# STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023

Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila Philippines

The management of **GMA Network, Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements including the schedules attached therein and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

**FELIPE L. GOZON**
Chairman of the Board
Chief Executive Officer

**GILBERTO R. DUAVIT, JR.**
President
Chief Operating Officer

**FELIPE S. YALONG**
Executive Vice President
Chief Financial Officer

APR 13 2023

SUBSCRIBED AND SWORN to before me this ____ day of _________ at QUEZON CITY, affiants exhibited to me their (Felipe L. Gozon) TIN 106-174-605, (Gilberto R. Duavit, Jr.) TIN 158-147-748 and (Felipe S. Yalong) TIN 102-874-052.

Doc. No. 169
Page No. 33
Book No. II
Series of 2023

**ATTY. LARRY T. IGUIDEZ**
Notary Public
Until December 31, 2023
PTR No. 3985518/1-05-23-Q.C
IBP No. 247745/09-14-22, Q.C
Roll No. 20434
MCLE Compliance No. VI-0017289, 01-24-1
Notarial Comm. Adm Matter
NP 021 (2023-2024) RTC Q.C

**GMA NETWORK, INC.**
GMA Network Center, EDSA cor. Timog Ave., Diliman, Quezon City, 1103, Philippines
Telephone No.: (632) 8982-7777

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

SEC Registration Number: **5 2 1 3**

COMPANY NAME

**GMA NETWORK, INC. AND SUBSIDIARIES**

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

**GMA Network Center, Timog Avenue corner EDSA, Quezon City**

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| **ACFS** | **CMD** | **Not Applicable** |

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 |
|---|---|---|
| **Not applicable** | **8982-7777** | **Not applicable** |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| **1,643** | **5/17** | **12/31** |

gozoCONTACT PERSON INFORMATION

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| **Felipe S. Yalong** | **FSY@gmanetwork.com** | **8928-5133** | **Not applicable** |

CONTACT PERSON's ADDRESS

**GMA Network Center, Timog Avenue corner EDSA, Quezon 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.*

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

Tel: (632) 8891 0307
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# INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
GMA Network, Inc. and Subsidiaries
GMA Network Center
Timog Avenue corner EDSA
Quezon City

## Opinion

We have audited the consolidated financial statements of GMA Network, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

***Revenue Recognition***

The Group derives a significant portion of its revenue from advertising, which represents 94% of the consolidated revenues for the year ended December 31, 2022. Proper recognition of revenue from advertising is significant to our audit given the large volume of transactions processed daily and the highly automated airtime revenue process with multiple information technology (IT) interfaces from initiation to reporting. Further, there are different rates applicable depending on the time slot when the advertisements are aired which are adjusted by discounts granted by the Group on a case-by-case basis as indicated in the telecast orders. Lastly, there are variations in the timing of billings which are made depending on when the advertisements are aired.

Refer to Note 22 of the consolidated financial statements for the disclosure on details about the Group's revenues.

*Audit Response*

We obtained an understanding of the Group's advertising revenue process, tested the relevant internal controls and involved our internal specialist in testing the revenue-related IT controls. In addition, we selected samples of billing statements and performed re-computation. This was done by comparing the rates applied to the billing statements against the rates on the telecast orders and the billable airtime against the certificates of performance generated when the advertisements were aired. We also tested transactions taking place one month before and after year-end to check the timing of the recognition of the sample advertising revenues.

***Adequacy of Allowance for Expected Credit Losses on Trade Receivables***

The Group applies the simplified approach in calculating expected credit losses (ECL) on trade receivables. Under this approach, the Group establishes a provision matrix that is based on its historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment. Allowance as of December 31, 2022 amounted to ₱908.67 million. The use of ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: definition of default for trade receivables, grouping of instruments for losses measured on collective basis and incorporation of forward-looking informationin calculating ECL.

Refer to Note 7 of the consolidated financial statements for the disclosure on the details of the allowance for credit losses using the ECL model.

*Audit response*

We obtained an understanding of the methodology used for the Group's trade receivables and assessed whether this considered the requirements of PFRS 9, *Financial Instruments*.

We (a) assessed the Group's segmentation of its credit risk exposure based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (c) tested historical loss rates by inspecting historical recoveries and write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) reviewed management's consideration of forward-looking information, including the impact of the coronavirus pandemic in the calculation of ECL.

Further, we checked the data used in the ECL model, such as the historical aging analysis and default and recovery data, by reconciling data from source system reports. We also reconciled sample invoices to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairmentallowanceallowance on a sample basis.

***Valuation of Land at Revalued Amounts at Fair Value***

The Group accounts for its land at revalued amounts using the fair value model. Land at revalued amounts represent 27% of the consolidated assets as at December 31, 2022. The determination of the fair values of these properties involves significant management judgment and estimations. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as asking price of the comparable land located within the vicinity and adjustments to asking price based on internal and external factors. Thus, we considered the valuation of land at revalued amounts as a key audit matter.

*Audit response*

In 2022, 80.36% of the total cost of the land at revalued amounts were appraised. We evaluated the competence, capabilities and qualifications of the external appraiser by considering their qualifications, experience and reporting responsibilities. We evaluated the methodology and assumptions used in the valuation of the land at revalued amounts. We assessed the methodology adopted by referencing common valuation models and inspected the relevant information supporting the sales and listings of comparable properties. We also inquired from the external appraiser the basis of adjustments made to the sales price.

For the land that were not appraised during the year, we referred the fair values to published comparable prices.

The disclosures relating to land at revalued amounts are included in Note 14 of the consolidated financial statements.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Marydith C. Miguel.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

Marydith C. Miguel
Partner
CPA Certificate No. 65556
Tax Identification No. 102-092-270
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 65556-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. 08-001998-055-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9564666, January 3, 2023, Makati City

March 31, 2023

# GMA NETWORK, INC. AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2022** | 2021 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Notes 6, 31 and 32) | **₱2,855,467,214** | ₱4,793,566,154 |
| Trade and other receivables (Notes 7, 21, 31 and 32) | **5,862,065,892** | 7,784,545,006 |
| Program and other rights (Note 8) | **1,246,572,181** | 764,595,163 |
| Inventories (Note 9) | **1,469,193,884** | 1,137,425,573 |
| Prepaid expenses and other current assets (Note 10) | **2,106,378,864** | 1,857,739,245 |
| **Total Current Assets** | **13,539,678,035** | 16,337,871,141 |
| **Noncurrent Assets** | | |
| Property and equipment: | | |
| At cost (Note 13) | **3,361,149,279** | 2,985,503,552 |
| At revalued amounts (Notes 14 and 32) | **6,619,895,148** | 2,945,297,014 |
| Right-of-use assets (Note 28) | **159,900,385** | 123,923,786 |
| Financial assets at fair value through other comprehensive income (FVOCI) (Notes 11, 31 and 32) | **282,614,107** | 116,711,276 |
| Investments and advances (Notes 12 and 21) | **175,705,006** | 184,791,025 |
| Program and other rights - net of current portion (Note 8) | **232,446,242** | 240,982,378 |
| Investment properties (Notes 15 and 32) | **32,105,060** | 33,487,447 |
| Deferred tax assets - net (Note 29) | **128,356,573** | 843,583,375 |
| Other noncurrent assets (Notes 16, 31 and 32) | **197,278,059** | 263,574,079 |
| **Total Noncurrent Assets** | **11,189,449,859** | 7,737,853,932 |
| **TOTAL ASSETS** | **₱24,729,127,894** | ₱24,075,725,073 |

| | | |
|---|---|---|
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Trade payables and other current liabilities (Notes 17, 31 and 32) | **₱3,084,848,543** | ₱2,697,163,970 |
| Short-term loans (Notes 18, 31 and 32) | **27,125,200** | 739,485,500 |
| Income tax payable | **556,448,496** | 1,075,750,592 |
| Current portion of lease liabilities (Notes 28, 31 and 32) | **21,155,761** | 17,475,682 |
| Current portion of obligations for program and other rights (Notes 19, 31 and 32) | **209,171,643** | 212,578,686 |
| Dividends payable (Notes 20, 31 and 32) | **30,526,306** | 39,589,204 |
| **Total Current Liabilities** | **3,929,275,949** | 4,782,043,634 |
| **Noncurrent Liabilities** | | |
| Pension liability (Note 27) | **4,767,249,209** | 4,169,686,751 |
| Other long-term employee benefits (Note 27) | **371,615,932** | 393,749,230 |
| Lease liabilities - net of current portion (Notes 28, 31 and 32) | **145,955,243** | 101,910,220 |
| Dismantling provision (Note 28) | **49,009,014** | 46,097,449 |
| Obligations for program and other rights - net of current portion (Notes 19, 31 and 32) | **–** | 11,237,556 |
| **Total Noncurrent Liabilities** | **5,333,829,398** | 4,722,681,206 |
| **Total Liabilities** | **9,263,105,347** | 9,504,724,840 |

*(Forward)*

| | December 31 | |
|---|---|---|
| | **2022** | 2021 |
| **Equity** | | |
| Capital stock (Note 20) | **₱4,864,692,000** | ₱4,864,692,000 |
| Additional paid-in capital | **1,686,556,623** | 1,686,556,623 |
| Revaluation increment on land - net of tax (Note 14) | **4,570,402,192** | 1,832,684,129 |
| Remeasurement loss on retirement plans - net of tax (Note 27) | **(2,223,725,260)** | (2,018,678,742) |
| Net unrealized loss on financial assets at FVOCI - net of tax (Note 11) | **(120,299,381)** | (117,945,532) |
| Retained earnings (Note 20) | **6,611,146,364** | 8,222,610,450 |
| Total equity attributable to equity holders of the Parent Company | **15,388,772,538** | 14,469,918,928 |
| Non-controlling interests (Note 2) | **77,250,009** | 101,081,305 |
| **Total Equity** | **15,466,022,547** | 14,571,000,233 |
| **TOTAL LIABILITIES AND EQUITY** | **₱24,729,127,894** | ₱24,075,725,073 |

*See accompanying Notes to Consolidated Financial Statements.*

## GMA NETWORK, INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **REVENUES** (Note 22) | **₱21,564,011,070** | ₱22,450,323,397 | ₱19,335,895,538 |
| **PRODUCTION COSTS** (Note 23) | **7,482,897,793** | 5,992,645,035 | 4,548,230,430 |
| **COST OF SALES** (Note 9) | **302,137,704** | 418,141,643 | 479,417,099 |
| **GROSS PROFIT** | **13,778,975,573** | 16,039,536,719 | 14,308,248,009 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** (Note 24) | **(6,640,369,182)** | (6,144,833,670) | (5,751,725,940) |
| **OTHER INCOME (EXPENSE) - NET** | | | |
| Foreign currency exchange gain (loss) (Note 18) | **39,930,883** | (51,861,281) | (47,023,770) |
| Interest expense (Notes 18 and 28) | **(25,132,083)** | (48,692,493) | (20,545,123) |
| Interest income (Note 6) | **20,547,986** | 16,235,317 | 13,715,413 |
| Equity in net earnings (losses) of a joint venture (Note 12) | **(9,031,836)** | (1,045,954) | 3,908,740 |
| Others - net (Note 26) | **154,996,747** | 137,857,160 | 85,174,767 |
| | **181,311,697** | 52,492,749 | 35,230,027 |
| **INCOME BEFORE INCOME TAX** | **7,319,918,088** | 9,947,195,798 | 8,591,752,096 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 29) | | | |
| Current | **1,989,254,621** | 2,400,634,670 | 2,728,650,540 |
| Deferred | **(125,844,848)** | (22,585,153) | (144,232,767) |
| | **1,863,409,773** | 2,378,049,517 | 2,584,417,773 |
| **NET INCOME** | **5,456,508,315** | 7,569,146,281 | 6,007,334,323 |
| **OTHER COMPREHENSIVE INCOME (LOSS) -** net of tax | | | |
| *Items not to be reclassified to profit or loss in subsequent periods*: | | | |
| Revaluation increment on land (Note 29) | **2,737,718,063** | 122,178,941 | – |
| Remeasurement gain (loss) on retirement plans (Note 27) | **(205,306,815)** | 575,619,706 | (1,261,623,143) |
| Net changes in the fair market value of financial assets at FVOCI (Note 11) | **(2,353,849)** | (70,236,040) | (45,464,038) |
| | **2,530,057,399** | 627,562,607 | (1,307,087,181) |
| **TOTAL COMPREHENSIVE INCOME** | **₱7,986,565,714** | ₱8,196,708,888 | ₱4,700,247,142 |
| **Net income attributable to:** | | | |
| Equity holders of the Parent Company | **₱5,442,339,314** | ₱7,530,114,246 | ₱5,984,584,939 |
| Non-controlling interests (Note 2) | **14,169,001** | 39,032,035 | 22,749,384 |
| | **₱5,456,508,315** | ₱7,569,146,281 | ₱6,007,334,323 |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Parent Company | **₱7,972,657,010** | ₱8,160,335,453 | ₱4,680,682,825 |
| Non-controlling interests (Note 2) | **13,908,704** | 36,373,435 | 19,564,317 |
| | **₱7,986,565,714** | ₱8,196,708,888 | ₱4,700,247,142 |
| **Basic / Diluted Earnings Per Share** (Note 30) | **₱1.119** | ₱1.549 | ₱1.231 |

*See accompanying Notes to Consolidated Financial Statements.*

# GMA NETWORK, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
### FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

| | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Capital Stock** (Note 20) | **Additional Paid-in Capital** | **Revaluation Increment on Land - net of tax** (Note 29) | **Remeasurement Loss on Retirement Plans - net of tax** (Note 27) | **Net Unrealized Loss on Financial Assets at FVOCI - net of tax** (Note 11) | **Retained Earnings** (Note 20) | **Total** | **Non-controlling Interests** (Note 2) | **Total Equity** |
| Balances at January 1, 2022 | **₱4,864,692,000** | **₱1,686,556,623** | **₱1,832,684,129** | **(₱2,018,678,742)** | **(₱117,945,532)** | **₱8,222,610,450** | **₱14,469,918,928** | **₱101,081,305** | **₱14,571,000,233** |
| Total comprehensive income: | | | | | | | | | |
| Net income | – | – | – | – | – | **5,442,339,314** | **5,442,339,314** | **14,169,001** | **5,456,508,315** |
| Other comprehensive income (loss) | – | – | **2,737,718,063** | **(205,046,518)** | **(2,353,849)** | – | **2,530,317,696** | **(260,297)** | **2,530,057,399** |
| Cash dividends - ₱1.45 a share (Note 20) | – | – | – | – | – | **(7,053,803,400)** | **(7,053,803,400)** | – | **(7,053,803,400)** |
| Cash dividends to non-controlling interests (Note 2) | – | – | – | – | – | – | – | **(37,740,000)** | **(37,740,000)** |
| Balances at December 31, 2022 | **₱4,864,692,000** | **₱1,686,556,623** | **₱4,570,402,192** | **(₱2,223,725,260)** | **(₱120,299,381)** | **₱6,611,146,364** | **₱15,388,772,538** | **₱77,250,009** | **₱15,466,022,547** |

| | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock (Note 20) | Additional Paid-in Capital | Revaluation Increment on Land - net of tax (Note 14) | Remeasurement Loss on Retirement Plans - net of tax (Note 27) | Net Unrealized Loss on Financial Assets at FVOCI - net of tax (Note 11) | Retained Earnings (Note 20) | Treasury Stocks (Note 20) | Underlying Shares of the Acquired Philippine Deposit Receipts (Note 20) | Total | Non-controlling Interests (Note 2) | Total Equity |
| Balances at January 1, 2021 | ₱4,864,692,000 | ₱1,659,035,196 | ₱1,710,505,188 | (₱2,596,957,048) | (₱47,709,492) | ₱7,253,764,093 | (₱28,483,171) | (₱5,790,016) | ₱12,809,056,750 | ₱72,357,870 | ₱12,881,414,620 |
| Total comprehensive income: | | | | | | | | | | | |
| Net income | – | – | – | – | – | 7,530,114,246 | – | – | 7,530,114,246 | 39,032,035 | 7,569,146,281 |
| Other comprehensive income (loss) | – | – | – | 758,694,632 | (70,236,040) | – | – | – | 688,458,592 | (2,658,600) | 685,799,992 |
| Change in tax rate | – | – | 122,178,941 | (180,416,326) | – | – | – | – | (58,237,385) | – | (58,237,385) |
| Contribution to the retirement fund (Notes 20, 21 and 27) | – | 27,521,427 | – | – | – | – | 28,483,171 | 5,790,016 | 61,794,614 | – | 61,794,614 |
| Cash dividends - ₱1.35 a share (Note 20) | – | – | – | – | – | (6,561,267,889) | – | – | (6,561,267,889) | – | (6,561,267,889) |
| Cash dividends to non-controlling interests (Note 2) | – | – | – | – | – | – | – | – | – | (7,650,000) | (7,650,000) |
| Balances at December 31, 2021 | ₱4,864,692,000 | ₱1,686,556,623 | ₱1,832,684,129 | (₱2,018,678,742) | (₱117,945,532) | ₱8,222,610,450 | ₱– | ₱– | ₱14,469,918,928 | ₱101,081,305 | ₱14,571,000,233 |
| | | | | | | | | | | | |
| Balances at January 1, 2020 | ₱4,864,692,000 | ₱1,659,035,196 | ₱1,710,505,188 | (₱1,338,518,972) | (₱2,245,454) | ₱2,727,238,685 | (₱28,483,171) | (₱5,790,016) | ₱9,586,433,456 | ₱70,643,553 | ₱9,657,077,009 |
| Total comprehensive income: | | | | | | | | | | | |
| Net income | – | – | – | – | – | 5,984,584,939 | – | – | 5,984,584,939 | 22,749,384 | 6,007,334,323 |
| Other comprehensive income (loss) | – | – | – | (1,258,438,076) | (45,464,038) | – | – | – | (1,303,902,114) | (3,185,067) | (1,307,087,181) |
| Cash dividends - ₱0.30 a share (Note 20) | – | – | – | – | – | (1,458,059,531) | – | – | (1,458,059,531) | – | (1,458,059,531) |
| Cash dividends to non-controlling interests (Note 2) | – | – | – | – | – | – | – | – | – | (17,850,000) | (17,850,000) |
| Balances at December 31, 2020 | ₱4,864,692,000 | ₱1,659,035,196 | ₱1,710,505,188 | (₱2,596,957,048) | (₱47,709,492) | ₱7,253,764,093 | (₱28,483,171) | (₱5,790,016) | ₱12,809,056,750 | ₱72,357,870 | ₱12,881,414,620 |

*See accompanying Notes to Consolidated Financial Statements.*

## GMA NETWORK, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | **₱7,319,918,088** | ₱9,947,195,798 | ₱8,591,752,096 |
| Adjustments to reconcile income before income tax to net cash flows: | | | |
| Program and other rights usage (Notes 8 and 23) | **868,739,716** | 1,007,347,795 | 703,415,807 |
| Depreciation (Notes 13, 15, 23, 24 and 28) | **699,331,970** | 607,773,037 | 545,575,201 |
| Pension expense (Note 27) | **661,084,461** | 639,758,700 | 646,198,143 |
| Contributions to retirement plan assets (Note 27) | **(261,319,043)** | (277,799,873) | (259,000,000) |
| Amortization of software costs (Notes 16 and 24) | **58,263,898** | 49,706,646 | 40,264,073 |
| Net unrealized foreign currency exchange loss (gain) - net | **(39,930,883)** | 33,545,633 | 27,377,082 |
| Net gain on sale of property and equipment (Notes 13 and 26) | **(31,756,356)** | (50,519,791) | (17,250,932) |
| Interest expense (Notes 18 and 28) | **25,132,083** | 48,692,493 | 20,545,123 |
| Interest income (Note 6) | **(20,547,986)** | (16,235,317) | (13,715,413) |
| Equity in net losses (earnings) of a joint venture (Note 12) | **9,031,836** | 1,045,954 | (3,908,740) |
| Provision for ECL (Notes 7 and 24) | **1,457,228** | 142,577,080 | 347,195,883 |
| Working capital changes: | | | |
| Decreases (increases) in: | | | |
| Trade and other receivables | **1,947,778,499** | 2,563,963,601 | (5,589,407,239) |
| Program and other rights | **(1,342,180,598)** | (1,069,959,331) | (607,591,883) |
| Inventories | **(331,768,311)** | (900,370,666) | (224,298,890) |
| Prepaid expenses and other current assets | **(248,639,619)** | (80,404,230) | (871,115,057) |
| Increases (decreases) in: | | | |
| Trade payables and other current liabilities | **321,002,342** | (252,572,724) | 571,870,472 |
| Obligations for program and other rights | **(14,644,599)** | 47,539,541 | 45,573,277 |
| Other long-term employee benefits | **(22,133,298)** | 44,046,776 | 13,301,414 |
| Benefits paid out of Group's own funds (Note 27) | **(46,856,585)** | (36,744,104) | (9,686,893) |
| Cash flows provided by operations | **9,551,962,843** | 12,448,587,018 | 3,957,093,524 |
| Income taxes paid | **(2,508,556,717)** | (3,101,774,811) | (1,464,143,968) |
| Interest received | **18,171,744** | 15,421,941 | 13,808,751 |
| Net cash flows from operating activities | **7,061,577,870** | 9,362,234,148 | 2,506,758,307 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisitions of: | | | |
| Property and equipment (Note 13) | **(1,049,599,727)** | (999,316,838) | (421,235,387) |
| Financial assets at FVOCI (Note 11) | **(168,672,065)** | – | – |
| Land at revalued amount (Note 14) | **(24,307,384)** | (142,100,830) | – |
| Software costs (Note 16) | **(17,316,702)** | (51,190,237) | (10,616,139) |
| Proceeds from sale of property and equipment (Note 13) | **38,145,145** | 58,438,591 | 22,797,518 |
| Decreases (increases) in other noncurrent assets | **35,980,575** | (11,627,909) | 55,903,451 |
| Collection from an associate (Note 12) | **140,644** | 497,048 | – |

*(Forward)*

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| Advances to an associate and joint ventures (Notes 12 and 21) | **(₱86,481)** | (₱1,809,712) | (₱848,826) |
| Cash dividends received | – | – | 381,500 |
| Net cash flows used in investing activities | **(1,185,715,995)** | (1,147,109,887) | (353,617,883) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from availments of short-term loans (Notes 18 and 33) | **1,027,125,200** | 4,479,150,000 | 984,340,000 |
| Payments of: | | | |
| Cash dividends (Notes 2, 20 and 33) | **(7,100,606,298)** | (6,549,223,122) | (1,474,749,102) |
| Short-term loans (Notes 18 and 33) | **(1,685,850,000)** | (4,542,575,000) | (641,895,000) |
| Principal portion of lease liabilities (Notes 28 and 33) | **(28,506,823)** | (27,633,367) | (21,762,363) |
| Interest expense (Note 33) | **(12,418,277)** | (38,330,656) | (12,856,998) |
| Net cash flows used in financing activities | **(7,800,256,198)** | (6,678,612,145) | (1,166,923,463) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(1,924,394,323)** | 1,536,512,116 | 986,216,961 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **(13,704,617)** | 42,236,774 | (26,371,353) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **4,793,566,154** | 3,214,817,264 | 2,254,971,656 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 6) | **₱2,855,467,214** | ₱4,793,566,154 | ₱3,214,817,264 |

*See accompanying Notes to Consolidated Financial Statements.*

# GMA NETWORK, INC. AND SUBSIDIARIES
# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate Information

GMA Network, Inc. (GNI or the Parent Company) and its subsidiaries (collectively referred to as "the Group") are incorporated in the Philippines. The Group is primarily involved in the business of radio and television broadcasting. The Group is also involved in film production and other information and entertainment-related businesses. The Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) on June 14, 1950. On July 20, 1995, the Board of Directors (BOD) approved the extension of the corporate term of the Parent Company for another 50 years from June 14, 2000. In 1997, the SEC approved the said extension.

The Parent Company's shares of stock are publicly listed and traded in the Philippine Stock Exchange.

The registered office address of the Parent Company is GMA Network Center, Timog Avenue corner EDSA, Quezon City.

The accompanying consolidated financial statements of the Group were approved and authorized for issuance by the BOD on March 31, 2023.

## 2. Basis of Preparation and Consolidation, Statement of Compliance and Changes in Accounting Policies and Disclosures

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and land at revalued amounts, which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The Group's consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022. The Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Right arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resultant gain or loss is recognized in the consolidated statement of comprehensive income. Any investment retained is recognized at fair value.

NCI represents the portion of profit or loss and the net assets not held by owners of the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to holders of the Parent Company. NCI shares in losses even if the losses exceed the non-controlling equity interest in the subsidiary. NCI represents the equity interest in RGMA Network, Inc. (RGMA Network), a subsidiary incorporated in the Philippines with principal place of business at GMA Network Center, Timog Avenue corner EDSA Quezon City.

The consolidated financial statements include additional information about subsidiary that have NCI that are material to the Parent Company. Management determined material partly-owned subsidiary as those with greater than 5% of non-controlling interests and/or subsidiaries whose activities are important to the Group as at end of the year.

Financial information of RGMA Network, a subsidiary that has material NCI, are summarized below:

| | **2022** | 2021 |
|---|---|---|
| Proportion of equity interest held by NCI | **51%** | 51% |
| Accumulated balances of material NCI | **₱77,510,306** | ₱101,081,305 |
| Net income allocated to material NCI | **14,169,001** | 39,032,035 |

The summarized financial information of RGMA Network are provided below.

Summarized Statements of Comprehensive Income

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Revenues | **₱249,729,986** | ₱340,609,783 | ₱283,910,546 |
| Expenses | **(207,229,922)** | (242,989,698) | (220,191,603) |
| Provision for income tax | **(14,717,710)** | (21,086,683) | (19,112,307) |
| Net income | **27,782,354** | 76,533,402 | 44,606,636 |
| Other comprehensive loss | **(510,386)** | (5,212,941) | (6,245,230) |
| Total comprehensive income | **₱27,522,058** | ₱71,320,461 | ₱38,361,406 |
| Net income attributable to: | | | |
| NCI | **₱14,169,001** | ₱39,032,035 | ₱22,749,384 |
| Parent Company | **13,613,353** | 37,501,367 | 21,857,252 |
| Total comprehensive income attributable to: | | | |
| NCI | **₱13,908,704** | ₱36,373,435 | ₱19,564,317 |
| Parent Company | **13,363,264** | 34,947,026 | 18,797,089 |

Summarized Statements of Financial Position

| | **2022** | 2021 |
|---|---|---|
| Total current assets | **₱175,458,504** | ₱271,241,324 |
| Total noncurrent assets | **32,024,165** | 52,017,880 |
| Total current liabilities | **37,895,070** | 31,240,973 |
| Total noncurrent liabilities | **30,548,223** | 92,031,658 |
| Total equity | **139,039,367** | 199,986,573 |
| Attributable to NCI | **₱70,910,077** | ₱101,081,305 |
| Attributable to equity holders of the Parent Company | **₱68,129,290** | ₱98,905,268 |

Summarized Cash Flows Information

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Operating | **₱9,972,362** | ₱205,174,862 | (₱7,293,612) |
| Investing | **(226,354)** | (7,575,777) | (4,846,596) |
| Financing | **(75,006,950)** | (15,000,000) | (35,000,000) |
| Net increase (decrease) in cash and cash equivalents | **(₱65,260,942)** | ₱182,599,085 | (₱47,140,208) |

In 2022 and 2021, RGMA declared and paid dividends amounting to ₱37.74 million and ₱7.65 million, respectively, to NCI.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at December 31, 2022 and 2021:

| | Principal Activities | Percentage of Ownership Direct | Percentage of Ownership Indirect |
|---|---|---|---|
| Entertainment Business: | | | |
| Alta Productions Group, Inc. (Alta) | Pre and post-production services | 100 | – |
| Citynet Network Marketing and Productions, Inc. (Citynet) | Television entertainment production | 100 | – |
| GMA Network Films, Inc. | Film production | 100 | – |
| GMA New Media, Inc. (GNMI) | Converging technology | 100 | – |
| GMA Worldwide (Philippines), Inc.* | International marketing, handling foreign program acquisitions and international syndication of the Parent Company's programs | 100 | – |
| Scenarios, Inc.* | Design, construction and maintenance of sets for TV, stage plays and concerts; transportation services | 100 | – |
| RGMA Marketing and Productions, Inc. | Music recording, publishing and video distribution | 100 | – |
| RGMA Network | Radio broadcasting and management | 49 | – |
| Script2010, Inc.** | Design, construction and maintenance of sets for TV, stage plays and concerts; transportation and manpower services | – | 100 |
| Holding Company: | | | |
| GMA Ventures, Inc. (GVI) | Identifying, investing in, and/or building strong and sustainable businesses | 100 | – |
| Advertising Business: | | | |
| GMA Marketing & Productions, Inc. (GMPI)* | Exclusive marketing and sales arm of Parent Company's airtime, events management, sales implementation, traffic services and monitoring | 100 | – |
| Digify, Inc.*** | Crafting, planning and handling advertising and other forms of promotion including multi-media productions | – | 100 |
| Others: | | | |
| Media Merge Corporation**** | Business development and operations for the Parent Company's online publishing and advertising initiatives | – | 100 |
| Ninja Graphics, Inc.***** | Ceased commercial operations in 2004. | – | 51 |

**Under liquidation*
***Indirectly owned through Citynet*
****Indirectly owned through GNMI*
*****Indirectly owned through GNMI; ceased commercial operations in 2020*
******Indirectly owned through Alta; ceased commercial operations in 2004*

<u>Changes in Accounting Policies and Disclosures</u>

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Group 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 financial statements of the Group.

*Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the ’10 per cent’ test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applied the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group applied the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applied the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

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

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

  The Group is currently assessing the impact of adopting these amendments.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

  The Group is currently assessing the impact of adopting these amendments.

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

  The Group is currently assessing the impact of adopting these amendments.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

  The Group is currently assessing the impact of adopting these amendments.

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

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

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

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

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

  PFRS 17 is not applicable to the Group since it is not engaged in providing insurance nor issuing 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*

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

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

  The Group is currently assessing the impact of adopting these amendments.

## 3. Summary of Significant Accounting and Financial Reporting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

The Group also modifies classification of prior year amounts to conform to current year's presentation.

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 three months or less from acquisition date and that are subject to an insignificant risk of change in value.

Fair Value Measurement
The Group measures financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for significant estimates and assumptions, see Note 4
- Quantitative disclosures of fair value measurement hierarchy, see Note 32
- Land, see Note 14
- Investment properties, see Note 15
- Financial instruments (including those carried at amortized cost), see Note 32

Fair value is the estimated 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 by the Group.

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 Group 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 consolidated 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 consolidated financial statements on a recurring basis, the Group 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 Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

<u>"Day 1" Difference</u>
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where the data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Financial Instruments
A financial instrument is any contract that give 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, 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 Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group 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 Group 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 Group'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 Group 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 (debt instruments)
- financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- financial assets at FVPL

The Group does not have debt instruments at FVOCI and financial assets at FVPL as at December 31, 2022 and 2021.

*Financial Assets at Amortized Cost (Debt Instruments).* The Group 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 the consolidated statement of comprehensive income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables and refundable deposits (included under "Other noncurrent assets" account in the consolidated statement of financial position) as at December 31, 2022 and 2021 (see Notes 6, 7, 16 and 31).

*Financial Assets Designated at FVOCI (Equity Instruments)*. Upon initial recognition, the Group 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 "Dividend income" included under "Others - Net" account in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably under this category its listed and non-listed equity instruments and investment in quoted club shares as at December 31, 2022 and 2021 (see Notes 11 and 31).

Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets
The Group recognizes an allowance for 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 Group 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 trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group 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.

For other financial assets such as due from related parties and certain advances to joint venture, the Group applies a general approach which measures ECL on either a 12-month or lifetime basis depending on whether a significant increase in credit risks has occurred since initial recognition or whether an asset is considered to be credit-impaired, adjusted for the effects of collateral, forward-looking factors and time value of money.

For cash and cash equivalents, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit rating of the debt instrument or comparable instruments.

The Group, in general, considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off, in whole or in part, when the asset is considered uncollectible, the Group has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

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 Group's financial liabilities include trade payables and other current liabilities (excluding payable to government agencies, customers' deposits and contract liabilities), short-term loans, obligations for program and other rights, dividends payable and lease liabilities.

*Subsequent Measurement*. The measurement of financial liabilities depends on their classification, as described below:

*Financial Liabilities at FVPL.* Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL as at December 31, 2022 and 2021.

*Loans and Borrowings.* After initial recognition, interest-bearing loans and borrowings and other payables 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 "Interest expense" in the consolidated statement of comprehensive income.

This category generally applies to trade payables and other current liabilities (excluding payable to government agencies, customers' deposits and contract liabilities), short-term loans, obligations for program and other rights, dividends payable and lease liabilities (see Notes 17, 18, 19, 20, 28 and 31).

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; 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 Group 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.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Group 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 Group and all of the counterparties.

Program and Other Rights
Program and other rights with finite lives are stated at cost less amortization and impairment in value. The estimated useful lives and the amortization method used depend on the manner and pattern of usage of the acquired rights. The cost of program and other rights with multiple number of runs within a specified term is amortized using straight line method up to the date of expiry.

Amortization expense is shown as “Program and other rights usage” included under “Production costs” account in the consolidated statement of comprehensive income.

For series of rights acquired, the cost is charged to profit or loss as each series is aired on a per episode basis.

For rights intended for airing over the international channels, the cost is amortized on a straight-line basis over the number of years indicated in the contract.

Prepaid Production Costs
Prepaid production costs, included under “Prepaid expenses and other current assets” account in the consolidated statement of financial position, represent costs paid in advance prior to the airing of the programs or episodes. These costs include talent fees of artists and production staff and other costs directly attributable to production of programs. These are charged to expense under “Production costs” account in the consolidated statement of comprehensive income upon airing of the related program or episodes. Costs related to previously taped episodes determined not to be aired are charged to expense.

Inventories
Merchandise inventory and materials and supplies inventory is stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value of inventories that are for sale is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Net realizable value of inventories not held for sale is the current replacement cost.

Tax Credits
Tax credits, measured at cost less any impairment in value, represent claims from the government arising from airing of government commercials and advertisements availed under Presidential Decree (PD) No. 1362. Pursuant to PD No. 1362, these will be collected in the form of tax credits which the Group can use in paying for import duties and taxes on imported broadcasting related equipment. The tax credits cannot be used to pay for any other tax obligation to the government.

As at December 31, 2022 and 2021, the Group’s tax credits are classified as current under “Prepaid expenses and other current assets” account in the consolidated statement of financial position.

Advances to Suppliers

Advances to suppliers, included under "Prepaid expenses and other current assets" account in the consolidated statement of financial position, are measured at cost and are noninterest-bearing and are generally applied to acquisition of inventories, programs and other rights, availments of services and others.

Property and Equipment

Property and equipment, except for land, are stated at cost, net of accumulated depreciation and amortization and impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in profit or loss as incurred.

Land is measured at fair value less accumulated impairment losses, if any, recognized after the date of the revaluation. Valuations are generally performed every three to five years or more frequently as deemed necessary to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the "Revaluation increment on land - net of tax" account under equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case, the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the "Revaluation increment on land - net of tax" account.

Depreciation and amortization are computed on a straight-line basis over the following estimated useful lives of the assets:

| | |
|---|---|
| Buildings, towers and improvements | 11-20 years |
| Antenna and transmitter systems and broadcast equipment | 5-10 years |
| Communication and mechanical equipment | 3-5 years |
| Transportation equipment | 4-5 years |
| Furniture, fixtures and equipment | 5 years |

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

Construction in progress is stated at cost. This includes cost of construction, equipment under installation and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Investment Properties
Investment properties consist of real estate held for capital appreciation and rental.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties, except land, are measured at cost less accumulated depreciation and amortization and impairment in value. Land is stated at cost less any impairment in value.

Depreciation and amortization are computed using the straight-line method over 11-20 years.

The remaining useful lives and depreciation and amortization method are reviewed and adjusted, if appropriate, at each financial year-end.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are 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 period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment in Artworks
Investment in artworks, included under “Other noncurrent assets” account in the consolidated statement of financial position, is stated at cost less any impairment in value.

Software Costs
Costs incurred in the acquisition and customization of new software, included under “Other noncurrent assets” account in the consolidated statement of financial position, are capitalized and amortized on a straight-line basis over three to ten years.

Impairment of Nonfinancial Assets
The carrying values of land at revalued amounts, program and other rights, prepaid production costs, deferred production costs, tax credits, investments and advances, property and equipment, right-of-use assets, investment properties, software costs and investment in artworks are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets are considered impaired and are written down to their recoverable amount. The recoverable amount of these nonfinancial assets is the greater of an asset’s or cash-generating unit’s fair value less cost to sell or value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm’s length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 cash generating unit (CGU) to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss, except for land at revalued amount where the revaluation is taken to OCI, is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. For land at revalued amounts, the reversal of impairment is also recognized in OCI up to the amount of any previous revaluation.

In the case of investments in associate and interests in joint ventures, after application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's investments in associate and interests in joint ventures. The Group determines at each reporting period whether there is any objective evidence that the investments in associate and interests in joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of investments in associate and interests in joint ventures, and the acquisition cost and recognizes the amount in the consolidated statement of comprehensive income.

Investments in an Associate and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The Group's share of the results of operations of the associate or joint venture is included in profit or loss. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate or joint venture.

If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share of further losses.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss under "Equity in net earnings (losses) of joint ventures" in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of comprehensive income.

Equity

Capital stock is measured at par value for all 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. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.

Retained earnings include all current and prior period results of operations as reported in the consolidated statement of comprehensive income, net of any dividend declaration, adjusted for the effects of changes in accounting policies as may be required by PFRS' transitional provisions.

Treasury Stocks and Underlying Shares of the Acquired Philippine Deposit Receipts (PDRs)

The Parent Company's own reacquired equity instruments, if any, are deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

The Parent Company's ownership of the PDRs, if any, is presented similar to treasury shares in the consolidated statement of financial position. Each PDR entitles the holder to the economic interest of the underlying common share of the Parent Company.

Dividends on Common Shares of the Parent Company

Dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after reporting period are dealt with as an event after reporting period.

<u>Revenue Recognition</u>

a. PFRS 15, *Revenue from Contracts with Customers*

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

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

*Advertising Revenue*. Revenue is recognized in the period the advertisements are aired.

Payments received for advertisements before broadcast (pay before broadcast) are recognized as income on the dates the advertisements are aired. Prior to liquidation, these are classified as unearned revenue under “Contract liabilities” under “Trade payables and other current liabilities” account, in the consolidated statement of financial position.

Goods received in exchange for airtime usage pursuant to exchange deal contracts executed between the Group and its customers are recorded at fair market values of assets received. Fair market value is the current market price.

Tax credits on aggregate airtime credits from government sales availed of under PD No. 1362 are recognized as revenue when there is reasonable certainty that these can be used to pay duties and taxes on imported broadcasting related equipment.

*Subscription Revenue.* Subscription fees are recognized over the subscription period in accordance with the terms of the subscription agreements.

*Sale of goods.* Sale of goods pertain to sale of set-top boxes, digital TV mobile receivers and other merchandises. Revenue is recognized at a point in time when delivery has taken place and transfer of control has been completed. These are stated net of sales discounts.

*Revenue from Distribution and Content Provisioning.* Revenue is recognized upon delivery of the licensed content to customers.

*Production Revenue.* Production revenue is recognized at a point in time when project-related services are rendered.

*Commission from Artist Center*. Revenue is recognized as revenue at a point in time on an accrual basis in accordance with the terms of the related marketing agreements.

b. Revenue Recognition Outside the Scope of PFRS 15

*Rental Income.* Revenue from lease of property and equipment and investment properties is accounted for on a straight-line basis over the lease term.

*Dividend Income.* Revenue is recognized when the Group's right to receive payment is established.

*Interest Income.* Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

*Equity in Net Earnings (Losses) of Joint Ventures.* The Group recognizes its share in the net income or loss of joint ventures proportionate to the equity in the economic shares of such joint ventures, in accordance with the equity method.

*Other Income.* Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Group through an increase in asset or reduction in liability that can be measured reliably.

<u>Contract Balances</u>

*Trade Receivables.* A receivable represents the Group'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). Refer to the accounting policies of Financial Instruments section.

*Contract Assets.* A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group 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 Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group 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 Group performs under the contract.

*Incremental Costs to Obtain a Contract*
The Group pays sales commissions to its account executives for each contract that they obtain for advertising agreements with customers. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions (presented as part of "Marketing expense" under "General and administrative expenses" account in the consolidated statement of comprehensive income) because the amortization period of the asset that the Group otherwise would have used is less than one year.

<u>Borrowing Costs</u>
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Expenses
Expenses, presented as "Production costs", "Cost of sales", and "General and administrative expenses" in the consolidated statement of comprehensive income, are recognized as incurred.

Pension and Other Long-Term Employee Benefits
The Parent Company has a funded, noncontributory defined benefit retirement plan covering permanent employees. Other entities are covered by Republic Act (R.A.) 7641, otherwise known as "The Philippine Retirement Law", which provides for qualified employees to receive an amount equivalent to a certain percentage of monthly salary at normal retirement age. In addition, the Group has agreed to pay the cash equivalent of the accumulated unused vacation leave of the employees upon separation from the Group.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method.

