,368</b>	627,580,680	<b>261,927,144</b>	211,377,197
EXPENSES	<b>623,547,257</b>	563,159,231	<b>232,552,705</b>	182,745,379
<b>INCOME BEFORE INCOME TAXES</b>	<b>67,402,111</b>	64,421,449	<b>29,374,438</b>	28,631,818
PROVISION FOR INCOME TAX	<b>20,220,633</b>	19,326,435	<b>8,812,332</b>	8,589,545
<b>NET INCOME</b>	<b>47,181,478</b>	45,095,014	<b>20,562,107</b>	20,042,273
OTHER COMPREHENSIVE INCOME	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>47,181,478</b>	45,095,014	<b>20,562,107</b>	20,042,273
<b>Weighted Average Number of Shares Outstanding</b>	<b>402,682,990</b>	402,682,990	<b>402,682,990</b>	402,682,990
<b>Basic/Diluted Earnings Per Share</b>	<b>0.117</b>	0.112	<b>0.051</b>	0.050

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

For Nine Months ended September 30, 2015 and 2014

Tentative and Unaudited

	<b>2015</b> <b>(9 Months)</b>	2014 (9 Months)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	<b>47,181,478</b>	45,095,014
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	<b>26,008,186</b>	27,265,991
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	<b>(2,263,706)</b>	17,688,467
Due from affiliates	<b>(20,818,900)</b>	(61,910,734)
Materials and supplies	<b>2,941,002</b>	(2,291,580)
Prepaid expenses and other current assets	<b>(12,484,000)</b>	(25,783)
Increase (decrease) in:		
Accounts payable and accrued expenses	<b>(51,404,454)</b>	(10,281,580)
Talent fees and commissions payable	<b>100,000</b>	-
Income tax payable	<b>(22,638,153)</b>	(8,877,693)
Deferred income tax liabilities	-	(3,823,469)
Net cash provided by operating activities	<b>(20,907,031)</b>	2,838,633
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net addition to property, equipment & investment properties	<b>(25,359,669)</b>	(13,331,299)
Other non-current assets	<b>656,333</b>	308,455
Accrued retirement benefits	<b>(5,861,054)</b>	(10,365,241)
Cash used in investing activities	<b>(30,564,390)</b>	(23,388,085)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends Paid	<b>(8,250,000)</b>	(8,668,674)
Net cash provided by (used in) financing activities	<b>(8,250,000)</b>	(8,668,674)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(59,721,421)</b>	(29,218,126)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>144,243,784</b>	94,862,956
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>84,522,363</b>	65,644,830



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

For Nine Months ended September 30, 2015 and 2014

	Capital Stock	Additional Paid-in Capital	Revaluation Increment in Land	Reserve for Fluctuation in Available for-sale Financial Assets	Remeasurements on Accrued Retirement Benefits	Retained Earnings	Treasury Stock	Total
Bal. At December 31, 2014	402,803,777	79,354	125,379,594	90,000	13,228,158	224,410,103	(120,787)	765,870,199
Net Income Jan-Sept, 2015						47,181,478		47,181,478
	<b>402,803,777</b>	<b>79,354</b>	<b>125,379,594</b>	<b>90,000</b>	<b>13,228,158</b>	<b>271,591,581</b>	<b>(120,787)</b>	<b>813,051,677</b>
Bal. At December 31, 2013	402,803,777	79,354	109,980,224	90,000	11,171,134	184,599,369	(120,787)	708,603,071
Net Income Jan-Sept, 2014						45,095,014		45,095,014
	<b>402,803,777</b>	<b>79,354</b>	<b>109,980,224</b>	<b>90,000</b>	<b>11,171,134</b>	<b>229,694,383</b>	<b>(120,787)</b>	<b>753,698,085</b>

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

For Nine Months ended September 30, 2015 and 2014

In Thousands of Pesos

September 30, 2015

	Neither Past Due nor Impaired	Age Analysis of Past Due but not Impaired				Past Due and Impaired	Allowance	Total
		<30 days	30-60 days	60-90 days	90-120 days			
Trade	222,481	35,482	33,184	25,938	19,397	35,746	(55,676)	316,552
Others	17,035	3,555	315	790	1,586	1,966	(4,154)	21,093
<b>TOTAL</b>	<b>239,516</b>	<b>39,037</b>	<b>33,499</b>	<b>26,728</b>	<b>20,983</b>	<b>37,712</b>	<b>(59,830)</b>	<b>337,645</b>

September 30, 2014

	Neither Past Due nor Impaired	Age Analysis of Past Due but not Impaired				Past Due and Impaired	Allowance	Total
		<30 days	30-60 days	60-90 days	90-120 days			
Trade	202,101	30,612	29,425	22,800	17,734	32,682	(52,732)	282,622
Others	15,649	2,347	280	723	1,457	1,808	(3,816)	18,448
<b>TOTAL</b>	<b>217,750</b>	<b>32,959</b>	<b>29,705</b>	<b>23,523</b>	<b>19,191</b>	<b>34,490</b>	<b>(56,548)</b>	<b>301,070</b>

**PART I – FINANCIAL INFORMATION**

**1. Corporate Information**

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

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

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

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

**Basis of Preparation**

The financial statements of the Company have been prepared using the historical cost convention, except for available-for-sale (AFS) financial assets, which have been measured at fair value, and land under property and equipment, which is carried at revalued amount.

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

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

## Statement of Compliance

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

## Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards effective for the Company beginning January 1, 2014. Unless otherwise indicated, the adoption of these standards did not have an impact on the Company's financial statements.

- Investment Entities (*Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interest in Other Entities and PAS 27, Separate Financial Statements*). These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10 and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Revised)*. These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively.
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Revised)*. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*. These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.
- Philippine Interpretation IFRIC 21, *Levies*. IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

*Annual Improvements to PFRSs (2010-2012 cycle)*. In the 2010 - 2012 annual improvements cycle, the Philippine Accounting Standards Board (PASB) issued seven amendments to six standards, which included an amendment to PFRS 13, *Fair Value Measurement*. It clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment to PFRS 13 is effective immediately for periods beginning January 1, 2014.

*Annual Improvements to PFRSs (2011-2013 cycle)*. In the 2011 - 2013 annual improvements cycle, the PASB issued four amendments to four standards, which included an amendment to PFRS 1, *First-time Adoption of International Financial Reporting Standards*. It clarifies in the basis for conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is

applied consistently throughout the periods presented in the entity's first PFRS financial statements. The amendment to PFRS 1 is effective immediately for periods beginning January 1, 2014.

### **Standards Issued but not yet Effective**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial position or performance.

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version). PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The following new standards and amendments were already adopted by the FRSC but are still for approval by the Philippine Board of Accountancy (BOA).

## Effective in 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments). PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. It is not expected that this amendment would be relevant to the Company, since the Company does not have defined benefit plans with contributions from employees or third parties.
- Annual Improvements to PFRSs (2010-2012 cycle). The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Company. They include:
  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*. This improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
    - a. A performance condition must contain a service condition
    - b. A performance target must be met while the counterparty is rendering service
    - c. A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
    - d. A performance condition may be a market or non-market condition
    - e. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*. The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Company shall consider this amendment for future business combinations.
  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*. The amendments are applied retrospectively and clarify that:
    - a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
    - b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
  - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*.

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*. The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.
- Annual Improvements to PFRSs (2011-2013 cycle). The following Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Company. They include:
  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*. The amendment clarifies the following regarding the scope exceptions within PFRS 3:
    - a. Joint arrangements, not just joint ventures, as outside the scope of PFRS 3.
    - b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
  - PFRS 13, *Fair Value Measurement - Portfolio Exception*. The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).
  - PAS 40, *Investment Property*. The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

#### *Effective 2016*

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*. The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*. The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at

accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*. The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*. These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016. The Company is currently assessing the impact of the amendments to PFRS 10.
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*. The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

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

- PFRS 14, *Regulatory Deferral Accounts*. PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time



adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. This amendment has no impact on the Company as it is not a first time PFRS adopter.