*Defined Benefit Plans*. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any 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 defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under "Production costs" and "General and administrative expenses" accounts in consolidated statements of comprehensive income (by function):

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets 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 fair value of the plan assets is higher than the present value of the defined benefit obligation, 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 Group'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.

<u>Leases</u>

*Leases.* The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Group as Lessee.* The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Right-of-use Assets.* The Group 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 measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group 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 its estimated useful life and the lease term as follow:

  | | |
  |---|---|
  | Land | 2 to 25 years |
  | Buildings, studio and office spaces | 2 to 15 years |

  Right-of-use assets are subject to impairment.

- *Lease Liabilities.* At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

  In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. 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.

- *Short-term Leases.* The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date or initial application of PFRS 16 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.

*Group as Lessor.* Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases are recognized as income in the consolidated statement of comprehensive income on a straight-line basis over the lease term. 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.

Foreign Currency-denominated Transactions
Transactions in foreign currencies are initially recorded in the functional currency exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing exchange rate at financial reporting period. All differences are taken to profit or loss in the consolidated statements of comprehensive income. Nonmonetary 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. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. For income tax purposes, foreign exchange gains and losses are treated as taxable income or deductible expenses when realized.

Taxes

*Current Income Tax.* Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

*Deferred Tax.* Deferred tax is provided using the liability method on temporary differences at reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting period.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT over RCIT and unused NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition 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; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or 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; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws to be enacted or substantially enacted at the reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

*Creditable Withholding Taxes*. Creditable withholding taxes represent amounts withheld by the Group’s customers and is deducted from the Group’s income tax payable.

*Value-added Tax (VAT).* Revenue, expenses and assets are recognized net of the amount of VAT, if applicable.

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets” or “Trade payables and other current liabilities” accounts in the consolidated statement of financial position.

Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income for the year attributable to the equity holders of the Parent Company, net of income attributable to preferred shares, by the weighted average number of common shares outstanding during the year, after considering the retroactive adjustments for any stock dividends declared, if any.

Diluted EPS is calculated by dividing the net income for the year attributable to the equity holders of the Parent Company (inclusive of income attributable to preferred shares) by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued upon conversion of all dilutive potential common shares.

Segment Reporting
For management purposes, the Group's operating businesses are organized and managed separately into television and radio airtime, international subscriptions and other business activities. Such business segments are the basis upon which the Group reports its primary segment information. The Group considers television and radio operations as the major business segment. The Group operates in two geographical areas where it derives its revenue. Financial information on business segments is presented in Note 5 to the consolidated financial statements.

Provisions
Provisions are recognized when the Group 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

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

## 4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes at the end of the reporting period. However, uncertainty about these judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

*Consolidation of Entities in which the Group holds less than Majority of Voting Rights*. The Group considers that it controls RGMA Network even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of RGMA Network with a 49% equity interest. The remaining 51% of the equity shares in RGMA Network are owned by several parties. Since September 27, 1995, which is the date of incorporation of RGMA Network, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group. The carrying amount of NCI as at December 31, 2022 and 2021 are ₱77.51 million and ₱101.08 million, respectively.

*Assessment of Significant Influence over the Investee.* The Parent Company holds 25% ownership interest in Optima Digital, Inc. as at December 31, 2022 and 2021. Even with more than 20% voting rights, management assessed that the Parent Company does not have the power to participate in the policy-making processes, including decisions to affect its returns in the form of dividends. Further, the Parent Company does not have the ability to participate in the financial and operational policies decision-making of the investee to affect its relevant activities as the Group has only one (1) board seat out of the total five (5) board seats. The investment is presented as a financial asset at FVOCI amounting to ₱0.66 million and ₱4.81 million as at December 31, 2022 and 2021, respectively.

*Determination of Lease Term of Contracts with Renewal and Termination Options - Group as a Lessee*. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group did not include the renewal period as part of the lease term for its leases as these are subject to mutual agreement and are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term because they are reasonably certain not to be exercised.

*Operating Leases - Group as Lessor*. The Group has entered into various lease agreements as lessor. The Group had determined that the risks and rewards of ownership of the underlying property were retained by the Group. Accordingly, the leases are classified as an operating lease.

Total rental income amounted to ₱5.65 million, ₱6.19 million, and ₱6.89 million in 2022, 2021 and 2020, respectively (see Note 26).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Estimating the Incremental Borrowing Rate.* The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group 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 Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group 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 counterparty's stand-alone credit rating).

The Group's lease liabilities amounted to ₱167.11 million and ₱119.39 million as at December 31, 2022 and 2021, respectively (see Note 28).

*Estimating Allowance for ECL.* The following information explains the inputs, assumptions and techniques used by the Group in estimating ECL for trade receivables:

- Simplified approach for trade receivables

  The Group uses a simplified approach for calculating ECL on trade receivables through the use of provision matrix to calculate ECLs. The provision rates are based on days past due for groupings of customer segments that have similar loss patterns (i.e., by customer type).

  The provision matrix is initially based on the Group's historical observed default rates. The Group then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g., gross domestic product, inflation rate, unemployment rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the Group's operating segments, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking factors specific to the debtors and the economic environment are updated to consider the impact of the coronavirus pandemic.

- Definition of default for trade receivables

  The Group defines a trade receivable as in default, when it meets one or more of the following criteria:

  - The counterparty is experiencing financial difficulty or is insolvent
  - The receivable is more than 360 days past due. The determination of the period is based on the Group's practice and agreement with their customers within the industry.

- Grouping of instruments for losses measured on collective basis

  For expected credit loss 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 segmentation are homogeneous. The Group segmentized its receivables based on the type of customer (e.g., corporate and individuals).

- Incorporation of forward-looking information

  The Group considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments that support the calculation of ECLs. A broad range of forward-looking information are considered as economic inputs such as the gross domestic product, inflation rate, unemployment rates and other economic indicators.

  The macroeconomic factors are aligned with information used by the Group for other purposes such as strategic planning and budgeting.

  The Group identifies and documents key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

  Predicted relationship between the key macro-economic 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 assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. As uncertainties in the market trend and economic conditions may remain persistent amidst the continuous spread of COVID-19, the Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

  Provision for ECL amounted to ₱1.46 million, ₱142.58 million and ₱347.20 million in 2022, 2021 and 2020, respectively (see Notes 7 and 24). The allowance for ECL amounted to ₱908.67 million and ₱909.10 million as at December 31, 2022 and 2021, respectively. The carrying amounts of trade and other receivables amounted to ₱5,862.07 million and ₱7,784.55 million as at December 31, 2022 and 2021, respectively (see Note 7).

*Classification and Amortization of Program and Other Rights*. Portions of program and other rights are classified as current and noncurrent assets. Current portion represents those expected to be aired any time within its normal operating cycle, whereas the noncurrent portion represents those without definite expiration.

The Group estimates the amortization of program and other rights with finite lives using straight line method up to the date of expiry and those with no definite expiration date of up to ten years, which is the manner and pattern of usage of the acquired rights. In addition, estimation of the amortization of program and other rights is based on the Group's experience with such rights. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Program and other rights usage amounted to ₱868.74 million, ₱1,007.35 million and ₱703.42 million in 2022, 2021 and 2020, respectively (see Notes 8 and 23). Program and other rights, net of accumulated impairment in value of ₱2.70 million, amounted to ₱1,479.02 million and ₱1,005.58 million as at December 31, 2022 and 2021, respectively (see Note 8).

*Estimating Allowance for Inventory Losses.* The Group provides allowance for inventory losses whenever the net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account is reviewed periodically to reflect the accurate valuation of the inventories.

The carrying value of merchandise inventory and materials and supplies inventory in the consolidated statement of financial position amounted to ₱1,469.19 million and ₱1,137.43 million as at December 31, 2022 and 2021, respectively (see Note 9). There were no provisions for inventory losses in 2022, 2021 and 2020.

*Estimating Useful Lives of Property and Equipment, Software Costs and Investment Properties*. The Group estimates the useful lives of property and equipment, software costs and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, software costs and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment, software costs and investment properties are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment, software costs and investment properties would increase the recorded general and administrative expenses and decrease noncurrent assets.

There has been no change in the Group's estimate of useful lives of its property and equipment, software costs and investment properties in 2022 and 2021.

Total depreciation and amortization expense for the years ended December 31, 2022, 2021 and 2020, amounted to ₱757.60 million, ₱657.48 million and ₱585.84 million, respectively (see Notes 13, 15, 16, 23 and 24).

Revaluation of Land. The Group engages an accredited appraiser to determine the fair value of the land used in operations. Fair value is determined by reference to market-based evidence adjusted based on certain elements of comparison. The fair value amount would differ if the Group made different judgments and estimates or utilized a different basis for determining fair value.

Valuations from an accredited appraiser are generally performed every three to five years or more frequently as deemed necessary to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

In 2022, the Group assessed those certain parcels of land at revalued amounts, comprising majority of the balance of the account, have significant movements in its current carrying values and obtained updated appraisals as at December 31, 2022. For the land that were not appraised, the Group referred to the published comparable prices for the fair values. Total additional revaluation increment recognized in 2022 amounted to ₱2,737.72 million, net of tax.

In 2021, there was no additional revaluation increment on land due to insignificant movements in the fair value of the land. The revalued amount of land, which is classified under “Property and equipment” account in the statements of financial position, amounted to ₱6,619.90 million and ₱2,945.30 million as at December 31, 2022 and 2021, respectively (see Notes 14 and 32).

*Impairment of Nonfinancial Assets.* For prepaid production costs, tax credits, investments and advances, property and equipment, right-of-use assets, investment properties, program and other rights, investment in artworks, deferred production costs and software costs, impairment testing is performed whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business;
- significant negative industry or economic trends; and
- obsolescence or physical damage of an asset.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs to sell or asset’s value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

As at December 31, 2022 and 2021, the Group did not identify any indicator of impairment on its nonfinancial assets, hence, no impairment tests were carried out.

The carrying values of nonfinancial assets as at December 31 follow:

| | **2022** | 2021 |
|---|---|---|
| Property and equipment - at cost (see Note 13) | **₱3,361,149,279** | ₱2,985,503,552 |
| Land at revalued amounts (Note 14) | **6,619,895,148** | 2,945,297,014 |
| Program and other rights (see Note 8) | **1,479,018,423** | 1,005,577,541 |
| Prepaid production costs (see Note 10) | **783,499,847** | 708,980,295 |
| Investments and advances (see Note 12) | **175,705,006** | 184,791,025 |
| Right-of-use assets (see Note 28) | **159,900,385** | 123,923,786 |
| Software costs (see Note 16) | **73,791,869** | 113,208,864 |
| Tax credits (see Note 10) | **48,070,848** | 169,447,579 |
| Investment properties (see Note 15) | **32,105,060** | 33,487,447 |
| Investment in artworks (see Note 16) | **10,186,136** | 10,186,136 |
| Deferred production costs (see Note 16) | **1,321,925** | 1,196,276 |

*Estimating Realizability of Deferred Tax Assets.* The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Group’s assessment on the recognition of deferred tax assets on deductible temporary difference and carryforward benefits of NOLCO and excess MCIT over RCIT is based on the projected taxable income in the following periods.

Recognized deferred tax assets amounted to ₱1,709.36 million and ₱1,485.26 million as at December 31, 2022 and 2021, respectively, while unrecognized deferred tax assets amounted to ₱5.82 million and ₱8.51 million as at December 31, 2022 and 2021, respectively (see Note 29).

*Pension Benefits*. The determination of the Group's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 27 and include, among others, discount rate and salary increase rate. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

Pension liability amounted to ₱4,767.25 million and ₱4,169.69 million as at December 31, 2022 and 2021, respectively (see Note 27).

*Determination of Fair Value of Financial Assets at FVOCI*. Financial assets at FVOCI are carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. When the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The fair value of financial assets at FVOCI are enumerated in Note 32.

*Determination of Fair Value of Investment Properties*. PFRS requires disclosure of fair value of investment properties when measured at cost.

The Group used the services of an independent professional appraiser in estimating the fair value of properties. The appraisers conducted an actual inspection of the property and considered the following in the study and analyses in arriving at the estimate of fair value: (a) extent, character and utility of the property; (b) sales and holding prices of similar properties; and (c) highest and best use of the property. The description of valuation techniques used and key inputs to fair valuation of investment properties are enumerated in Note 15 of the consolidated financial statements.

*Contingencies*. The Group is currently involved in various claims and legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with legal counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position.

## 5. Segment Information

Business Segments

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments, as follows:

- The television and radio segment, which engages in television and radio broadcasting activities and which generates revenue from sale of national and regional advertising time.
- The international subscription segment which engages in subscription arrangements with international cable companies.
- Other businesses which include movie production, consumer products and other services.

The Executive Committee, the chief operating decision maker, and Management monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the net income or loss in the consolidated financial statements. On a consolidated basis, the Group's performance is evaluated based on consolidated net income for the year.

Geographical Segments
The Group operates in two major geographical segments - local and international. Local refers to revenues earned in the Philippines, the home country. Significant portion of the revenues earned locally pertain to television and radio airtime. International refers to revenues earned in United States and in other locations (which include Middle East, Europe, Australia, Canada, Guam, Singapore, Hongkong and Japan). The Group ties up with cable providers to bring local television programming outside the Philippines.

The Group's revenues are mostly generated in the Philippines, which is the Group's country of domicile.

Noncurrent assets consist of property and equipment, land at revalued amounts, investment properties and intangible assets which are all located in the Philippines.

The Group does not have a single external customer whose revenue accounts for 10% or more of the Group's revenues.

Inter-segment Transactions
Segment revenues, segment expenses and segment results include transfers among business segments and among geographical segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

Measurement Basis
The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

| Geographical Business Segment | Local | | | | | | International | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Television and radio airtime | | | Other businesses | | | International subscription | | | Eliminations | | | Consolidated | | |
| | **2022** | **2021** | 2020 | **2022** | 2021 | 2020 | **2022** | 2021 | 2020 | **2022** | 2021 | 2020 | **2022** | 2021 | 2020 |
| **REVENUES** | | | | | | | | | | | | | | | |
| External sales | **₱19,343,239,228** | ₱20,043,198,544 | ₱16,995,165,502 | **₱ 1,392,840,024** | ₱1,519,164,368 | ₱1,366,560,977 | **₱ 827,931,818** | ₱887,960,485 | ₱974,169,059 | **₱–** | ₱– | ₱– | **₱ 21,564,011,070** | ₱22,450,323,397 | ₱19,335,895,538 |
| Inter-segment sales | **–** | – | – | **582,457,448** | 664,531,248 | 531,379,738 | **–** | – | – | **(582,457,448)** | (664,531,248) | (531,379,738) | **–** | – | – |
| | **19,343,239,228** | ₱20,043,198,544 | ₱16,995,165,502 | **1,975,297,472** | ₱2,183,695,616 | ₱1,897,940,715 | **827,931,818** | ₱887,960,485 | ₱974,169,059 | **(582,457,448)** | (₱664,531,248) | (₱531,379,738) | **21,564,011,070** | ₱22,450,323,397 | ₱19,335,895,538 |
| **NET INCOME** | | | | | | | | | | | | | | | |
| Segment results | **₱5,638,525,447** | ₱8,208,575,147 | ₱6,994,189,084 | **₱862,467,466** | ₱941,203,693 | ₱700,697,768 | **₱622,613,478** | ₱734,795,951 | ₱831,254,645 | **₱15,000,000** | ₱10,128,258 | ₱30,380,572 | **₱7,138,606,391** | ₱9,894,703,049 | ₱8,556,522,069 |
| Interest expense | **(24,054,826)** | (47,858,629) | (20,188,727) | **(1,077,257)** | (833,864) | (356,396) | **–** | – | – | **–** | – | – | **(25,132,083)** | (48,692,493) | (20,545,123) |
| Foreign exchange gain (loss) | **13,102,473** | (84,068,774) | (8,536,333) | **6,981,647** | 2,992,061 | (1,563,956) | **19,846,763** | 29,215,432 | (36,923,481) | **–** | – | – | **39,930,883** | (51,861,281) | (47,023,770) |
| Interest income | **19,832,994** | 16,029,136 | 12,757,893 | **714,992** | 206,181 | 957,520 | **–** | – | – | **–** | – | – | **20,547,986** | 16,235,317 | 13,715,413 |
| Equity in net earnings of joint ventures | **–** | – | – | **(9,031,836)** | (1,045,954) | 3,908,740 | | – | – | | – | – | **(9,031,836)** | (1,045,954) | 3,908,740 |
| Other income (expenses) | **313,088,387** | 245,652,608 | 194,893,594 | **6,218,360** | 14,004,552 | 65,311,872 | **–** | – | – | **(164,310,000)** | (121,800,000) | (175,030,699) | **154,996,746** | 137,857,160 | 85,174,767 |
| Income tax | **(1,472,859,502)** | (1,935,402,004) | (2,115,479,505) | **(225,435,211)** | (247,144,667) | (226,138,919) | **(160,615,060)** | (191,002,846) | (238,299,349) | **(4,500,000)** | (4,500,000) | (4,500,000) | **(1,863,409,773)** | (2,378,049,517) | (2,584,417,773) |
| | **₱4,487,634,973** | ₱6,402,927,484 | ₱5,057,636,006 | **₱640,838,160** | ₱709,382,002 | ₱542,816,629 | **₱481,845,181** | ₱573,008,537 | ₱556,031,815 | **₱(153,810,000)** | (₱116,171,742) | (₱149,150,127) | **₱5,456,508,315** | ₱7,569,146,281 | ₱6,007,334,323 |
| **ASSETS AND LIABILITIES** | | | | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | | | | |
| Segment assets | **₱ 22,927,245,909** | ₱22,422,877,737 | ₱21,942,534,724 | **₱ 2,566,414,364** | ₱1,390,600,332 | ₱1,421,716,054 | **₱ 271,775,751** | ₱586,178,847 | ₱684,457,746 | **₱ (1,238,569,487)** | (₱1,250,451,838) | (₱1,366,141,580) | **₱ 24,526,866,537** | ₱23,149,205,078 | ₱22,682,566,944 |
| Investment in associates - at equity | **38,350,619** | 38,350,619 | 38,350,619 | **35,554,165** | 44,586,001 | 45,631,955 | **–** | – | – | **–** | – | – | **73,904,784** | 82,936,620 | 83,982,574 |
| Deferred tax assets | **5,659,347** | 719,410,111 | 993,543,921 | **57,309,719** | 54,258,885 | 59,409,461 | **–** | – | – | **65,387,507** | 69,914,379 | 119,766,570 | **128,356,573** | 843,583,375 | 1,172,719,952 |
| | **₱ 22,971,255,875** | ₱23,180,638,467 | ₱22,974,429,264 | **₱ 2,659,278,248** | ₱1,489,445,218 | ₱1,526,757,470 | **₱ 271,775,751** | ₱586,178,847 | ₱684,457,746 | **₱ (1,173,181,980)** | (₱1,180,537,459) | (₱1,246,375,010) | **₱ 24,729,127,894** | ₱24,075,725,073 | ₱23,939,269,470 |
| **Liabilities** | | | | | | | | | | | | | | | |
| Segment liabilities | **₱ 8,889,880540** | ₱9,304,434,001 | ₱10,471,472,009 | **₱ 801,391,541** | ₱645,895,763 | ₱897,504,654 | **₱ 226,584,317** | ₱214,201,882 | ₱397,742,063 | **₱ (654,751,051)** | (₱659,806,806) | (₱708,863,876) | **₱ 9,263,105,347** | ₱9,504,724,840 | ₱11,057,854,850 |
| Other Segment Information | | | | | | | | | | | | | | | |
| Capital expenditures: | | | | | | | | | | | | | | | |
| Program and other rights and software cost | **₱ 1,359,490,334** | ₱1,120,980,554 | ₱617,348,781 | **₱ 6,967** | ₱169,014 | ₱859,241 | **₱–** | ₱– | ₱– | **₱–** | ₱– | ₱– | **₱ 1,359,497,301** | ₱1,121,149,568 | ₱618,208,022 |
| Property and equipment | **1,018,937,377** | 974,080,362 | 404,690,887 | **30,272,172** | 25,141,628 | 16,544,500 | **390,178** | 94,848 | – | **–** | – | – | **1,049,599,727** | 999,316,838 | 421,235,387 |
| Land | **24,307,383** | 142,100,830 | – | **–** | – | – | **–** | – | – | **–** | – | – | **24,307,383** | 142,100,830 | – |
| Depreciation and amortization | **1,609,520,230** | 1,650,984,303 | 1,271,946,332 | **27,194,721** | 22,317,406 | 24,454,895 | **4,620,634** | 6,525,769 | 7,853,854 | **(15,000,000)** | (15,000,000) | (15,000,000) | **1,626,335,585** | 1,664,827,478 | 1,289,255,081 |

## 6. Cash and Cash Equivalents

| | **2022** | 2021 |
|---|---|---|
| Cash on hand and in banks | **₱2,170,723,381** | ₱2,919,451,027 |
| Short-term deposits | **684,743,833** | 1,874,115,127 |
| | **₱2,855,467,214** | ₱4,793,566,154 |

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Interest income earned from bank deposits and short-term deposits amounted to ₱20.55 million, ₱16.24 million and ₱13.72 million in 2022, 2021 and 2020, respectively.

## 7. Trade and Other Receivables

| | **2022** | 2021 |
|---|---|---|
| Trade: | | |
| Television and radio airtime | **₱6,287,590,963** | ₱8,136,404,457 |
| Subscriptions | **231,894,197** | 239,809,789 |
| Others | **192,396,251** | 193,276,811 |
| Nontrade: | | |
| Advances to officers and employees | **3,696,291** | 9,363,276 |
| Others (see Note 21) | **55,154,475** | 114,786,067 |
| | **6,770,732,177** | 8,693,640,400 |
| Less allowance for ECL | **908,666,285** | 909,095,394 |
| | **₱5,862,065,892** | ₱7,784,545,006 |

Trade Receivables

*Television and Radio Airtime.* Television and radio airtime receivables are unsecured, noninterest-bearing and are generally on 60-90 day terms upon receipt of invoice by the customers. The receivables are normally collected within 360 days.

Television and radio airtime receivables include unbilled airtime receivables, arising when advertisements have been aired but billing or acceptance by the customer has been delayed due to time lag in completing all required documents. As of December 31, 2022 and 2021, the total unbilled airtime receivables, assessed as contract assets, amounted to ₱20.70 million and ₱24.32 million, respectively.

*Subscriptions Receivable.* Subscriptions receivable pertain to receivables from international channel subscriptions and advertisements. These are unsecured, noninterest-bearing and normally collected within 360 days.

*Other Trade Receivables.* Other trade receivables mainly consist of receivables from customers relating to advertising placements on other platforms other than TV and Radio, sale of merchandise and content provisioning services. These are unsecured, noninterest-bearing and are generally on 60-90 day terms upon receipt of invoice by the customers.

Nontrade Receivables

*Advances to Officers and Employees and Other Nontrade Receivables*. Other nontrade receivables pertain to loans of regular and project employees and advances given to talents and project employees. These are noninterest-bearing and are normally collected within the next financial year.

Allowance for ECL on Trade Receivables
The movements in the allowance for ECLs are as follows:

| | **2022** | | |
|---|---|---|---|
| | **Corporate** | **Individual** | **Total** |
| Balance at beginning of year | **₱899,187,044** | **₱9,908,350** | **₱909,095,394** |
| Provision for the year (see Note 24) | **1,457,228** | **–** | **1,457,228** |
| Reversal for the year (see Note 26) | **(1,886,337)** | **–** | **(1,886,337)** |
| Balance at end of year | **₱898,757,935** | **₱9,908,350** | **₱908,666,285** |

| | 2021 | | |
|---|---|---|---|
| | Corporate | Individual | Total |
| Balance at beginning of year | ₱756,208,776 | ₱10,309,538 | ₱766,518,314 |
| Provision (reversal) for the year (see Note 24) | 142,978,268 | (401,188) | 142,577,080 |
| Balance at end of year | ₱899,187,044 | ₱9,908,350 | ₱909,095,394 |

## 8. Program and Other Rights

Details and movement in this account are as follows:

| | **2022** | | | |
|---|---|---|---|---|
| | **Program Rights** | **Story/Format Rights** | **Program Rights - Incidentals** | **Total** |
| Cost: | | | | |
| Balance at beginning of year | **₱955,929,510** | **₱27,996,874** | **₱24,353,417** | **₱1,008,279,801** |
| Additions | **1,207,928,746** | **37,500,082** | **96,751,770** | **1,342,180,598** |
| Program and other rights usage (see Note 23) | **(738,115,943)** | **(24,426,146)** | **(106,197,627)** | **(868,739,716)** |
| Balance at end of year | **1,425,742,313** | **41,070,810** | **14,907,560** | **1,481,720,683** |
| Accumulated impairment in value | **(2,702,260)** | **–** | **–** | **(2,702,260)** |
| | **1,423,040,053** | **41,070,810** | **14,907,560** | **1,479,018,423** |
| Less noncurrent portion | **232,446,242** | **–** | **–** | **232,446,242** |
| Current portion | **₱1,190,593,811** | **₱41,070,810** | **₱14,907,560** | **₱1,246,572,181** |

| | 2021 | | | |
|---|---|---|---|---|
| | Program Rights | Story/Format Rights | Program Rights - Incidentals | Total |
| Cost: | | | | |
| Balance at beginning of year | ₱894,413,394 | ₱27,147,444 | ₱24,107,427 | ₱945,668,265 |
| Additions | 955,453,367 | 4,657,217 | 109,848,747 | 1,069,959,331 |
| Program and other rights usage (see Note 23) | (893,937,251) | (3,807,787) | (109,602,757) | (1,007,347,795) |
| Balance at end of year | 955,929,510 | 27,996,874 | 24,353,417 | 1,008,279,801 |
| Accumulated impairment in value | (2,702,260) | – | – | (2,702,260) |
| | 953,227,250 | 27,996,874 | 24,353,417 | 1,005,577,541 |
| Less noncurrent portion | 240,982,378 | – | – | 240,982,378 |
| Current portion | ₱712,244,872 | ₱27,996,874 | ₱24,353,417 | ₱764,595,163 |

## 9. Inventories

This account consists of the following:

| | 2022 | 2021 |
|---|---|---|
| Merchandise inventory | **₱1,443,352,533** | ₱1,120,260,877 |
| Materials and supplies inventory | **25,841,351** | 17,164,696 |
| | **₱1,469,193,884** | ₱1,137,425,573 |

The following are the details of merchandise inventory account:

| | 2022 | 2021 |
|---|---|---|
| Set-top box model | **₱1,233,966,042** | ₱905,944,866 |
| ITE chipset dongle | **209,386,491** | 214,316,011 |
| | **₱1,443,352,533** | ₱1,120,260,877 |

Merchandise inventory consists mainly of set-top boxes, digital TV mobile receiver and other merchandises for sale by the Group. In 2020, the Group launched the GMA Affordabox, a digital box which allows users to receive clear pictures and sounds in their television sets through digital transmission. Cost of sales related to digital boxes amounted to ₱302.14 million, ₱418.14 million and ₱479.42 million in 2022, 2021 and 2020, respectively.

Materials and supplies inventory includes the Group's office supplies, spare parts and production materials.

## 10. Prepaid Expenses and Other Current Assets

| | 2022 | 2021 |
|---|---|---|
| Advances to suppliers (see Note 28) | **₱850,951,231** | ₱607,253,805 |
| Prepaid production costs | **783,499,847** | 708,980,295 |
| Input VAT | **245,732,638** | 225,923,751 |
| Prepaid expenses | **115,718,638** | 89,081,249 |
| Creditable withholding taxes | **60,886,401** | 55,474,553 |
| Tax credits | **48,070,848** | 169,447,579 |
| Others | **1,519,261** | 1,578,013 |
| | **₱2,106,378,864** | ₱1,857,739,245 |

Advances to suppliers are noninterest-bearing and are generally applied to acquisition of program and other rights, inventories, availment of services and others within the next financial year.

Prepaid production costs represent costs paid in advance prior to the airing of the programs or episodes. The Group expects to air the related programs or episodes within the next financial year.

Input VAT pertains to VAT on purchase or importation of goods and services which are to be claimed and credited in the succeeding month's filing of VAT return.

Prepaid expenses include prepayments for rentals, insurance and other expenses.

Creditable withholding taxes represent amounts withheld by the Group's customers and is deducted from the Group's income tax payable.

Tax credits represent claims of the Parent Company from the government arising from airing of government commercials and advertisements. The Parent Company expects to utilize these tax credits within the next financial year.

## 11. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of the following:

| | **2022** | 2021 |
|---|---|---|
| Non-listed equity instruments | **₱257,799,260** | ₱92,936,018 |
| Listed equity instruments | **24,814,847** | 23,775,258 |
| | **₱282,614,107** | ₱116,711,276 |

Investment in equity instruments pertains to shares of stock and club shares which are not held for trading. The Group assessed the equity instruments to be strategic in nature.

The movement of financial assets at FVOCI are as follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at beginning of year | **₱116,711,276** | ₱192,132,088 |
| Additions during the year | **168,672,065** | − |
| Unrealized loss on fair value changes during the year | **(2,769,234)** | (75,420,812) |
| Balance at end of year | **₱282,614,107** | ₱116,711,276 |

The Group purchased ₱106.77 million, ₱35.69 million, ₱13.66 million and ₱12.55 million worth of preference shares of PX Ventures PTE Ltd, a regional direct-to-patient telehealth startup that provides affordable access to quality healthcare for men and women, shares of stock of TNB Aura Fund 2 Ltd, a Regional Venture Capital fund focused on making Series A and B investments in Southeast Asia, capital shares of Wavemaker Three-Sixty Health II-A,LP., a seed and early stage venture capital firm focused on the US healthcare industry and Simple Agreement for Future Equity (SAFE) from Cloudeats PTE Ltd, a cloud kitchen and restaurant business that utilizes a house of brands model, respectively.

Dividend income earned from financial assets at FVOCI amounted to nil in 2022, 2021 and 2020.

The movements in net unrealized loss on financial assets at FVOCI are as follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at beginning of year - net of tax | **(₱117,945,532)** | (₱47,709,492) |
| Net unrealized loss on fair value changes during the year | **(2,769,234)** | (75,420,812) |
| Tax effect of the changes in fair market values | **415,385** | 5,184,772 |
| Balance at end of year | **(₱120,299,381)** | (₱117,945,532) |

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IP E-Games Ventures, Inc.

In 2015, IP E-Games Ventures, Inc. (IPE) issued 13,000.00 million of its own common shares to the Group in exchange of the Group's investment in X-Play Online Games Incorporated (X-Play) and in settlement of ₱30.00 million advances and ₱50.00 million airtime credits granted by the Group to X-Play. At initial recognition, the Group recognized at fair value the IPE shares amounting to ₱130.00 million

Of the ₱50.00 million airtime credits, ₱22.00 million has not been implemented at the date of exchange and therefore was recognized by the Group as unearned revenue presented as "Contract liabilities", included as part of "Trade payables and other current liabilities" in 2022 and 2021 (see Note 17).

## 12. Investments and Advances

The following are the details of this account:

| | **2022** | 2021 |
|---|---|---|
| Investment in an associate and interests in joint ventures | **₱73,904,784** | ₱82,936,620 |
| Advances to an associate and joint ventures (see Note 21) | **101,800,222** | 101,854,405 |
| | **₱175,705,006** | ₱184,791,025 |

The movements in the account are as follows:

| | **2022** | 2021 |
|---|---|---|
| Investment in an associate and interests in joint ventures: | | |
| Acquisition cost - | | |
| Balance at beginning and end of year | **₱131,722,056** | ₱131,722,056 |
| Accumulated equity in net losses: | | |
| Balance at beginning of year | **(48,785,436)** | (47,739,482) |
| Equity in net losses during the year | **(9,031,836)** | (1,045,954) |
| Balance at end of year | **(57,817,272)** | (48,785,436) |
| | **73,904,784** | 82,936,620 |
| Advances to an associate: | | |
| Balance at beginning of year | **99,531,728** | 97,722,016 |
| Advances during the year (see Note 21) | **86,481** | 1,809,712 |
| Balance at end of year | **99,618,209** | 99,531,728 |
| Advances to joint ventures: | | |
| Balance at beginning of year | **2,322,677** | 2,819,725 |
| Payments during the year | **(140,664)** | (497,048) |
| Balance at end of year | **2,182,013** | 2,322,677 |
| Total investments and advances | **₱175,705,006** | ₱184,791,025 |

The ownership interests in joint ventures and an associate, which were all incorporated in the Philippines, and are accounted for under the equity method, as at December 31, 2022 and 2021 follows:

| | Principal Activities | Percentage of Ownership | |
|---|---|---|---|
| | | Direct | Indirect |
| Associate - | | | |
| Mont-Aire Realty and Development Corporation (Mont-Aire) | Real Estate | 49 | – |
| Joint Ventures: | | | |
| INQ7 Interactive, Inc. (INQ7)* | Internet Publishing | 50 | – |
| Philippine Entertainment Portal (PEP)** | Internet Publishing | – | 50 |
| Gamespan, Inc. (Gamespan)** | Betting Games | – | 50 |

**Not operational.*
***Indirect investment through GNMI.*

The carrying values of investments and the related advances are as follows:

| | **2022** | | |
|---|---|---|---|
| | **Investments** | **Advances** (Note 21) | **Total** |
| Associate - | | | |
| Mont-Aire | **₱38,350,619** | **₱99,618,209** | **₱137,968,828** |
| Joint ventures: | | | |
| Gamespan | **8,947,966** | **1,959,670** | **10,907,636** |
| PEP | **26,606,199** | **222,343** | **26,828,542** |
| | **35,554,165** | **2,182,013** | **37,736,178** |
| | **₱73,904,784** | **₱ 101,800,222** | **₱175,705,006** |

| | 2021 | | |
|---|---|---|---|
| | Investments | Advances (Note 21) | Total |
| Associate - | | | |
| Mont-Aire | ₱38,350,619 | ₱99,531,728 | ₱137,882,347 |
| Joint ventures: | | | |
| Gamespan | 8,947,966 | 1,959,670 | 10,907,636 |
| PEP | 35,638,035 | 363,007 | 36,001,042 |
| | 44,586,001 | 2,322,677 | 46,908,678 |
| | ₱82,936,620 | ₱101,854,405 | ₱184,791,025 |

The associate and joint ventures are not listed in any public stock exchanges.

Mont-Aire
The table below shows the condensed financial information of Mont-Aire as at December 31, 2022 and 2021:

| | |
|---|---|
| Current assets | ₱53,469,276 |
| Noncurrent assets | 120,275,583 |
| | 173,744,859 |
| Current liabilities | 1,269,154 |
| Noncurrent liabilities | 94,209,136 |
| | 95,478,290 |
| Net assets | 78,266,569 |
| Proportion of the Group's ownership | 49% |
| Carrying amount of investment | ₱38,350,619 |

Mont-Aire ceased its commercial operations in 2009. Assets include real estate and parcels of land with an aggregate cost of ₱105.08 million and fair market value of ₱158.64 million, as determined by an accredited appraiser as at June 3, 2019, enough to cover for the carrying amount of the Group's investment in Mont-Aire. Management believes that there are no events or changes in circumstances indicating a significant unfavorable change in the fair value of the abovementioned properties from the last appraisal made.

PEP
On April 16, 2007, the Group and Summit Publishing, Co. entered into a shareholder's agreement for the establishment of PEP. The joint venture was organized to design, conceptualize, operate and maintain websites that make available all kinds of show business, entertainment and celebrity information, video or pictures in the internet worldwide web or other forms of seamless communication.

The Group recognized its share in net earnings (losses) of PEP amounting to (₱9.03 million), (₱1.05 million) and ₱3.91 million in 2022, 2021 and 2020, respectively.

Gamespan
On March 22, 2012, the Group, through GNMI, executed a Shareholder's Agreement with Manila Jockey Club (MJC) for the establishment of Gamespan, a joint venture corporation. The joint venture was organized to operate and manage the hardware and software owned by MJC, set-up new media infrastructure for offering and taking bets in horse racing and other sports.

Gamespan has not started its commercial operations since its establishment. In 2014, the Group and MJC agreed to terminate its shareholder's agreement and to close Gamespan. As at December 31, 2022, the joint venture is not yet operating since they have a pending registration with the Bureau of Internal Revenue (BIR). However, Gamespan is taking actions to amend their GIS and reactivate their doormant bank accounts. Since Gamespan has yet to start its operations, the Group did not recognize any share in net earnings in 2022, 2021 and 2020.

INQ7
Losses of INQ7 recognized under the equity method in excess of the Group's carrying value of investment were applied against its advances to the Parent Company thereby reducing both advances and investments to zero as at December 31, 2022 and 2021. INQ7 ceased operations in 2007. In 2013, INQ7 submitted a request to liquidate its assets to SEC. The liquidation is still ongoing as at December 31, 2022.

The Group believes that its interests in joint ventures are not individually material. Aggregate information of joint ventures that are not individually material are as follows:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| The Group's share in income / total comprehensive income | **(₱9,031,836)** | (₱1,045,954) | ₱3,908,740 |
| Aggregate carrying value of the Group's interests and advances | **37,736,178** | 46,908,678 | 48,451,681 |

## 13. Property and Equipment at Cost

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Land, buildings, towers and improvements** | **Antenna and transmitter systems and broadcast equipment** | **Communication and mechanical equipment** | **Transportation equipment** | **Furniture, fixtures and equipment** | **Construction in progress and equipment for installation** | **Total** |
| **Cost** | | | | | | | |
| At January 1, 2022 | **₱3,127,301,539** | **₱7,934,286,179** | **₱1,596,296,384** | **₱660,566,915** | **₱171,513,060** | **₱482,634,909** | **₱13,972,598,986** |
| Additions | **32,253,953** | **284,043,388** | **133,575,795** | **100,735,360** | **3,618,312** | **495,372,919** | **1,049,599,727** |
| Disposals | **(11,413,997)** | **(25,941,714)** | **(2,675,996)** | **(60,761,897)** | **(548,730)** | **–** | **(101,342,334)** |
| Reclassifications (see Notes 10 and 16) | **164,663,301** | **275,515,287** | **57,685,043** | **–** | **–** | **(499,393,834)** | **(1,530,203)** |
| At December 31, 2022 | **3,312,804,796** | **8,467,903,140** | **1,784,881,226** | **700,540,378** | **174,582,642** | **478,613,994** | **14,919,326,176** |
| **Accumulated Depreciation** | | | | | | | |
| At January 1, 2022 | **2,501,423,300** | **6,452,783,289** | **1,371,279,188** | **499,899,395** | **161,710,262** | **–** | **10,987,095,434** |
| Depreciation (see Notes 23 and 24) | **95,431,592** | **372,655,918** | **125,212,908** | **68,319,739** | **4,414,851** | **–** | **666,035,008** |
| Disposals | **(11,080,250)** | **(25,156,862)** | **(2,675,996)** | **(55,630,481)** | **(409,956)** | **–** | **(94,953,545)** |
| At December 31, 2022 | **2,585,774,642** | **6,800,282,345** | **1,493,816,100** | **512,588,653** | **165,715,157** | **–** | **11,558,176,897** |
| **Net Book Value** | **₱727,030,154** | **₱1,667,620,795** | **₱291,065,126** | **₱187,951,725** | **₱8,867,485** | **₱478,613,994** | **₱3,361,149,279** |

| | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land, buildings, towers and improvements | Antenna and transmitter systems and broadcast equipment | Communication and mechanical equipment | Transportation equipment | Furniture, fixtures and equipment | Construction in progress and equipment for installation | Total |
| **Cost** | | | | | | | |
| At January 1, 2021 | ₱3,057,833,927 | ₱7,348,274,084 | ₱1,487,373,983 | ₱709,719,574 | ₱168,036,544 | ₱484,717,737 | ₱13,255,955,849 |
| Additions | 12,467,813 | 208,444,459 | 91,928,822 | 89,521,212 | 2,312,212 | 594,642,320 | 999,316,838 |
| Disposals | (2,587,652) | (97,323,201) | (28,384,602) | (139,595,300) | (54,598) | – | (267,945,353) |
| Reclassifications (see Notes 10 and 16) | 59,587,451 | 474,890,837 | 45,378,181 | 921,429 | 1,218,902 | (596,725,148) | (14,728,348) |
| At December 31, 2021 | 3,127,301,539 | 7,934,286,179 | 1,596,296,384 | 660,566,915 | 171,513,060 | 482,634,909 | 13,972,598,986 |
| **Accumulated Depreciation** | | | | | | | |
| At January 1, 2021 | 2,422,497,339 | 6,234,662,075 | 1,282,146,776 | 570,633,667 | 157,902,288 | – | 10,667,842,145 |
| Depreciation (see Notes 23 and 24) | 81,047,090 | 313,824,202 | 117,390,619 | 63,157,719 | 3,860,212 | – | 579,279,842 |
| Disposals | (2,121,129) | (95,702,988) | (28,258,207) | (133,891,991) | (52,238) | – | (260,026,553) |
| At December 31, 2021 | 2,501,423,300 | 6,452,783,289 | 1,371,279,188 | 499,899,395 | 161,710,262 | – | 10,987,095,434 |
| **Net Book Value** | ₱625,878,239 | ₱1,481,502,890 | ₱225,017,196 | ₱160,667,520 | ₱9,802,798 | ₱482,634,909 | ₱2,985,503,552 |

Construction in progress pertains to costs incurred for installation of equipment, signal strengthening of transmitters nationwide and construction/improvement of studios and stations in the regions.

The reclassification relates to the software that were transferred to other noncurrent assets amounting to ₱1.53 million and ₱14.65 million in 2022 and 2021, respectively and low value assets included under "Prepaid expenses and other current assets" amounting to ₱0.08 million in 2021 (see Notes 10 and 16).

The Group leases out a portion of its property and equipment at cost. Total rental income recognized for the leased portion amounted to ₱3.66 million, ₱3.13 million and ₱2.95 million in 2022, 2021 and 2020 respectively (see Note 26).

The Group disposed various property and equipment in 2022, 2021 and 2020 resulting to the recognition of gain on sale amounting to ₱31.76 million, ₱50.52 million and ₱17.25 million, respectively (see Note 26).

As at December 31, 2022 and 2021, no property and equipment have been pledged as collateral or security for any of the Group's liabilities.

## 14. Land at Revalued Amounts

The movement of the land at revalued amount is shown below:

| | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Revaluation Increment** | **Total** | Cost | Revaluation Increment | Total |
| At beginning of year | **₱501,718,175** | **₱2,443,578,839** | **₱2,945,297,014** | ₱359,617,345 | ₱2,443,578,839 | ₱2,803,196,184 |
| Additions during the year | **24,307,384** | **3,650,290,750** | **3,674,598,134** | 142,100,830 | – | 142,100,830 |
| At end of year | **₱526,025,559** | **₱6,093,869,589** | **₱6,619,895,148** | ₱501,718,175 | ₱2,443,578,839 | ₱2,945,297,014 |

In 2022, the Group assessed that certain parcels of land at revalued amounts comprising majority of the balance of the account have significant movements in its current carrying values and obtained updated appraisals as at December 31, 2022. Total additional revaluation increment recognized in 2022 based on updated appraisals amounted to ₱3,650.29 million.

The fair value from the 2022 appraisals was determined using the "Market Data Approach" as determined by independent professionally qualified appraisers. The fair value represents the amount that would be received to sell the property in an orderly transaction between market participants at the date of valuation.

| | Comparables | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| Adjusted asking price (per square meters) | ₱283,500 | ₱252,000 | ₱330,750 | ₱330,750 |
| Adjustments to asking price | 5% | – | 5% | 5% |
| Lot size (square meters) | 1,382.4 | 1,284 | 5,000 | 8,866 |
| Location | Timog Avenue South Triangle Quezon City | Mother Ignacia Avenue South Triangle Lanao del Norte | Epifanio Delos Santos Avenue Bago Bantay Quezon City | Epifanio Delos Santos Avenue Unang Sigaw Quezon City |

The appraised value of land is directly proportional to the asking price of the comparable land and adjusted according to the following appraisal considerations:

- Property Rights Conveyed
- Financing/Conditions of Sale/Listing
- Market Conditions (Time of Sale)
- Location
- Size and shape
- Topography, etc.

There was no additional revaluation increment on land in 2021 due to insignificant movements in the fair value of the land.

Also on October 1, 2022, the Network purchased a parcel of land in Poblacion 5, Don Rufino Alonzo Street, Cotabato City amounting to ₱12.03 million as a suitable final relocation site for the transfer of GMA TV-12 Cotabato. Other acquisitions of land in Tagaytay, Laguna, Catanduanes, and Albay were also made during 2022 amounting to ₱6.02 million, ₱3.70 million, ₱1.55 million and ₱1.00 million respectively. Management believes that the fair values as at acquisition date approximates the fair values as at December 31, 2022.

For the land that were not appraised, the Group referred to the published comparable prices for the fair values.

The fair values in 2021was determined using the "Market Data Approach" as determined by independent professionally qualified appraisers. The fair value represents the amount that would be received to sell the property in an orderly transaction between market participants at the date of valuation. The description of valuation techniques used and key inputs to fair valuation are as follows:

| | Valuation Technique | Significant Unobservable Inputs | Range |
|---|---|---|---|
| Land | Market comparable assets | Price per square metre | ₱200-₱97,000 |

The fair value is categorized under Level 3 of the fair value hierarchy and represents 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 in accordance with International Valuation Standards.

As at December 31, 2022 and 2021, no land has been pledged as collateral or security for any of the Group's liabilities and the Group has no restrictions on the realizability of its land and no contractual obligation to purchase, construct or develop land or for repairs, maintenance and enhancements.

15. **Investment Properties**

| | **2022** | | |
|---|---|---|---|
| | **Land and Improvements** | **Buildings and Improvements** | **Total** |
| Cost: | | | |
| Balance at beginning and end of year | **₱23,761,823** | **₱72,276,684** | **₱96,038,507** |
| Accumulated depreciation: | | | |
| Balance at beginning of year | **–** | **58,698,419** | **58,698,419** |
| Depreciation during the year (see Note 24) | **–** | **1,382,387** | **1,382,387** |
| Balance at end of year | **–** | **60,080,806** | **60,080,806** |
| Accumulated impairment: | | | |
| Balance at beginning and end of year | **–** | **3,852,641** | **3,852,641** |
| | **₱23,761,823** | **₱8,343,237** | **₱32,105,060** |

| | 2021 | | |
|---|---|---|---|
| | Land and Improvements | Buildings and Improvements | Total |
| Cost: | | | |
| Balance at beginning and end of year | ₱23,761,823 | ₱72,276,684 | ₱96,038,507 |
| Accumulated depreciation: | | | |
| Balance at beginning of year | – | 57,316,032 | 57,316,032 |
| Depreciation during the year (see Note 24) | – | 1,382,387 | 1,382,387 |
| Balance at end of year | – | 58,698,419 | 58,698,419 |
| Accumulated impairment: | | | |
| Balance at beginning and end of year | – | 3,852,641 | 3,852,641 |
| | ₱23,761,823 | ₱9,725,624 | ₱33,487,447 |

The fair value of investment properties owned by the Group amounted to ₱203.90 million as at December 31, 2022 and 2021. Land used in operations was last appraised on November 19, 2018 by an accredited firm of appraisers and is valued in terms of its highest and best use.

The fair value was determined using the “Market Data Approach”. The fair value represents the amount that would be received to sell the property in an orderly transaction between market participants at the date of valuation.

The description of the valuation techniques used and key inputs to fair valuation are as follows:

| | Valuation Technique | Significant Unobservable Inputs | Range |
|---|---|---|---|
| Land | Market comparable assets | Price per square metre | ₱1,400-₱3,500 |
| Buildings for lease | Market comparable assets | Price per square metre | ₱22,000-₱117,000 |

The fair value is categorized under Level 3 of the fair value hierarchy and represents 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.

Rental income and the directly related expense arising from these investment properties follow:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Rental income (see Note 26) | **₱2,033,713** | ₱3,061,017 | ₱3,945,824 |
| Depreciation expense (see Note 24) | **(1,382,387)** | (1,382,387) | (1,382,387) |
| | **₱651,326** | ₱1,678,630 | ₱2,563,437 |

As at December 31, 2022 and 2021, no investment properties have been pledged as collateral or security for any of the Group's liabilities and the Group has no restriction on the realizability of its investment properties and no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

## 16. Other Noncurrent Assets

| | 2022 | 2021 |
|---|---|---|
| Software costs | **₱73,791,869** | ₱113,208,862 |
| Restricted cash | **52,722,572** | 52,722,572 |
| Refundable deposits | **26,501,499** | 22,165,836 |
| Deferred input VAT | **22,291,602** | 37,367,138 |
| Investment in artworks | **10,186,136** | 10,186,136 |
| Facilities | **7,564,742** | 19,788,434 |
| Guarantee deposits | **2,162,420** | 1,975,638 |
| Deferred production costs | **1,321,925** | 1,196,276 |
| Advances to contractors | **–** | 3,247,500 |
| Others | **735,294** | 1,715,687 |
| | **₱197,278,059** | ₱263,574,079 |

Software costs relate to software applications and website development costs which provide an edge on the Group's online presence and other software issues.

Restricted cash pertains to time deposits under the custody of the courts as a collateral for pending litigation.

Refundable deposits pertain to the deposits made to various electric companies across the country.

Deferred input VAT pertains to the VAT on the Group's acquisitions of capital goods exceeding ₱1.00 million in any given month which are to be amortized over the 60 months or the life of the asset, whichever is shorter.

Investment in artworks are paintings and other works of art usually displayed in the Parent Company's hallways.

Facilities relate to the deposit for facilities paid in advance and used for productions by the Group.

Guarantee deposits pertain to deposits to telephone companies as well as building/office rental deposits to be used for the Group's programs. Also included are deposits to the satellite providers.

Deferred production costs pertain to the costs incurred in relation to the production of music compact discs and are measured at cost upon recognition.  Deferred production costs are being amortized as the related compact discs are sold.

Advances to contractors pertain to advance payments made by the Parent Company for the construction of assets to be classified as property and equipment.

The movements in software costs follows:

| | **2022** | 2021 |
|---|---|---|
| Cost: | | |
| Balance at beginning of year | **₱534,552,087** | ₱468,708,120 |
| Additions during the year | **17,316,702** | 51,190,237 |
| Reclassifications during the year (see Note 13) | **1,530,203** | 14,653,732 |
| Balance at end of year | **553,398,992** | 534,552,089 |
| Accumulated amortization: | | |
| Balance at beginning of year | **421,343,225** | 371,636,579 |
| Amortization during the year (see Note 24) | **58,263,898** | 49,706,646 |
| Balance at end of year | **479,607,123** | 421,343,225 |
| | **₱73,791,869** | ₱113,208,864 |

## 17. Trade Payables and Other Current Liabilities

| | **2022** | 2021 |
|---|---|---|
| Payable to government agencies | **₱1,242,808,934** | ₱1,501,080,957 |
| Trade payables | **562,649,076** | 352,701,473 |
| Contract liabilities (see Note 11) | **369,733,835** | 130,479,722 |
| Accrued expenses: | | |
| Utilities and other expenses | **443,486,485** | 233,553,938 |
| Production costs | **180,710,548** | 129,164,437 |
| Payroll and talent fees (see Note 27) | **108,293,100** | 179,251,966 |
| Commission | **53,693,413** | 50,009,144 |
| Customers' deposits | **52,596,784** | 46,034,193 |
| Others | **70,876,368** | 74,888,140 |
| | **₱3,084,848,543** | ₱2,697,163,970 |

Payable to government agencies is composed of the Group's statutory compensation-related contributions to government agencies and net VAT and withholding taxes payable to the Bureau of Internal Revenue (BIR). The difference between the accrual accounting under the accounting standards and cash-basis accounting as prescribed by the BIR for service-related companies caused the Group to normally incur deferred output VAT which forms a substantial part of the Group's payable to government agencies. These payables are remitted within 30 days after reporting period.

Trade payables to suppliers are noninterest-bearing and are normally settled on terms ranging from seven to 60 days.

Contract liabilities pertain to payments received before broadcast and before delivery of goods and services amounting to ₱369.73 million and ₱130.48 million as at December 31, 2022 and 2021, respectively. These are recognized as revenue when the Group performs the obligation under the contract. The total beginning balance of contract liabilities in 2022 amounting to ₱130.48 million was recognized as revenue for the year ended December 31, 2022. This account also includes contract liabilities of ₱22.00 million from airtime credits that have not been implemented resulting from the exchange of the Group's interests in X-Play in 2015 (see Note 11).

Accrued expenses and other payables are noninterest-bearing and are generally settled within the next financial year.

Customers' deposits include guaranty deposits from advertising agencies to secure payment of bills by advertisers. These deposits are noninterest-bearing and normally refunded once the related broadcasts are paid by the advertisers. It also includes deposits from the Group's lessees upon inception of the lease agreements.

Others include unpaid subscriptions and retention payables. These are noninterest-bearing and are normally settled within one year.

## 18. Short-term Loans

The Group obtained unsecured short-term peso and US dollar-denominated loans from local banks in 2022 and 2021. Details and movements of the short-term loans are as follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at beginning of year | **₱739,485,500** | ₱720,345,000 |
| Availments | **1,027,125,200** | 4,479,150,000 |
| Payments | **(1,685,850,000)** | (4,542,575,000) |
| Revaluation | **(53,635,500)** | 82,565,500 |
| Balance at end of year | **₱27,125,200** | ₱739,485,500 |

The outstanding loans as at December 31, 2022 and 2021 consist of fixed rate notes with the following details:

| Lender | Currency | Amount | Interest Rate (per annum) | Terms | **2022** | 2021 |
|---|---|---|---|---|---|---|
| Security Bank | PhP | ₱27,125,000 | 2.75% | Availed in 2022, payable up to December 2023 | **₱27,125,000** | ₱– |
| Citibank | USD | $14,500,000 | 1.66% | Availed in 2021; payable in 311 days | – | 739,845,500 |

Interest expense on peso denominated loans amounted to ₱10.15 million, ₱23.06 million and ₱4.33 million in 2022, 2021 and 2020, respectively. Interest expense on US dollar denominated loans amounted to ₱2.78 million, ₱15.03 million, and ₱7.67 million in 2022, 2021, and 2020, respectively.

## 19. Obligations for Program and Other Rights

Obligations for program and other rights represent liabilities to foreign and local film suppliers for program and other rights purchased by the Group. Outstanding unpaid balance as at December 31, 2022 and 2021 amounted to ₱209.17 million and ₱223.82 million, respectively. Obligations for program and other rights are generally payable in equal monthly or quarterly installments.

## 20. Equity

a. Capital Stock

Details of capital stock as at December 31, 2022 and 2021:

| | No. of Shares | | Amount | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Common - ₱1.00 par value | | | | |
| Authorized | **5,000,000,000** | 5,000,000,000 | **₱5,000,000,000** | ₱5,000,000,000 |
| Subscribed and issued | **3,364,692,000** | 3,364,692,000 | **₱3,364,692,000** | ₱3,364,692,000 |
| Preferred - ₱0.20 par value | | | | |
| Authorized | **7,500,000,000** | 7,500,000,000 | **₱1,500,000,000** | ₱1,500,000,000 |
| Subscribed and issued | **7,500,000,000** | 7,500,000,000 | **₱1,500,000,000** | ₱1,500,000,000 |

The cumulative preferred shares are of equal rank, preference and priority and are identical in all respect regardless of series. Preferred shares are participating at the rate of one fifth (1/5) of the dividends paid to common shares, the rate of which is adjusted proportionately by the Parent Company's BOD consequent to any stock split or stock dividend declaration affecting the common shares and preferred shares. Preferred shares are convertible at the option of the shareholders at the ratio of five preferred shares to one common share, based on par value.

Preferred shares enjoy priority over common shares in the distribution of assets of the Parent Company in the event of dissolution and liquidation, at such rates, terms and conditions as the BOD may determine. Each preferred share is entitled to one vote and shall have the same voting rights as the common shares.

The Parent Company's BOD may specify other terms and conditions, qualifications, restrictions and privileges of the preferred shares or series/classes thereof, insofar as such terms, conditions, qualifications, restrictions and privileges are not inconsistent with the articles of incorporation and any applicable law or regulation.

The following summarizes the information on the Parent Company's registration of securities with the SEC which was approved on June 20, 2007, as required by Revised Securities Regulation Code (SRC) Rule 68:

| Securities | Authorized and issued shares | Issue/Offer Price |
|---|---|---|
| Initial public offering | 91,346,000 | ₱8.50 |
| Underlying common shares of PDRs | 945,432,000 | 8.50 |
| Over-allotment common shares | 13,701,000 | 8.50 |
| Common shares covering employee stock option plan | 57,000,000 | 8.50 |

In prior years, the Parent Company has acquired 750,000 PDRs issued by GMA Holdings, Inc. at acquisition cost of ₱5.79 million. In as much as each PDR share grants the holder, upon payment of the exercise price and subject to certain other conditions, the delivery of one (1) Parent Company share or the sale and delivery of the proceeds of such sale of Parent Company share, such PDRs held by the Parent Company was being treated similar to a treasury share.

In October 4, 2021, the Parent Company's BOD approved to contribute its treasury common and preferred shares and PDRs to the Group's retirement plan. The contribution of the 3,645,000 treasury common shares and 492,816 treasury preferred shares was executed on December 31, 2021 at a transaction price of ₱13.90 per share and ₱2.77 per share, respectively. As the preferred shares are unlisted, the transaction price was based on the market price of the Parent Company's listed common shares on the transaction date, with the value of the treasury preferred shares computed based on the ratio of 1:5 preferred shares to common shares. The contribution of the 750,000 PDRs was executed on December 20, 2021 at a transaction price of ₱13.02 per share.

b. Retained Earnings

The Parent Company's BOD approved the declaration of the following cash dividends:

| Year | Declaration Date | Record Date | Cash Dividend Per Share | Total Cash Dividend Declared |
|---|---|---|---|---|
| **2022** | **March 25, 2022** | **April 25, 2022** | **₱1.45** | **₱7,053,803,400** |
| 2021 | March 26, 2021 | April 22, 2021 | ₱1.35 | ₱6,561,267,889 |
| 2020 | June 8, 2020 | June 24, 2020 | ₱0.30 | ₱1,458,059,531 |

The Parent Company's outstanding dividends payable amounted to ₱30.53 million and ₱39.59 million as at December 31, 2022 and 2021, respectively.

The balance of retained earnings includes Parent Company's accumulated equity in net earnings of subsidiaries and associates which are not currently available for dividend declaration until declared by the respective subsidiaries and associates amounting to ₱84.18 million and ₱106.07 million as at December 31, 2022 and 2021, respectively.

On March 31, 2023, the Parent Company's BOD approved the declaration and distribution of cash dividends amounting to ₱1.10 per share totaling ₱5,351.16 million to all stockholders of record as at April 21, 2023 and will be paid starting May 16, 2023.

## 21. Related Party Disclosures

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

The Parent Company has an approval requirement such that material related party transactions (RPTs) shall be reviewed by the Audit and Risk Management Committee (the Committee) and submitted to the BOD for approval. Material RPTs are those transactions that meet the threshold value amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements either individually, or in aggregate over a twelve (12)-month period with the same related party.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For years ended December 31, 2022 and 2021, the Group has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In the ordinary course of business, the Group transacts with associate, affiliates, joint venture and other related parties on advances, reimbursement of expenses, and future stock subscriptions.

The transactions and balances of accounts as at and for the years ended December 31, 2022 and 2021 with related parties are as follows:

| Account Name and Category | Related Party | Year | Amount/ Volume of Transactions | Receivables (Payables) | Terms | Conditions |
|---|---|---|---|---|---|---|
| **Advances** (see Note 12) | **Associate:** | | | | | |
| | Mont-Aire | **2022** | **₱86,481** | **₱99,618,209** | Noninterest- | Unsecured; |
| | | 2021 | 1,809,712 | 99,531,728 | bearing | not impaired |
| | **Joint ventures:** | | | | | |
| | Gamespan | **2022** | **–** | **1,959,670** | Noninterest- | Unsecured; |
| | | 2021 | – | 1,959,670 | bearing | not impaired |
| | PEP | **2022** | **–** | **222,343** | Noninterest- | Unsecured; |
| | | 2021 | – | 363,007 | bearing | not impaired |
| | INQ7 | **2022** | **–** | **11,544,000** | Noninterest- | Unsecured; |
| | | 2021 | – | 11,544,000 | bearing | fully impaired |
| | **Total** | **2022** | **₱86,481** | **₱113,344,222** | | |
| | | 2021 | 1,809,712 | 113,398,405 | | |
| **Nontrade Receivables** | | | | | | |
| Reimbursable charges (see Note 7) | **Common stockholders:** | | | | | |
| | GMA Kapuso Foundation Inc. | **2022** | **₱960,433** | **₱2,038,381** | On demand, | Unsecured; |
| | | 2021 | 633,244 | 1,356,049 | noninterest-bearing | not impaired |
| **Nontrade Payables** | | | | | | |
| Legal, consulting and retainers' fees | Belo, Gozon, Elma Law | **2022** | **15,416,907** | – | On demand, | Unsecured |
| | | 2021 | 19,517,527 | – | noninterest-bearing | |
| | **Total** | **2022** | **₱16,377,340** | **₱2,038,381** | | |
| | | 2021 | 20,150,771 | 1,356,049 | | |

The advances made by the Parent Company to Mont-Aire and PEP are intended for future capital subscription. On the other hand, the advances to INQ7 was reduced to zero as a result of the application of the Group's share in the losses of INQ7 recognized under the equity method in excess of the Group's carrying value of investment.

<u>Compensation of Key Management Personnel</u>
The compensation of key management personnel of the Group, by benefit type, are as follows:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Salaries and other long-term benefits (see Notes 24 and 25) | **₱1,050,276,512** | ₱1,008,057,516 | ₱913,703,843 |
| Pension benefits (see Notes 24 and 25) | **199,610,705** | 190,689,516 | 165,255,983 |
| | **₱1,249,887,217** | ₱1,198,747,032 | ₱1,078,959,826 |

Pension benefits (costs) under OCI amounted to (₱324.82 million), (₱313.83 million) and ₱454.32 million as of December 31, 2022, 2021 and 2020, respectively.

Equity Investments of the Retirement Fund
The Group's retirement fund includes equity investments in GMA Network, Inc. and GMA PDRs amounting to ₱757.31 million and ₱7.95 million in 2022, respectively, and ₱962.98 million and ₱11.22 million in 2021, respectively (see Note 27).

## 22. Revenues

Set out below is the disaggregation of the Group's revenues from contract with customers for the year ended December 31:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| **Revenue source** | | | |
| Sale of service | | | |
| Advertising revenue | **₱20,230,371,980** | ₱21,015,167,014 | ₱17,727,494,901 |
| Subscription revenue (see Note 28) | **774,865,805** | 786,471,873 | 911,005,081 |
| Revenue from distribution and content provisioning | **34,219,872** | 41,962,566 | 63,653,634 |
| Production revenue | **183,681,549** | 78,698,883 | 49,947,752 |
| Sale of goods | **340,871,864** | 528,023,061 | 583,794,170 |
| **Total revenue from contracts with customers** | **₱21,564,011,070** | ₱22,450,323,397 | ₱19,335,895,538 |
| | | | |
| **Geographical markets** | | | |
| Local | **₱20,701,948,198** | ₱21,521,575,148 | ₱18,311,968,706 |
| International | **862,062,872** | 928,748,249 | 1,023,926,832 |
| **Total revenue from contracts with customers** | **₱21,564,011,070** | ₱22,450,323,397 | ₱19,335,895,538 |
| | | | |
| **Timing of revenue recognition** | | | |
| Goods/services transferred at a point in time | **₱20,789,145,265** | ₱21,663,851,524 | ₱18,424,890,457 |
| Services transferred over time | **774,865,805** | 786,471,873 | 911,005,081 |
| **Total revenue from contracts with customers** | **₱21,564,011,070** | ₱22,450,323,397 | ₱19,335,895,538 |

## 23. Production Costs

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Talent fees and production personnel costs (see Note 25) | **₱3,921,185,771** | ₱3,253,105,638 | ₱2,638,347,868 |
| Facilities and amortization of production services | **995,623,800** | 567,428,491 | 460,116,613 |
| Program and other rights usage (see Note 8) | **868,739,716** | 1,007,347,795 | 703,415,807 |
| Rental (see Note 28) | **523,820,404** | 344,890,966 | 210,239,334 |
| Depreciation (see Notes 13 and 24) | **492,742,400** | 376,868,136 | 328,051,146 |
| Tapes, sets and production supplies | **355,710,226** | 233,146,587 | 142,401,105 |
| Transportation and communication | **325,075,476** | 209,857,422 | 65,658,557 |
| | **₱7,482,897,793** | ₱5,992,645,035 | ₱4,548,230,430 |

## 24. **General and Administrative Expenses**

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Personnel costs (see Note 25) | **₱4,010,852,711** | ₱3,856,762,318 | ₱3,592,421,337 |
| Taxes and licenses | **395,259,589** | 235,505,518 | 182,104,942 |
| Communication, light and water | **392,858,757** | 273,962,056 | 235,051,327 |
| Professional fees | **346,641,093** | 353,199,611 | 305,734,976 |
| Repairs and maintenance | **214,307,761** | 221,155,954 | 144,785,132 |
| Depreciation (see Notes 13, 15 and 28) | **206,589,570** | 230,904,901 | 217,524,055 |
| Advertising | **170,046,892** | 117,274,073 | 84,866,697 |
| Software maintenance | **123,440,211** | 99,307,025 | 81,430,010 |
| Research and surveys | **99,517,216** | 87,958,450 | 91,769,435 |
| Marketing expense | **74,719,805** | 86,992,865 | 55,136,499 |
| Security services | **71,307,924** | 65,559,440 | 66,865,570 |
| Facilities related expenses | **65,892,695** | 58,691,533 | 69,849,171 |
| Transportation and travel | **50,808,779** | 34,717,950 | 54,407,006 |
| Amortization of software costs (see Note 16) | **58,263,898** | 49,706,646 | 40,264,073 |
| Insurance | **30,550,826** | 30,673,665 | 29,028,379 |
| Janitorial services | **24,897,108** | 24,026,812 | 22,863,052 |
| Rental (see Note 28) | **23,378,607** | 20,915,132 | 9,603,762 |
| Dues and subscriptions | **19,323,732** | 10,881,727 | 8,254,093 |
| Materials and supplies | **12,800,794** | 15,706,090 | 12,525,485 |
| Freight and handling | **12,268,400** | 16,913,034 | 6,092,430 |
| Entertainment, amusement and recreation | **7,877,088** | 7,001,601 | 8,452,628 |
| Provision for ECL (see Note 7) | **1,457,228** | 142,577,080 | 347,195,883 |
| Others | **227,308,498** | 104,440,189 | 85,499,998 |
| | **₱6,640,369,182** | ₱6,144,833,670 | ₱5,751,725,940 |

Others include expenses incurred for other manpower, messengerial services, donations and other miscellaneous expenses.

*Depreciation*

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Property and equipment (see Note 13) | | | |
| Production costs (see Note 23) | **₱474,023,367** | ₱357,908,201 | ₱309,910,132 |
| General and administrative expenses | **192,011,641** | 221,371,641 | 206,504,727 |
| | **666,035,008** | 579,279,842 | 516,414,859 |
| Right-of-use assets (see Note 28) | | | |
| Production costs (see Note 23) | **18,719,033** | 18,959,935 | 18,141,014 |
| General and administrative expenses | **13,195,542** | 8,150,873 | 9,636,941 |
| | **31,914,575** | 27,110,808 | 27,777,955 |
| Investment properties (see Note 15) | | | |
| General and administrative expenses | **1,382,387** | 1,382,387 | 1,382,387 |
| | **₱699,331,970** | ₱607,773,037 | ₱545,575,201 |

## 25. Personnel Costs

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Salaries and wages | **₱3,040,086,316** | ₱2,710,384,916 | ₱2,578,012,608 |
| Talent fees | **2,569,748,693** | 2,162,673,093 | 1,617,514,239 |
| Employee benefits and allowances | **1,513,608,039** | 1,414,885,770 | 1,245,873,978 |
| Pension expense (see Note 27) | **661,084,462** | 639,758,700 | 646,198,143 |
| Sick and vacation leaves expense | **147,510,971** | 182,165,477 | 143,170,237 |
| | **₱7,932,038,481** | ₱7,109,867,956 | ₱6,230,769,205 |

The above amounts were distributed as follows:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Production costs (see Note 23) | **₱3,921,185,770** | ₱3,253,105,638 | ₱2,638,347,868 |
| General and administrative expenses (see Note 24) | **4,010,852,711** | 3,856,762,318 | 3,592,421,337 |
| | **₱7,932,038,481** | ₱7,109,867,956 | ₱6,230,769,205 |

## 26. Others - Net

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Commission from Artist Center | **₱104,475,309** | ₱77,547,912 | ₱45,128,337 |
| Net gain on sale of property and equipment (see Note 13) | **31,756,356** | 50,519,791 | 17,250,932 |
| Royalty income | **6,499,544** | 24,289 | 2,151,792 |
| Rental income (see Notes 13, 15 and 28) | **5,650,270** | 6,189,114 | 6,894,304 |
| Merchandising license fees and others | **2,043,246** | 3,455,733 | 2,549,637 |
| Bank charges | **(1,793,419)** | (1,480,403) | (1,411,850) |
| VAT difference on sales to government per Revenue Regulations 16-2005 | **–** | – | 10,218,187 |
| Others | **6,365,441** | 1,600,724 | 2,393,438 |
| | **₱154,996,747** | ₱137,857,160 | ₱85,174,767 |

Merchandising license fees and others include income from mall shows, sale of DVDs and integrated receiver decoders.

Others includes reversal of provision for accounts written-off on Trade Receivables (see Note 7).

## 27. Pension and Other Employee Benefits

As at December 31, pension and other employee benefits consist of:

| | **2022** | 2021 |
|---|---|---|
| Pension liability | **₱4,767,249,209** | ₱4,169,686,751 |
| Vacation and sick leave accrual | **377,344,911** | 399,171,250 |
| | **5,143,594,120** | 4,568,858,001 |
| Less current portion of vacation and sick leave accrual* | **5,728,979** | 5,422,020 |
| Pension and other long-term employee benefits | **₱5,138,865,141** | ₱4,563,435,981 |

**Included in "Accrued expenses" under Trade payables and other current liabilities (see Note 17).*

Pension Benefits
The Group operates non-contributory defined benefit retirement plans.

Under the existing regulatory framework, R.A. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any 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 of the plan.

Pension benefits recognized in the statements of comprehensive income are as follows (see Note 25):

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Current service cost | **₱455,919,306** | ₱437,943,972 | ₱438,234,725 |
| Net interest cost | **205,165,155** | 186,984,422 | 207,963,418 |
| Settlement loss | **–** | 14,830,306 | – |
| | **₱661,084,461** | ₱639,758,700 | ₱646,198,143 |

Net pension liability recognized in the consolidated statements of financial position is as follows:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Present value of defined benefit obligation | **₱6,653,224,090** | ₱6,348,352,226 | ₱6,359,224,091 |
| Fair value of plan assets | **1,885,974,881** | 2,178,665,475 | 1,444,098,402 |
| Pension liability | **₱4,767,249,209** | ₱4,169,686,751 | ₱4,915,125,689 |

The changes in the present value of the defined benefit obligation are as follows:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Balance at beginning of year | **₱6,348,352,226** | ₱6,359,224,091 | ₱3,984,474,739 |
| Current service cost | **455,919,306** | 437,943,972 | 438,234,725 |
| Interest cost | **310,240,240** | 244,726,249 | 306,876,971 |
| Settlement loss | **–** | 14,830,306 | – |
| Benefits paid: | | | |
| From plan assets | **(455,534,216)** | (197,265,904) | (189,229,662) |
| From Group's own funds | **(46,856,585)** | (36,744,104) | (9,686,893) |
| Remeasurement losses (gains): | | | |
| Changes in financial assumptions | **41,103,119** | (711,238,384) | 1,530,340,215 |
| Changes in demographic assumptions | **–** | 3,217,607 | (10,076,998) |
| Experience adjustment | **–** | 233,658,393 | 308,290,994 |
| Balance at end of year | **₱6,653,224,090** | ₱6,348,352,226 | ₱6,359,224,091 |

The changes in the fair value of plan assets are as follows:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Balance at beginning of year | **₱2,178,665,475** | ₱1,444,098,402 | ₱1,250,881,611 |
| Contribution during the year | **261,319,043** | 339,594,487 | 259,000,000 |
| Interest income | **105,075,085** | 57,741,827 | 98,913,553 |
| Benefits paid | **(455,534,216)** | (197,265,904) | (189,229,662) |
| Remeasurement gain (loss) - return on plan assets | **(203,550,506)** | 534,496,663 | 24,532,900 |
| Balance at end of year | **₱1,885,974,881** | ₱2,178,665,475 | ₱1,444,098,402 |

Remeasurement gain (loss) on retirement plans amounting to (₱205.31 million), ₱575.62 million, and (₱1,261.62 million) in 2022, 2021 and 2020, respectively is reported under the consolidated statements of comprehensive income, net of deferred tax.

At each reporting period, the Group determines its contribution based on the performance of its retirement fund.

The Group expects to contribute ₱290.00 million to the fund in 2023.

The funds are managed and supervised by trustee banks for the benefits of the members. However, the general administration of the funds is vested in a Retirement Committee.

The following table presents the carrying amounts and estimated fair values of the plan assets:

| | **2022** | 2021 |
|---|---|---|
| | **Carrying Value/Fair Value** | Carrying Value/Fair Value |
| Cash and cash equivalents | **₱303,284,710** | ₱176,916,929 |
| Equity instruments (see Note 21): | | |
| GMA Network, Inc. | **757,308,887** | 962,978,924 |
| GMA PDRs | **7,950,000** | 11,219,115 |
| Debt instruments - | | |
| Government securities | **298,811,570** | 338,675,992 |
| Unit Investment Trust Funds (UITFs) | **343,507,508** | 740,790,995 |
| Others | **175,112,206** | (51,916,480) |
| | **₱1,885,974,881** | ₱2,178,665,475 |

The plan assets consist of the following:

- Cash and cash equivalents consist of regular savings and time deposits.
- Investments in equity instruments consist of listed shares of GMA Network, Inc. and GMA PDRs (see Note 21). Changes in the fair market value of these investments resulted to ₱140.72 million loss in 2022, ₱33.37 million gain in 2021 and ₱23.95 million gain in 2020.
- Investments in debt instruments bear interest ranging from 3.00% to 6.80% and have maturities from May 2024 to April 2032. Equity and debt instruments held have quoted prices in active market.
- Investment in UITFs are measured at their net asset value per unit amounting to ₱258.89 as at December 31, 2022 and 2021.
- Others consist of loans and receivables which are collectible within the next twelve months.

The person who exercises voting rights over shares is within the powers of the Trustee, who do not have any relationship with the directors or officers of the Group.

The plan assets are primarily exposed to financial risks such as liquidity risk and price risk.

Liquidity risk pertains to the plan's ability to meet its obligation to the employees upon retirement. To effectively manage liquidity risk, the Board of Trustees invests at least the equivalent amount of actuarially computed expected compulsory retirement benefit payments for the year to liquid/semi-liquid assets such as treasury notes, treasury bills, and savings and time deposits with commercial banks.

The Group performs an Asset-Liability Matching Study (ALM) annually. The principal technique of the Group's ALM in order to minimize the portfolio liquidation risk is to ensure that the expected return on assets will be sufficient to support the desired level of funding arising from the defined benefit plans.

Price risk pertains mainly to fluctuations in market prices of equity securities listed in the Philippine Stock Exchange. In order to effectively manage price risk, the Board of Trustees continuously assesses these risks by closely monitoring the market value of the securities and implementing prudent investment strategies.

However, in the event a benefit claim arises under the retirement plan and the retirement fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable to the retirement fund from the Group.

The principal assumptions used in determining pension liability for the Group's plans are shown below:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Discount rate | **2.80-7.22%** | 3.10-5.13% | 3.10-7.70% |
| Expected rate of salary increase | **3.00-5.00%** | 4.00-5.00% | 4.00-5.00% |
| Turn-over rates: | | | |
| 19-24 years old | **12.38-50.00%** | 7.50-11.67% | 7.26-9.48% |
| 25-29 years old | **10.94-40.00%** | 6.00-9.23% | 5.56-7.88% |
| 30-34 years old | **9.31-62.50%** | 3.86-12.99% | 3.70-6.14% |
| 35-39 years old | **4.23-120.00%** | 2.50-6.54% | 2.69-4.22% |
| 40-44 years old | **2.55-25.00%** | 2.00-6.58% | 2.00-3.81% |
| ≥45 years old | **0.00-2.24%** | 0.00-3.36% | 0.00-3.05% |

The sensitivity analysis below has been determined by remeasuring the defined benefit obligation at the reporting period after first adjusting one of the current assumptions that were reasonably possible at the valuation date while all other assumptions remained unchanged. It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

| | Increase (Decrease) in Basis Points | Increase (Decrease) in Defined Benefit Obligation | | |
|---|---|---|---|---|
| | | **2022** | 2021 | 2020 |
| Discount rate | 50 | **(₱290,017,330)** | (₱290,833,103) | (₱320,849,879) |
| | (50) | **315,566,169** | 314,400,163 | 348,403,037 |
| Future salary increases | 50 | **333,460,419** | 315,633,737 | 346,062,010 |
| | (50) | **(303,626,386)** | (294,598,995) | (321.818,707) |

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2022:

| | |
|---|---|
| Less than one year | ₱718,887,410 |
| More than 1 year to 3 years | 1,922,473,331 |
| More than 3 years to 7 years | 2,900,953,586 |
| More than 7 years to 15 years | 4,206,988,115 |
| More than 15 years to 20 years | 5,115,087,405 |
| More than 20 years | 7,843,916,762 |

Other Long-Term Employee Benefits

Other long-term employee benefits consist of accumulated and unexpired employee sick and vacation leave entitlements. Noncurrent portion of other employee benefits amounted to ₱371.62 million and ₱393.75 million as at December 31, 2022 and 2021, respectively, while current portion of other employee benefits recorded in "Accrued payroll and talent fees" included under "Trade and other current liabilities" account amounted to ₱5.73 million and ₱5.42 million as at December 31, 2022 and 2021, respectively (see Note 17).

## 28. **Agreements**

<u>Lease Agreements</u>

*Group as a Lessee*

The Group entered into various lease agreements for land, building, studio and office spaces that it presently occupies and uses for periods ranging from two to 25 years.  The lease agreements can be renewed subject to mutual agreement.  Most of the lease agreements can be terminated at the option of the Group while the termination option in the lease agreements of NMI, a subsidiary is subject to mutual agreement.

The Group also has certain leases with lease terms of 12 months or less.  The Group applies the “short-term lease” recognition exemptions for these leases.

The rollforward analysis of right-of-use assets follows:

| | **2022** | | |
|---|---|---|---|
| | **Right-of-use: Land** | **Right-of-use: Buildings, studio and office spaces** | **Right-of-use: Total** |
| **Cost** | | | |
| Balance at beginning of year | **₱120,680,584** | **₱83,347,302** | **₱204,027,886** |
| Additions | **68,260,130** | **8,732,592** | **76,992,722** |
| Termination | **–** | **(10,926,996)** | **(10,926,996)** |
| Balance at the end of year | **188,940,714** | **81,152,898** | **270,093,612** |
| **Accumulated Depreciation** | | | |
| Balance at beginning of year | **41,652,745** | **38,451,355** | **80,104,100** |
| Depreciation (see Note 24) | **19,036,104** | **12,878,471** | **31,914,575** |
| Termination | **–** | **(1,825,448)** | **(1,825,448)** |
| Balance at the end of year | **60,688,849** | **49,504,378** | **110,193,227** |
| **Net Book Value** | **₱128,251,865** | **₱31,648,520** | **₱159,900,385** |

| | 2021 | | |
|---|---|---|---|
| | Right-of-use: Land | Right-of-use: Buildings, studio and office spaces | Right-of-use: Total |
| Cost | | | |
| Balance at beginning of year | ₱94,553,476 | ₱47,708,092 | ₱142,261,568 |
| Additions | 26,127,108 | 35,639,210 | 61,766,318 |
| Balance at the end of year | 120,680,584 | 83,347,302 | 204,027,886 |
| Accumulated Depreciation | | | |
| Balance at beginning of year | 28,798,918 | 24,194,374 | 52,993,292 |
| Depreciation (see Note 24) | 12,853,827 | 14,256,981 | 27,110,808 |
| Balance at the end of year | 41,652,745 | 38,451,355 | 80,104,100 |
| Net Book Value | ₱79,027,839 | ₱44,895,947 | ₱123,923,786 |

The rollforward analysis of lease liabilities follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at beginning of year | **₱119,385,902** | ₱76,856,072 |
| Additions | **76,992,722** | 61,766,318 |
| Accretion of interest | **9,290,445** | 8,396,879 |
| Payments | **(28,506,823)** | (27,633,367) |
| Termination | **(10,051,240)** | |
| Balance at end of year | **₱167,111,004** | ₱119,385,902 |

| | **2022** | 2021 |
|---|---|---|
| Current portion | **₱21,155,761** | ₱17,475,682 |
| Noncurrent portion | **145,955,243** | 101,910,220 |
| Balance at end of year | **₱167,111,004** | ₱119,385,902 |

The rollforward analysis of dismantling provision follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at beginning of year | **₱46,097,449** | ₱44,973,410 |
| Accretion of interest | **2,911,565** | 2,209,525 |
| Termination | **–** | (1,085,486) |
| Balance at end of year | **₱49,009,014** | ₱46,097,449 |

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

| | **2022** | 2021 |
|---|---|---|
| Depreciation expense of right-of-use assets (see Note 24) | **₱31,914,575** | ₱27,110,808 |
| Interest expense on lease liabilities | **9,290,445** | 8,396,879 |
| Interest expense on dismantling provision | **2,911,565** | 2,209,525 |
| Expense relating to short-term leases (included in “Production costs”) (see Note 23) | **523,820,404** | 344,890,966 |
| Expense relating to short-term leases (included in “General and Administrative expenses”) (see Note 24) | **23,378,607** | 20,915,132 |

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

| | **2022** | 2021 |
|---|---|---|
| 1 year | **₱26,620,767** | ₱23,362,036 |
| more than 1 year to 2 years | **24,503,353** | 20,613,087 |
| more than 2 years to 3 years | **22,248,256** | 18,751,169 |
| more than 3 years to 4 years | **16,803,585** | 17,198,705 |
| More than 5 years | **131,368309** | 44,119,711 |

Total rental expense on short-term leases amounted to ₱547.20 million, ₱365.81 million and ₱746.94 in 2022, 2021 and 2020, respectively (see Notes 23 and 24).