- Annual Improvements to PFRSs (2012-2014 cycle). The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Company. They include:
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*. The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*. PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
  - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*. This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
  - PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*. This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
  - PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*. The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

## Effective in 2018

- PFRS 9, *Financial Instruments - Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39* (2013 version). PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for nonfinancial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by the BOA.

The Company is currently assessing the impact of the adoption of PFRS 9.

- PFRS 9, *Financial Instruments* (2014 or final version). In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The Company is currently assessing the impact of the adoption of PFRS 9.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

- IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

### 3. **Financial instruments, classification and measurements:**

#### **Cash and Cash Equivalents**

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to six months or less and that are subject to an insignificant risk of change in value.

#### **Financial Assets and Financial Liabilities**

Financial assets and financial liabilities are recognized initially at fair value. Directly attributable transaction costs, if any, are included in the initial measurement of financial assets and financial liabilities, except for any financial instrument measured at fair value through profit or loss (FVPL). The Company recognizes a financial asset or liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial instruments are classified as financial assets or financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or other financial liabilities, as appropriate.

The Company determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

#### **Loans and receivables**

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost in the balance sheet. Amortization is determined using the effective interest rate method. Loans and receivables are classified as current assets if maturity is within twelve months of the balance sheet date. Otherwise, these are classified as noncurrent assets.

Included under this category are the Company's cash in banks, short-term investments, receivables and due from affiliates.

#### **AFS financial assets**

AFS financial assets are those nonderivative financial assets that are designated as such or are not classified in any of the other categories. Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Included under this category are the Company's quoted and unquoted equity investments.

After initial recognition, quoted AFS financial assets are measured at fair value with gains or losses recognized as a separate component of equity and as OCI until the investment is derecognized or until the investment is determined to be impaired. Unquoted FS financial assets, on the other hand, are carried at cost, net of impairment, until the investment is derecognized. These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from balance sheet date.

### **Other financial liabilities**

This category pertains to financial liabilities that are neither held for trading nor designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Included under this category are the Company's accounts payable and accrued expenses, due to affiliates, dividends payable, talent fees and commissions payable.

### **Classification of Financial Instruments**

The Company classifies a financial instrument, or its component parts, on initial recognition, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the balance sheets.

### **Valuation of financial assets and financial liabilities**

The Company carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. The significant components of fair value measurement were determined using verifiable objective evidence.

## **4. Financial Risk Management Objectives and Policies**

The Main risk arising from the Company's financial instruments are credit risk, liquidity risk, and interest rate risk.

- **Credit risk**

Credit risk, or the risk of counterparties defaulting, is controlled by the application of control and monitoring procedures. It is the Company's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. Receivables and due from affiliate's balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is not significant.

### **Gross maximum exposure to credit risk**

The maximum exposure to credit risk as of September 30, 2015 and Dec. 31, 2014 is as follows:

	<b>2015 Unaudited (9 months)</b>	<b>2014 Audited (1 Year)</b>
Loans and receivables		
Cash in bank and cash equivalents	84,522,363	144,243,784
Receivables:		
Trade	316,550,722	298,686,996
Others	21,094,342	36,694,363

	422,167,427	479,625,143
Due from affiliates	123,010,118	102,191,218
	545,177,545	581,816,361
AFS financial assets	42,419,455	42,419,455
	587,597,000	624,235,816

#### Credit quality of financial assets

The table below summarized the credit quality of the Company's financial assets as of September 30, 2015:

	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total
	High grade	Standard grade			
Loans and receivables:					
Cash in banks	84,522,363				84,522,363
Receivables (net)					
Trade	58,604,944	130,598,000	96,948,420	30,399,358	316,550,722
Others	4,408,307	9,823,680	5,218,069	1,644,286	21,094,342
Due from affiliates		123,010,118			123,010,118
AFS financial assets		42,419,455			42,419,455
Total	147,535,614	305,851,253	102,166,489	32,043,644	587,597,000

- **Liquidity risk**

Liquidity risk arises when obligations are not met when they fall due. It is the Company's objective to finance capital expenditures, services, and maturing obligations as scheduled. To cover the Company's financing requirements, the Company uses internally generated funds and proceeds from debt. Projected and actual cash flow information is regularly evaluated and funding sources are continuously assessed.

- **Interest rate risk**

The Company's exposure to the risk of changes in market interest rate is minimal since the Company has paid all of its notes payable.

5. The Company has no investment on foreign securities.
6. There are no seasonal aspects that have a material effect on the financial condition or results of operations.
7. There are no unusual items affecting assets, liabilities, equity, net income or cash flows.
8. There are no changes in estimates of amounts reported in prior interim periods of the current financial year or in estimates of amounts reported in prior financial years.
9. There were no payments of bank loans for the nine months ended September 30, 2015 as all bank loans were fully paid as of December 31, 2014.

10. The Company is organized into only one operating division – radio and television broadcasting, which is its primary activity. The Company has seven programming formats, namely: DZRH, Aksyon Radyo, Love Radio, Yes-FM, Easy Rock and Radyo Natin and RHTV which represent about 16%, 4%, 52%, 12%, 11% , 4% and 1% of the total broadcasting fee for the first nine months of 2015.
11. The Company plans to earmark P75.0 Million capital expenditure for its various projects, namely: purchase of new transmitters for provincial stations, RHTV broadcast expansion over various cable and TV channels, leasehold improvement of Head Office, audio and video streaming over the internet, and improvement of existing stations' equipment and facilities nationwide. This will be funded by cash flows from operating activities.
12. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
13. There are no changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.
14. There are no changes in contingent liabilities or contingent assets since the last annual balance sheet date.
15. There are no material contingencies and any events or transactions that are material to an understanding of the current interim period.
16. There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity;
17. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the net sales or revenues or income from continuing operations;
18. There are no significant elements of income or loss that did not arise from the company's continuing operations.
19. There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
20. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Company's interim financial statements for the nine months ended September 30, 2015.

### SEPTEMBER 30, 2015 VS. SEPTEMBER 30, 2014

#### Results of Operations

The Company achieved aggregative net revenue of P690.9 million, during the first nine months of 2015, an increase of 10.10% over the P627.6 million registered for the same period in 2014. Total costs and expenses for the nine months amounted to P623.5 million, which increased by 10.72% from P563.2 million last year.

#### Liquidity and Capital Resources

The total assets decreased by 3.77% to P1,045 million from 2014 year-end balance of P1,085.9 million. Of the total consolidated resources of P1,045 million, P813.1 million was accounted for by stockholders' equity with the balance of P231.9 million in liabilities. The increase in stockholders' equity was due to net income of P47.2 million for the nine months ended September 30, 2015. No cash or stock dividends were declared in the period under review. The Company instead used its current income to finance expansion and operation and paid its maturing obligations.

#### Key Financial Indicators

	January to September	
	2015	2014
1. Return on sales (ROS)		
Net income	47,181,478	45,095,014
Divide by: Sales	690,949,368	627,580,680
<b>ROS</b>	<b>6.829%</b>	<b>7.186%</b>
2. Earnings Per Share (EPS)		
Net income	47,181,478	45,095,014
Divide by: No. of Shares Outstanding	402,682,990	402,682,990
<b>EPS</b>	<b>0.117</b>	<b>0.112</b>
3. Current Ratio		
Current assets	547,570,893	564,516,404
Divide by: Current liabilities	181,740,740	240,070,120
<b>Current Ratio</b>	<b>3.013</b>	<b>2.351</b>
4. Debt-Equity Ratio		
Total liabilities	231,940,949	283,653,913
Divide by: Total stockholders' equity	813,051,677	753,698,085
<b>Debt-Equity Ratio</b>	<b>0.285</b>	<b>0.376</b>

5.	Book Value Per Share		
	Total stockholders' equity	813,051,677	753,698,085
	Divide by: No. of shares outstanding	402,682,990	402,682,990
	<b>Book Value Per Share</b>	<b>2.019</b>	<b>1.872</b>
6.	Asset to Equity Ratio		
	Total stockholders' equity	813,051,677	753,698,085
	Divide by: Total assets	1,044,992,625	1,037,351,999
	<b>Asset to Equity Ratio</b>	<b>0.778</b>	<b>0.727</b>
7.	Interest Rate Coverage Ratio		
	Not applicable as the Company has no interest-bearing loan balances during the period under review.		