*Group as Lessor.* The Group leases out certain properties for a period of one year, renewable annually. The leased-out properties include investment properties, and broadcasting equipment. Total rental income amounted to ₱5.65 million, ₱6.19 million and ₱6.89 in 2022, 2021 and 2020 respectively (see Note 26).

Subscription Agreements

The Parent Company entered into various subscription agreements with international cable providers for the airing of its programs and shows abroad. The agreements generally have terms of three to five years and are based on certain agreed service package rates.

Total subscription revenue amounted to ₱774.87 million, ₱786.47 million and ₱911.00 million in 2022, 2021 and 2020, respectively (see Note 22).

Purchase Agreement for Set-top Boxes

In 2022, 2021 and 2020, the Parent Company entered into several contracts with Ablee Electronic Company Limited for the supply of set-top boxes with complete accessories. Total purchases amounted to ₱644.34 million, ₱1,377.00 million and ₱896.80 in 2022, 2021 and 2020, respectively.

## 29. Income Taxes

Current Income Tax

The current income tax consists of the following:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| RCIT | **₱1,989,216,474** | ₱2,400,604,067 | ₱2,728,600,117 |
| MCIT | **38,147** | 30,603 | 50,423 |
| | **₱1,989,254,621** | ₱2,400,634,670 | ₱2,728,650,540 |

The reconciliation between the statutory income tax rates and effective income tax rates are shown below:

| | **2022** | 2021 | 2020 |
|---|---|---|---|
| Statutory income tax | **25.00%** | 25.00% | 30.00% |
| Additions (deductions) in income tax resulting from: | | | |
| Nondeductible tax deficiency payment | **0.35** | (0.03) | – |
| Nondeductible expenses | **0.13** | – | – |
| Interest income already subjected to final tax | **(0.04)** | (0.02) | (0.03) |
| Nondeductible interest expense | **0.01** | 0.09 | 0.10 |
| Changes in applicable income tax rates | **–** | (1.14) | – |
| Others - net | **0.01** | 0.01 | 0.01 |
| Effective income tax | **25.46%** | 23.91% | 30.08% |

Deferred Taxes

The components of the Group's net deferred tax assets and liabilities are as follows:

| | 2022 | 2021 |
|---|---|---|
| Deferred tax assets: | | |
| Pension liability | **₱1,191,577,514** | ₱1,041,784,250 |
| Allowance for ECL | **223,295,740** | 224,507,665 |
| Other long-term employee benefits | **92,727,269** | 98,240,972 |
| Contract liabilities | **92,433,459** | 32,619,931 |
| Lease liabilities | **41,607,134** | 29,570,900 |
| Unamortized past service cost | **14,009,300** | 6,721,349 |
| Unrealized loss on financial assets at FVOCI | **13,473,704** | 13,046,917 |
| Dismantling provision | **12,252,253** | 11,524,362 |
| Intercompany sale of intangible assets | **7,500,000** | 11,250,000 |
| Allowance for probable losses in advances | **7,197,236** | 7,197,236 |
| Accrued expenses | **4,225,480** | – |
| NOLCO | **2,183,643** | 383,792 |
| Excess MCIT over RCIT | **422,696** | 22,619 |
| Unrealized foreign exchange loss | **–** | 8,386,408 |
| Others | **6,453,053** | – |
| | **1,709,358,481** | 1,485,256,401 |
| Deferred tax liabilities: | | |
| Revaluation increment on land | **(1,523,467,397)** | (610,894,711) |
| Right-of-use assets | **(39,836,454)** | (30,778,315) |
| Unrealized foreign exchange gain | **(17,698,057)** | – |
| | **(1,581,001,908)** | (641,673,026) |
| | **₱128,356,573** | ₱843,583,375 |

The components of deferred tax assets (liabilities) pertaining to accounts presented under equity in the consolidated statements of financial position are as follows:

| | 2022 | 2021 |
|---|---|---|
| Revaluation increment on land | **(₱1,523,467,397)** | (₱610,894,711) |
| Pension liability - remeasurement loss on retirement plan | **269,666,239** | 198,591,990 |
| Revaluation of financial assets at FVOCI | **13,473,704** | 13,046,917 |
| | **(₱1,240,327,454)** | (₱399,255,804) |

Net movement in deferred tax assets (liabilities) charged to the consolidated statement of income and comprehensive income are as follows:

| | 2022 | 2021 |
|---|---|---|
| Net movement recognized in: | | |
| Profit or loss | **₱125,844,848** | ₱22,585,153 |
| Other comprehensive income (loss) | **(841,071,650)** | (351,721,730) |
| | **(₱715,226,802)** | (₱329,136,577) |

The components of the subsidiaries' deductible temporary differences and carryforward benefits of NOLCO and MCIT, for which no deferred tax assets have been recognized in the Group's consolidated statements of financial position, are as follows:

| | **2022** | 2021 |
|---|---|---|
| Allowance for ECL | **₱15,483,325** | ₱11,064,734 |
| NOLCO | **9,661,047** | 9,465,804 |
| Pension liability | **1,646,008** | 3,335,093 |
| Unamortized past service cost | **1,092,468** | 970,172 |
| Allowance for inventory stock | **951,224** | 8,899,999 |
| Excess MCIT over RCIT | **23,042** | 59,503 |
| Others | **127,900** | 78,488 |
| | **₱28,985,014** | ₱33,873,793 |

The unrecognized deferred tax assets from the above deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to ₱6.07 million and ₱8.51 million as at December 31, 2022 and 2021, respectively.

The deferred tax assets were not recognized as management believes that future taxable income against which the deferred tax assets can be used for these entities may not be available.

As at December 31, 2022, the Group's MCIT is as follows:

| Years Paid/Incurred | Carryforward Benefit Up To | MCIT |
|---|---|---|
| 2020 | 2023 | 50,577 |
| 2021 | 2024 | 2,670 |
| 2022 | 2025 | 392,491 |
| | | ₱445,738 |

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(b) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2022, the Group has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

| Year Incurred | Availment period | Amount | Applications in previous year/s | Expirations | Applications in the current year | Unapplied NOLCO |
|---|---|---|---|---|---|---|
| 2019 | 2020 to 2022 | ₱2,731,377 | ₱– | ₱2,731,377 | ₱– | ₱– |

As at December 31, 2022, 2021 and 2020, the Group has incurred NOLCO which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover as One Act, as follows:

| Year incurred | Availment period | Amount | Applications in previous year/s | Expirations | Applications in the current year | Unapplied NOLCO |
|---|---|---|---|---|---|---|
| 2020 | 2021 to 2025 | ₱5,174,877 | ₱– | ₱– | ₱– | ₱5,174,877 |
| 2021 | 2022 to 2026 | 3,094,716 | – | – | – | 3,094,716 |
| 2022 | 2023 to 2027 | 10,126,026 | – | – | – | 10,126,026 |
| | | ₱18,395,619 | ₱– | ₱– | ₱– | ₱18,395,619 |

<u>Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act</u>
Former President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took 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 have an impact on the Group:

- Reduction in the RCIT rate from 30% to 20% for entities with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the business entity's office, plant and equipment are situated);
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Reduction in the MCIT rate from 2% to 1% of gross income for 3 years or until June 30, 2023; and
- Repeal of the imposition of 10% improperly accumulated earnings tax (IAET).

Applying the provisions of the CREATE Act, the Group has been subjected to the lower RCIT rate of 25% of taxable income or the reduced MCIT rate of 1% of gross income, effective July 1, 2020.

The Group recognized in its consolidated financial statements as at and for the year ended December 31, 2021, a reduction in Provision for income tax (current and deferred), Deferred tax on comprehensive income directly charged to Equity and Deferred tax assets - net amounting to ₱223.2 million, ₱58.2 million, and ₱109.9 million, respectively, pertaining to the change in tax rate for the year ended December 31, 2020. This includes the effect on the revaluation increment on land amounting to ₱122.2 million recognized in the statement of comprehensive income in 2021.

## 30. EPS Computation

The computation of basic and diluted EPS follows:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Net income attributable to equity holders of the Parent Company (a) | **₱5,442,339,313** | ₱7,530,114,246 | ₱5,984,584,939 |
| Less attributable to preferred shareholders | **1,678,114,251** | 2,322,917,048 | 1,846,897,337 |
| Net income attributable to common equity holders of the Parent Company (b) | **₱3,764,225,062** | ₱5,207,197,198 | ₱4,137,687,602 |
| Common shares issued at the beginning of year (Note 20) | **3,364,692,000** | 3,364,692,000 | 3,364,692,000 |
| Treasury shares (Note 20) | **–** | – | (3,645,000) |
| Underlying shares on acquired PDRs (Note 20) | **–** | – | (750,000) |
| Weighted average number of common shares for basic EPS (c) | **3,362,494,500** | 3,362,494,500 | 3,360,297,000 |
| Weighted average number of common shares | **3,362,494,500** | 3,362,494,500 | 3,360,297,000 |
| Effect of dilution - assumed conversion of preferred shares | **1,500,000,000** | 1,500,000,000 | 1,500,000,000 |
| Reacquired preferred shares | **–** | – | (98,563) |
| Weighted average number of common shares adjusted for the effect of dilution (d) | **4,864,692,000** | 4,862,445,219 | 4,860,198,437 |
| Basic EPS (b/c) | **₱1.119** | ₱1.549 | ₱1.231 |
| Diluted EPS (a/d) | **₱1.119** | ₱1.549 | ₱1.231 |

## 31. Financial Risk Management Objectives and Policies

The Group's principal financial instruments include cash and cash equivalents. The main purpose of these financial instruments includes raising financing for the Group's operations and managing identified financial risks. The Group has other financial assets and liabilities such as trade and other receivables, refundable deposits, trade payables and other current liabilities (excluding payable to government agencies, customers' deposits, contract liabilities, and advances from customers), short-term loans, obligations for program and other rights, dividends payable, other long-term employee benefits and lease liabilities, which arise directly from its operations, and financial assets at FVOCI. The main risks arising from the use of financial instruments are liquidity risk, foreign currency exchange risk and credit risk. The Group is not exposed to interest rate risk as most of its financial assets and financial liabilities have fixed rates.

The BOD reviews and approves the Group's objectives and policies.

*Liquidity Risk.* The Group is exposed to the possibility that adverse changes in the business environment and/or its operations would result in substantially higher working capital requirements and subsequently pose difficulty in financing the additional working capital.

The Group manages liquidity risk by using its cash and cash equivalents from operations to meet its short-term liquidity needs. The Group likewise regularly evaluates other financing instruments and arrangements to broaden the Group's range of financing sources.

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments as at December 31:

| | 2022 | | | | |
|---|---|---|---|---|---|
| | **On Demand** | **Less than 3 Months** | **3 to 12 Months** | **More than 1 year** | **Total** |
| Financial assets at amortized cost: | | | | | |
| Cash and cash equivalents | **₱2,170,723,381** | **₱684,743,833** | **₱–** | **₱–** | **₱2,855,467,214** |
| Trade receivables: | | | | | |
| Television and radio airtime | **2,794,702,040** | **2,688,876,934** | **–** | **–** | **5,483,578,974** |
| Subscriptions | **23,464,258** | **179,101,057** | **–** | **–** | **202,565,315** |
| Others | **26,261,063** | **90,809,774** | **–** | **–** | **117,070,837** |
| Nontrade receivables: | | | | | |
| Advances to officers and employees | **1,831,678** | **1,864,612** | **–** | **–** | **3,696,290** |
| Others | **29,292,643** | **16,828,845** | **–** | **–** | **46,121,488** |
| Refundable deposits* | **–** | **–** | **–** | **26,501,499** | **26,501,499** |
| Financial assets at FVOCI | **–** | **–** | **–** | **282,614,107** | **282,614,107** |
| | **₱5,046,275,063** | **₱3,662,225,055** | **₱–** | **₱309,115,606** | **₱9,017,615,724** |
| Loans and borrowings: | | | | | |
| Trade payables and other current liabilities** | **133,560,646** | **1,247,487,387** | **38,660,959** | **–** | **1,419,708,992** |
| Short-term loans*** | **–** | **3,260,000** | **23,865,200** | **–** | **27,125,200** |
| Obligations for program and other rights | **–** | **137,630,803** | **71,540,840** | **–** | **209,171,643** |
| Lease liabilities*** | **–** | **6,074,285** | **20,546,481** | **194,923,503** | **221,544,269** |
| Dividends payable | **30,526,306** | **–** | **–** | **–** | **30,526,306** |
| | **164,086,952** | **1,394,452,475** | **154,613,480** | **194,923,503** | **1,908,076,410** |
| Liquidity Portion (Gap) | **₱4,882,188,111** | **₱2,267,772,580** | **(₱154,613,480)** | **₱114,192,103** | **₱7,109,539,314** |

**Included under "Other noncurrent assets" account in the consolidated statement of financial position (see Note 16).*
***Excluding payable to government agencies, contract liabilities and customer deposits amounting to ₱1,242.81 million, ₱369.73 million and ₱52.60 million, respectively (see Note 17).*
****Gross contractual payments.*

| | 2021 | | | | |
|---|---|---|---|---|---|
| | On Demand | Less than 3 Months | 3 to 12 Months | More than 1 year | Total |
| Financial assets at amortized cost: | | | | | |
| Cash and cash equivalents | ₱2,919,451,027 | ₱1,874,115,127 | ₱– | ₱– | ₱4,793,566,154 |
| Trade receivables: | | | | | |
| Television and radio airtime | 3,096,597,816 | 4,230,324,198 | – | – | 7,326,922,014 |
| Subscriptions | 57,467,274 | 158,484,088 | – | – | 215,951,362 |
| Others | 81,337,286 | 36,185,002 | – | – | 117,522,288 |
| Nontrade receivables: | | | | | |
| Advances to officers and employees | 1,923,767 | 7,439,509 | – | – | 9,363,276 |
| Others | 52,095,656 | 62,690,411 | – | – | 114,786,067 |
| Refundable deposits* | – | – | – | 22,165,836 | 22,165,836 |
| Financial assets at FVOCI | – | – | – | 116,711,276 | 116,711,276 |
| | ₱6,208,872,826 | ₱6,369,238,335 | – | ₱138,877,112 | ₱12,716,988,273 |
| Loans and borrowings: | | | | | |
| Trade payables and other current liabilities** | ₱385,382,010 | ₱606,108,361 | ₱28,078,727 | ₱– | ₱1,019,569,098 |
| Short-term loans*** | – | 739,485,500 | – | – | 739,485,500 |
| Obligations for program and other rights | – | 143,341,523 | 69,237,163 | – | 212,578,686 |
| Lease liabilities*** | – | 6,074,285 | 17,287,750 | 100,682,673 | 124,044,708 |
| Dividends payable | 39,589,204 | – | – | – | 39,589,204 |
| | 424,971,214 | 1,495,009,669 | 114,603,640 | 100,682,673 | 2,135,267,196 |
| Liquidity Portion (Gap) | ₱5,783,901,612 | ₱4,874,228,666 | (₱114,603,640) | ₱38,194,439 | ₱10,581,721,077 |

**Included under "Other noncurrent assets" account in the consolidated statement of financial position (see Note 16).*
***Excluding payable to government agencies, contract liabilities and customer deposits amounting to ₱979.42 million, ₱127.28 million and ₱53.33 million, respectively (see Note 17).*
****Gross contractual payments.*

*Foreign Currency Exchange Risk.* Foreign currency exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to foreign currency exchange risk results from certain business transactions denominated in foreign currencies. It is the Group's policy to ensure that capabilities exist for active but conservative management of its foreign currency exchange risk.

The Group's foreign currency-denominated monetary assets and liabilities are as follows:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | **$7,863,029** | **₱438,442,485** | $15,738,444 | ₱802,644,894 |
| | **C$166,862** | **6,881,384** | C$300,131 | 11,961,418 |
| Trade receivables | **$3,628,902** | **202,347,566** | $3,370,321 | 171,883,009 |
| | **C$478,316** | **19,725,741** | C$3,988,075 | 158,940,751 |
| | **S$198,925** | **8,271,298** | S$141,598 | 5,317,676 |
| | **A$22,947** | **867,410** | A$144,000 | 5,300,078 |
| | **DH44,644** | **682,162** | DH132,516 | 1,832,040 |
| | | **₱677,218,046** | | ₱1,157,879,866 |
| **Liabilities** | | | | |
| Short-term loans | **$–** | **₱–** | $14,500,000 | ₱739,485,500 |
| Trade payables | **$817,128** | **45,563,057** | $130,058 | 6,632,818 |
| | **€78,902** | **4,698,614** | €90,100 | 5,181,804 |
| | **S$2,036** | **83,965** | S$212 | 7,962 |
| Obligations for program and other rights | **$2,557,785** | **142,622,092** | $2,933,261 | 149,593,378 |
| | | **₱192,967,728** | | ₱900,901,462 |
| | | **₱484,250,318** | | ₱256,978,404 |

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the exchange rates used were ₱55.76 to US$1.00 and ₱50.99 to US$1.00, the Philippine peso to U.S. dollar exchange rate, as at December 31, 2022 and 2021, respectively. The exchange rate for Philippine peso to Canadian dollar were ₱41.24 to CAD$1.00 and ₱39.85 to CAD$1.00, as at December 31, 2022 and 2021. The peso equivalents for the Singaporean Dollar, Australian Dollar, Dirham and Euro were ₱41.58, ₱37.80, ₱15.28, and ₱59.55 and ₱37.55, ₱36.81, ₱13.83, and ₱57.51 at December 31, 2022 and 2021, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates, with all other variables held constant, of the Group's income before income tax from reporting period up to next reporting period (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity other than those already affecting profit or loss.

| | **Appreciation/ (Depreciation) of Peso** | **USD** | **CAD** | **SGD** | **AUD** | **AED** | **EUR** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **2022** | 0.50 | **₱6,154,529** | **₱322,589** | **₱100,480** | **₱11,474** | **₱22,322** | **₱39,451** | **₱6,650,845** |
| | (0.50) | **(6,154,529)** | **(322,589)** | **(100,480)** | **(11,474)** | **(22,322)** | **(39,451)** | **(6,650,845)** |
| **2021** | 0.50 | ₱5,847,881 | ₱2,031,554 | ₱70,799 | ₱72,000 | ₱66,258 | ₱11,263 | ₱8,099,755 |
| | (0.50) | (5,847,881) | (2,031,554) | (70,799) | (72,000) | (66,258) | (11,263) | (8,099,755) |

*Credit Risk.* Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk.

The Group ensures that sales of products and services are made to customers with appropriate credit history. The Group has an internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of the instruments. The Group does not require any collateral for its financial assets, thus, maximum exposure to credit risk is equal to the carrying value of the financial instruments.

The table below shows the maximum exposure to credit risk for the components of the consolidated financial position as at December 31:

| | **2022** | 2021 |
|---|---|---|
| Financial assets at amortized cost: | | |
| Cash and cash equivalents* | **₱2,398,015,725** | ₱4,505,373,504 |
| Trade receivables: | | |
| Television and radio airtime | **5,483,578,974** | 7,326,922,014 |
| Subscriptions | **202,565,315** | 215,951,362 |
| Others | **117,070,837** | 117,522,288 |
| Nontrade receivables: | | |
| Advances to officers and employees | **3,696,290** | 9,363,276 |
| Others | **46,121,488** | 114,786,067 |
| Refundable deposits** | **26,501,499** | 22,165,836 |
| | **8,277,550,128** | 12,312,084,347 |
| Financial assets at FVOCI | **282,614,107** | 116,711,276 |
| | **₱8,560,164,235** | ₱12,428,795,623 |

**Excluding cash on hand amounting to ₱437.10 million and ₱262.86 million as at December 31, 2022 and 2021, respectively.*
***Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 16).*

The maximum exposure for cash and cash equivalents (excluding cash on hand) is the carrying amount less insured amount by the Philippine Deposit Insurance Corporation equivalent to the actual cash balance to a maximum of ₱0.50 million per depositor per bank. The maximum exposure of trade and non-trade receivables and refundable deposits is equal to its carrying amount.

Credit quality of Financial Assets, Other than Trade Receivables
The financial assets of the Group are grouped according to stage whose description is explained as follows:

Stage 1 - Those that are considered current and up to 120 past due and based on change in rating delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 120 to 360 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Group's financial assets are as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | ECL Staging | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | |
| | **12-month ECL** | **Lifetime ECL** | **Lifetime ECL** | **Total** |
| Financial assets at amortized cost | | | | |
| Cash and cash equivalents* | **₱2,398,015,725** | **₱–** | **₱–** | **₱2,398,015,725** |
| Nontrade receivables: | | | | |
| Advances to officers and employees | **1,831,678** | **–** | **–** | **1,831,678** |
| Others | **29,292,643** | **–** | **–** | **29,292,643** |
| Refundable deposits** | **26,501,499** | **–** | **–** | **26,501,499** |
| | **₱2,455,641,545** | **₱–** | **₱–** | **₱2,455,641,545** |

**Excluding cash on hand amounting to ₱437.10 million as at December 31, 2022.*
*** Included under "Other noncurrent assets" account in the consolidated company statement of financial position.*

| | 2021 | | | |
|---|---|---|---|---|
| | ECL Staging | | | |
| | Stage 1 | Stage 2 | Stage 3 | |
| | 12-month ECL | Lifetime ECL | Lifetime ECL | Total |
| Financial assets at amortized cost | | | | |
| Cash and cash equivalents* | ₱4,505,373,504 | ₱– | ₱– | ₱4,505,373,504 |
| Nontrade receivables: | | | | |
| Advances to officers and employees | 1,923,767 | – | – | 1,923,767 |
| Others | 52,095,656 | – | – | 52,095,656 |
| Refundable deposits** | 22,165,836 | – | – | 22,165,836 |
| | ₱4,581,558,763 | ₱– | ₱– | ₱4,581,558,763 |

**Excluding cash on hand amounting to ₱262.86 million as at December 31, 2021.*
*** Included under "Other noncurrent assets" account in the consolidated company statement of financial position.*

Credit Quality of Trade Receivables
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segment with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure of the Group's trade receivables using provision matrix:

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | | Days past due | | | | |
| | **Current** | **0-30 days** | **31-60 days** | **61-90 days** | **91 days and above** | **Total** |
| Expected credit loss rate | **1%** | **4%** | **5%** | **13%** | **41%** | |
| Estimated total gross carrying amount at default | **₱2,958,787,765** | **₱1,084,322,063** | **₱586,549,856** | **₱230,896,588** | **₱1,851,325,139** | **₱ 6,711,881,411** |
| Expected credit loss | **42,885,305** | **41,679,725** | **29,547,436** | **29,705,300** | **764,848,519** | **908,666,285** |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | Days past due | | | | |
| | Current | 0-30 days | 31-60 days | 61-90 days | 91 days and above | Total |
| Expected credit loss rate | 1% | 4% | 3% | 19% | 34% | |
| Estimated total gross carrying amount at default | ₱4,424,993,288 | ₱810,778,577 | ₱849,804,692 | ₱178,145,044 | ₱2,305,769,456 | ₱8,569,491,057 |
| Expected credit loss | 39,815,435 | 31,489,887 | 24,905,743 | 33,419,150 | 779,465,179 | 909,095,394 |

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay off existing debts, return capital to shareholders or issue new shares.

The Parent Company is not subject to externally imposed capital requirements.

No changes were made in the objectives, policies or processes for each of the three years ended December 31, 2022, 2021 and 2020.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loan to total equity. The Group's interest-bearing loans, which are the short-term loans, amounted to ₱27.13 million and ₱739.49 million as at December 31, 2022 and 2021, respectively. The Group's total equity attributable to equity holders of the Parent Company as at December 31, 2022 and 2021 amounted to ₱15,388.51 million and ₱14,469.92 million, respectively.

## 32. Fair Value Measurement

The table below presents the carrying values and fair values of the Group's assets, by category and by class, as at December 31:

| | **2022** | | | |
|---|---|---|---|---|
| | | **Fair Value** | | |
| | **Carrying Value** | **Quoted Prices in Active Markets (Level 1)** | **Significant Observable Input (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| **Assets** | | | | |
| *Assets Measured at Fair Value* | | | | |
| Land at revalued amount | **₱6,619,895,148** | **₱–** | **₱–** | **₱6,619,895,148** |
| Financial assets at FVOCI | **282,614,107** | **–** | **12,186,842** | **270,427,265** |
| *Assets for which Fair Values are Disclosed* | | | | |
| Investment properties | **32,105,060** | **–** | **–** | **203,902,548** |
| Financial assets at amortized cost - Refundable deposits* | **26,501,499** | **–** | **–** | **20,748,654** |
| | **₱6,961,115,814** | **₱–** | **₱12,186,842** | **₱7,114,973,615** |

**Included under "Other noncurrent assets" account in the consolidated statement of financial position (see Note 16).*

| | 2021 | | | |
|---|---|---|---|---|
| | | Fair Value | | |
| | Carrying Value | Quoted Prices in Active Markets (Level 1) | Significant Observable Input (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets | | | | |
| *Assets Measured at Fair Value* | | | | |
| Land at revalued amount | ₱2,945,297,014 | ₱– | ₱– | ₱2,945,297,014 |
| Financial assets at FVOCI | 116,711,276 | – | 13,371,842 | 103,339,434 |
| *Assets for which Fair Values are Disclosed* | | | | |
| Investment properties | 33,487,447 | – | – | 203,902,548 |
| Financial assets at amortized cost - Refundable deposits* | 22,165,836 | – | – | 17,499,532 |
| | ₱3,117,661,573 | ₱– | ₱13,371,842 | ₱3,270,038,528 |
| Liabilities | | | | |
| Financial liabilities at amortized cost - Obligations for program and other rights | ₱11,237,556 | ₱– | ₱– | ₱11,237,556 |

**Included under "Other noncurrent assets" account in the consolidated statement of financial position (see Note 16).*

As at December 31, 2022 and 2021, the fair value of equity instruments in a listed entity is classified under Level 3 due to the investee Company's suspension of trading in the market.

The fair values of equity instruments in listed and non-listed companies classified under Level 3 were determined through asset-based approach. Asset-based approach is based on the value of all the tangible and intangible assets and liabilities of the investee Company.

Presented below are the significant unobservable inputs used in the net asset valuations of the Group's financial assets in 2022 and 2021:

| Description | Unobservable Inputs | Range 2022 | Range 2021 |
|---|---|---|---|
| **Listed equity instrument:** | | | |
| Casinos and gaming industry | Discount for lack of marketability | **10%-30%** | **10%-30%** |
| | Discount for lack of control | **10%-30%** | **10%-30%** |
| **Non-listed equity instruments:** | | | |
| Media and entertainment industry | Discount for lack of marketability | **10%-30%** | **10%-30%** |
| | Discount for lack of control | **10%-30%** | **10%-30%** |

An increase (decrease) in the significant unobservable inputs used in the valuation of the equity investments will increase (decrease) the fair value of the equity investments.

Movements in the fair value of equity investments classified under Level 3 are as follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at beginning of year | **₱103,339,434** | ₱179,160,246 |
| Additions during the year | **168,672,065** | |
| Fair value adjustment recognized under "Net unrealized loss on financial assets at FVOCI" | **(1,584,234)** | (75,820,812) |
| Balance at end of year | **₱270,427,265** | ₱103,339,434 |

Fair Value Determination

The following methods and assumptions are used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

*Cash and Cash Equivalents and Trade and Other Receivables*

The carrying values of cash and cash equivalents and trade and nontrade receivables approximate their fair values primarily due to the relatively short-term maturity of these financial instruments.

*Refundable Deposits*

The fair value of refundable deposits is based on the present value of the future discounted cash flows. Discount rates used range from 3.26% to 4.44% in 2022 and 2021.

*Financial assets at FVOCI*

The Group's investments in club shares were based on prices readily available from brokers and other regulatory agencies as at reporting date (Level 2) The fair values of equity investments in listed and non-listed companies have been estimated using the net asset value model. The valuation using adjusted net asset approach requires the management to measure the fair value of the individual assets and liabilities recognized in an investee's statement of financial position as well as the fair value of any unrecognized assets and liabilities at the measurement date.

*Investment Properties and Land at Revalued Amount*
The valuation for the disclosure of the fair value of investment properties and for the recognition of land at revalued amount was derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property adjusted based on certain elements of comparison (e.g. market conditions, location, physical condition and amenities). Significant unobservable valuation input in determining the fair value of investment properties includes adjusted price per square meter that ranges from ₱1,400 to ₱117,000. On the other hand, significant unobservable valuation input in determining fair value of land at revalued amounts include adjusted price per square meter that ranges from ₱283,500 to ₱330,750.

Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the properties.

*Trade Payables and Other Current Liabilities (excluding Payable to Government Agencies and Advances from Customers), Short-term Loans, Obligations for Program and Other Rights and Dividends Payable*
The carrying values of trade payables and other current liabilities, short-term loans, current portion of obligations for program and other rights and dividends payable approximate their fair values due to the relatively short-term maturity of these financial instruments.

*Lease liabilities*
The fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans plus the applicable credit spread. Discount rates used ranged from 3.39% to 6.78% in 2022 and 0.99% to 4.89% in 2021.

*Obligations for program and other rights - noncurrent*
Estimated fair value is based on the discounted value of future cash flows using the applicable risk-free rates for similar types of loans adjusted for credit risk.

## 33. Supplemental Cash Flow Information

Changes in liabilities arising from financing activitites
The table below shows significant changes in arising from financing activities, including changes arising from cash flows and non-cash changes:

| | January 1, 2022 | Additions | Payments | Others* | December 31, 2022 |
|---|---|---|---|---|---|
| Short-term loans | **₱739,485,500** | **₱1,027,125,200** | **(₱1,685,850,000)** | **(₱53,635,500)** | **₱27,125,200** |
| Lease liabilities | **119,385,902** | **86,283,167** | **(28,506,823)** | **–** | **177,162,246** |
| Dividends payable | **39,589,204** | **7,091,543,400** | **(7,100,606,298)** | **–** | **30,526,306** |
| Accrued interest expense** | **511,796** | **11,906,481** | **(12,418,277)** | **–** | **–** |
| Total liabilities from financing activities | **₱898,972,402** | **₱8,216,858,248** | **(₱8,827,381,398)** | **(₱53,635,500)** | **₱234,813,752** |

**Others pertain to revaluation of foreign currency denominated loans, and accretion of interest of lease liabilities.*
***Included under "Accounts payable and other current liabilities" account in the consolidated statement of financial position (see Note 17).*

| | January 1, 2021 | Additions | Payments | Others* | December 31, 2021 |
|---|---|---|---|---|---|
| Short-term loans | ₱720,345,000 | ₱4,479,150,000 | (₱4,542,575,000) | ₱82,565,500 | ₱739,485,500 |
| Lease liabilities | 76,856,072 | 61,766,318 | (27,633,367) | 8,396,879 | 119,385,902 |
| Dividends payable | 19,894,437 | 6,568,917,889 | (6,549,223,122) | – | 39,589,204 |
| Accrued interest expense** | 756,363 | 38,086,089 | (38,330,656) | – | 511,796 |
| Total liabilities from financing activities | ₱817,851,872 | ₱11,147,920,296 | (₱11,157,762,145) | ₱90,962,379 | ₱898,972,402 |

**Others pertain to revaluation of foreign currency denominated loans, and accretion of interest and pre-termination of lease liabilities.*
***Included under "Accounts payable and other current liabilities" account in the consolidated statement of financial position (see Note 17).*

Non-cash investing activity
Significant non-cash investing activity in 2022 pertains to the additional revaluation increment of land at revalued amounts totaling ₱3,650.29 million.

## 34. Reclassifications

In 2022, the Group reclassified some accounts in the 2021 and 2020 statements of comprehensive income to be consistent with the nature and 2022 presentation of accounts.

| | **Before Reclassification** | **Reclassification** | **After Reclassification** |
|---|---|---|---|
| **2021 Consolidated statements of comprehensive income** | | | |
| Talent fees and production personnel costs (under Production costs) | **₱2,251,169,738** | **₱1,001,935,900** | **₱3,253,105,638** |
| Depreciation (under Production costs) | **262,708,006** | **114,160,130** | **376,868,136** |
| Personnel costs (under General and administrative expenses) | **4,858,698,218** | **(1,001,935,900)** | **3,856,406,145** |
| Depreciation (under General and administrative expenses) | **345,065,031** | **(114,160,130)** | **249,864,835** |
| 2020 Consolidated statements of comprehensive income | | | |
| Talent fees and production personnel costs (under Production costs) | 1,705,667,865 | 932,680,003 | 2,638,347,868 |
| Depreciation (under Production costs) | 164,639,078 | 163,412,068 | 328,051,146 |
| Personnel costs (under General and administrative expenses) | 4,525,101,340 | (932,680,003) | 3,592,421,337 |
| Depreciation (under General and administrative expenses) | 380,936,123 | (163,412,068) | 217,524,055 |

Personnel costs and depreciation expenses pertaining to production and engineering operations were reclassified from general and administrative to production costs to be consistent with the classification in 2022 for costs and expenses of similar nature.

SGV
Building a better working world

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**INDEPENDENT AUDITOR'S REPORT**
**ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
GMA Network, Inc. and Subsidiaries
GMA Network Center
Timog Avenue corner EDSA
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of GMA Network, Inc. and Subsidiaries (the Group) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 31, 2023. 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 Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

Marydith C. Miguel
Partner
CPA Certificate No. 65556
Tax Identification No. 102-092-270
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 65556-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. 08-001998-055-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9564666, January 3, 2023, Makati City

March 31, 2023

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**INDEPENDENT AUDITOR'S REPORT ON**
**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and Stockholders
GMA Network, Inc. and Subsidiaries
GMA Network Center
Timog Avenue corner EDSA
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of GMA Network, Inc. and Subsidiaries (the Group) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 31, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

Marydith C. Miguel
Partner
CPA Certificate No. 65556
Tax Identification No. 102-092-270
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 65556-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. 08-001998-055-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9564666, January 3, 2023, Makati City

March 31, 2023

## GMA NETWORK, INC. AND SUBSIDIARIES

### INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
### DECEMBER 31, 2022

**Annex 68 - J**

| | | |
|---|---|---|
| A. | Financial Assets | Attached |
| B. | Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties) | Not applicable |
| C. | Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements | Attached |
| D. | Long-term Debt | Not applicable |
| E. | Indebtedness to Related Parties (Long-term Loans from Related Companies) | Not applicable |
| F. | Guarantees of Securities of Other Issuers | Not applicable |
| G. | Capital Stock | Attached |

**Additional Components**

| | | |
|---|---|---|
| i) | Reconciliation of Retained Earnings Available for Dividend Declaration | Attached |
| ii) | Map of Relationships of the Companies within the Group | Attached |

# GMA NETWORK, INC. AND SUBSIDIARIES

## SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J
## DECEMBER 31, 2022

### Schedule A. Financial Assets

| Name of Issuing Entity and Association of Each Issue | Number of Shares or Principal Amounts of Bonds and Notes | Amount Shown in the Statements of Financial Position | Value Based on Market Quotation at end of Reporting Period | Income Received and Accrued |
|---|---|---|---|---|
| **Cash and cash equivalents** | | | | |
| Cash on hand | ₱– | ₱437,100,239 | ₱– | ₱– |
| Cash in banks | – | 1,733,623,142 | – | 1,785,302 |
| Peso Placements: | | | | |
| Abacus Capital & Investment Corporation | – | 208,278,779 | – | 9,947,668 |
| Amalgamated Investment Bancorporation | – | 8,067,318 | – | 135,859 |
| Bank of Commerce | | 13,847,703 | | 97,824 |
| Bank of the Philippine Islands | – | – | – | 406,696 |
| Charter Ping An | – | 6,200,347 | – | 17,568 |
| CTBC Bank | – | – | – | 943,691 |
| Land Bank of the Philippines | – | – | – | 1,171,311 |
| Malayan Bank | – | 9,668,529 | – | 1,378,492 |
| Metrobank | – | 100,594,736 | – | 986,067 |
| Philippine Business Bank | – | – | – | 3,426 |
| Philippine Bank of Communications | – | 10,694,049 | – | 76,760 |
| Philippine National Bank | – | – | – | 322,182 |
| Unicapital, Inc. | – | 32,191,552 | – | 752,319 |
| United Coconut Planters Bank | – | – | – | 1,230,457 |
| Union Bank of the Philippines | – | 295,200,820 | – | 1,292,364 |
| Total Placements | – | 684,743,833 | | 18,762,684 |
| | **₱–** | **₱2,855,467,214** | **₱–** | **₱20,547,986** |

| **Financial Assets at Fair Value Through Other Comprehensive Income** | | | | |
|---|---|---|---|---|
| IP E Games Ventures, Inc. | 13,000,000,000 | ₱24,814,847 | ₱– | ₱– |
| TNB Aura | 400,000 | 40,024,108 | – | – |
| PX Ventures Pte. Ltd. | 106,770,000 | 106,770,000 | – | – |
| Wavemaker Three-Sixty Health II-A, L.P. | – | 13,659,878 | – | – |
| Cloudeats | 12,550,000 | 12,550,000 | – | – |
| Unicapital, Inc. | 778,504 | 65,897,752 | – | – |
| Mabuhay Philippine Satellite | 405,666 | 235,338 | – | – |
| Optima Digital, Inc. | – | 657,417 | – | – |
| Ayala Alabang Country Club - A | 1 | 6,000,000 | 6,000,000 | – |
| Baguio Country Club | 1 | 6,000,000 | 6,000,000 | – |
| Metropolitan Club (Metroclub) A | 7 | 1,750,000 | 1,750,000 | – |
| Manila Southwoods A | 1 | 3,000,000 | 3,000,000 | – |
| Camp John Hay Golf Club | 1 | 250,000 | 250,000 | – |
| Reefpoint Picture | – | 216,925 | – | – |
| Royale Tagaytay | 3 | 700,000 | 700,000 | – |
| Fortune Island Resort | 1 | 86,842 | 86,842 | – |
| Others | – | 1,000 | – | – |
| | | **₱282,614,107** | **₱17,786,842** | **₱–** |

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**
December 31, 2022

| Name and Designation of Debtor | Balance at Beginning of Period | Additions | Deductions Amount Collected | Deductions Amount Written Off | Current | Noncurrent | Balance at End of Period |
|---|---|---|---|---|---|---|---|

**Not Applicable:** The Group has no amounts receivable from directors, officers, employees, related parties and principal stockholders as at December 31, 2022 other than those for purchases subject to usual terms, for ordinary travel and expense advances, and for other such items arising in the ordinary course of business.

**Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements**
**December 31, 2022**

*Alta Productions Company, Inc. (Alta)*

| Account | January 1, 2022 | Additions | Deductions: Amount Collected | Deductions: Amount written off/ Reclassified | Current | Noncurrent | December 31, 2022 |
|---|---|---|---|---|---|---|---|
| Receivables – Non-Trade | ₱186,624 | ₱250 | ₱– | ₱– | ₱250 | ₱ 186,624 | ₱ 186,874 |
| Payables – Trade | (16,130,950) | (78,021,478) | 81,570,401 | – | (12,582,027) | – | (12,582,027) |
| **Total** | **(₱15,944,326)** | **(₱78,021,228)** | **₱81,570,401** | **₱–** | **(₱12,581,777)** | **₱186,624** | **(₱12,395,153)** |

*Citynet Network Marketing and Productions, Inc. (Citynet)*

| Account | January 1, 2022 | Additions | Deductions: Amount Collected | Deductions: Amount written off/ Reclassified | Current | Noncurrent | December 31, 2022 |
|---|---|---|---|---|---|---|---|
| **Advances to Citynet** | **₱118,934,402** | **₱–** | **₱–** | **₱–** | **₱–** | **₱118,934,402** | **₱118,934,402** |

**Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (cont.)**
**December 31, 2022**

*GMA Marketing and Productions, Inc. (GMPI)*

| | | | Deductions | | | | |
|---|---|---|---|---|---|---|---|
| Account | January 1, 2022 | Additions | Amount Collected | Amount written off/ Reclassified | Current | Noncurrent | December 31, 2022 |
| Receivables - Non-Trade | ₱34,361 | ₱– | ₱– | ₱– | ₱– | ₱34,361 | ₱34,361 |
| Payables - Trade | (106,549,948) | – | – | – | – | (106,549,948) | (106,549,948) |
| Payables - Nontrade | (33,200) | – | – | – | – | (33,200) | (33,200) |
| **Total** | **(₱106,548,787)** | ₱– | ₱– | ₱– | ₱– | (₱106,548,787) | **(₱106,548,787)** |

*GMA New Media, Inc. (GNMI)*

| | | | Deductions | | | | |
|---|---|---|---|---|---|---|---|
| Account | January 1, 2022 | Additions | Amount Collected | Amount written off/ Reclassified | Current | Noncurrent | December 31, 2022 |
| Receivables - NonTrade | ₱– | ₱65,152 | ₱– | ₱– | ₱65,152 | ₱– | ₱65,152 |
| Receivables - Trade | 91,857,707 | 351,684,824 | (304,159,609) | – | 47,525,216 | 91,857,707 | 139,382,923 |
| Payables - Trade | (133,709,080) | (121,065,697) | 118,226,809 | – | (2,838,887) | (133,709,080) | (136,547,967) |
| **Total** | **(₱41,851,373)** | **₱230,684,280** | **(₱185,932,799)** | **₱–** | **₱44,751,481** | **(₱41,851,373)** | **₱2,900,108** |

**Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (cont.)**
**December 31, 2022**

*GMA Worldwide (Philippines), Inc. (GWI)*

| | | | Deductions | | | | |
|---|---|---|---|---|---|---|---|
| Account | January 1, 2022 | Additions | Amount Collected | Amount written off/ Reclassified | Current | Noncurrent | December 31, 2022 |
| Receivables - Non-Trade | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– |
| Payables - Trade | (3,925,824) | – | – | – | – | (3,925,824) | (3,925,824) |
| **Total** | **(₱3,925,824)** | **₱–** | **₱–** | **₱–** | **₱–** | **(₱3,925,824)** | **(₱3,925,824)** |

*RGMA Marketing & Productions, Inc. (GMA Records)*

| | | | Deductions | | | | |
|---|---|---|---|---|---|---|---|
| Account | January 1, 2022 | Additions | Amount Collected | Amount written off/ Reclassified | Current | Noncurrent | December 31, 2022 |
| Advances to GMA Records | ₱1,268,033 | ₱– | ₱– | ₱– | ₱– | ₱1,268,033 | ₱1,268,033 |
| Receivables - Trade | 27,756,216 | 10,102,400 | (12,700,286) | (8,575,416) | (11,173,302) | 27,756,216 | 16,582,914 |
| Receivables - Nontrade | 5,915,104 | 175,154 | – | – | 175,154 | 5,915,104 | 6,090,258 |
| Payables - Trade | – | (1,335,306) | – | – | (1,335,306) | – | (1,335,306) |
| **Total** | **₱34,939,353** | **₱8,942,248** | **(₱12,700,286)** | **(₱8,575,416)** | **(₱12,333,454)** | **₱34,939,353** | **₱22,605,899** |

**Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (cont.)**
**December 31, 2022**

*Scenarios, Inc. (Scenarios)*

| | | | Deductions | | | | |
|---|---|---|---|---|---|---|---|
| Account | January 1, 2022 | Additions | Amount Collected | Amount written off/ Reclassified | Current | Noncurrent | December 31, 2022 |
| Advances to Scenarios | ₱1,014,090 | ₱– | ₱– | ₱– | ₱– | ₱1,014,090 | ₱1,014,090 |
| Receivables – Trade | 5,507,145 | 1,500 | – | – | 1,500 | 5,507,145 | 5,508,645 |
| Payables – Nontrade | (435,000) | – | – | – | – | (435,000) | (435,000) |
| **Total** | **₱6,086,235** | **₱1,500** | ₱– | ₱– | **₱1,500** | **₱6,086,235** | **₱6,087,735** |

*Script2010, Inc. (Script2010)*

| | | | Deductions | | | | |
|---|---|---|---|---|---|---|---|
| Account | January 1, 2022 | Additions | Amount Collected | Amount written off/ Reclassified | Current | Noncurrent | December 31, 2022 |
| Receivables - Trade | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– |
| Receivables - Nontrade | 24,531,580 | 1,674,610 | – | (15,485) | 1,659,125 | 24,531,580 | 26,190,705 |
| Payables - Trade | (28,361,820) | (121,365,011) | 117,783,079 | – | (3,581,932) | (28,361,820) | (31,943,752) |
| Payables - Nontrade | (1,878,486) | – | – | – | – | (1,878,486) | (1,878,486) |
| **Total** | **(5,708,726)** | **(₱119,690,401)** | **₱117,783,079** | **(₱15,485)** | **(₱1,922,807)** | **(₱5,708,726)** | **(₱7,631,533)** |

**Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements (cont.)**
**December 31, 2022**

*Media Merge Corporation (MM)*

| | | | Deductions | | | | |
|---|---|---|---|---|---|---|---|
| Account | January 1, 2022 | Additions | Amount Collected | Amount written off/ Reclassified | Current | Noncurrent | December 31, 2022 |
| Receivables - Trade | ₱1,436,579 | ₱– | ₱– | (₱139,703) | ₱– | ₱1,296,876 | ₱1,296,876 |
| Payables - Trade | (3,198,847) | – | – | – | – | (3,198,847) | (3,198,847) |
| **Total** | **(₱1,762,268)** | **₱–** | **₱–** | **(₱139,703)** | **₱–** | **(₱1,901,971)** | **(₱1,901,971)** |

*RGMA Network, Inc. (RGMA Network)*

| | | | Deductions | | | | |
|---|---|---|---|---|---|---|---|
| Account | January 1, 2022 | Additions | Amount Collected | Amount written off/ Reclassified | Current | Noncurrent | December 31, 2022 |
| Receivables - Nontrade | ₱154,327 | ₱146,158 | ₱– | ₱– | ₱146,158 | ₱154,327 | ₱300,485 |
| Payables - Trade | (47,980,821) | (249,729,986) | 261,791,246 | – | 12,061,259 | (47,980,821) | (35,919,562) |
| **Total** | **(₱47,826,494)** | **(₱249,583,828)** | **₱261,791,246** | **₱–** | **₱12,207,418** | **(₱47,826,494)** | **(₱35,619,076)** |

**Schedule D. Long-Term Debt**
**December 31, 2022**

| Title of Issue and Type of Obligation | Amount Authorized by Indenture | Amount shown under caption "Current portion of long-term debt" in related balance sheet | Amount shown under caption "Long-term debt" in related balance sheet |
|---|---|---|---|
| **Not Applicable:** The Group has no long-term debt as at December 31, 2022. | | | |

**Schedule E. Indebtedness to Related Parties (Long-Terms from Related Companies)**
**December 31, 2022**

| Name | Balance, January 1, 2022 | Balance, December 31, 2022 |
|---|---|---|
| **Not Applicable:** The Group has no noncurrent indebtedness to a related party as at December 31, 2022. | | |

**Schedule F. Guarantees of Securities of Other Issuers**
**December 31, 2022**

| Name of Issuing Entity of Securities Guaranteed by the Company for which this statement is filed | Title of Issue of Each Class of Securities Guaranteed | Total Amount Guaranteed and Outstanding | Amount Owned by Person for which the Statement is Filed | Nature of Guarantee |
|---|---|---|---|---|
| **Not Applicable:** The Group has no guarantees of securities of other issuers as at December 31, 2022. | | | | |

**Schedule G. Capital Stock**
**December 31, 2022**

| Title of issue | Number of shares authorized | Number of shares issued and outstanding as shown under related statements of financial position caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by related parties | Directors, officers, and employees | Others |
|---|---|---|---|---|---|---|
| Common | 5,000,000,000 | 3,364,692,000 | N/A | 2,852,248,272 | 19,264,154 | 493,179,574 |
| Preferred | 7,500,000,000 | 7,500,000,000 | N/A | 7,489,630,392 | 27,294 | 10,342,314 |

## GMA NETWORK, INC.

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2022**

| | |
|---|---|
| **Unappropriated retained earnings, beginning of the year** | ₱7,344,094,943 |
| Less: Non-actual/unrealized income | |
| Deferred tax assets recognized in profit or loss | 694,501,396 |
| **Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning of the year** | 6,649,593,547 |
| Add: Net income actually earned/realized during the period | |
| Net income of the Parent Company closed to Retained Earnings | 5,463,995,346 |
| Unrealized foreign exchange gain | 57,426,626 |
| Less: Non-actual/unrealized income net of tax | |
| Provision for deferred income tax | 140,863,906 |
| **Net income actually earned/realized during the year** | 5,380,558,066 |
| Less: | |
| Dividends declaration during the year | 7,053,803,400 |
| **Unappropriated Retained Earnings Available for Dividend Declaration, Ending** | **₱4,976,348,213** |

## GMA NETWORK, INC. AND SUBSIDIARIES

### SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

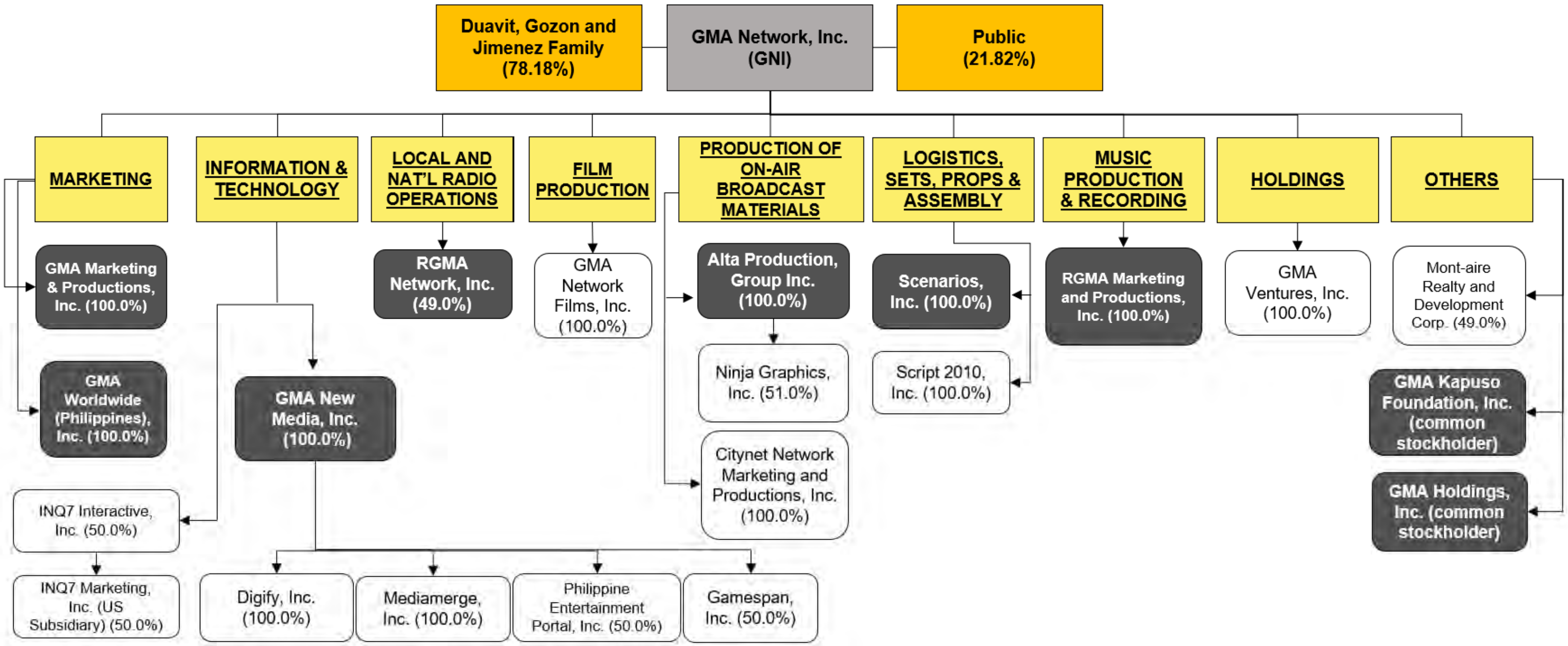
| Financial Ratios | Formula | | 2022 | 2021 |
|---|---|---|---|---|
| **Current/liquidity ratio** | **Current assets over current liabilities** | | **3.45:1** | 3.42:1 |
| | Total current assets | 13,539,678,035 | | |
| | Divided by: | | | |
| | Total current liabilities | 3,929,275,949 | | |
| | Current ratio | 3.45 | | |
| **Acid Test Ratio** | **Quick assets over current liabilities** | | **3.07:1** | 3.18:1 |
| | Total current assets | 13,539,678,035 | | |
| | Less: | | | |
| | Inventory | 1,469,193,884 | | |
| | Other current assets | 1,519,261 | | |
| | | 12,068,964,890 | | |
| | Divided by: | | | |
| | Total current liabilities | 3,929,275,949 | | |
| | Acid test ratio | 3.07 | | |
| **Solvency ratio** | **Net income plus non-cash expenses over total liabilities** | | **0.76:1** | 0.80:1 |
| | Net income | 5,456,508,315 | | |
| | Add: | | | |
| | Non-cash expenses | 1,626,700,111 | | |
| | Total | 7,083,208,426 | | |
| | Divided by: | | | |
| | Total liabilities | 9,263,105,347 | | |
| | Solvency ratio | 0.76 | | |
| **Asset-to-equity ratio** | **Total asset over total equity** | | **1.60:1** | 1.65:1 |
| | Total assets | 24,729,127,894 | | |
| | Divided by: | | | |
| | Total equity | 15,466,022,547 | | |
| | Asset-to-equity ratio | 1.60 | | |
| **Debt-to-equity ratio** | **Short-term loans over total equity** | | **0.002:1** | 0.05:1 |
| | Total short-term loans | 27,125,200 | | |
| | Divided by: | | | |
| | Total equity | 15,466,022,547 | | |
| | Asset-to-equity ratio | 0.002 | | |

| Financial Ratios | Formula | | 2022 | 2021 |
|---|---|---|---|---|
| **Net debt to equity ratio** | **Interest-bearing loans and borrowings less cash and cash equivalents over total equity** | | **(0.18):1** | (0.28):1 |
| | Total short-term loans | 27,125,200 | | |
| | Less: | | | |
| | Cash and cash equivalents | 2,855,467,214 | | |
| | | (2,828,342,014) | | |
| | Divided by: | | | |
| | Total equity | 15,466,022,547 | | |
| | Net debt-to-equity ratio | (0.18) | | |
| **Interest rate coverage ratio** | **Earnings before interest, tax over interest expense** | | **291.44:1** | 204.95:1 |
| | Net income | 5,456,508,315 | | |
| | Add: | | | |
| | Interest | 25,132,083 | | |
| | Tax | 1,863,409,773 | | |
| | Less: | | | |
| | Interest income | 20,547,986 | | |
| | | 7,324,502,185 | | |
| | Divided by: | | | |
| | Interest | 25,132,083 | | |
| | Interest rate coverage ratio | 291.44 | | |
| **Gross profit margin** | **Gross profit over net revenues** | | **63.90%** | 71.44% |
| | Gross profit | 13,778,975,573 | | |
| | Divided by: | | | |
| | Net revenue | 21,564,011,070 | | |
| | Gross profit margin | 63.90% | | |
| **Net income margin** | **Net income over net revenues** | | **25.30%** | 33.72% |
| | Net income | 5,456,508,315 | | |
| | Divided by: | | | |
| | Net revenue | 21,564,011,070 | | |
| | Net income margin | 25.30% | | |
| **Return on equity** | **Net income over average total stockholder's equity** | | **36.33%** | 55.14% |
| | Net income | 5,456,508,315 | | |
| | Divided by: | | | |
| | Average equity | 15,018,511,390 | | |
| | Return on equity | 36.33% | | |

| **Financial Ratios** | **Formula** | | **2022** | 2021 |
|---|---|---|---|---|
| **Return on assets** | **Net income over average total assets** | | **22.36%** | 31.53% |
| | Net income | 5,456,508,315 | | |
| | Divided by: | | | |
| | Average asset | 24,402,426,484 | | |
| | Return on asset | 22.36% | | |

**GMA NETWORK, INC. AND SUBSIDIARIES**

**MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP**



GMA

**Statement of Management's Responsibility for Financial Statements**

March 31, 2023

Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila Philippines

The management of **GMA Network, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines 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.

SyCip Gorres Velayo & 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, has expressed its opinion on the fairness of presentation upon completion of such audit.

**FELIPE L. GOZON**
Chairman of the Board
Chief Executive Officer

**GILBERTO R. DUAVIT, JR.**
President
Chief Operating Officer

**FELIPE S. YALONG**
Executive Vice President
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this APR 13 2023 day of ______ at QUEZON CITY, affiants exhibited to me their (Felipe L. Gozon) TIN 106-174-605, (Gilberto R. Duavit, Jr.) TIN 158-147-748 and (Felipe S. Yalong) TIN 102-874-052.

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Page No. 33
Book No. II
Series of 2023

ATTY. LARRY T. IGUIDEZ
Notary Public
Until December 31, 2023
PTR No. 3985518/1-05-23-Q.C
IBP No. 247745/09-14-22, Q.C
Roll No. 20434
MCLE Compliance No. VI-0017289, 01-24-19
Notarial Comm. Adm Matter
NP 021 (2023-2024) RTC Q.C
130 Timog Ave., Quezon City

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

SEC Registration Number

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 5 | 2 | 1 | 3 |

COMPANY NAME

**GMA NETWORK, INC.**

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

**GMA Network Center, Timog Avenue corner EDSA, Quezon City**

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| **AAFS** | **CMD** | **Not applicable** |

COMPANY INFORMATION

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| **Not applicable** | **8982-7777** | **Not Applicable** |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| **1,643** | **5/17** | **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 |
|---|---|---|---|
| **Felipe S. Yalong** | **FSY@gmanetwork.com** | **8928-5133** | **Not applicable** |

CONTACT PERSON's ADDRESS

**GMA Network Center, Timog Avenue corner EDSA, Quezon 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.*

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 Board of Directors and Stockholders
GMA Network, Inc.
GMA Network Center
Timog Avenue corner EDSA
Quezon City

## Report on the Audit of the Parent Company Financial Statements

### Opinion

We have audited the parent company financial statements of GMA Network, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2022 and 2021, 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, 2022 and 2021, 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the parent company financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010**

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 35 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 GMA Network, Inc. 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 Marydith C. Miguel.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

Marydith C. Miguel
Partner
CPA Certificate No. 65556
Tax Identification No. 102-092-270
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 65556-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. 08-001998-055-2020, December 3, 2020, valid until December 2, 2023
PTR No. 9564666, January 3, 2023, Makati City

March 31, 2023

## GMA NETWORK, INC.
## PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | **2022** | 2021 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Notes 6, 30 and 31) | **₱2,506,292,527** | ₱4,455,614,857 |
| Trade and other receivables (Notes 7, 21, 30 and 31) | **6,018,896,726** | 7,859,865,016 |
| Program and other rights (Note 8) | **1,246,572,181** | 764,595,163 |
| Inventories (Note 9) | **1,459,297,539** | 1,129,635,758 |
| Prepaid expenses and other current assets (Note 10) | **1,941,433,140** | 1,713,663,680 |
| Total Current Assets | **13,172,492,113** | 15,923,374,474 |
| **Noncurrent Assets** | | |
| Property and equipment: | | |
| At cost (Note 13) | **3,299,421,592** | 2,925,304,262 |
| At revalued amounts (Notes 14 and 31) | **6,619,895,148** | 2,945,297,014 |
| Right-of-use assets (Note 28) | **159,345,818** | 112,919,016 |
| Financial assets at fair value through other comprehensive income (FVOCI) (Notes 11, 30 and 31) | **129,758,984** | 122,039,903 |
| Investments and advances (Notes 12 and 21) | **831,757,394** | 694,920,912 |
| Program and other rights - net of current portion (Note 8) | **232,446,242** | 240,982,378 |
| Investment properties (Notes 15 and 31) | **20,952,663** | 22,335,050 |
| Deferred tax assets - net (Note 29) | **5,659,347** | 719,410,111 |
| Other noncurrent assets (Notes 16, 30 and 31) | **214,654,859** | 280,788,543 |
| Total Noncurrent Assets | **11,513,892,047** | 8,063,997,189 |
| **TOTAL ASSETS** | **₱24,686,384,160** | ₱23,987,371,663 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Trade payables and other current liabilities (Notes 17, 21, 30 and 31) | **₱3,222,478,958** | ₱2,892,953,190 |
| Short-term loans (Notes 18, 30 and 31) | **–** | 739,485,500 |
| Income tax payable | **525,915,896** | 1,041,413,024 |
| Current portion of obligations for program and other rights (Notes 19, 30 and 31) | **209,171,643** | 212,578,686 |
| Current portion of lease liabilities (Note 28) | **21,146,569** | 16,719,407 |
| Dividends payable (Notes 20, 30 and 31) | **30,525,952** | 25,588,850 |
| Total Current Liabilities | **4,009,239,018** | 4,928,738,657 |
| **Noncurrent Liabilities** | | |
| Pension liability (Note 26) | **4,730,284,079** | 4,093,751,401 |
| Other long-term employee benefits (Note 26) | **347,489,172** | 347,489,172 |
| Obligations for program rights – net of current portion (Notes 19, 30, and 31) | **–** | 11,237,556 |
| Lease liabilities – net of current portion (Notes 28, 30 and 31) | **145,281,971** | 91,096,647 |
| Dismantling provision (Note 28) | **49,009,014** | 46,097,449 |
| Total Noncurrent Liabilities | **5,272,064,236** | 4,589,672,225 |
| Total Liabilities | **9,281,303,254** | 9,518,410,882 |

*(Forward)*

| | December 31 | |
|---|---|---|
| | **2022** | 2021 |
| **Equity** | | |
| Capital stock (Note 20) | **₱4,864,692,000** | ₱4,864,692,000 |
| Additional paid-in capital | **1,686,556,624** | 1,686,556,624 |
| Revaluation increment on land - net of tax (Note 14) | **4,570,402,192** | 1,832,684,129 |
| Remeasurement loss on retirement plan - net of tax (Note 26) | **(2,156,878,184)** | (1,951,666,723) |
| Net unrealized loss on financial assets at FVOCI - net of tax (Note 11) | **(86,653,442)** | (80,075,020) |
| Retained earnings (Note 20) | **6,526,961,716** | 8,116,769,771 |
| Total Equity | **15,405,080,906** | 14,468,960,781 |
| **TOTAL LIABILITIES AND EQUITY** | **₱24,686,384,160** | ₱23,987,371,663 |

*See accompanying Notes to Parent Company Financial Statements.*

## GMA NETWORK, INC.
## PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | |
|---|---|---|
| | **2022** | 2021 |
| **REVENUES** (Note 22) | **₱21,249,764,183** | ₱22,157,134,663 |
| **PRODUCTION COSTS** (Note 23) | **7,620,434,932** | 6,162,488,630 |
| **COST OF SALES** (Note 9) | **293,953,632** | 408,061,863 |
| **GROSS PROFIT** | **13,335,375,619** | 15,586,584,170 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** (Note 24) | **6,414,883,105** | 5,908,029,810 |
| **OTHER INCOME (EXPENSE) - NET** | | |
| Dividend income (Notes 11 and 21) | **164,309,999** | 108,021,268 |
| Net foreign currency exchange gain (loss) (Note 18) | **32,949,236** | (54,853,342) |
| Interest expense (Notes 18 and 28) | **(24,111,406)** | (47,881,629) |
| Interest income (Note 6) | **19,832,994** | 16,029,136 |
| Others - net (Note 27) | **148,834,968** | 137,654,340 |
| | **341,815,791** | 158,969,773 |
| **INCOME BEFORE INCOME TAX** | **7,262,308,305** | 9,837,524,133 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 29) | | |
| Current | **1,927,570,165** | 2,338,891,726 |
| Deferred | **(129,257,206)** | (28,691,060) |
| | **1,798,312,959** | 2,310,200,666 |
| **NET INCOME** | **5,463,995,346** | 7,527,323,467 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** - net of tax | | |
| *Items not to be reclassified to profit or loss in subsequent periods:* | | |
| Revaluation increment on land (Note 29) | **2,737,718,063** | 122,178,942 |
| Remeasurement gain (loss) on retirement plan (Note 26) | **(205,211,461)** | 574,161,844 |
| Net changes in the fair market value of financial assets at FVOCI (Note 11) | **(6,578,422)** | (39,318,567) |
| | **2,525,928,180** | 657,022,219 |
| **TOTAL COMPREHENSIVE INCOME** | **₱7,989,923,526** | ₱8,184,345,686 |
| **Basic / Diluted Earnings Per Share** (Note 32) | **₱1.123** | ₱1.548 |

*See accompanying Notes to Parent Company Financial Statements.*

# GMA NETWORK, INC.

## PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

| | Capital Stock (Note 20) | Additional Paid-in Capital | Revaluation Increment on Land - net of tax (Note 29) | Remeasurement Loss on Retirement Plan - net of tax (Note 26) | Net Unrealized Loss on Financial Assets at FVOCI - net of tax (Note 11) | Retained Earnings (Note 20) | Treasury Stocks (Note 20) | Underlying shares of the acquired Philippine Deposit Receipts (Note 20) | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balances at January 1, 2022 | **₱4,864,692,000** | **₱1,686,556,624** | **₱1,832,684,129** | **(₱1,951,666,723)** | **(₱80,075,020)** | **₱8,116,769,771** | **₱–** | **₱–** | **₱14,468,960,781** |
| Total comprehensive income: | | | | | | | | | |
| Net income | **–** | **–** | **–** | **–** | **–** | **5,463,995,346** | **–** | **–** | **5,463,995,346** |
| Other comprehensive income (loss) | **–** | **–** | **2,737,718,063** | **(205,211,461)** | **(6,578,422)** | **–** | **–** | **–** | **2,525,928,180** |
| Cash dividends - ₱1.45 a share (Note 20) | **–** | **–** | **–** | **–** | **–** | **(7,053,803,401)** | **–** | **–** | **(7,053,803,401)** |
| Balances at December 31, 2022 | **₱4,864,692,000** | **₱1,686,556,624** | **₱4,570,402,192** | **(₱2,156,878,184)** | **(₱86,653,442)** | **₱6,526,961,716** | **₱–** | **₱–** | **₱15,405,080,906** |
| | | | | | | | | | |
| Balances at January 1, 2021 | ₱4,864,692,000 | ₱1,659,035,196 | ₱1,710,505,187 | (₱2,525,828,567) | (₱40,756,453) | ₱7,150,714,193 | (₱28,483,171) | (₱5,790,016) | ₱12,784,088,369 |
| Total comprehensive income: | | | | | | | | | |
| Net income | – | – | – | – | – | 7,527,323,467 | – | – | 7,527,323,467 |
| Other comprehensive income (loss) | – | – | – | 754,578,170 | (39,318,567) | – | – | – | 715,259,603 |
| Change in tax rate | – | – | 122,178,942 | (180,416,326) | – | – | – | – | (58,237,384) |
| Contribution to the retirement fund (Notes 20, 21, and 26) | – | 27,521,428 | – | – | – | – | 28,483,171 | 5,790,016 | 61,794,615 |
| Cash dividends - ₱1.35 a share (Note 20) | – | – | – | – | – | (6,561,267,889) | – | – | (6,561,267,889) |
| Balances at December 31, 2021 | ₱4,864,692,000 | ₱1,686,556,624 | ₱1,832,684,129 | (₱1,951,666,723) | (₱80,075,020) | ₱8,116,769,771 | ₱– | ₱– | ₱14,468,960,781 |

*See accompanying Notes to Parent Company Financial Statements.*

## GMA NETWORK, INC.

## PARENT COMPANY STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | |
|---|---|---|
| | **2022** | 2021 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income before income tax | **₱7,262,308,305** | ₱9,837,524,133 |
| Adjustments to reconcile income before income tax to net cash flows | | |
| Program and other rights usage (Notes 8 and 23) | **868,739,716** | 1,007,347,795 |
| Pension expense (Notes 25 and 26) | **646,917,398** | 611,048,666 |
| Depreciation (Notes 13, 15, 23, 24 and 28) | **672,324,407** | 585,759,538 |
| Contributions to retirement plan assets (Note 26) | **(259,000,000)** | (259,000,000) |
| Dividend income (Notes 11 and 21) | **(164,309,999)** | (108,021,268) |
| Amortization of software costs (Notes 16 and 24) | **73,027,822** | 64,402,739 |
| Net unrealized foreign currency exchange loss (gain) | **(65,311,683)** | 35,936,658 |
| Net gain on sale of property and equipment (Notes 13 and 27) | **(29,713,807)** | (50,941,808) |
| Interest expense (Notes 18 and 28) | **24,111,406** | 47,881,629 |
| Interest income (Note 6) | **(19,832,993)** | (16,029,136) |
| Provision for expected credit losses (ECL) (Notes 7 and 24) | **–** | 107,878,272 |
| Operating income before working capital changes | **9,009,260,572** | 11,863,787,218 |
| Working capital changes: | | |
| Decreases (increases) in: | | |
| Trade and other receivables | **1,884,494,528** | 2,878,225,606 |
| Program and other rights | **(1,342,180,598)** | (1,070,053,904) |
| Inventories | **(329,661,781)** | (909,014,084) |
| Prepaid expenses and other current assets | **(227,769,460)** | (64,855,948) |
| Increases (decreases) in: | | |
| Trade payables and other current liabilities | **330,037,562** | (296,828,982) |
| Other long-term employee benefits | **–** | 31,604,863 |
| Obligations for program and other rights | **(17,055,914)** | 26,650,848 |
| Net cash generated from operations | **9,307,124,909** | 12,459,515,617 |
| Income taxes paid | **(2,443,067,293)** | (3,036,097,619) |
| Interest received | **20,509,196** | 15,215,070 |
| Benefit paid out of Company's own funds (Note 26) | **(25,000,000)** | (1,098,432) |
| Net cash flows from operating activities | **6,859,566,812** | 9,437,534,636 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisitions of: | | |
| Property and equipment (Note 13) | **(1,017,407,174)** | (950,694,981) |
| Land at revalued amounts (Note 14) | **(24,307,384)** | (142,100,830) |
| Software costs (Note 16) | **(19,777,437)** | (65,674,954) |
| Cash dividends received (Note 21) | **126,309,999** | 87,618,500 |
| Proceeds from sale of property and equipment (Note 13) | **32,627,551** | 56,212,731 |
| Investments in: | | |
| Financial assets at FVOCI (Note 11) | **(15,458,400)** | (19,659,800) |
| Subsidiary (Notes 12 and 21) | **(136,750,000)** | (13,250,000) |

*(Forward)*

| | Years Ended December 31 | |
|---|---|---|
| | **2022** | 2021 |
| Advances to associate and joint venture (Notes 12 and 21) | **(₱86,482)** | (₱1,811,449) |
| Decrease (increase) in other noncurrent assets | **12,883,300** | (855,385) |
| Net cash flows used in investing activities | **(1,041,966,027)** | (1,050,216,168) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Payments of: | | |
| Cash dividends (Notes 20 and 33) | **(7,048,866,299)** | (6,555,573,476) |
| Short-term loans (Notes 18 and 33) | **(1,685,850,000)** | (4,542,575,000) |
| Interest expense (Note 33) | **(12,907,341)** | (37,890,610) |
| Principal portion of lease liabilities (Notes 28 and 33) | **(27,184,532)** | (26,736,541) |
| Proceeds from availments of short-term loans (Notes 18 and 33) | **1,000,000,000** | 4,479,150,000 |
| Net cash flows used in financing activities | **(7,774,808,172)** | (6,683,625,627) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(1,957,207,387)** | 1,703,692,841 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **7,885,057** | 42,236,774 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **4,455,614,857** | 2,709,685,242 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 6) | **₱2,506,292,527** | ₱4,455,614,857 |

*See accompanying Notes to Parent Company Financial Statements.*

# GMA NETWORK, INC.
# NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

## 1. Corporate Information

GMA Network, Inc. (the Company) is incorporated in the Philippines. The Company is primarily involved in the business of radio and television broadcasting. The registered office address of the Company is GMA Network Center, Timog Avenue corner EDSA, Quezon City. The Company was registered with the Philippine Securities and Exchange Commission (SEC) on June 14, 1950.

On July 20, 1995, the Board of Directors (BOD) approved the extension of the corporate term of the Company for another 50 years from June 14, 2000. In 1997, the SEC approved the said extension.

The Company's shares of stock are publicly listed and traded in the Philippine Stock Exchange.

The Company is a holder of a legislative franchise to construct, install, operate and maintain, for commercial purposes and in the public interest, radio and television broadcasting stations in the Philippines. The Company is required to make closed captioning available for its programs to assist in the functions of public information and education.

On December 7, 2016, House Bill No. 4631, which seeks to renew GMA's franchise, was filed. The key provisions of the franchise renewal under House Bill No. 4631 are as follows:

1. Allows continued broadcast operations of GMA, maintenance of its radio and TV stations in the Philippines and its expansion, including digital television system;
2. Provides another franchise term of twenty-five (25) years;
3. Requires the grantee to provide government adequate public service time to enable it to reach the population on important public issues and assist in the functions of public information and education;
4. Prohibits the grantee from leasing, transferring, selling nor assigning the franchise or controlling interest thereof without the prior approval of the Congress of the Philippines; and
5. Requires the grantee to submit an annual report to the Congress of the Philippines on its compliance with the terms and conditions of the franchise and its operation on or before April 30 of every year during the term of the franchise.

On March 23, 2017, House Bill 4631 became an Enrolled Bill (the "Enrolled Bill") and was endorsed to the Office of the President for his approval. On April 21, 2017, President Rodrigo Duterte signed Republic Act No. 10925 which grants the renewal of the legislative franchise of GMA for another 25 years.

The accompanying parent company financial statements were approved and authorized for issuance by the BOD on March 31, 2023.

## 2. Basis of Preparation, Statement of Compliance and Changes in Accounting Policies and Disclosures

Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI), and land at revalued amounts, which are measured at fair value. The parent company financial statements are presented in

Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The parent company financial statements have been prepared in compliance 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 that the Company has adopted the following new pronouncements starting January 1, 2022.

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

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applied the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company applied the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

    An entity applied the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

New Accounting Standards, Interpretations and Amendments to Existing Standards

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. 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, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

  The Company is currently assessing the impact of adopting these amendments.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

  The Company is currently assessing the impact of adopting these amendments.

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements,* to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

  The Company is currently assessing the impact of adopting these amendments.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

  The Company is currently assessing the impact of adopting these amendments.

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

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

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

  - A specific adaptation for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

PFRS 17 is not applicable to the Company since it is not engaged in providing insurance nor issuing 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*

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

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

  The Company is currently assessing the impact of adopting these amendments.

## 3. Summary of Significant Accounting and Financial Reporting Policies

<u>Current versus Noncurrent Classification</u>
The Company presents assets and liabilities in 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 normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

The Company also modifies classification of prior year amounts to conform to current year's presentation.

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 three months or less from acquisition date and that are subject to an insignificant risk of change in value.

Fair Value Measurement
The Company measures financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for significant estimates and assumptions, see Note 4
- Quantitative disclosures of fair value measurement hierarchy, see Note 31
- Land, see Note 14
- Investment properties, see Note 15
- Financial instruments (including those carried at amortized cost), see Note 31

Fair value is the estimated 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 by 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 asset or liability and the level of the fair value hierarchy as explained above.

<u>"Day 1" Difference</u>
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the parent company statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where the data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

<u>Financial Instruments</u>
A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

<u>Financial Assets</u>
*Initial Recognition and Measurement.* Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, 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 (debt instruments)
- financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- financial assets at FVPL

The Company does not have debt instruments at FVOCI and financial assets at FVPL as at December 31, 2022 and 2021.

*Financial Assets at Amortized Cost (Debt Instruments)*. 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 the parent company statement of comprehensive income when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables and refundable deposits (included under "Other noncurrent assets" account in the parent company statement of financial position) as at December 31, 2022 and 2021 (see Notes 6, 7, 16 and 30).

*Financial Assets Designated at FVOCI (Equity Instruments)*. 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 "Dividend income" included under "Others – Net" account in the parent company statement of comprehensive income 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 OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably under this category its listed and non-listed equity instruments and investment in quoted club shares as at December 31, 2022 and 2021 (see Notes 11 and 30).

Derecognition of Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the parent company statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of Financial Assets
The Company recognizes an allowance for 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 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 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.

For other financial assets such as due from related parties and certain advances to joint venture, the Company applies a general approach which measures ECL on either a 12-month or lifetime basis depending on whether a significant increase in credit risks has occurred since initial recognition or whether an asset is considered to be credit-impaired, adjusted for the effects of collateral, forward-looking factors and time value of money.

For cash and cash equivalents, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the external credit rating of the debt instrument or comparable instruments.

The Company, in general, considers a financial asset in default when contractual payments are 90 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 no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

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's financial liabilities include trade payables and other current liabilities (excluding payable to government agencies, customers' deposits and contract liabilities), short-term loans, obligations for program and other rights, dividends payable and lease liabilities.

*Subsequent Measurement*. The measurement of financial liabilities depends on their classification, as described below:

*Financial Liabilities at FVPL.* Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the parent company statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Company has not designated any financial liability as at FVPL as at December 31, 2022 and 2021.

*Loans and Borrowings*. After initial recognition, interest-bearing loans and borrowings and other payables 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 "Interest expense" in the parent company statement of comprehensive income.

This category generally applies to trade payables and other current liabilities (excluding payable to government agencies, customers' deposits and contract liabilities), short-term loans, obligations for program and other rights, dividends payable and lease liabilities (see Notes 17, 18, 19, 20, 28 and 30).

Derecognition of Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the parent company statement of comprehensive income.

Classification of Financial Instruments Between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial 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.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities 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.

Program and Other Rights
Program and other rights with finite lives are stated at cost less amortization and impairment in value. The estimated useful lives and the amortization method used depend on the manner and pattern of usage of the acquired rights. The cost of program and other rights with multiple number of runs within a specified term is amortized using straight line method up to the date of expiry.

Amortization expense is shown as "Program and other rights usage" included under "Production costs" account in the parent company statement of comprehensive income.

For series of rights acquired, the cost is charged to profit or loss as each series is aired on a per episode basis.

For rights intended for airing over the international channels, the cost is amortized on a straight-line basis over the number of years indicated in the contract.

Inventories
Merchandise inventory and materials and supplies inventory is stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value of inventories that are for sale is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Net realizable value of inventories not held for sale is the current replacement cost.

Prepaid Production Costs
Prepaid production costs, included under "Prepaid expenses and other current assets" account in the parent company statement of financial position, represent costs paid in advance prior to the airing of the programs or episodes. These costs include talent fees of artists and production staff and other costs directly attributable to production of programs. These are charged to expense under "Production costs" account in the parent company statement of comprehensive income upon airing of the related program or episodes. Costs related to previously taped episodes determined not to be aired are charged to expense.

Tax Credits
Tax credits, measured at cost less any impairment in value, represent claims from the government arising from airing of government commercials and advertisements availed under Presidential Decree (PD) No. 1362. Pursuant to PD No. 1362, these will be collected in the form of tax credits which the Company can use in paying for import duties and taxes on imported broadcasting related equipment. The tax credits cannot be used to pay for any other tax obligation to the government.

As at December 31, 2022 and 2021, the Company's tax credits are classified as current under "Prepaid expenses and other current assets" account in the parent company statement of financial position.

Advances to Suppliers
Advances to suppliers, included under "Prepaid expenses and other current assets" account in the parent company statement of financial position, are measured at cost and are noninterest-bearing and are generally applied to acquisition of inventories, programs and other rights, availments of services and others.

Investments and Advances
This account consists of investments in and advances to subsidiaries, joint venture and an associate. The Company's investments in and advances to subsidiaries, joint venture and associate are carried in the parent company statement of financial position at cost less any impairment value.

A subsidiary is an entity in which the Company has control. Control is achieved when the Company is composed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The ownership interests in subsidiaries, associate and joint venture, which are all incorporated in the Philippines, consist of the following in 2022 and 2021:

| | Principal Activities | Percentage of Ownership Direct | Percentage of Ownership Indirect |
|---|---|---|---|
| Entertainment Business: | | | |
| Alta Productions Group, Inc. (Alta) | Pre- and post-production services | 100 | – |
| Citynet Network Marketing and Productions, Inc. (Citynet) | Television entertainment production | 100 | – |
| GMA Network Films, Inc. (GNFI) | Film production | 100 | – |
| GMA New Media, Inc. (GNMI) | Converging technology | 100 | – |
| GMA Worldwide (Philippines), Inc. (GWI)* | International marketing, handling foreign program acquisitions and international syndication of the Parent Company's programs | 100 | – |
| Scenarios, Inc.* | Design, construction and maintenance of sets for TV, stage plays and concerts; transportation services | 100 | – |
| RGMA Marketing and Productions, Inc. | Music recording, publishing and video distribution | 100 | – |
| RGMA Network, Inc. (GMA Music) | Radio broadcasting and management | 49 | – |
| Script2010, Inc.** | Design, construction and maintenance of sets for TV, stage plays and concerts; transportation and manpower services | – | 100 |
| Holding Company: | | | |
| GMA Ventures, Inc. (GVI) | Identifying, investing in, and/or building strong and sustainable businesses | 100 | – |
| Advertising Business: | | | |
| GMA Marketing & Productions, Inc. (GMPI)* | Exclusive marketing and sales arm of Parent Company's airtime, events management, sales implementation, traffic services and monitoring | 100 | – |
| Digify, Inc.*** | Crafting, planning and handling advertising and other forms of promotion including multi-media productions | – | 100 |
| Others: | | | |
| Media Merge Corporation**** | Business development and operations for the Parent Company's online publishing and advertising initiatives | – | 100 |
| Ninja Graphics, Inc.***** | Ceased commercial operations in 2004. | – | 51 |

**Under liquidation*
***Indirectly owned through Citynet*
****Indirectly owned through GNMI*
*****Indirectly owned through GNMI; ceased commercial operations in 2020*
******Indirectly owned through Alta; ceased commercial operations in 2004*

Property and Equipment

Property and equipment, except for land, are stated at cost, net of accumulated depreciation and amortization and impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in profit or loss as incurred.

Land is measured at fair value less accumulated impairment losses, if any, recognized after the date of the revaluation. Valuations are generally performed every three to five years or more frequently as deemed necessary to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the "Revaluation increment on land - net of tax" account under equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case, the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the "Revaluation increment on land - net of tax" account.