### Discussion on Key Performance Indicators

1. Return on sales decreased slightly by .4% from 7.186% in 2014 to 6.829% in 2015. This means that the Company was able to maintain its good level of operating efficiency.
2. EPS increased by P0.005, from P0.112 to P0.117 per share. It is mainly due to the increased reported net income during the period, with the number of shares outstanding remaining constant.
3. The current ratio increased to 3.013:1 from 2.351:1. At this current level, the Company will be capable of meeting its maturing obligations on time.
4. The debt-equity ratio decreased from 0.376:1 to 0.285:1. At this level, the Company is not highly leveraged and has capacity for increasing its credit lines.
5. The book value per share increased to 2.019 from 1.872 mainly due to the increase in the Company's stockholders equity for the period while the number of outstanding shares remained constant. This increase in BV per share is a positive indication since this amount exceeds by 1.02% the par value per share of P1.00.
6. The asset to equity ratio is a financial ratio indicating the relative proportion of equity used to finance the company's assets. The relatively high equity ratio of 0.778 indicates the conservative approach of the company with respect to its financial leveraging.

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

1. Cash and cash equivalents decreased by P59.7 million from the last year's balance of P144.2 million. It is mainly due to capital expenditures as well as settlement of accounts payable and income tax payable.
2. The balance at the end of nine months of the Due from affiliates account increased from P102.2 million in 2014 to P 123.0 million in 2015. This amount represents the interest-free advances made by the Company to its affiliated companies such as Elizalde Holdings Corporation, Cebu Broadcasting Company, Philippine Broadcasting Company and Pacific Broadcasting System, Inc.



3. Materials and supplies – net decreased to P2.1 million from P5.1 million in the same period of 2014 mainly due to the decrease in the Company's ex-deal inventory. The Company also makes an effort to eliminate excessive stock of materials and supplies to avoid extra cost of carrying the inventory.
4. Property and equipment - net (at cost) increased from P94.1 million in 2014 to P108.1 million at the end of the 3<sup>rd</sup> quarter in 2015 or an increase of 14.95% . This is mainly due to the on-going expenditures of the company such as purchase and construction of new FM transmitters, head office extension and improvements, and transfer of location of DZRH and Akyson Radyo Laoag station.
5. Investment properties – net decreased by P5.9 million or 11.91%. This amount represents the depreciation charges during the period.
6. Intangible assets arise from the Company's acquisition of DWRK. The decrease of P8.9 million or 11.11% represents amortization costs during the period.
7. Other noncurrent assets decreased to P5.4 million from P6.1 million due to the amortization of input tax on capital goods.
8. Accounts payable and other accrued expenses decreased by 27.24% or P51.4 million. The decrease is mainly due to the accelerated payments made by the Company to its suppliers and other creditors.
9. Dividends payable decreased by 61.78% or P8.25 million as a result of dividend payments made to stockholders.
10. Income tax payable decreased by P22.6 million or 71.98% due to the payment made by the Company of its annual income tax due last April, 2015.
11. Accrued retirement benefits decreased by P5.86 million or 21.46% mainly due to the contribution payments made to the Company's retirement fund during the period.
12. Retained earnings increased by 11.86% or P21.02 million. This amount represents the net income generated by the Company during the period.

#### **Other Matters**

- **Rule on Minimum Public Ownership as a Continuing Listing Requirement**

The Company is a compliant with the 10-percent minimum public ownership requirement for listed companies under Section 3, Article XVIII on the Continuing Listing requirements of the Listing and Disclosure Rules of the Exchange. The public float of the Company is currently at 10.23 percent.

## **PART II – OTHER INFORMATION**

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