Depreciation and amortization are computed on a straight-line basis over the following estimated useful lives of the assets:

| | |
|---|---|
| Buildings, towers and improvements | 11-20 years |
| Antenna and transmitter systems and broadcast equipment | 5-10 years |
| Communication and mechanical equipment | 3-5 years |
| Transportation equipment | 4-5 years |
| Furniture, fixtures and equipment | 5 years |

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

Construction in progress is stated at cost. This includes cost of construction, equipment under installation and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

<u>Investment Properties</u>
Investment properties consist of real estate held for capital appreciation and rental.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties, except land, are measured at cost less accumulated depreciation and amortization and impairment in value. Land is stated at cost less any impairment in value.

Depreciation and amortization are computed using the straight-line method over 11-20 years.

The remaining useful lives and depreciation and amortization method are reviewed and adjusted, if appropriate, at each financial year-end.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are 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 period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment in Artworks
Investment in artworks, included under "Other noncurrent assets" account in the parent company statement of financial position, is stated at cost less any impairment in value.

Software Costs
Costs incurred in the acquisition and customization of new software, included under "Other noncurrent assets" account in the parent company statement of financial position, are capitalized and amortized on a straight-line basis over three to ten years.

Impairment of Nonfinancial Assets
The carrying values of land at revalued amounts, program and other rights, prepaid production costs, tax credits, investments and advances, property and equipment, right-of-use assets, investment properties, software costs and investment in artworks are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets are considered impaired and are written down to their recoverable amount. The recoverable amount of these nonfinancial assets is the greater of an asset's or cash-generating unit's fair value less cost to sell or value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 cash generating unit (CGU) to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in the parent company statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss, except for land at revalued amount where the revaluation is taken to OCI, is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. For land at revalued amounts, the reversal of impairment is also recognized in OCI up to the amount of any previous revaluation.

In the case of investments in associate and interests in joint ventures, after application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's investments in associate and interests in joint ventures. The Company determines at each reporting period whether there is any objective evidence that the investments in associate and interests in joint ventures are impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the recoverable amount of investments in associate and interests in joint ventures and the acquisition cost, and recognizes the amount in the parent company statement of comprehensive income.

Equity
Capital stock is measured at par value for all 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. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.

Retained earnings include all current and prior period results of operations as reported in the parent company statement of comprehensive income, net of any dividend declaration, adjusted for the effects of changes in accounting policies as may be required by PFRS' transitional provisions.

Treasury Stocks and Underlying Shares of the Acquired Philippine Deposit Receipts (PDRs)
The Company's own reacquired equity instruments, if any, are deducted from equity. No gain or loss is recognized in the parent company statement of comprehensive income on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

The Company's ownership of the PDRs, if any, is presented similar to treasury shares in the parent company statement of financial position. Each PDR entitles the holder to the economic interest of the underlying common share of the Company.

Dividends on Common Shares
Dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Company. Dividends for the year that are approved after reporting period are dealt with as an event after reporting period.

Revenue Recognition

a. PFRS 15, *Revenue from Contracts with Customers*

Revenue from contracts with customers 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. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is recognized when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

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

*Advertising Revenue*. Revenue is recognized in the period the advertisements are aired.

Payments received for advertisements before broadcast (pay before broadcast) are recognized as income on the dates the advertisements are aired. Prior to liquidation, these are classified as unearned revenue under "Contract liabilities" under "Trade payables and other current liabilities" account in the parent company statement of financial position.

Goods received in exchange for airtime usage pursuant to exchange deal contracts executed between the Company and its customers are recorded at fair market values of assets received. Fair market value is the current market price.

Tax credits on aggregate airtime credits from government sales availed of under PD No. 1362 are recognized as revenue when there is reasonable certainty that these can be used to pay duties and taxes on imported broadcasting related equipment.

*Subscription Revenue.* Subscription fees are recognized over the subscription period in accordance with the terms of the subscription agreements.

*Sale of goods.* Sale of goods pertain to sale of set-top boxes, digital TV mobile receivers and other merchandises. Revenue is recognized at a point in time when delivery has taken place and transfer of control has been completed. These are stated net of sales discounts.

*Revenue from Distribution and Content Provisioning.* Revenue is recognized upon delivery of the licensed content to customers.

*Production Revenue.* Production revenue is recognized at a point in time when project-related services are rendered.

*Commission from Artist Center*. Revenue is recognized as revenue at a point in time on an accrual basis in accordance with the terms of the related marketing agreements.

b. Revenue Recognition Outside the Scope of PFRS 15

*Rental Income.* Revenue from lease of property and equipment and investment properties is accounted for on a straight-line basis over the lease term.

*Dividend Income*. Revenue is recognized when the Company's right to receive payment is established.

*Interest Income*. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

*Other Income*. Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Company through an increase in asset or reduction in liability that can be measured reliably.

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). Refer to the accounting policies of Financial Instruments section.

*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.

*Incremental Costs to Obtain a Contract*
The Company pays sales commissions to its account executives for each contract that they obtain for advertising agreements with customers. The Company has elected to apply the optional practical expedient for costs to obtain a contract which allows the Company to immediately expense sales commissions (presented as part of "Marketing expense" under "General and administrative expenses" account in the parent company statement of comprehensive income) because the amortization period of the asset that the Company otherwise would have used is less than one year.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Expenses
Expenses, presented as "Production costs", "Cost of sales", and "General and administrative expenses" in the parent company statements of comprehensive income, are recognized as incurred.

Pension and Other Long-Term Employee Benefits
The Company has a funded, noncontributory defined benefit retirement plan covering permanent employees. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method.

*Defined Benefit Plans*. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any 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 defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the parent company statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation under "Production costs" and "General and administrative expenses" accounts in the parent company statements of comprehensive income (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets 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 fair value of the plan assets is higher than the present value of the defined benefit obligation, 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.

<u>Leases</u>

*Leases.* The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Company as Lessee.* The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Right-of-use Assets.* 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 measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. 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 its estimated useful life and the lease term as follow:

  | | |
  |---|---|
  | Land | 2 to 25 years |
  | Buildings, studio and office spaces | 2 to 15 years |

  Right-of-use assets are subject to impairment.

- *Lease Liabilities.* At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. 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.

- *Short-term Leases.* The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date or initial application of PFRS 16 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 Lessor.* Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases are recognized as income in the parent company statement of comprehensive income on a straight-line basis over the lease term. 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.

<u>Foreign Currency-denominated Transactions</u>
Transactions in foreign currencies are initially recorded in the functional currency exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing exchange rate at financial reporting period. All differences are taken to profit or loss in the parent company statements of comprehensive income. Nonmonetary 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. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. For income tax purposes, foreign exchange gains and losses are treated as taxable income or deductible expenses when realized.

<u>Taxes</u>

*Current Income Tax*. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

*Deferred Tax*. Deferred tax is provided using the liability method on temporary differences at reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting period.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition 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; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or 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; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws to be enacted or substantially enacted at the reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

*Creditable Withholding Taxes.* Creditable withholding taxes represent amounts withheld by the Company’s customers and is deducted from the Company’s income tax payable.

*Value-added Tax (VAT).* Revenue, expenses and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or 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 or services (input VAT) exceeds VAT from sales of goods and/or 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 VAT recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade payables and other current liabilities" accounts in the parent company statement of financial position.

Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income for the year attributable to the equity holders of the parent company, net of income attributable to preferred shares, by the weighted average number of common shares outstanding during the year, after considering the retroactive adjustments for any stock dividends declared, if any.

Diluted EPS is calculated by dividing the net income for the year of the Company (inclusive of income attributable to preferred shares) by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued upon conversion of all dilutive potential common shares.

Segment Reporting
For management purposes, the Company's operating businesses are organized and managed separately into television and radio airtime, international subscriptions and other business activities. Such business segments are the basis upon which the Company reports its primary segment information. The Company considers television and radio operations as the major business segment. The Company operates in two geographical areas where it derives its revenue. Financial information on business segments is presented in Note 5 to the parent company financial statements.

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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the parent company statement of comprehensive income, net of any reimbursement.

Contingencies
Contingent liabilities are not recognized in the 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.

Events after 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.

4. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the parent company financial statements requires management to make judgments, estimates and assumptions that affect amounts reported in the parent company financial statements and related notes at the end of the reporting period. However, uncertainty about these judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the parent company financial statements.

*Investment in RGMA.* The Company considers that it controls RGMA Network even though it owns less than 50% of the voting rights. This is because the Company is the single largest shareholder of RGMA Network with a 49% equity interest. The remaining 51% of the equity shares in RGMA Network are owned by several parties. Since September 27, 1995, which is the date of incorporation of RGMA Network, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Company.

Investment in RGMA amounted to ₱168.00 million as at December 31, 2022 and 2021 (see Note 12).

*Assessment of Significant Influence over the Investee.* The Company holds 25% ownership interest in Optima Digital, Inc. as at December 31, 2022 and 2021. Even with more than 20% voting rights, management assessed that the Company does not have the power to participate in the policy-making processes, including decisions to affect its returns in the form of dividends. Further, the Company does not have the ability to participate in the financial and operational policies decision-making of the investee to affect its relevant activities. as the Company has only one (1) board seat out of the total five (5) board seats. The investment is presented as a financial asset at FVOCI amounting to ₱0.66 million and ₱4.81 million as at December 31, 2022 and 2021, respectively.

*Determination of Lease Term of Contracts with Renewal and Termination Options - Company as a Lessee.* The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company did not include the renewal period as part of the lease term for its leases as these are subject to mutual agreement and are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term because they are reasonably certain not to be exercised.

*Operating Leases - Company as Lessor*. The Company has entered into various lease agreements as lessor. The Company had determined that the risks and rewards of ownership of the underlying property were retained by the Company. Accordingly, the leases are classified as an operating lease.

Total rental income amounted to ₱5.22 million and ₱5.32 million in 2022 and 2021, respectively (see Note 27).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the parent company financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

*Estimating the Incremental Borrowing Rate*. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (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 counterparty's stand-alone credit rating).

The Company's lease liabilities amounted to ₱166.43 million and ₱107.82 million as at December 31, 2022 and 2021, respectively. (see Note 28).

*Estimating Allowance for ECL.* The following information explains the inputs, assumptions and techniques used by the Company in estimating ECL for trade receivables:

- Simplified approach for trade receivables

  The Company uses a simplified approach for calculating ECL on trade receivables through the use of provision matrix to calculate ECLs. The provision rates are based on days past due for groupings of customer segments that have similar loss patterns (i.e., by customer type).

  The provision matrix is initially based on the Company's historical observed default rates. The Company then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g., gross domestic product, inflation rate, unemployment rate) are expected to deteriorate over the next year which can lead to an increased number of defaults in the Company's operating segments, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking factors specific to the debtors and the economic environment are updated to consider the impact of the coronavirus pandemic.

- Definition of default for trade receivables

  The Company defines a trade receivable as in default, when it meets one or more of the following criteria:

  - The counterparty is experiencing financial difficulty or is insolvent
  - The receivable is more than 360 days past due. The determination of the period is based on the Company's practice and agreement with their customers within the industry.

- Grouping of instruments for losses measured on collective basis

  For expected credit loss 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 segmentation are homogeneous. The Company segmentized its receivables based on the type of customer (e.g., corporate and individuals).

- Incorporation of forward-looking information

  The Company considers a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments that support the calculation of ECLs. A broad range of forward-looking information are considered as economic inputs such as the gross domestic product, inflation rate, unemployment rates and other economic indicators.

  The macroeconomic factors are aligned with information used by the Company for other purposes such as strategic planning and budgeting.

  The Company identifies and documents key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

  Predicted relationship between the key macro-economic 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 assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. As uncertainties in the market trend and economic conditions may remain persistent amidst the continuous spread of COVID-19, the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

  Provision for ECL amounted to nil and ₱107.88 million in 2022 and 2021, respectively. The allowance for ECL amounted to ₱833.34 million as at December 31, 2022 and 2021. The carrying amounts of trade and other receivables amounted to ₱6,018.90 million and ₱7,859.87 million as at December 31, 2022 and 2021, respectively (see Notes 7 and 24).

*Classification and Amortization of Program and Other Rights.* Portions of program and other rights are classified as current and noncurrent assets. Current portion represents those expected to be aired any time within its normal operating cycle, whereas the noncurrent portion represents those without definite expiration.

The Company estimates the amortization of program and other rights with finite lives using straight line method up to the date of expiry and those with no definite expiration of up to ten years, which is the manner and pattern of usage of the acquired rights.

In addition, estimation of the amortization of program and other rights is based on the Company's experience with such rights. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Program and other rights usage amounted to ₱868.74 million and ₱1,007.35 million in 2022 and 2021, respectively (see Notes 8 and 23). Program and other rights, net of accumulated impairment in value of ₱2.70 million, amounted to ₱1,479.02 million and ₱1,005.58 million as at December 31, 2022 and 2021, respectively (see Note 8).

*Estimating Allowance for Inventory Losses.* The Company provides allowance for inventory losses whenever the net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account is reviewed periodically to reflect the accurate valuation of the inventories.

The carrying value of merchandise inventory and materials and supplies inventory in the parent statement of financial position amounted to ₱1,459.30 million and ₱1,129.64 million as at December 31, 2022 and 2021, respectively (see Note 9). There were no provisions for inventory losses in 2022 and 2021.

*Estimating Useful Lives of Property and Equipment, Software Costs and Investment Properties.* The Company estimates the useful lives of property and equipment, software costs and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, software costs and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property and equipment, software costs and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment, software costs and investment properties would increase the recorded general and administrative expenses and decrease noncurrent assets.

There has been no change in the Company's estimate of useful lives of its property and equipment, software costs and investment properties in 2022 and 2021.

Total depreciation and amortization amounted to ₱733.51 million and ₱643.00 million as at December 31, 2022 and 2021, respectively (see Notes 13, 15, 16, 23 and 24).

*Revaluation of Land.* The Company engages an accredited appraiser to determine the fair value of the land used in operations. Fair value is determined by reference to market-based evidence adjusted based on certain elements of comparison. The fair value amount would differ if the Company made different judgments and estimates or utilized a different basis for determining fair value.

Valuations from an accredited appraiser are generally performed every three to five years or more frequently as deemed necessary to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

In 2022, the Company assessed those certain parcels of land at revalued amounts, comprising majority of the balance of the account ,have significant movements in its current carrying values and obtained updated appraisals as at December 31, 2022. For the land that were not appraised, the Company referred to the published comparable prices for the fair values. Total additional revaluation increment recognized in 2022 amounted to ₱2,737.72 million, net of tax.

Total additional revaluation increment recognized in 2022 amounted to ₱2,737.72 million, net of tax. In 2021, there was no additional revaluation increment on land due to insignificant movements in the fair value of the land. The revalued amount of land, which is classified under “Property and equipment” account in the statements of financial position, amounted to ₱6,619.90 million and ₱2,945.30 million as at December 31, 2022 and 2021, respectively (see Notes 14 and 31).

*Impairment of Nonfinancial Assets.* For prepaid production costs, tax credits, investments and advances, property and equipment, right-of-use assets, investment properties, program and other rights, software costs, and investment in artworks and software costs, impairment testing is performed 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:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business;
- significant negative industry or economic trends; and
- obsolescence or physical damage of an asset.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs to sell or asset’s value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

As at December 31, 2022 and 2021, the Company did not identify any indicator of impairment on its nonfinancial assets, hence, no impairment tests were carried out.

The carrying values of nonfinancial assets as at December 31 follows:

| | **2022** | 2021 |
|---|---|---|
| Property and equipment - at cost (see Note 13) | **₱3,299,421,592** | ₱2,925,304,262 |
| Land at revalued amounts (Note 14) | **6,619,895,148** | 2,945,297,014 |
| Program and other rights (see Note 8) | **1,479,018,423** | 1,005,577,541 |
| Investments and advances (see Note 12) | **831,757,394** | 694,920,912 |
| Prepaid production costs (see Note 10) | **778,903,854** | 701,682,343 |
| Right-of-use assets (see Note 28) | **159,345,818** | 112,919,016 |
| Software costs (see Note 16) | **103,860,686** | 157,111,071 |
| Tax credits (see Note 10) | **48,070,848** | 169,447,579 |
| Investment properties (see Note 15) | **20,952,663** | 22,335,050 |
| Investments in artworks (see Note 16) | **9,454,000** | 9,454,000 |

*Estimating Realizability of Deferred Tax Assets*. The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Recognized deferred tax assets amounted to ₱1,585.29 million and ₱1,358.53 million as at December 31, 2022 and 2021, respectively (see Note 29).

*Pension and Other Employee Benefits*. The determination of the Company's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 26 and include, among others, discount rate and salary increase rate. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

Pension liability amounted to ₱4,730.28 million and ₱4,093.75 million as at December 31, 2022 and 2021, respectively (see Note 26).

*Determination of Fair Value of Financial Assets at FVOCI. Financial* assets at FVOCI are carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. When the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The fair value of financial assets at FVOCI are enumerated in Note 31.

*Determination of Fair Value of Investment Properties*. PFRS requires disclosure of fair value of investment properties when measured at cost.

The Company used the services of an independent professional appraiser in estimating the fair value of properties. The appraisers conducted an actual inspection of the property and considered the following in the study and analyses in arriving at the estimate of fair value: (a) extent, character and utility of the property; (b) sales and holding prices of similar properties; and (c) highest and best use of the property.

The description of valuation techniques used and key inputs to fair valuation of investment properties are enumerated in Note 15 of the parent company financial statements.

*Contingencies*. The Company is currently involved in various claims and legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with legal counsel handling the defense in these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on the Company's financial position.

## 5. Segment Information

Business Segments

For management purposes, the Company is organized into business units based on its products and services and has three reportable segments, as follows:

- The television and radio segment, which engages in television and radio broadcasting activities and which generates revenue from sale of national and regional advertising time.

- The international subscription segment, which engages in subscription arrangements with international cable companies.
- The Company's other businesses which include movie production, consumer products and other services.

The Executive Committee, the chief operating decision maker, and Management monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the net income or loss in the parent company financial statements. The Company's performance is evaluated based on net income for the year.

Geographical Segments

The Company operates in two major geographical segments – local and international. Local refers to revenues earned in the Philippines, the home country. Significant portion of the revenues earned locally pertain to television and radio airtime. International refers to revenues earned in United States and in other locations (which include Middle East, Europe, Australia, Canada, Guam, Singapore, Hongkong and Japan). The Company ties up with cable providers to bring local television programming outside the Philippines.

The Company's revenues are mostly generated in the Philippines, which is the Company's country of domicile. Revenues from external customers attributed to foreign countries from which the Company derives revenue are individually and in aggregate immaterial to the parent company financial statements.

Noncurrent assets consisting of property and equipment, land at revalued amounts and investment properties are all located in the Philippines.

The Company does not have a single external customer whose revenue accounts for 10% or more of the Company's revenues.

Inter-segment Transactions

Segment revenues, segment expenses and segment results include transfers among business segments and among geographical segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services.

Measurement Basis

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the parent company financial statements, which is in accordance with PFRS.

| Geographical Segment | Local | | International | | | |
|---|---|---|---|---|---|---|
| Business Segment | Advertising and Others | | International Subscriptions | | Total | |
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| **Revenues** | **₱20,421,832,365** | ₱21,269,174,176 | **₱827,931,818** | ₱887,960,486 | **₱21,249,764,183** | ₱22,157,134,662 |
| **Results** | | | | | | |
| Segment results | **6,297,879,036** | 8,943,758,410 | **622,613,478** | 734,795,951 | **6,920,492,514** | 9,678,554,360 |
| Dividend income from investments | **164,309,999** | 108,021,268 | **–** | – | **164,309,999** | 108,021,268 |
| Interest expense | **(24,111,406)** | (47,881,629) | **–** | – | **(24,111,406)** | (47,881,629) |
| Net foreign currency exchange gain (loss) | **13,102,473** | (84,068,774) | **19,846,763** | 29,215,432 | **32,949,236** | (54,853,342) |
| Interest income | **19,832,994** | 16,029,136 | **–** | – | **19,832,994** | 16,029,136 |
| Others net | **148,834,968** | 137,654,340 | **–** | – | **148,834,968** | 137,654,340 |
| Provision for income tax | **(1,637,697,899)** | (2,119,197,820) | **(160,615,060)** | (191,002,846) | **(1,798,312,959)** | (2,310,200,666) |
| Net income | **₱4,982,150,165** | ₱6,954,314,931 | **₱481,845,181** | ₱573,008,537 | **₱5,463,995,346** | ₱7,527,323,467 |
| **Assets and Liability** | | | | | | |
| Segment assets | **₱23,678,077,910** | ₱22,087,661,553 | **₱271,775,751** | ₱586,178,847 | **₱23,949,853,661** | ₱22,673,840,400 |
| Investments in subsidiaries | **692,582,809** | 555,832,809 | **–** | – | **692,582,809** | 555,832,809 |
| Investments in associates and interest in joint venture - at cost | **38,288,343** | 38,288,343 | **–** | – | **38,288,343** | 38,288,343 |
| Deferred tax assets - net | **5,659,347** | 719,410,111 | **–** | – | **5,659,347** | 719,410,111 |
| Total assets | **₱24,414,608,409** | ₱23,401,192,816 | **₱271,775,751** | ₱586,178,847 | **₱24,686,384,160** | ₱23,987,371,663 |
| Segment liabilities | **₱9,054,718,937** | ₱9,304,209,000 | **₱226,584,317** | ₱214,201,882 | **₱9,281,303,254** | ₱9,518,410,882 |
| **Other Segment Information** | | | | | | |
| Capital expenditures: | | | | | | |
| Property and equipment | **₱1,018,547,199** | ₱965,328,483 | **₱390,178** | ₱94,848 | **₱1,018,937,377** | ₱965,423,331 |
| Land | **24,307,384** | 142,100,830 | **–** | – | **24,307,384** | 142,100,830 |
| Program and other rights and software costs | **1,360,427,833** | 1,112,688,612 | **–** | – | **1,360,427,833** | 1,112,688,612 |
| Depreciation and amortization | **1,609,471,311** | 1,650,984,303 | **4,620,634** | 6,525,769 | **1,614,091,945** | 1,657,510,072 |

## 6. Cash and Cash Equivalents

| | **2022** | 2021 |
|---|---|---|
| Cash on hand and in banks | **₱1,851,265,273** | ₱2,595,817,844 |
| Short-term deposits | **655,027,254** | 1,859,797,013 |
| | **₱2,506,292,527** | ₱4,455,614,857 |

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Interest income earned from bank deposits and short-term deposits amounted to ₱19.83 million and ₱16.03 million in 2022 and 2021, respectively.

## 7. Trade and Other Receivables

| | **2022** | 2021 |
|---|---|---|
| Trade: | | |
| Television and radio airtime | **₱6,287,232,600** | ₱8,136,404,456 |
| Subscriptions | **231,894,197** | 238,864,830 |
| Others (see Note 21) | **155,965,837** | 119,613,923 |
| Nontrade: | | |
| Related parties (see Note 21) | **71,192,786** | 67,633,137 |
| Others (see Note 21) | **105,952,176** | 130,689,540 |
| | **6,852,237,596** | 8,693,205,886 |
| Less allowance for ECL | **833,340,870** | 833,340,870 |
| | **₱6,018,896,726** | ₱7,859,865,016 |

Trade Receivables

*Television and Radio Airtime.* Television and radio airtime receivables are unsecured, noninterest-bearing and are generally on 60-90 day terms upon receipt of invoice by the customers. The receivables are normally collected within 360 days.

Television and radio airtime receivables include unbilled airtime receivables, arising when advertisements have been aired but billing or acceptance by the customer has been delayed due to time lag in completing all required documents. As of December 31, 2022 and 2021, the total unbilled airtime receivables, assessed as contract assets, amounted to ₱20.70 million and ₱24.32 million, respectively.

*Subscriptions Receivable.* Subscriptions receivable pertain to receivables from international channel subscriptions and advertisements. These are unsecured, noninterest-bearing and normally collected within 360 days.

*Other Trade Receivables.* These are unsecured, noninterest-bearing and are generally on 60-90 day terms upon receipt of invoice by the customers.

Nontrade Receivables

*Related Parties.* Terms and conditions of receivables from related parties are discussed in Note 21.

*Other Nontrade Receivables*. Other nontrade receivables include dividends receivable and receivables from insurance. These are noninterest-bearing and are normally collected within the next financial year (see Note 21).

Allowance for ECL on Trade Receivables

The movements in the allowance for ECLs are as follows:

| | **2022** | | |
|---|---|---|---|
| | **Corporate** | **Individual** | **Total** |
| Balance at beginning and end of year | **₱823,031,332** | **₱10,309,538** | **₱833,340,870** |

| | 2021 | | |
|---|---|---|---|
| | Corporate | Individual | Total |
| Balance at beginning of year | ₱715,153,060 | ₱10,309,538 | ₱725,462,598 |
| Provision for the year (see Note 24) | 107,878,272 | – | 107,878,272 |
| Balance at end of year | ₱823,031,332 | ₱10,309,538 | ₱833,340,870 |

8. **Program and Other Rights**

Details and movement in this account are as follows:

| | **2022** | | | |
|---|---|---|---|---|
| | **Program Rights** | **Story/Format Rights** | **Program Rights - Incidentals** | **Total** |
| Cost: | | | | |
| Balance at beginning of year | **₱955,929,510** | **₱27,996,874** | **₱24,353,417** | **₱1,008,279,801** |
| Additions | **1,207,928,746** | **37,500,082** | **96,751,770** | **1,342,180,598** |
| Program and other rights usage (see Note 23) | **(738,115,943)** | **(24,426,146)** | **(106,197,627)** | **(868,739,716)** |
| Balance at end of year | **1,425,742,313** | **41,070,810** | **14,907,560** | **1,481,720,683** |
| Accumulated impairment in value | **(2,702,260)** | **–** | **–** | **(2,702,260)** |
| | **1,423,040,053** | **41,070,810** | **14,907,560** | **1,479,018,423** |
| Less noncurrent portion | **232,446,242** | **–** | **–** | **232,446,242** |
| Current portion | **₱1,190,593,811** | **₱41,070,810** | **₱14,907,560** | **₱1,246,572,181** |

| | 2021 | | | |
|---|---|---|---|---|
| | Program Rights | Story/Format Rights | Program Rights - Incidentals | Total |
| Cost: | | | | |
| Balance at beginning of year | ₱894,413,394 | ₱27,147,444 | ₱24,107,427 | ₱945,668,265 |
| Additions | 955,453,367 | 4,657,217 | 109,848,747 | 1,069,959,331 |
| Program and other rights usage (see Note 23) | (893,937,251) | (3,807,787) | (109,602,757) | (1,007,347,795) |
| Balance at end of year | 955,929,510 | 27,996,874 | 24,353,417 | 1,008,279,801 |
| Accumulated impairment in value | (2,702,260) | – | – | (2,702,260) |
| | 953,227,250 | 27,996,874 | 24,353,417 | 1,005,577,541 |
| Less noncurrent portion | 240,982,378 | – | – | 240,982,378 |
| Current portion | ₱712,244,872 | ₱27,996,874 | ₱24,353,417 | ₱764,595,163 |

## 9. **Inventories**

This account consists of the following:

| | **2022** | 2021 |
|---|---|---|
| Merchandise inventory | **₱1,443,352,533** | ₱1,116,144,940 |
| Materials and supplies inventory | **15,945,006** | 13,490,818 |
| | **₱1,459,297,539** | ₱1,129,635,758 |

The following are the details of merchandise inventory account:

| | **2022** | 2021 |
|---|---|---|
| Set-top box model | **₱1,233,966,042** | ₱905,595,446 |
| ITE chipset dongle | **209,386,491** | 210,549,494 |
| | **₱1,443,352,533** | ₱1,116,144,940 |

Merchandise inventory consists mainly of set-top boxes and digital TV mobile receiver for sale by the Company. In 2020, the Company launched the GMA Affordabox, a digital box, which allows users to receive clear pictures and sounds in their television sets through digital transmission. Cost of sales related to digital boxes amounted to ₱293.95 million and ₱408.06 million in 2022 and 2021, respectively.

Materials and supplies inventory includes the Company's office supplies, spare parts and production materials.

## 10. **Prepaid Expenses and Other Current Assets**

| | **2022** | 2021 |
|---|---|---|
| Advances to suppliers | **₱850,756,615** | ₱606,550,180 |
| Prepaid production costs | **778,903,854** | 701,682,343 |
| Input VAT | **152,527,879** | 153,993,389 |
| Prepaid expenses | **111,173,944** | 81,990,189 |
| Tax credits | **48,070,848** | 169,447,579 |
| | **₱1,941,433,140** | ₱1,713,663,680 |

Advances to suppliers are noninterest-bearing and are generally applied to acquisition of program and other rights, inventories, availment of services and others within the next financial year.

Prepaid production costs represent costs paid in advance prior to the airing of the programs or episodes. The Company expects to air the related programs or episodes within the next financial year.

Input VAT pertains to VAT on purchase or importation of goods and services which are to be claimed and credited in the succeeding month's filing of VAT return.

Tax credits represent claims of the Company from the government arising from airing of government commercials and advertisements. The Company expects to utilize these tax credits within the next financial year.

Prepaid expenses include prepayments for rental, interest, insurance and subscriptions.

## 11. **Financial Assets at Fair Value Through Other Comprehensive Income**

This account consists of the following:

| | **2022** | 2021 |
|---|---|---|
| Non-listed equity instruments | **₱114,032,540** | ₱107,408,976 |
| Listed equity instruments | **15,726,444** | 14,630,927 |
| | **₱129,758,984** | ₱122,039,903 |

Investment in equity instruments pertains to shares of stock and club shares which are not held for trading. The Company assessed the equity instruments to be strategic in nature.

The movement of financial assets at FVOCI are as follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at beginning of year | **₱122,039,903** | ₱148,637,241 |
| Additions during the year | **15,458,400** | 19,659,800 |
| Net unrealized loss on fair value changes during the year | **(7,739,319)** | (46,257,138) |
| Balance at end of year | **₱129,758,984** | ₱122,039,903 |

In 2021, the Company purchased ₱19.66 million worth of Class A Redeemable Preference Shares of TNB Aura Fund 2 Ltd., a Regional Venture Capital fund focused on making Series A and Series B investments in Southeast Asia. In 2022, the Company made an additional investment amounting to ₱15.46 million. No dividend income earned from financial assets at FVOCI in 2022 and 2021.

The movements in net unrealized loss on financial assets at FVOCI are as follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at beginning of year - net of tax | **(₱80,075,020)** | (₱40,756,453) |
| Net unrealized loss on fair value changes during the year | **(7,739,319)** | (46,257,138) |
| Tax effect of the changes in fair market values | **1,160,897** | 6,938,571 |
| Balance at end of year | **(₱86,653,442)** | (₱80,075,020) |

IP E-Games Ventures, Inc.

In 2015, IP E-Games Ventures, Inc. (IPE) issued 13,000.00 million of its own common shares to the Company and GNMI, 8,000.00 million to the Company and 5,000.00 million to GNMI, in exchange of the GNMI's investment in X-Play Online Games Incorporated (X-Play), ₱50.00 million airtime credits granted by the Company and in settlement of ₱30.00 million advances to X-Play. At initial recognition, the Company recognized at fair value the IPE shares amounting to ₱80.00 million.

Of the ₱50.00 million airtime credits, ₱22.00 million has not been implemented at the date of exchange and therefore was recognized by the Company as unearned revenue presented as "Contract liabilities" included as part of "Trade payables and other current liabilities" in 2022 and 2021 (see Note 18).

## 12. Investments and Advances

As at December 31, the carrying value of the Company's investments and advances are as follows:

| | **2022** | | |
|---|---|---|---|
| | **Investments** | **Advances (see Note 21)** | **Total** |
| Subsidiaries: | | | |
| GMPI | **₱265,141,346** | **₱–** | **₱265,141,346** |
| RGMA | **168,000,000** | **–** | **168,000,000** |
| GVI | **150,000,000** | **–** | **150,000,000** |
| Citynet | **937,500** | **118,934,402** | **119,871,902** |
| GNMI | **76,500,000** | **–** | **76,500,000** |
| GNFI | **1,250,000** | **44,511,314** | **45,761,314** |
| Scenarios | **20,000,000** | **1,014,090** | **21,014,090** |
| Alta | **10,855,176** | **–** | **10,855,176** |
| GMA Music | **1,875,000** | **1,268,033** | **3,143,033** |
| GWI | **2,500,000** | **–** | **2,500,000** |
| | **697,059,022** | **165,727,839** | **862,786,861** |
| Allowance for impairment of investments and advances | **(4,476,213)** | **(164,459,805)** | **(168,936,018)** |
| | **692,582,809** | **1,268,034** | **693,850,843** |
| Associate - Mont-Aire | **38,288,343** | **99,618,208** | **137,906,551** |
| Joint Venture - INQ7 | | | |
| Cost | **50,000,000** | **11,544,000** | **61,544,000** |
| Allowance for impairment of investments and advances | **(50,000,000)** | **(11,544,000)** | **(61,544,000)** |
| | **–** | **–** | **–** |
| | **₱730,871,152** | **₱100,886,242** | **₱831,757,394** |

| | 2021 | | |
|---|---|---|---|
| | Investments | Advances (see Note 21) | Total |
| Subsidiaries: | | | |
| GMPI | ₱265,141,346 | ₱– | ₱265,141,346 |
| RGMA | 168,000,000 | – | 168,000,000 |
| Citynet | 937,500 | 118,934,402 | 119,871,902 |
| GNMI | 76,500,000 | – | 76,500,000 |
| GNFI | 1,250,000 | 44,511,314 | 45,761,314 |
| Scenarios | 20,000,000 | 1,014,090 | 21,014,090 |
| GVI | 13,250,000 | – | 13,250,000 |
| Alta | 10,855,176 | – | 10,855,176 |
| GMA Music | 1,875,000 | 1,268,033 | 3,143,033 |
| GWI | 2,500,000 | – | 2,500,000 |
| | 560,309,022 | 165,727,839 | 726,036,861 |
| Allowance for impairment of investments and advances | (4,476,213) | (164,459,805) | (168,936,018) |
| | 555,832,809 | 1,268,034 | 557,100,843 |

*(Forward)*

| | 2021 | | |
|---|---|---|---|
| | Investments | Advances (see Note 21) | Total |
| Associate - Mont-Aire | ₱38,288,343 | ₱99,531,726 | ₱137,820,069 |
| Joint Venture - INQ7 | | | |
| Cost | 50,000,000 | 11,544,000 | 61,544,000 |
| Allowance for impairment of investments and advances | (50,000,000) | (11,544,000) | (61,544,000) |
| | – | – | – |
| | ₱594,121,152 | ₱100,799,760 | ₱694,920,912 |

The movements in the account are as follows:

| | **2022** | 2021 |
|---|---|---|
| Investments in subsidiaries: | | |
| Acquisition costs | | |
| Balance at beginning of year | **₱560,309,022** | ₱547,059,022 |
| Additional investments during the year | **136,750,000** | 13,250,000 |
| Balance at end of year | **697,059,022** | 560,309,022 |
| Allowance for impairment in value | | |
| Balance at beginning and end of year | **(4,476,213)** | (4,476,213) |
| | **692,582,809** | 555,832,809 |
| Investments in associate and joint venture: | | |
| Acquisition costs | | |
| Balance at beginning and end of year | **88,288,343** | 88,288,343 |
| Allowance for impairment in value | | |
| Balance at beginning and end of year | **(50,000,000)** | (50,000,000) |
| | **38,288,343** | 38,288,343 |
| Advances to subsidiaries: | | |
| Balance at beginning and end of year | **165,727,839** | 165,727,839 |
| Allowance for ECL | | |
| Balance at beginning and end of year | **(164,459,805)** | (164,459,805) |
| | **1,268,034** | 1,268,034 |
| Advances to associate and joint venture: | | |
| Balance at beginning of year | **111,075,726** | 109,264,277 |
| Additional advances during the year (see Note 21) | **86,482** | 1,811,449 |
| | **111,162,208** | 111,075,726 |
| Allowance for impairment loss | | |
| Balance at beginning and end of year | **(11,544,000)** | (11,544,000) |
| Balance at end of year | **99,618,208** | 99,531,726 |
| Total investments and advances | **₱831,757,394** | ₱694,920,912 |

On January 1, 2016, GMPI's operations was integrated into the Company's operations. The Company absorbed all of GMPI's employees and assumed the obligation to settle the post-employment benefits of these employees upon their retirement. The post-employment benefit obligation assumed by the Company amounting to ₱259.14 million was recognized as an addition to the investment in GMPI. As at December 31, 2022, dissolution of GMPI is deferred to a future date.

## 13. Property and Equipment at Cost

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Buildings, towers and improvements** | **Antenna and transmitter systems and broadcast equipment** | **Communication and mechanical equipment** | **Transportation equipment** | **Furniture, fixtures and equipment** | **Construction in progress and equipment for installation** | **Total** |
| **Cost** | | | | | | | |
| At January 1, 2022 | **₱3,109,722,644** | **₱7,909,745,591** | **₱1,547,898,258** | **₱572,157,533** | **₱145,844,776** | **₱478,220,877** | **₱13,763,589,679** |
| Additions | **27,101,000** | **279,557,560** | **130,734,557** | **79,274,218** | **2,493,393** | **499,776,649** | **1,018,937,377** |
| Disposals | **(6,381,551)** | **(22,953,277)** | **(2,606,800)** | **(54,073,529)** | **(6,364)** | **–** | **(86,021,521)** |
| Reclassifications (see Notes 10 and 16) | **164,663,301** | **275,515,287** | **57,685,043** | **–** | **–** | **(499,393,834)** | **(1,530,203)** |
| At December 31, 2022 | **3,295,105,394** | **8,441,865,161** | **1,733,711,058** | **597,358,222** | **148,331,805** | **478,603,692** | **14,694,975,332** |
| **Accumulated Depreciation** | | | | | | | |
| At January 1, 2022 | **2,491,597,047** | **6,433,447,781** | **1,328,343,928** | **446,744,089** | **138,152,572** | **–** | **10,838,285,417** |
| Depreciation (see Notes 23 and 24) | **90,456,128** | **368,190,118** | **122,596,480** | **56,081,572** | **3,051,802** | **–** | **640,376,100** |
| Disposals | **(6,381,551)** | **(22,687,903)** | **(2,606,800)** | **(51,425,159)** | **(6,364)** | **–** | **(83,107,777)** |
| At December 31, 2022 | **2,575,671,624** | **6,778,949,996** | **1,448,333,608** | **451,400,502** | **141,198,010** | **–** | **11,395,553,740** |
| Net Book Value | **₱719,433,770** | **₱1,662,915,165** | **₱285,377,450** | **₱145,957,720** | **₱7,133,795** | **₱478,603,692** | **₱3,299,421,592** |

| | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Buildings, towers and improvements | Antenna and transmitter systems and broadcast equipment | Communication and mechanical equipment | Transportation equipment | Furniture, fixtures and equipment | Construction in progress and equipment for installation | Total |
| **Cost** | | | | | | | |
| At January 1, 2021 | ₱3,043,958,562 | ₱7,326,273,837 | ₱1,443,239,133 | ₱629,757,355 | ₱143,734,191 | ₱484,707,437 | ₱13,071,670,515 |
| Additions | 7,247,322 | 205,756,108 | 90,439,674 | 76,694,773 | 891,683 | 584,393,770 | 965,423,330 |
| Disposals | – | (95,175,191) | (28,384,602) | (135,216,024) | – | – | (258,775,817) |
| Reclassifications (Note 16) | 58,516,760 | 472,890,837 | 42,604,053 | 921,429 | 1,218,902 | (590,880,330) | (14,728,349) |
| At December 31, 2021 | 3,109,722,644 | 7,909,745,591 | 1,547,898,258 | 572,157,533 | 145,844,776 | 478,220,877 | 13,763,589,679 |
| **Accumulated Depreciation** | | | | | | | |
| At January 1, 2021 | 2,410,864,602 | 6,218,023,900 | 1,242,383,258 | 527,018,111 | 135,245,395 | – | 10,533,535,266 |
| Depreciation (see Notes 23 and 24) | 80,732,445 | 309,883,009 | 114,345,270 | 50,387,144 | 2,907,177 | – | 558,255,045 |
| Disposals | – | (94,459,128) | (28,384,600) | (130,661,166) | – | – | (253,504,894) |
| At December 31, 2021 | 2,491,597,047 | 6,433,447,781 | 1,328,343,928 | 446,744,089 | 138,152,572 | – | 10,838,285,417 |
| Net Book Value | ₱618,125,597 | ₱1,476,297,810 | ₱219,554,330 | ₱125,413,444 | ₱7,692,204 | ₱478,220,877 | ₱2,925,304,262 |

Construction in progress pertains to costs incurred for installation of equipment, signal strengthening of transmitters nationwide and construction/improvement of studios and stations in the regions.

The reclassification relates to the low value assets included under “Prepaid expenses and other current assets” amounting to ₱0.8 million in 2021, and the software costs that were transferred to other noncurrent assets amounting to ₱1.53 million and ₱14.65 million in 2022 and 2021, respectively (see Notes 10 and 16).

The Company leases out a portion of its property and equipment at cost. Total rental income recognized for the leased portion amounted to ₱2.56 million and ₱2.19 million in 2022 and 2021, respectively (see Note 27).

The Company disposed various property and equipment in 2022 and 2021 resulting to the recognition of gain on sale amounting to ₱29.71 million and ₱50.94 million, respectively (see Note 27).

As at December 31, 2022 and 2021, no property and equipment have been pledged as collateral or security for any of the Company’s liabilities.

## 14. Land at Revalued Amounts

The movement of the land at revalued amount is shown below:

| | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Revaluation Increment** | **Total** | Cost | Revaluation Increment | Total |
| At beginning of year | **₱501,718,175** | **₱2,443,578,839** | **₱2,945,297,014** | ₱359,617,345 | ₱2,443,578,839 | ₱2,803,196,184 |
| Additions during the year | **24,307,384** | **3,650,290,750** | **3,674,598,134** | 142,100,830 | – | 142,100,830 |
| At end of year | **₱526,025,559** | **₱6,093,869,589** | **₱6,619,895,148** | ₱501,718,175 | ₱2,443,578,839 | ₱2,945,297,014 |

In 2022, the Company assessed those certain parcels of land at revalued amounts comprising majority of the balance of the account have significant movements in its current carrying values and obtained updated appraisals as at December 31, 2022. Total additional revaluation increment recognized in 2022 based on updated appraisals amounted to ₱3,650.29 million.

The fair value from the 2022 appraisals was determined using the “Market Data Approach” as determined by independent professionally qualified appraisers. The fair value represents the amount that would be received to sell the property in an orderly transaction between market participants at the date of valuation.

| | Comparables | | | |
|---|---|---|---|---|
| | 1 | 2 | 3 | 4 |
| Adjusted asking price (per square meters) | ₱283,500 | ₱252,000 | ₱330,750 | ₱330,750 |
| Adjustments to asking price | 5% | – | 5% | 5% |
| Lot size (square meters) | 1,382.4 | 1,284 | 5,000 | 8,866 |
| Location | Timog Avenue South Triangle Quezon City | Mother Ignacia Avenue South Triangle Lanao del Norte | Epifanio Delos Santos Avenue Bago Bantay Quezon City | Epifanio Delos Santos Avenue Unang Sigaw Quezon City |

The appraised value of land is directly proportional to the asking price of the comparable land and adjusted according to the following appraisal considerations:

- Property Rights Conveyed
- Financing/Conditions of Sale/Listing
- Market Conditions (Time of Sale)
- Location
- Size and shape
- Topography, etc.

There was no additional revaluation increment on land in 2021 due to insignificant movements in the fair value of the land.

Also on October 1, 2022, the Network purchased a parcel of land in Poblacion 5, Don Rufino Alonzo Street, Cotabato City amounting to ₱12.03 million as a suitable final relocation site for the transfer of GMA TV-12 Cotabato. Other acquisitions of land in Tagaytay, Laguna, Catanduanes, and Albay were also made during 2022 amounting to ₱6.02 million, ₱3.70 million, ₱1.55 million and ₱1.00 million respectively. Management believes that the fair values as at acquisition date approximates the fair values as at December 31, 2022.

For the land that were not appraised, the Company referred to the published comparable prices for the fair values.

The fair values in 2021 was determined using the "Market Data Approach" as determined by independent professionally qualified appraisers. The fair value represents the amount that would be received to sell the property in an orderly transaction between market participants at the date of valuation. The description of valuation techniques used and key inputs to fair valuation are as follows:

| | Valuation Technique | Significant Unobservable Inputs | Range |
|---|---|---|---|
| Land | Market comparable assets | Price per square metre | ₱200-₱97,000 |

The fair value is categorized under Level 3 of the fair value hierarchy and represents 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 in accordance with International Valuation Standards.

As at December 31, 2022 and 2021, no land has been pledged as collateral or security for any of the Company's liabilities and the Company has no restrictions on the realizability of its land and no contractual obligation to purchase, construct or develop land or for repairs, maintenance and enhancements.

## 15. **Investment Properties**

| | **2022** | | |
|---|---|---|---|
| | **Land and Improvements** | **Buildings and Improvements** | **Total** |
| Cost | | | |
| Balance at beginning and end of year | **₱12,388,088** | **₱52,357,238** | **₱64,745,326** |
| Accumulated depreciation | | | |
| Balance at beginning of year | **–** | **41,026,900** | **41,026,900** |
| Depreciation during the year (see Note 24) | **–** | **1,382,387** | **1,382,387** |
| Balance at end of year | **–** | **42,409,287** | **42,409,287** |
| Accumulated impairment | | | |
| Balance at beginning and end of year | **–** | **1,383,376** | **1,383,376** |
| | **₱12,388,088** | **₱8,564,575** | **₱20,952,663** |

| | 2021 | | |
|---|---|---|---|
| | Land and Improvements | Buildings and Improvements | Total |
| Cost | | | |
| Balance at beginning and end of year | ₱12,388,088 | ₱52,357,238 | ₱64,745,326 |
| Accumulated depreciation | | | |
| Balance at beginning of year | – | 39,644,513 | 39,644,513 |
| Depreciation during the year (see Note 24) | – | 1,382,387 | 1,382,387 |
| Balance at end of year | – | 41,026,900 | 41,026,900 |
| Accumulated impairment | | | |
| Balance at beginning and end of year | – | 1,383,376 | 1,383,376 |
| | ₱12,388,088 | ₱9,946,962 | ₱22,335,050 |

Certain investment properties were provided with allowance for impairment in prior years.

Management believes that the carrying values after impairment approximate its recoverable values.

The fair value of investment properties owned by the Company amounted to ₱141.24 million as at December 31, 2022 and 2021, which was based on the latest appraisal. The land was last appraised on November 19, 2018 by an accredited appraiser and was valued in terms of its highest and best use. The fair value of the land was not determined as at December 31, 2022. While the fair value of the land was not determined as at December 31, 2022, the Company's management believes that the fair values as at December 31, 2018 approximate the fair values as at December 31, 2022.

The fair value was determined using the "Market Data Approach". The fair value represents the amount that would be received to sell the property in an orderly transaction between market participants at the date of valuation.

The description of the valuation techniques used and key inputs to fair valuation are as follows:

| | Valuation Technique | Significant Unobservable Inputs | Range |
|---|---|---|---|
| Land | Market comparable assets | Price per square metre | ₱1,400-₱3,500 |
| Buildings for lease | Market comparable assets | Price per square metre | ₱22,000-₱117,000 |

Management believes that the fair values did not change significantly.

The fair value is categorized under Level 3 of the fair value hierarchy and represents 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.

Rental income and the directly related expense arising from these investment properties follow:

| | **2022** | 2021 |
|---|---|---|
| Rental income (see Note 27) | **₱2,555,236** | ₱2,193,117 |
| Depreciation expense (see Note 24) | **(1,382,387)** | (1,382,387) |
| | **₱1,172,849** | ₱810,730 |

As at December 31, 2022 and 2021, no investment properties have been pledged as collateral or security for any of the Company's liabilities and the Company has no restriction on the realizability of its investment properties and no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

## 16. Other Noncurrent Assets

| | **2022** | 2021 |
|---|---|---|
| Software costs | **₱103,860,686** | ₱157,111,071 |
| Restricted cash | **52,722,572** | 52,722,572 |
| Refundable deposits | **26,149,296** | 21,636,440 |
| Deferred input VAT | **20,229,371** | 34,378,025 |
| Investments in artworks | **9,454,000** | 9,454,000 |
| Guarantee deposits | **2,162,420** | 2,162,420 |
| Advances to contractors | **–** | 3,247,500 |
| Others | **76,514** | 76,515 |
| | **₱214,654,859** | ₱280,788,543 |

Software costs relate to software applications and website development costs, which provide an edge on the Company's online presence and other software issues.

The movements in software costs follows:

| | **2022** | 2021 |
|---|---|---|
| Cost: | | |
| Balance at beginning of year | **₱658,606,671** | ₱592,931,717 |
| Additions during the year | **18,247,234** | 51,021,222 |
| Reclassifications during the year (see Note 13) | **1,530,203** | 14,653,732 |
| Balance at end of year | **678,384,108** | 658,606,671 |

*(Forward)*

| | 2022 | 2021 |
|---|---|---|
| Accumulated amortization: | | |
| Balance at beginning of year | **₱501,495,600** | ₱437,092,861 |
| Amortization during the year (see Note 24) | **73,027,822** | 64,402,739 |
| Balance at end of year | **574,523,422** | 501,495,600 |
| | **₱103,860,686** | ₱157,111,071 |

Restricted cash pertains to time deposits under the custody of the courts as collateral for pending litigation.

Refundable deposits pertain to the deposits made to various electric companies across the country.

Deferred input VAT pertains to the VAT on the Company's acquisitions of capital goods exceeding ₱1.00 million in any given month which are to be amortized over the 60 months or the life of the asset whichever is shorter.

Investment in artworks are paintings and other works of art usually displayed in the Company's hallways.

Guarantee deposits pertain to deposits to telephone companies as well as building/office rental deposits to be used for the Company's programs. Also included are deposits to the satellite providers.

Advances to contractors pertain to advance payments made by the Company for the construction of assets to be classified as property and equipment.

## 17. Trade Payables and Other Current Liabilities

| | 2022 | 2021 |
|---|---|---|
| Payable to government agencies | **₱1,198,076,152** | ₱1,447,396,010 |
| Trade: | | |
| Related parties (see Note 21) | **332,003,232** | 339,865,067 |
| Suppliers | **516,509,613** | 305,293,124 |
| Accrued expenses: | | |
| Utilities and other accrued expenses | **230,920,238** | 70,151,954 |
| Production costs | **178,901,372** | 127,217,485 |
| Ploughback | **154,257,660** | 171,518,737 |
| Payroll and talent fees | **107,605,655** | 179,212,845 |
| Commissions | **52,482,407** | 48,798,137 |
| Contract liabilities | **369,438,827** | 129,176,310 |
| Customers' deposits | **52,596,783** | 46,034,192 |
| Due to related parties (see Note 21) | **2,346,686** | 2,367,579 |
| Others | **27,340,333** | 25,921,750 |
| | **₱3,222,478,958** | ₱2,892,953,190 |

Payable to government agencies is composed of the Company's statutory compensation-related contributions to government agencies and net VAT and withholding taxes payable to the Bureau of Internal Revenue (BIR). The difference between the accrual accounting under the accounting standards and cash-basis accounting as prescribed by the BIR for service-related companies caused the Company to normally incur deferred output VAT which forms a substantial part of the Company's payable to government agencies. These payables are remitted within 30 days after reporting period.

Trade payables to suppliers are noninterest-bearing and are normally settled on terms ranging from seven to 60 days. The terms and conditions of trade payables to related parties are discussed in Note 21.

Accrued expenses and other payables are noninterest-bearing and are generally settled within the next financial year.

Contract liabilities pertain to payments received before broadcast and before delivery of goods and services. These are recognized as revenue when the Company performs the obligation under the contract. The total beginning balance of contract liabilities amounting to ₱35.90 million was recognized as revenue for the year ended December 31, 2022. This account also includes contract liabilities of ₱22.00 million resulting from airtime credits that have not been implemented resulting from the exchange of the Company's interests in X-Play in 2015.

Customers' deposits include guaranty deposits from advertising agencies to secure payment of bills by advertisers. These deposits are noninterest-bearing and normally refunded once the related broadcasts are paid by the advertisers. It also includes deposits from the Company's lessees upon inception of the lease agreements.

Others include unpaid subscriptions and retention payables. These are noninterest-bearing and are normally settled within one year.

## 18. Short-term Loans

The Company obtained unsecured short-term peso and United States dollar (USD) denominated loans from local banks in 2022 and 2021. Details and movements of the short-term loans are as follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at beginning of year | **₱739,485,500** | ₱720,345,000 |
| Availments | **1,000,000,000** | 4,479,150,000 |
| Payments | **(1,685,850,000)** | (4,542,575,000) |
| Revaluation | **(53,635,500)** | 82,565,500 |
| Balance at end of year | **₱–** | ₱739,485,500 |

There is no outstanding loan as at December 31, 2022. The outstanding loan as at December 31, 2021 consist of fixed rate note with the following details:

| Lender | Currency | Amount | Interest Rate (per annum) | Terms | **2022** | 2021 |
|---|---|---|---|---|---|---|
| Citibank | USD | $14,500,000 | 1.66% | Availed in 2021; payable in 311 days | **₱–** | ₱739,845,500 |

Interest expense amounted to ₱9.56 million and ₱22.60 million for peso denominated loans in 2022 and 2021, respectively, and ₱2.78 million and ₱15.03 million for US dollar denominated loans in 2022 and 2021, respectively.

## 19. **Obligations for Program and Other Rights**

Obligations for program and other rights represent liabilities to foreign and local film suppliers for program and other rights purchased by the Company. Outstanding unpaid balance as at December 31, 2022 and 2021 amounted to ₱209.17 million and ₱212.58 million, respectively. Obligations for program and other rights are generally payable in equal monthly or quarterly installments.

## 20. **Equity**

a. Capital Stock

Details of capital stock as at December 31, 2022 and 2021:

| | No. of Shares | | Amount | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Common - ₱1.00 par value | | | | |
| Authorized | **5,000,000,000** | 5,000,000,000 | **₱5,000,000,000** | ₱5,000,000,000 |
| Subscribed and issued | **3,364,692,000** | 3,364,692,000 | **₱3,364,692,000** | ₱3,364,692,000 |
| Preferred - ₱0.20 par value | | | | |
| Authorized | **7,500,000,000** | 7,500,000,000 | **₱1,500,000,000** | ₱1,500,000,000 |
| Subscribed and issued | **7,500,000,000** | 7,500,000,000 | **₱1,500,000,000** | ₱1,500,000,000 |

The cumulative preferred shares are of equal rank, preference and priority and are identical in all respect regardless of series. Preferred shares are participating at the rate of one fifth (1/5) of the dividends paid to common shares, the rate of which is adjusted proportionately by the Company's BOD consequent to any stock split or stock dividend declaration affecting the common shares and preferred shares. Preferred shares are convertible at the option of the shareholders at the ratio of five preferred shares to one common share, based on par value.

Preferred shares enjoy priority over common shares in the distribution of assets of the Company in the event of dissolution and liquidation, at such rates, terms and conditions as the BOD may determine. Each preferred share is entitled to one vote and shall have the same voting rights as the common shares.

The Company's BOD may specify other terms and conditions, qualifications, restrictions and privileges of the preferred shares or series/classes thereof, insofar as such terms, conditions, qualifications, restrictions and privileges are not inconsistent with the articles of incorporation and any applicable law or regulation.

The following summarizes the information on the Company's registration of securities with the SEC, which was approved on June 20, 2007, as required by Revised Securities Regulation Code (SRC) Rule 68:

| Securities | Authorized and issued shares | Issue/Offer Price |
|---|---|---|
| Initial public offering | 91,346,000 | ₱8.50 |
| Underlying common shares of PDRs | 945,432,000 | 8.50 |
| Over-allotment common shares | 13,701,000 | 8.50 |
| Common shares covering employee stock option plan | 57,000,000 | 8.50 |

In prior years, the Company has acquired 750,000 PDRs issued by GMA Holdings, Inc. at acquisition cost of ₱5.79 million. In as much as each PDR share grants the holder, upon payment of the exercise price and subject to certain other conditions, the delivery of one (1) Company share or the sale and delivery of the proceeds of such sale of Company share, such PDRs held by the Company is being treated similar to a treasury shares.

In October 4, 2021, the Company's BOD approved to contribute its treasury common and preferred shares and PDRs to the Company's retirement plan. The contribution of the 3,645,000 treasury common shares and 492,816 treasury preferred shares was executed on December 31, 2021 at a transaction price of ₱13.90 per share and ₱2.77 per share, respectively. As the preferred shares are unlisted, the transaction price was based on the market price of the Company's listed common shares on the transaction date, with the value of the treasury preferred shares computed based on the ratio of 1:5 preferred shares to common shares. The contribution of the 750,000 PDRs was executed on December 20, 2021 at a transaction price of ₱13.02 per share.

b. Retained Earnings

The BOD of the Company approved the declaration of the following cash dividends:

| Year | Declaration Date | Record Date | Cash Dividend Per Share | Total Cash Dividend Declared |
|---|---|---|---|---|
| **2022** | **March 25, 2022** | **April 25, 2022** | **₱1.45** | **₱7,053,803,401** |
| 2021 | March 26, 2021 | April 22, 2021 | ₱1.35 | ₱6,561,267,889 |

The Company's outstanding dividends payable amounts to ₱30.53 million and ₱25.59 million as at December 31, 2022 and 2021, respectively.

On March 31, 2023, the Parent Company's BOD approved the declaration and distribution of cash dividends amounting to ₱1.10 per share totaling ₱5,351.16 million to all stockholders of record as at April 21, 2023 and will be paid starting May 16, 2023.

## 21. Related Party Disclosures

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables.

For years ended December 31, 2022 and 2021, the Company has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In the ordinary course of business, the Company transacts with subsidiaries, affiliate, joint venture and other related parties on advances, reimbursement of expenses, and future stock subscriptions.

The transactions and balances of accounts as at and for the years ended December 31, 2022 and 2021 with related parties are as follows:

| Related Party | Category | Year | Amount/Volume of Transaction | Outstanding Receivable (Payable) | Terms and Conditions |
|---|---|---|---|---|---|
| **Trade payables and other current liabilities** (see Note 17) | | | | | |
| **Subsidiaries** | | | | | |
| RGMA | Production cost/service fees | **2022** | **₱249,729,986** | **(₱35,919,562)** | 30-60 day noninterest-bearing; |
| | | 2021 | 340,609,783 | (47,980,821) | unsecured |
| GMPI | Marketing fees and | **2022** | – | **(106,549,948)** | 60-day noninterest-bearing; |
| | commissions | 2021 | – | (106,549,948) | unsecured |
| GNMI | Technical support and website | **2022** | **121,065,697** | **(136,547,967)** | 30-60 day noninterest-bearing; |
| | administration | 2021 | 130,911,634 | (133,709,080) | unsecured |
| Media Merge | Share in digital income | **2022** | – | **(3,198,846)** | 30-60 day noninterest-bearing; |
| | | 2021 | – | (3,198,846) | unsecured |
| Script2010 | Production cost/service fees | **2022** | **121,365,011** | **(31,943,752)** | On demand, noninterest- |
| | | 2021 | 93,292,792 | (28,361,820) | bearing; unsecured |
| Alta | Production cost/service fees | **2022** | **78,021,478** | **(12,582,027)** | Noninterest-bearing; |
| | | 2021 | 74,149,020 | (16,130,950) | unsecured |
| GWI | Management fee and | **2022** | – | **(3,925,824)** | 30-day noninterest-bearing; |
| | distribution expenses | 2021 | – | (3,925,824) | unsecured |
| GMA Music | Production cost/service fees | **2022** | **1,335,306** | **(1,335,306)** | 30-60 day noninterest-bearing |
| | | 2021 | 7,778 | (7,778) | unsecured |
| | | **2022** | **₱571,517,478** | **(₱218,328,614)** | |
| | | 2021 | ₱638,971,007 | (₱226,190,449) | |
| **Nontrade payables** (see Note 17) | | | | | |
| **Subsidiaries** | | | | | |
| Script2010 | Reimbursable charges | **2022** | **₱–** | **(₱1,878,486)** | Noninterest-bearing; |
| | | 2021 | – | (1,878,486) | Unsecured |
| GMA Music | Reimbursable charges | **2022** | – | – | Noninterest-bearing; |
| | | 2021 | 20,893 | (20,893) | Unsecured |
| Scenarios | Reimbursable charges | **2022** | – | **(435,000)** | Noninterest-bearing; |
| | | 2021 | – | (435,000) | unsecured |
| GMPI | Reimbursable charges | **2022** | – | **(33,200)** | Noninterest-bearing; |
| | | 2021 | – | (33,200) | unsecured |
| | | **2022** | **₱–** | **(₱2,346,686)** | |
| | | 2021 | ₱20,893 | (₱2,367,579) | |
| **Other related parties** | | | | | |
| Belo, Gozon, Elma | Legal, Consulting fee and others | **2022** | **₱15,416,907** | **₱–** | On demand, noninterest- |
| Law | | 2021 | 14,477,527 | – | bearing; unsecured |
| GMA Kapuso | Donations | **2022** | **672,065** | – | On demand, noninterest- |
| Foundation | | 2021 | 3,467,042 | – | bearing; unsecured |
| | | | **₱16,088,972** | **₱–** | |
| | | | ₱17,944,569 | ₱– | |
| **Other trade receivables** (see Note 7) | | | | | |
| **Subsidiaries** | | | | | |
| GNMI | Online advertising | **2022** | **₱351,684,824** | **₱139,382,923** | 30-60 day; noninterest-bearing; |
| | | 2021 | 331,325,504 | 91,857,707 | unsecured; not impaired |
| GMA Music | Sale of Affordabox | **2022** | **10,102,400** | **16,582,914** | 30-60 day; noninterest-bearing; |
| | | 2021 | 35,402,138 | 27,756,216 | unsecured; not impaired |
| | | **2022** | **₱361,787,224** | **₱155,965,837** | |
| | | 2021 | ₱366,727,642 | ₱119,613,923 | |
| **Nontrade receivables** (see Note 7) | | | | | |
| **Subsidiaries** | | | | | |
| Script2010 | Reimbursable charges | **2022** | **₱1,674,610** | **₱26,190,705** | On-demand, noninterest- |
| | | 2021 | 3,221,958 | 24,531,580 | bearing; unsecured; not impaired |

*(Forward)*

| Related Party | Category | Year | Amount/Volume of Transaction | Outstanding Receivable (Payable) | Terms and Conditions |
|---|---|---|---|---|---|
| GNFI | Reimbursable charges | **2022** | **₱619,121** | **₱29,169,778** | On-demand, noninterest- |
| | | 2021 | 88,141 | 28,550,657 | bearing; unsecured; not impaired |
| GMA Music | Reimbursable charges | **2022** | **175,154** | **6,090,258** | On-demand, noninterest- |
| | | 2021 | 251,497 | 5,915,104 | bearing; unsecured; not impaired |
| Scenarios | Reimbursable charges | **2022** | – | **5,508,645** | On-demand, noninterest- |
| | | 2021 | – | 5,507,145 | bearing; unsecured; not impaired |
| GWI | Reimbursable charges | **2022** | – | – | On-demand, noninterest- |
| | | 2021 | – | – | bearing; unsecured; not impaired |
| Media Merge | Reimbursable charges | **2022** | – | **1,296,875** | On-demand, noninterest- |
| | | 2021 | - | 1,436,579 | bearing; unsecured; not impaired |
| Alta | Reimbursable charges | **2022** | – | **186,874** | On-demand, noninterest- |
| | | 2021 | - | 186,624 | bearing; unsecured; not impaired |
| RGMA | Reimbursable charges | **2022** | – | **300,487** | On-demand, noninterest- |
| | | 2021 | 227,447 | 154,327 | bearing; unsecured; not impaired |
| GMPI | Reimbursable charges | **2022** | – | **34,362** | On-demand, noninterest- |
| | | 2021 | | 34,361 | bearing; unsecured; not impaired |
| GVI | Reimbursable charges | **2022** | **359,227** | **311,271** | On-demand, noninterest- |
| | | 2021 | 360,546 | 360,546 | bearing; unsecured; not impaired |
| GNMI | Reimbursable charges | **2022** | **65,152** | **65,152** | On-demand, noninterest- |
| | | 2021 | **–** | – | bearing; unsecured; not impaired |
| **Other related parties** | | | | | |
| GMA Kapuso Foundation | Reimbursable charges | **2022** | **960,433** | **2,038,381** | On demand, noninterest- |
| | | 2021 | 633,244 | 956,214 | bearing; unsecured; not impaired |
| | | **2022** | **₱3,853,697** | **₱71,192,786** | |
| | | 2021 | ₱4,782,833 | ₱67,633,137 | |
| **<u>Other nontrade receivables</u>** (see Note 7) | | | | | |
| **Subsidiaries** | | | | | |
| GNMI | Dividend income | **2022** | **₱110,000,000** | **₱56,700,000** | On-demand, noninterest- |
| | | 2021 | 100,000,000 | 26,700,000 | bearing; unsecured; not impaired |
| Alta | Dividend income | **2022** | **3,500,000** | **–** | On-demand, noninterest- |
| | | 2021 | 671,268 | **–** | bearing; unsecured; not impaired |
| RGMA | Dividend income | **2022** | **36,260,000** | **–** | On-demand, noninterest- |
| | | 2021 | 7,350,000 | **–** | bearing; unsecured; not impaired |
| GMA Music | Dividend income | **2022** | **550,000** | – | On-demand, noninterest- |
| | | 2021 | – | – | bearing; unsecured; not impaired |
| Citynet | Dividend income | **2022** | **14,000,000** | **8,000,000** | On-demand, noninterest- |
| | | 2021 | – | – | bearing; unsecured; not |
| | | 2021 | – | – | impaired |
| | | **2022** | **₱164,310,000** | **₱64,700,000** | |
| | | 2021 | ₱108,021,268 | ₱26,700,000 | |
| **<u>Advances to investees</u>** (see Note 12) | | | | | |
| **Subsidiaries** | | | | | |
| Citynet | Advances | **2022** | **₱–** | **₱118,934,40**2 | 60-day noninterest-bearing; |
| | | 2021 | – | 118,934,402 | fully impaired |
| GNFI | Advances | **2022** | **–** | **44,511,314** | On-demand, noninterest- |
| | | 2021 | – | 44,511,314 | bearing; unsecured; not impaired |

*(Forward)*

| Related Party | Category | Year | Amount/Volume of Transaction | Outstanding Receivable (Payable) | Terms and Conditions |
|---|---|---|---|---|---|
| GMA Music | Advances | **2022** | **₱–** | **₱1,268,033** | On-demand, noninterest-bearing; unsecured; not impaired not |
| | | 2021 | – | 1,268,033 | |
| Scenarios | Advances | **2022** | – | **1,014,090** | On-demand, noninterest-bearing; unsecured; not impaired |
| | | 2021 | – | 1,014,090 | |
| **Associate** | | | | | |
| Mont-aire | Advances | **2022** | **86,482** | **99,618,208** | On-demand, noninterest-bearing; unsecured; not impaired |
| | | 2021 | 1,811,449 | 99,531,726 | |
| **Joint venture** | | | | | |
| INQ7 | Advances | **2022** | **–** | **11,544,000** | On-demand, noninterest-bearing; unsecured; fully impaired |
| | | 2021 | – | 11,544,000 | |
| | | | **₱86,482** | **₱276,890,047** | |
| | **Allowance for impairment** | **2022** | – | **(176,003,805)** | |
| | | | **₱–** | **₱100,886,242** | |
| | | | ₱1,811,449 | ₱276,803,565 | |
| | Allowance for impairment | 2021 | – | (176,003,805) | |
| | | | ₱– | ₱100,799,760 | |

The following table provides the summary of outstanding balances, before any allowance for impairment, for the years ended December 31, 2022 and 2021 in relation with the table above for the transactions that have been entered into with related parties:

| | 2022 | 2021 |
|---|---|---|
| Trade payables and other current liabilities (see Note 17) | **₱332,003,232** | ₱339,865,067 |
| Advances to investees (see Note 12) | **276,890,047** | 276,803,565 |
| Other trade receivables (see Note 7) | **155,965,837** | 119,613,923 |
| Nontrade receivables (see Note 7) | **71,192,786** | 67,633,137 |
| Other nontrade receivables (see Note 7) | **64,700,000** | 26,700,000 |
| Nontrade payables (see Note 17) | **2,346,686** | 2,367,579 |

The advances made by the Company to Mont-Aire in previous years are intended for future capital subscription.

Accumulated impairment loss on advances amounted to ₱176.00 million as at December 31, 2022 and 2021.

<u>Compensation of Key Management Personnel</u>
The compensation of key management personnel of the Company, by benefit type, are as follows:

| | 2022 | 2021 |
|---|---|---|
| Salaries and other long-term benefits (see Notes 23 and 24) | **₱960,150,503** | ₱916,397,910 |
| Pension benefits (see Notes 23 and 24) | **185,678,420** | 178,536,942 |
| | **₱1,145,828,923** | ₱1,094,934,852 |

Pension costs under OCI amounted to ₱323.82 million and ₱316.68 million as at December 31, 2022 and 2021, respectively.

Equity Investments of the Retirement Fund
The Company's retirement fund includes equity investments in GMA Network, Inc. and GMA PDRs amounting to ₱757.31 million and ₱7.95 million in 2022, respectively, and ₱962.98 million and ₱11.22 million in 2021, respectively (see Note 26).

## 22. **Revenue**s

Set out below is the disaggregation of the Company's revenues from contract with customers for the year ended December 31:

| | 2022 | 2021 |
|---|---|---|
| **Revenue source:** | | |
| Sale of service | | |
| Advertising revenue | **₱19,366,722,294** | ₱20,141,737,592 |
| Subscription revenue (see Note 28) | **774,865,805** | 786,471,874 |
| Production revenue | **122,693,060** | 45,288,735 |
| Revenue from distribution and content provisioning | **34,131,054** | 40,787,764 |
| Digital Income | **624,352,804** | 627,600,699 |
| Sale of goods | **326,999,166** | 515,247,999 |
| **Total revenue from contracts with customers** | **₱21,249,764,183** | ₱22,157,134,663 |
| **Geographical markets** | | |
| Local | **₱20,387,701,312** | ₱21,228,386,413 |
| International | **862,062,871** | 928,748,250 |
| **Total revenue from contracts with customers** | **₱21,249,764,183** | ₱22,157,134,663 |
| **Timing of revenue recognition** | | |
| Goods/services transferred at a point in time | **₱20,474,898,378** | ₱21,370,662,789 |
| Services transferred over time | **774,865,805** | 786,471,874 |
| **Total revenue from contracts with customers** | **₱21,249,764,183** | ₱22,157,134,663 |

## 23. **Production Costs**

| | 2022 | 2021 |
|---|---|---|
| Talent fees and production personnel costs (see Note 25) | **₱3,751,864,553** | ₱3,095,747,611 |
| Facilities and production services | **1,340,112,509** | 919,496,544 |
| Program and other rights usage (see Note 8) | **868,739,716** | 1,007,347,795 |
| Rental (see Note 28) | **520,268,872** | 344,242,089 |
| Depreciation (see Notes 13 and 24) | **492,742,402** | 376,868,135 |
| Tapes, sets and production supplies | **338,185,858** | 220,387,348 |
| Transportation and communication | **308,521,022** | 198,399,108 |
| | **₱7,620,434,932** | ₱6,162,488,630 |

## 24. **General and Administrative Expenses**

| | **2022** | 2021 |
|---|---|---|
| Personnel costs (see Note 25) | **₱3,739,934,007** | ₱3,543,570,090 |
| Communication, light and water | **388,575,788** | 268,640,580 |
| Taxes and licenses | **376,758,783** | 223,742,139 |
| Professional fees | **332,373,337** | 340,653,550 |
| Repairs and maintenance | **273,385,291** | 312,087,244 |
| Depreciation (see Notes 13, 15 and 28) | **179,582,005** | 208,891,402 |
| Advertising | **168,896,071** | 116,600,030 |
| Software maintenance | **123,428,128** | 99,270,596 |
| Research and surveys | **99,517,215** | 87,958,449 |
| Amortization of software costs (see Note 16) | **73,027,822** | 64,402,739 |
| Marketing expense | **72,645,411** | 85,675,517 |
| Security services | **71,201,924** | 65,411,798 |
| Facilities related expenses | **65,892,695** | 58,691,533 |
| Transportation and travel | **49,069,975** | 33,000,822 |
| Dues and subscription | **31,486,231** | 27,282,680 |
| Insurance | **30,026,844** | 29,969,781 |
| Rental (see Note 28) | **22,195,653** | 19,807,535 |
| Materials and supplies | **11,510,420** | 14,224,736 |
| Entertainment, amusement and recreation | **7,807,389** | 6,954,382 |
| Provision for ECL (see Note 7) | **−** | 107,878,272 |
| Others | **297,568,116** | 193,315,935 |
| | **₱6,414,883,105** | ₱5,908,029,810 |

Others include expenses incurred for other manpower, janitorial and messengerial services, freight charges, donations and other miscellaneous expenses.

*Depreciation*

| | **2022** | 2021 |
|---|---|---|
| Property and equipment (see Note 13) | | |
| Production costs | **₱474,023,369** | ₱357,908,200 |
| General and administrative expenses | **166,352,731** | 200,346,845 |
| | **640,376,100** | 558,255,045 |
| Right-of-use assets (see Note 28) | | |
| Production costs | **18,719,033** | 18,959,935 |
| General and administrative expenses | **11,846,886** | 7,162,171 |
| Investment properties (see Note 15) | | |
| General and administrative expenses | **1,382,387** | 1,382,387 |
| | **₱672,324,406** | ₱585,759,538 |

## 25. **Personnel Costs**

| | **2022** | 2021 |
|---|---|---|
| Talent fees and production personnel costs (see Note 23) | **₱3,751,864,553** | ₱3,095,747,611 |
| Salaries and wages | **1,920,542,757** | 1,757,911,082 |
| Employee benefits and allowances | **1,057,048,964** | 1,032,011,274 |
| Pension expense (see Note 26) | **646,917,398** | 611,048,666 |
| Sick and vacation leaves expense (see Note 26) | **115,424,888** | 142,599,068 |
| | **₱7,491,798,560** | ₱6,639,317,701 |

The above amounts were distributed as follows:

| | **2022** | 2021 |
|---|---|---|
| Production costs (see Note 23) | **₱3,751,864,553** | ₱3,095,747,611 |
| General and administrative expenses (see Note 24) | **3,739,934,007** | 3,543,570,090 |
| | **₱7,491,798,560** | ₱6,639,317,701 |

## 26. **Pension and Other Long-term Employee Benefits**

As at December 31, pension and other employee benefits consist of:

| | **2022** | 2021 |
|---|---|---|
| Pension liability | **₱4,730,284,079** | ₱4,093,751,401 |
| Vacation and sick leave accrual | **347,489,172** | 347,489,172 |
| | **₱5,077,773,251** | ₱4,441,240,573 |

<u>Pension Benefits</u>
The Company has non-contributory defined benefit retirement plan. The Company's latest actuarial valuation report is as at December 31, 2021.

Pension benefits recognized in the parent company statements of comprehensive income are as follows (see Note 25):

| | **2022** | 2021 |
|---|---|---|
| Current service cost | **₱445,095,454** | ₱427,976,397 |
| Net interest cost | **201,821,944** | 183,072,269 |
| | **₱646,917,398** | ₱611,048,666 |

Net pension liability recognized in the parent company statements of financial position is as follows:

| | **2022** | 2021 |
|---|---|---|
| Present value of defined benefit obligation | **₱6,568,114,469** | ₱6,212,877,770 |
| Fair value of plan assets | **1,837,830,390** | 2,119,126,369 |
| | **₱4,730,284,079** | ₱4,093,751,401 |

The changes in the present value of the defined benefit obligation are as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance at beginning of year | **₱6,212,877,770** | ₱6,211,966,095 |
| Current service cost | **445,095,454** | 427,976,397 |
| Interest cost | **306,294,874** | 239,160,694 |
| Benefits paid: | | |
| from plan assets | **(437,066,820)** | (194,712,024) |
| from Company's own funds | **(25,000,000)** | (1,098,432) |
| Remeasurement loss (gain): | | |
| Changes in financial assumptions | **65,913,191** | (695,941,117) |
| Changes in demographic assumptions | **–** | 6,977,834 |
| Experience adjustment | **–** | 218,548,323 |
| Balance at end of year | **₱6,568,114,469** | ₱6,212,877,770 |

The changes in the fair value of plan assets are as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance at beginning of year | **₱2,119,126,369** | ₱1,401,266,087 |
| Contribution during the year | **259,000,000** | 320,794,614 |
| Interest income | **104,472,930** | 56,088,426 |
| Benefits paid | **(437,066,820)** | (194,712,024) |
| Remeasurement gain (loss) - return on plan assets | **(207,702,089)** | 535,689,266 |
| Balance at end of year | **₱1,837,830,390** | ₱2,119,126,369 |

Remeasurement gain (loss) on retirement plans amounting to (₱205.21 million) and ₱574.16 million in 2022 and 2021 respectively, is reported under the statement of comprehensive income, net of deferred tax.

At each reporting period, the Company determines its contribution based on the performance of its retirement fund.

The Company expects to contribute ₱290.00 million to the fund in 2023.

The funds are managed and supervised by Trustee banks for the benefits of the plan members. However, the general administration of the funds is vested in a Retirement Committee.

The following table presents the carrying amounts and estimated fair values of the plan assets:

| | 2022 | 2021 |
|---|---|---|
| | **Carrying Value/ Fair Value** | Carrying Value/ Fair Value |
| Cash and cash equivalents | **₱287,528,641** | ₱158,580,550 |
| Equity instruments (see Note 21): | | |
| GMA Network, Inc. | **757,308,887** | 962,978,924 |
| GMA PDRs | **7,950,000** | 11,219,115 |
| Debt instruments - | | |
| Government securities | **298,811,570** | 338,675,992 |
| Investment in Unit Investment Trust Funds (UITFs) | **310,985,475** | 699,588,268 |
| Others | **175,245,817** | (51,916,480) |
| | **₱1,837,830,390** | ₱2,119,126,369 |

The plan assets consist of the following:

- Cash and cash equivalents consist of regular savings and time deposits.
- Investments in equity instruments consist of listed shares of GMA Network, Inc. and GMA PDRs (see Note 21). Changes in the fair market value of these investments resulted to a ₱140.72 million loss and ₱33.37 million gain in 2022 and 2021, respectively.
- Investments in debt instruments bear interest ranging from 3.0% to 6.8% and have maturities from May 2024 to April 2032. Equity and debt instruments held have quoted prices in active market.
- Investment in UITFs are measured at their net asset value per unit amounting to ₱258.89 as at December 31, 2022 and 2021.
- Others consist of loans and receivables which are collectible within the next twelve months.

The person who exercises voting rights over shares is within the powers of the Trustee, who do not have any relationship with the directors or officers of the Company.

The plan assets are primarily exposed to financial risks such as liquidity risk and price risk.

Liquidity risk pertains to the plan's ability to meet its obligation to the employees upon retirement. To effectively manage liquidity risk, the Board of Trustees invests at least the equivalent amount of actuarially computed expected compulsory retirement benefit payments for the year to liquid/semi-liquid assets such as treasury notes, treasury bills, and savings and time deposits with commercial banks.

The Company performs an Asset-Liability Matching Study (ALM) annually. The principal technique of the Company's ALM in order to minimize the portfolio liquidation risk is to ensure the expected return on assets will be sufficient to support the desired level of funding arising from the defined benefit plans.

Price risk pertains mainly to fluctuations in market prices of equity securities listed in the Philippine Stock Exchange. In order to effectively manage price risk, the Board of Trustees continuously assesses these risks by closely monitoring the market value of the securities and implementing prudent investment strategies.

However, in the event a benefit claim arises under the retirement plan and the retirement fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable to the retirement fund from the Company.

The principal assumptions used in determining pension liability for the Company's plans are shown below:

| | **2022** | 2021 |
|---|---|---|
| Discount rate | **7.22%** | 4.93% |
| Expected rate of salary increase | **4.00%** | 4.00% |
| Turn-over rates | | |
| 19-24 years old | **12.38%** | 11.67% |
| 25-29 years old | **10.94%** | 8.48% |
| 30-34 years old | **9.31%** | 3.86% |
| 35-39 years old | **4.23%** | 2.50% |
| 40-44 years old | **2.55%** | 2.16% |
| ≥45 years old | **2.24%** | 1.59% |

The sensitivity analysis below has been determined by remeasuring the defined benefit obligation at the reporting period after first adjusting one of the current assumption that were reasonably possible at the valuation date while all other assumptions remained unchanged. It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

| | Increase (Decrease) in Basis Points | Increase (Decrease) in Defined Benefit Obligation 2022 | 2021 |
|---|---|---|---|
| Discount rate | 50 | **(₱283,725,573)** | (₱284,322,203) |
| | (50) | **308,662,593** | 307,385,326 |
| Expected rate of salary increase | 50 | **326,240,688** | 308,700,976 |
| | (50) | **(306,266,768)** | (288,099,035) |

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2022:

| | |
|---|---|
| Less than one year | ₱67,975,559 |
| More than 1 year to 3 years | 403,389,572 |
| More than 3 years to 7 years | 2,160,707,009 |
| More than 7 years to 15 years | 4,735,229,402 |
| More than 15 years to 20 years | 5,497,462,343 |
| More than 20 years | 7,508,621,498 |

Other Long-Term Employee Benefits

Other long-term employee benefits consist of accumulated and unexpired employee sick and vacation leave entitlements amounting to ₱347.49 million as at December 31, 2022 and 2021. Expense related to cash conversion of leaves, included under personnel cost in the statements of comprehensive income, amounted to ₱115.42 million and ₱142.60 million in 2022 and 2021, respectively (see Note 25).

## 27. Others - Net

| | 2022 | 2021 |
|---|---|---|
| Commissions from Artist Center | **₱104,475,309** | ₱77,547,912 |
| Net gain on sale of property and equipment (see Note 13) | **29,713,807** | 50,941,808 |
| Music royalty | **6,499,544** | 24,289 |
| Rental income (see Notes 13, 15 and 28) | **5,681,335** | 5,321,214 |
| Merchandising license fees and others | **3,846,755** | 5,007,163 |
| Bank charges | **(1,381,782)** | (1,188,046) |
| | **₱148,834,968** | ₱137,654,340 |

Merchandising license fees and others include income from mall shows, sale of DVDs and integrated receiver-decoders and income from events. Music royalty increased in 2022 due to remittance received from Filipino Society of Composers, Authors and Publishers (FILSCAP) for the use of the Company's music rights.

28. **Agreements**

Lease Agreements

*Company as a Lessee.* The Company entered into various lease agreements for land, building and studio spaces that it presently occupies and uses for periods ranging from two to 25 years. The lease agreements can be renewed subject to mutual agreement. Most of the lease agreements can be terminated at the option of the Company.

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

The rollforward analysis of right-of-use assets follows:

| | | **2022** | |
|---|---|---|---|
| | **Right-of-use: Land** | **Right-of-use: Office Space** | **Right-of-use: Total** |
| Cost | | | |
| Balance at beginning and end of year | **₱120,680,583** | **₱70,530,973** | **₱191,211,556** |
| Additions | **68,260,130** | **8,732,591** | **76,992,721** |
| Balance at end of year | **188,940,713** | **79,263,564** | **268,204,277** |
| Accumulated Depreciation | | | |
| Balance at beginning of year | **41,652,744** | **36,639,796** | **78,292,540** |
| Depreciation (see Note 24) | **19,036,104** | **11,529,815** | **30,565,919** |
| Balance at end of year | **60,688,848** | **48,169,611** | **108,858,459** |
| Net Book Value | **₱128,251,865** | **₱31,093,953** | **₱159,345,818** |

| | | 2021 | |
|---|---|---|---|
| | Right-of-use: Land | Right-of-use: Office Space | Right-of-use: Total |
| Cost | | | |
| Balance at end of year | ₱120,680,583 | ₱70,530,973 | ₱191,211,556 |
| Accumulated Depreciation | | | |
| Balance at beginning of year | 28,798,918 | 23,371,516 | 52,170,434 |
| Depreciation (see Note 24) | 12,853,826 | 13,268,280 | 26,122,106 |
| Balance at end of year | 41,652,744 | 36,639,796 | 78,292,540 |
| Net Book Value | ₱79,027,839 | ₱33,891,177 | ₱112,919,016 |

The rollforward analysis of lease liabilities follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at beginning of year | **₱107,816,054** | ₱75,687,213 |
| Additions | **76,992,722** | 50,839,322 |
| Accretion of interest | **8,804,296** | 8,026,060 |
| Payments | **(27,184,532)** | (26,736,541) |
| Balance at end of year | **₱166,428,540** | ₱107,816,054 |

The rollforward analysis of dismantling provision follows:

| | 2022 | 2021 |
|---|---|---|
| Balance at beginning of year | **₱46,097,449** | ₱44,973,410 |
| Accretion of interest | **2,911,565** | 2,209,525 |
| Termination | **–** | (1,085,486) |
| Balance at end of year | **₱49,009,014** | ₱46,097,449 |

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

| | 2022 | 2021 |
|---|---|---|
| Depreciation expense of right-of-use assets (see Note 24) | **₱30,565,919** | ₱26,122,106 |
| Interest expense on lease liabilities | **8,804,296** | 8,026,060 |
| Interest expense on dismantling provision | **2,911,565** | 2,209,525 |
| Expense relating to short-term leases (included in "Production costs") (see Note 23) | **520,268,872** | 344,242,089 |
| Expense relating to short-term leases (included in "General and administrative expenses") (see Note 24) | **22,195,653** | 19,807,535 |

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

| | 2022 | 2021 |
|---|---|---|
| 1 year | **₱26,289,659** | ₱22,097,245 |
| more than 1 year to 2 years | **24,155,689** | 19,244,994 |
| more than 2 years to 3 years | **22,190,081** | 17,270,602 |
| more than 3 years to 4 years | **16,803,585** | 15,902,507 |
| More than 5 years | **131,368,309** | 35,309,288 |

Total rental expense on short-term leases amounted ₱542.46 million and ₱364.05 million in 2022 and 2021, respectively. (see Notes 23 and 24).

*Company as Lessor.* The Company leases out certain properties for a period of one year, renewable annually. The leased-out properties include investment properties and broadcasting equipment.

Total rental income amounted to ₱5.22 million and ₱5.32 million in 2022 and 2021, respectively (see Note 27).

Subscription Agreements

The Company entered into various subscription agreements with international cable providers for the airing of its programs and shows abroad. The agreements generally have terms of three to five years and are based on certain agreed service package rates.

Total subscription income amounted to ₱774.87 million and ₱786.47 million in 2022 and 2021, respectively (see Note 22).

Purchase Agreement for Set-top Boxes

In 2022 and 2021, the Company entered into several contracts with Ablee Electronic Company Limited for the supply of set-top boxes with complete accessories. Total purchases amounted to ₱644.34 million and ₱1,377.00 million in 2022, and 2021 respectively.

## 29. **Income Taxes**

Current Income Tax

The current income tax consists of the following:

| | **2022** | 2021 |
|---|---|---|
| Current - RCIT | **₱1,927,570,165** | ₱2,338,891,726 |
| Deferred | **(129,257,206)** | (28,691,060) |
| | **₱1,798,312,959** | ₱2,310,200,666 |

The reconciliation between the statutory income tax rate and effective income tax rates on income before income tax is shown below:

| | **2022** | 2021 |
|---|---|---|
| Statutory income tax | **25.00%** | 25.00% |
| Additions (deductions) in income tax resulting from: | | |
| Dividend income from investments | **(0.57)** | (0.27) |
| Nondeductible tax deficiency payments | **0.35** | (0.04) |
| Interest income already subjected to final tax | **(0.03)** | (0.02) |
| Nondeductible interest expense | **0.01** | 0.01 |
| Changes in applicable income tax rates | **–** | (1.19) |
| Effective income tax | **24.76%** | 23.48% |

Deferred Taxes

The components of the Company’s net deferred tax assets are as follows:

| | **2022** | 2021 |
|---|---|---|
| Deferred tax assets: | | |
| Pension liability | **₱1,124,438,637** | ₱965,305,466 |
| Allowance for ECL | **208,335,218** | 208,335,218 |
| Contract liabilities | **92,359,707** | 32,294,078 |
| Other long-term employee benefits | **80,219,339** | 80,219,339 |
| Lease liabilities | **41,607,135** | 26,954,014 |
| Unrealized loss on financial assets at FVOCI | **14,638,501** | 13,477,603 |
| Dismantling provision | **12,252,253** | 11,524,361 |
| Allowance for impairment of investments and advances | **11,440,329** | 11,440,329 |
| Unrealized foreign exchange loss | **–** | 8,984,165 |
| | **1,585,291,119** | 1,358,534,573 |
| Deferred tax liabilities: | | |
| Revaluation increment in land | **(1,523,467,397)** | (610,894,709) |
| Right-of-use assets | **(39,836,454)** | (28,229,753) |
| Unrealized foreign exchange gain | **(16,327,921)** | – |
| | **(1,579,631,772)** | (639,124,462) |
| Deferred tax assets - net | **₱5,659,347** | ₱719,410,111 |

The components of net deferred tax liabilities pertaining to accounts presented under equity in the parent company statements of financial position are as follows:

| | **2022** | 2021 |
|---|---|---|
| Deferred tax assets: | | |
| Remeasurement loss on retirement plan | **₱718,959,395** | ₱650,555,574 |
| Unrealized loss on financial assets at FVOCI | **14,638,501** | 13,477,603 |
| | **733,597,896** | 664,033,177 |
| Deferred tax liability - | | |
| Revaluation increment in land | **(1,523,467,397)** | (610,894,709) |
| | **(₱789,869,501)** | ₱53,138,468 |

<u>Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act</u>
Former President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took 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 have an impact on the Company:

- Reduction in the RCIT rate from 30% to 25%;
- Reduction in the MCIT rate from 2% to 1% of gross income for 3 years or until June 30, 2023; and
- Repeal of the imposition of 10% improperly accumulated earnings tax (IAET).

Applying the provisions of the CREATE Act, the Company has been subjected to the lower RCIT rate of 25% of taxable income or the reduced MCIT rate of 1% of gross income, effective July 1, 2020.

## 30. Financial Risk Management Objectives and Policies

The Company’s principal financial instruments include cash and cash equivalents. The main purpose of these financial instruments includes raising financing for the Company’s operations and managing identified financial risks. The Company has other financial assets and liabilities such as trade and other receivables, refundable deposits, trade payables and other current liabilities (excluding payable to government agencies, customers’ deposits, contract liabilities, and advances from customers), short-term loans, obligations for program and other rights, dividends payable, other long-term employee benefits and lease liabilities which arise directly from its operations, and financial assets at FVOCI. The main risks arising from the use of financial instruments are liquidity risk, foreign currency exchange risk and credit risk. The Company is not exposed to interest rate risk as most of its financial assets and financial liabilities have fixed rates.

The BOD reviews and approves the Company’s objectives and policies.

*Liquidity Risk.* The Company is exposed to the possibility that adverse changes in the business environment and/or its operations would result in substantially higher working capital requirements and subsequently pose difficulty in financing the additional working capital.

The Company manages liquidity risk by using its cash and cash equivalents from operations to meet its short-term liquidity needs. The Company likewise regularly evaluates other financing instruments and arrangements to broaden the Company's range of financing sources.

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

| | **2022** | | | | |
|---|---|---|---|---|---|
| | **On Demand** | **Less than 3 Months** | **3 to 12 Months** | **More than 1 year** | **Total** |
| Financial assets at amortized cost: | | | | | |
| Cash and cash equivalents | **₱1,851,265,273** | **₱655,027,254** | **₱–** | **₱–** | **₱2,506,292,527** |
| Trade receivables: | | | | | |
| Television and radio airtime | **2,794,657,864** | **2,688,876,933** | **–** | **–** | **5,483,534,797** |
| Subscriptions | **23,508,436** | **178,742,694** | **–** | **–** | **202,251,130** |
| Others | **–** | **155,965,837** | **–** | **–** | **155,965,837** |
| Nontrade receivables: | | | | | |
| Due from related parties | **–** | **71,192,786** | **–** | **–** | **71,192,786** |
| Others | **–** | **105,952,176** | **–** | **–** | **105,952,176** |
| Refundable deposits* | – | – | **–** | **26,149,296** | **26,149,296** |
| | **4,669,431,573** | **3,855,757,680** | **–** | **26,149,296** | **8,551,338,549** |
| Financial assets at FVOCI | – | – | – | **129,758,984** | **129,758,984** |
| | **₱4,669,431,573** | **₱3,855,757,680** | **₱–** | **₱155,908,280** | **₱8,681,097,533** |
| Loans and borrowings: | | | | | |
| Trade payables and other current liabilities** | **₱512,273,823** | **₱1,055,775,984** | **₱34,317,390** | **₱–** | **₱1,602,367,197** |
| Obligations for program and other rights | **–** | **209,171,642** | **–** | **–** | **209,171,642** |
| Lease liabilities*** | **–** | **8,052,461** | **18,237,198** | **194,517,664** | **220,807,323** |
| Dividends payable | **30,525,952** | **–** | **–** | **–** | **30,525,952** |
| | **542,799,775** | **1,273,000,087** | **52,554,588** | **194,517,664** | **2,062,872,114** |
| Liquidity portion (Gap) | **₱4,126,631,798** | **₱2,582,757,593** | **(₱52,554,588)** | **(₱38,609,384)** | **₱6,618,225,419** |

**Included under "Other noncurrent assets" account in the parent company statements of financial position (see Note 16).*
***Excluding payable to government agencies, contract liabilities and customer deposits amounting to ₱1,620.11 million which are not considered as financial liabilities. (See Note 17)*
****Gross contractual payments.*

| | 2021 | | | | |
|---|---|---|---|---|---|
| | On Demand | Less than 3 Months | 3 to 12 Months | More than 1 year | Total |
| Financial assets at amortized cost: | | | | | |
| Cash and cash equivalents | ₱2,595,817,844 | ₱1,859,797,013 | ₱– | ₱– | ₱4,455,614,857 |
| Trade receivables: | | | | | |
| Television and radio airtime | 3,096,506,484 | 4,230,324,198 | – | – | 7,326,830,682 |
| Subscriptions | 57,558,605 | 157,539,129 | – | – | 215,097,734 |
| Others | – | 119,613,923 | – | – | 119,613,923 |
| Nontrade receivables: | | | | | |
| Due from related parties | – | 67,633,137 | – | – | 67,633,137 |
| Others | – | 130,689,540 | – | – | 130,689,540 |
| Refundable deposits* | – | – | | 21,636,440 | 21,636,440 |
| | 5,749,882,933 | 6,565,596,940 | – | 21,636,440 | 12,337,116,313 |
| Financial assets at FVOCI | – | – | – | 122,039,903 | 122,039,903 |
| | ₱5,749,882,933 | ₱6,565,596,940 | ₱– | ₱143,676,343 | ₱12,459,156,216 |
| Loans and borrowings: | | | | | |
| Trade payables and other current liabilities** | ₱307,601,234 | ₱939,135,070 | ₱23,610,374 | ₱– | ₱1,270,346,678 |
| Short-term loans*** | – | 739,485,500 | – | – | 739,485,500 |
| Obligations for program and other rights | – | 212,578,686 | – | – | 212,578,686 |
| Lease liabilities*** | – | 6,074,285 | 16,022,959 | 87,727,391 | 109,824,635 |
| Dividends payable | 25,588,850 | – | – | – | 25,588,850 |
| | 333,190,084 | 1,897,273,541 | 39,633,333 | 87,727,391 | 2,357,824,349 |
| Liquidity portion (Gap) | ₱5,416,692,849 | ₱4,668,323,399 | (₱39,633,333) | ₱55,948,952 | ₱10,101,331,867 |

**Included under "Other noncurrent assets" account in the parent company statements of financial position (see Note 16).*
***Excluding payable to government agencies, contract liabilities and customer deposits amounting to ₱1,622.61 million which are not considered as financial liabilities. (See Note 17)*
****Gross contractual payments.*

*Foreign Currency Exchange Risk.* Foreign currency exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Company's exposure to foreign currency exchange risk results from certain business transactions denominated in foreign currencies. It is the Company's policy to ensure that capabilities exist for active but conservative management of its foreign currency exchange risk.

The Company's foreign currency-denominated monetary assets and liabilities are as follows:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| **Assets** | **Foreign Currency** | **Local Currency** | Foreign Currency | Local Currency |
| Cash and cash equivalents | **$6,514,072** | **₱363,224,637** | $15,111,847 | ₱770,689,067 |
| | **C$166,862** | **6,881,384** | C$300,131 | 11,961,418 |
| Trade receivables | **C$478,316** | **19,725,742** | C$3,988,075 | 158,940,751 |
| | **$3,628,902** | **202,347,585** | $1,323,051 | 67,474,284 |
| | **S$198,925** | **8,271,299** | S$141,598 | 5,317,676 |
| | **A$22,947** | **867,410** | A$144,000 | 5,300,078 |
| | **DH44,644** | **682,162** | DH132,516 | 1,832,040 |
| | | **602,000,219** | | 1,021,515,314 |
| **Liabilities** | | | | |
| Trade payables | **$817,852** | **45,603,440** | $130,058 | 6,632,818 |
| | **€81,586** | **4,858,455** | €90,100 | 5,181,804 |
| | **S$2,055** | **85,447** | S$212 | 7,962 |
| Short-term loans | **–** | **–** | $14,500,000 | 739,485,500 |
| Obligations for program and other rights | **$2,557,785** | **142,622,092** | $2,933,261 | 149,593,378 |
| | | **₱193,169,434** | | ₱900,901,462 |
| | | **₱408,830,785** | | ₱120,613,852 |

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the exchange rates used were ₱55.76 to $1.00 and ₱50.99 to $1.00, the Philippine peso to U.S. dollar exchange rate as at December 31, 2022 and 2021, respectively. The exchange rates for Philippine peso to Canadian dollar were ₱41.24 to CAD$1.00 and ₱39.85 to CAD$1.00 as at December 31, 2022 and 2021. The peso equivalents for the Singaporean Dollar, Japan Yen, Australian Dollar, Dirham and Euro were ₱41.58, ₱0.42, ₱37.80, ₱15.28, and ₱59.55 and ₱37.56, ₱0.44, ₱36.81, ₱13.83, and ₱57.51, at December 31, 2022 and 2021, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates, with all other variables held constant, of the Company's income before income tax from reporting period up to next reporting period (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Company's equity other than those already affecting profit or loss.

| | | **Effect on Income before Income Tax** | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Appreciation/ Deprecation of Peso** | **EUR** | **USD** | **CAD** | **SGD** | **AUD** | **AED** | **Total** |
| **2022** | **0.50** | **₱40,793** | **₱3,383,668** | **(₱322,589)** | **(₱98,435)** | **(₱11,474)** | **(₱22,322)** | **₱2,969,642** |
| | **(0.50)** | **(40,793)** | **(3,383,668)** | **322,589** | **98,435** | **11,474** | **22,322** | **(2,969,642)** |
| 2021 | 0.50 | ₱45,050 | ₱564,211 | (₱2,144,103) | (₱70,693) | (₱72,000) | (₱66,258) | (₱1,743,793) |
| | (0.50) | (45,050) | (564,211) | 2,144,103 | 70,693 | 72,000 | 66,258 | 1,743,793 |

*Credit Risk.* Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Company's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk.

The Company ensures that sales of products and services are made to customers with appropriate credit history. The Company has an internal mechanism to monitor the granting of credit and management of credit exposures. The Company has made provisions, where necessary, for potential losses on credits extended. The Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of the instruments. The Company does not require any collateral for its financial assets, thus, maximum exposure to credit risk is equal to the carrying value of the financial instruments.

The table below shows the maximum exposure to credit risk for the components of the parent company financial position as at December 31:

| | **2022** | 2021 |
|---|---|---|
| Financial assets at amortized cost: | | |
| Cash and cash equivalents* | **₱2,062,037,698** | ₱4,184,810,923 |
| Trade receivables: | | |
| Television and radio airtime | **5,483,534,797** | 7,326,830,682 |
| Subscriptions | **202,251,130** | 215,097,734 |
| Others | **155,965,837** | 119,613,923 |
| Nontrade receivables: | | |
| Due from related parties | **71,192,786** | 67,633,137 |
| Others | **105,952,176** | 130,689,539 |
| Refundable deposits** | **26,149,296** | 21,636,440 |
| | **8,107,083,720** | 12,066,312,378 |
| Financial assets at FVOCI | **129,758,984** | 122,039,903 |
| | **₱8,236,842,704** | ₱12,188,352,281 |

**Excluding cash on hand amounting to ₱436.75 million and ₱262.30 million as at December 31, 2022 and 2021, respectively.*
*** Included under "Other noncurrent assets" account in the parent company statements of financial position (see Note 16).*

The maximum exposure for cash and cash equivalents (excluding cash on hand) is the carrying amount less insured amount by the Philippine Deposit Insurance Corporation equivalent to the actual cash balance to a maximum of ₱0.50 million per depositor per bank. The maximum exposure of trade and non-trade receivables and refundable deposits is equal to its carrying amount.

Credit quality of Financial Assets, Other than Trade Receivables

The financial assets of the Company are grouped according to stage whose description is explained as follows:

Stage 1 - Those that are considered current and up to 120 past due and based on change in rating delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 120 to 360 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The credit quality of the Company's financial assets are as follows:

| | **2022** | | | |
|---|---|---|---|---|
| | **ECL Staging** | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | |
| | **12-month ECL** | **Lifetime ECL** | **Lifetime ECL** | **Total** |
| Financial assets at amortized cost | | | | |
| Cash and cash equivalents* | **₱2,062,037,698** | **₱–** | **₱–** | **₱2,062,037,698** |
| Nontrade receivables: | | | | |
| Due from related parties | **71,192,786** | **–** | **–** | **71,192,786** |
| Others | **105,952,176** | **–** | **–** | **105,952,176** |
| Refundable deposits** | **26,149,296** | **–** | **–** | **26,149,296** |
| | **2,265,331,956** | **–** | **–** | **2,265,331,956** |
| Financial assets at FVOCI | **129,758,984** | **–** | **–** | **129,758,984** |
| | **₱2,395,090,940** | **₱–** | **₱–** | **₱2,395,090,940** |

**Excluding cash on hand amounting to ₱436.75 million as at December 31, 2022.*
*** Included under "Other noncurrent assets" account in the parent company statements of financial position*

| | 2021 | | | |
|---|---|---|---|---|
| | ECL Staging | | | |
| | Stage 1 | Stage 2 | Stage 3 | |
| | 12-month ECL | Lifetime ECL | Lifetime ECL | Total |
| Financial assets at amortized cost | | | | |
| Cash and cash equivalents* | ₱4,184,810,923 | ₱– | ₱– | ₱4,184,810,923 |
| Nontrade receivables: | | | | |
| Due from related parties | 67,633,137 | – | – | 67,633,137 |
| Others | 130,689,539 | – | – | 130,689,539 |
| Refundable deposits** | 21,636,440 | – | – | 21,636,440 |
| | 4,404,770,039 | – | – | 4,404,770,039 |
| Financial assets at FVOCI | 122,039,903 | – | – | 122,039,903 |
| | ₱4,526,809,942 | ₱– | ₱– | ₱4,526,809,942 |

**Excluding cash on hand amounting to ₱262.30 million as at December 31, 2021.*
*** Included under "Other noncurrent assets" account in the parent company statements of financial position*

Credit Quality of Trade Receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segment with similar loss patterns (i.e, by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions

Set out below is the information about the credit risk exposure of the Company's trade receivables using provision matrix:

| | **2022** | | | | | |
|---|---|---|---|---|---|---|
| | | **Days past due** | | | | |
| | **Current** | **-30 days** | **31 - 60 days** | **61 - 90 days** | **91 days and above** | **Total** |
| Expected credit loss rate | **1%** | **4%** | **5%** | **12%** | **40%** | |
| Estimated total gross carrying amount at default | **₱2,867,619,628** | **₱1,077,331,783** | **₱578,820,457** | **₱228,742,372** | **₱1,766,612,558** | **₱6,519,126,798** |
| Expected credit loss | **39,330,256** | **38,224,615** | **27,098,052** | **27,242,829** | **701,445,117** | **833,340,870** |

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | Days past due | | | | |
| | Current | -30 days | 31 - 60 days | 61 - 90 days | 91 days and above | Total |
| Expected credit loss rate | 1% | 4% | 3% | 17% | 33% | |
| Estimated total gross carrying amount at default | ₱4,387,863,327 | ₱805,611,426 | ₱846,012,382 | ₱176,816,068 | ₱2,158,966,083 | ₱8,375,269,286 |
| Expected credit loss | 36,497,632 | 28,865,848 | 22,830,358 | 30,634,347 | 71,4512,685 | 833,340,870 |

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, pay off existing debts, return capital to shareholders or issue new shares.

The Company is not subject to externally imposed capital requirements.

No changes were made in the objectives, policies or processes for the years ended December 31, 2022 and 2021.

The Company monitors its capital gearing by measuring the ratio of interest-bearing loan to total equity. The Company's interest-bearing loans, which are the short-term loans, amounted to nil and ₱739.49 million as at December 31, 2022 and 2021, respectively. The Company's total equity as at December 31, 2022 and 2021 amounted to ₱15,405.08 million and ₱14,468.96 million, respectively.

## 31. Fair Value Measurement

The table below presents the carrying values and fair values of the Company's assets and liabilities, by category and by class, as at December 31:

| | **2022** | | | |
|---|---|---|---|---|
| | | **Fair Value** | | |
| | **Carrying Value** | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** |
| **Assets** | | | | |
| *Assets Measured at Fair Value* | | | | |
| Land at revalued amount | **₱6,619,895,148** | **₱–** | **₱–** | **₱ 6,619,895,148** |
| Financial assets at FVOCI | **129,758,984** | **–** | **7,000,000** | **122,758,984** |
| *Assets for which Fair Values are Disclosed* | | | | |
| Investment properties | **20,952,663** | **–** | **–** | **141,239,748** |
| Financial asset at amortized cost - Refundable deposits* | **26,149,296** | **–** | **–** | **20,396,451** |
| | **₱6,796,756,091** | **₱–** | **₱7,000,000** | **₱6,904,290,331** |

**Included under "Other noncurrent assets" account in the parent company statement of financial position (see Note 16).*

| | 2021 | | | |
|---|---|---|---|---|
| | | Fair Value | | |
| | Carrying Value | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets | | | | |
| *Assets Measured at Fair Value* | | | | |
| Land at revalued amount | ₱2,945,297,014 | ₱– | ₱– | ₱2,945,297,014 |
| Financial assets at FVOCI | 122,039,903 | – | 8,185,000 | 113,854,903 |
| *Assets for which Fair Values are Disclosed* | | | | |
| Investment properties | 22,335,050 | – | – | 141,239,748 |
| Financial asset at amortized cost - Refundable deposits* | 21,636,440 | – | – | 16,970,137 |
| | 3,111,308,407 | – | 8,185,000 | 3,218,546,802 |
| Liabilities | | | | |
| Financial liabilities at amortized cost - Obligations for program and other rights | ₱11,237,556 | ₱– | ₱– | ₱11,237,556 |

**Included under "Other noncurrent assets" account in the parent company statement of financial position (see Note 16).*

As at December 31, 2022 and 2021, the fair value of equity instruments in a listed entity is classified under Level 3 due to the investee Company's suspension of trading in the market.

The fair values of equity instruments in listed and non-listed companies classified under Level 3 were determined through asset-based approach. Asset-based approach is based on the value of all the tangible and intangible assets and liabilities of the company. Presented below are the significant unobservable inputs used in the net asset valuation of the Company's financial assets in 2022 and 2021:

| | | Range | |
|---|---|---|---|
| **Description** | **Unobservable Inputs** | **2022** | 2021 |
| **Listed equity instrument:** | | | |
| Casinos and gaming industry | Discount for lack of marketability | **10%-30%** | 10%-30% |
| | Discount for lack of control | **10%-30%** | 10%-30% |
| **Non-listed equity instruments:** | | | |
| Media and entertainment industry | Discount for lack of marketability | **10%-30%** | 10%-30% |
| | Discount for lack of control | **10%-30%** | 10%-30% |

An increase (decrease) in the significant unobservable inputs used in the valuation of the equity investments will decrease (increase) the fair value of the equity investments.

Movements in the fair value of equity investments classified under Level 3 are as follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at beginning of year | **₱113,854,903** | ₱140,702,241 |
| Additions during the year | **15,458,400** | 19,659,800 |
| Fair value adjustment recognized under "Net unrealized loss on financial assets at FVOCI" | **(6,554,319)** | (46,507,138) |
| Balance at end of year | **₱122,758,984** | ₱113,854,903 |

Fair Value Determination

The following methods and assumptions are used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

*Cash and Cash Equivalents and Trade and Other Receivables*
The carrying values of cash and cash equivalents and trade and nontrade receivables approximate their fair values primarily due to the relatively short-term maturity of these financial instruments.

*Refundable Deposits*
The fair value of refundable deposits is based on the present value of the future discounted cash flows. Discount rates used range from 3.26% to 4.44% in 2022 and 2021.

*Financial assets at FVOCI*
The Company's investments in club shares were based on prices readily available from brokers and other regulatory agencies as at reporting date (Level 2). The fair values of equity investments in listed and non-listed companies have been estimated using the net asset value model. The valuation using adjusted net asset approach requires the management to measure the fair value of the individual assets and liabilities recognized in an investee's statement of financial position as well as the fair value of any unrecognized assets and liabilities at the measurement date.

*Investment Properties and Land at Revalued Amounts*
The valuation for the disclosure of the fair value of investment properties and for the recognition land at revalued amounts were derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property adjusted based on certain elements of comparison (e.g. market conditions, location, physical condition and amenities). Significant unobservable valuation input in determining the fair value of investment properties includes adjusted price per square meter that ranges from ₱1,400 to ₱117,000. On the other hand, significant unobservable valuation input in determining the fair value of land at revalued amount includes adjusted price per square meter that ranges from ₱283,500 to ₱330,750.

Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the properties.

*Trade Payables and Other Current Liabilities (excluding Payable to Government Agencies and Advances from Customers), Short-term Loans, Obligations for Program and Other Rights and Dividends Payable*
The carrying values of trade payables and other current liabilities, short-term loans, current portion of obligations for program and other rights and dividends payable approximate their fair values due to the relatively short-term maturity of these financial instruments.

*Lease liabilities*
The fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans plus the applicable credit spread. Discount rates used ranged from 3.39% to 6.78 % in 2022 and 1.01% to 4.77% in 2021.

*Obligations for program and other rights*
Estimated fair value is based on the discounted value of future cash flows using the applicable risk-free rates for similar types of loans adjusted for credit risk.

## 32. EPS

The computation of basic and diluted EPS follows:

| | **2022** | 2021 |
|---|---|---|
| Net income of the Company (a) | **₱5,463,995,346** | ₱7,527,323,467 |
| Less attributable to preferred shareholders | **1,684,791,765** | 2,321,792,347 |
| Net income attributable to common equity holders of the Company (b) | **₱3,779,203,581** | ₱5,205,531,120 |
| Common shares issued at the beginning of year (Note 20) | **3,364,692,000** | 3,364,692,000 |
| Weighted average number of common shares for basic EPS (c) | **3,364,692,000** | 3,362,494,500 |
| Weighted average number of common shares | **3,364,692,000** | 3,362,494,500 |
| Effect of dilution - assumed conversion of preferred shares | **1,500,000,000** | 1,500,000,000 |
| Weighted average number of common shares adjusted for the effect of dilution (d) | **4,864,692,000** | 4,861,149,342 |
| Basic EPS (b/c) | **₱1.123** | ₱1.548 |
| Diluted EPS (a/d) | **₱1.123** | ₱1.548 |

## 33. Supplemental Cash Flow Information

| | **January 1, 2022** | **Additions** | **Cash flows** | **Others*** | **December 31, 2022** |
|---|---|---|---|---|---|
| Short-term loans | **₱739,485,500** | **₱1,000,000,000** | **(₱1,685,850,000)** | **(₱53,635,500)** | **₱–** |
| Dividends payable | **25,588,850** | **7,053,803,401** | **(7,048,866,299)** | **–** | **30,525,952** |
| Lease liabilities | **107,816,054** | **85,797,018** | **(27,184,532)** | **–** | **166,428,540** |
| Accrued interest expense** | **511,796** | **12,395,545** | **(12,907,341)** | **–** | **–** |
| Total liabilities from financing activities | **₱873,402,200** | **₱8,151,995,964** | **(₱8,774,808,172)** | **(₱53,635,500)** | **₱196,954,492** |

**Others pertain to revaluation of foreign currency denominated loans.*
***Included under "Trade payables and other current liabilities" account in the statement of financial position (see Note 17).*

| | January 1, 2021 | Additions | Cash flows | Others* | **December 31, 2021** |
|---|---|---|---|---|---|
| Short-term loans | ₱720,345,000 | ₱4,479,150,000 | (₱4,542,575,000) | ₱82,565,500 | **₱739,485,500** |
| Dividends payable | 19,894,437 | 6,561,267,889 | (6,555,573,476) | – | **25,588,850** |
| Lease liabilities | 75,687,213 | 58,865,382 | (26,736,541) | – | **107,816,054** |
| Accrued interest expense** | 756,362 | 37,646,044 | (37,890,610) | – | **511,796** |
| Total liabilities from financing activities | ₱816,683,012 | ₱11,136,929,315 | (₱11,162,775,627) | ₱82,565,500 | **₱873,402,200** |

**Others pertain to revaluation of foreign currency denominated loans, accretion of interest and pre-termination of lease liabilities*
***Included under "Trade payables and other current liabilities" account in the statement of financial position (see Note 17).*

Non-cash investing activity

Significant non-cash investing activity in 2022 pertains to the additional revaluation increment of land at revalued amounts totaling ₱3,650.29 million.

## 34. Reclassifications

In 2022, the Company reclassified some accounts in the 2021 statements of comprehensive income to be consistent with the nature and current year presentation of accounts. Accordingly, the Company also reclassified the comparative figures in 2021.

| | Before Reclassification | Reclassification | After Reclassification |
|---|---|---|---|
| 2021 statements of comprehensive income | | | |
| Talent fees and production personnel costs (under Production costs) | ₱2,093,811,710 | ₱1,001,935,901 | ₱3,095,747,611 |
| Depreciation (under Production costs) | 262,708,005 | 114,160,130 | 376,868,135 |
| Personnel costs (under General and administrative expenses) | 4,545,505,990 | (1,001,935,900) | 3,543,570,090 |
| Depreciation (under General and administrative expenses) | 323,051,533 | (114,160,131) | 208,891,402 |

Personnel costs and depreciation expenses pertaining to production and engineering operations were reclassified from general and administrative to production costs to be consistent with the classification in 2022 for costs and expenses of similar nature.

## 35. Supplementary Information Required by Revenue Regulations No. 15-2010

The Company reported and/or paid the following types of taxes in 2022:

a. Value-added Tax (VAT)

The Company's sales are subject to output VAT while its purchases from VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

Output VAT

Net receipts and Output VAT declared in the Company's VAT returns for 2022:

| | Gross Amount of Revenues | Output VAT |
|---|---|---|
| Subject to 12% VAT - | | |
| Sale of Goods and Services | ₱21,041,102,122 | ₱2,524,932,255 |
| Zero-rated - | | |
| Sale of Services | 1,910,834,012 | – |
| Sale to Government - | | |
| Sale of Services | 488,329,731 | 58,599,568 |
| Exempt sales | 40,188,000 | – |
| | ₱23,480,453,865 | ₱2,583,531,822 |

The Company's sale of services as reported in the VAT returns is based on actual collections received. Hence, these may not be the same with the amount accrued in the parent company statements of comprehensive income.

Zero-rated sales are sales made to enterprises accredited by the Philippine Economic Zone Authority and non-resident foreign companies in accordance with Section 108 B (2) and (3) of the National Internal Revenue Code.

Input VAT

| | |
|---|---|
| Beginning balance | ₱32,958,737 |
| Add current year's domestic purchases/payments for: | |
| Services | 715,899,812 |
| Goods other than capital goods | 27,311,811 |
| Capital goods subject to amortization | 24,219,173 |
| Importation of goods other than capital goods | 121,105,256 |
| Less: | |
| Input Tax allocable to exempt sales | 1,156,907 |
| Total input VAT | 920,337,882 |
| Application against output VAT | 900,108,511 |
| Balance at end of year | ₱20,229,371 |

b. Importations

The Company has incurred a total of ₱1,130.32 million import duties and taxes in which ₱7.21 million were paid in cash and applied ₱121.38 million.

c. Documentary stamp tax

The Company has paid ₱5.37 million of documentary stamp tax for the year ended December 31, 2022.

d. Other Taxes and Licenses

All other local and national taxes paid for the year ended December 31, 2022 consist of:

| | |
|---|---|
| Business tax | ₱145,945,842 |
| Licenses and permits | 35,085,676 |
| Real property tax | 20,248,284 |
| Others | 170,106,979 |
| | ₱371,386,781 |

e. Withholding Taxes

Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2022 consist of:

| | Paid | Accrued | Total |
|---|---|---|---|
| Withholding tax on compensation | ₱814,759,142 | ₱88,502,623 | ₱903,261,764 |
| Expanded withholding tax | 331,804,256 | 29,920,061 | 361,724,316 |
| Final withholding tax | 173,079,462 | 10,146,523 | 183,225,985 |
| Withholding VAT/Percentage tax | 90,610,612 | 7,406,149 | 98,016,761 |
| Fringe benefit tax | 2,262,037 | 754,012 | 3,016,049 |
| | ₱1,412,515,508 | ₱136,729,368 | ₱1,549,244,876 |

f. Tax Assessments and Cases

As at December 31, 2022, the Company has open assessments for taxable years 2019, 2020, and 2021.

## Corporate Affairs

**From:** Parulan, Angeli T. <ATParulan@gmanetwork.com>
**Sent:** Monday, April 17, 2023 11:03 AM
**To:** Perucho, Jannette G.
**Cc:** Gatmaitan, Maria Cristina S.; Sueña, Mercedes Macy T.
**Subject:** Fw: Your BIR AFS eSubmission uploads were received

Hi Ms. Janet,

For your reference po.

Thanks.

---

**From:** Gatmaitan, Maria Cristina S. <MSGatmaitan@gmanetwork.com>
**Sent:** Monday, April 17, 2023 11:02 AM
**To:** Parulan, Angeli T.
**Subject:** FW: Your BIR AFS eSubmission uploads were received

**From:** eafs@bir.gov.ph <eafs@bir.gov.ph>
**Sent:** Monday, April 17, 2023 10:15 am
**To:** Gatmaitan, Maria Cristina S. <MSGatmaitan@gmanetwork.com>
**Cc:** Gatmaitan, Maria Cristina S. <MSGatmaitan@gmanetwork.com>
**Subject:** Your BIR AFS eSubmission uploads were received

Hi GMA NETWORK, INC.,

**Valid files**

- EAFS000917916ITRTY122022.pdf
- EAFS000917916AFSTY122022.pdf

**Invalid file**

- <None>

Transaction Code: **AFS-0-NSMXP34W0MQ2VVVN4NRNNXNXM0NZXV1T4W**
Submission Date/Time: **Apr 17, 2023 10:14 AM**
Company TIN: **000-917-916**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

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**<u>STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN</u>**

March 31, 2023

Bureau of Internal Revenue
Large Taxpayers Service (RDO 126)
Quezon City

The Management of **GMA Network, Inc.**, is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2022. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value-added tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, Management affirms that the attached audited financial statements for the year ended December 31, 2022 and the accompanying Annual Income Tax Return are in accordance with the books and records of GMA Network, Inc., complete and correct in all material respects. Management likewise affirms that:

a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National International Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to the financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
c) GMA Network, Inc., has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

**FELIPE L. GOZON**
Chairman of the Board
Chief Executive Officer

**GILBERTO R. DUAVIT, JR.**
President
Chief Operating Officer

**FELIPE S. YALONG**
Executive Vice President
Chief Financial Officer

APR 13 2023 QUEZON CITY

SUBSCRIBED AND SWORN to before me this ___day of ______ at __________, affiants exhibited to me their (Felipe L. Gozon) TIN 106-174-605, (Gilberto R. Duavit, Jr.) TIN 158-147-748 and (Felipe S. Yalong) TIN 102-874-052.

Doc. No. 168
Page No. 35
Book No. IV
Series of 2023

ATTY. LARRY T. IGUIDEZ
Notary Public
Until December 31, 2023
PTR No. 3985518/1-05-23-Q.C
IBP No. 247745/09-14-22, Q.C
Roll No. 20434
MCLE Compliance No. VI-0017289, 01-24-19
Notarial Comm. Adm Matter
NP 021 (2023-2024) RTC Q.C

Reference No : 462300053360736
Date Filed : April 14, 2023 09:51 AM
Batch Number : 0

For BIR Use Only: BCS/ Item:

Republic of the Philippines
Department of Finance
Bureau of Internal Revenue

BIR Form No. **1702-RT** January 2018(ENCS) **Page 1**

# Annual Income Tax Return

**For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate**

*Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.*

1702-RT 01/18ENCS P1

| | |
|---|---|
| 1 For | (•) Calendar ( ) Fiscal |
| 2 Year Ended (MM/20YY) | 12/2022 |
| 3 Amended Return? | ( ) Yes (•) No |
| 4 Short Period Return? | ( ) Yes (•) No |
| 5 Alphanumeric Tax Code (ATC) | IC055 Minimum Corporate Income Tax (MCIT) ✓<br>IC010 DOMESTIC CORPORATION IN GENERAL ✓ |

## Part I - Background Information

| | |
|---|---|
| 6 Taxpayer Identification Number (TIN) | 000 - 917 - 916 - 000 |
| 7 RDO Code | 126 |
| 8 Registered Name *(Enter only 1 letter per box using CAPITAL LETTERS)* | GMA NETWORK, INC. |
| 9A Registered Address *(Indicate complete registered address)* | GMA COMPLEX EDSA CORNER TIMOG AVE SOUTH TRIANGLE QUEZON CITY, NCR, SECOND DISTR |
| 9B Zipcode | 1103 |
| 10 Date of Incorporation/Organization (MM/DD/YYYY) | 06/14/1950 |
| 11 Contact Number | 9271968 |
| 12 Email Address | rpmastrili@gmanetwork.com |
| 13 Method of Deductions | (•) Itemized Deductions [Section 34 (A-J), NIRC] ( ) Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504] |

## Part II - Total Tax Payable *(Do NOT enter Centavos)*

| | |
|---|---|
| 14 Total Income Tax Due (Overpayment) *(From Part IV Item 43)* | 1,927,570,165 |
| 15 Less: Total Tax Credits/Payments *(From Part IV Item 55)* | 1,401,654,268 |
| 16 Net Tax Payable (Overpayment) *(Item 14 Less Item 15) (From Part IV Item 56)* | 525,915,897 |
| **Add Penalties** | |
| 17 Surcharge | 0 |
| 18 Interest | 0 |
| 19 Compromise | 0 |
| **20 Total Penalties** *(Sum of Items 17 to 19)* | 0 |
| **21 TOTAL AMOUNT PAYABLE (Overpayment)** *(Sum of Item 16 and 20)* | 525,915,897 |

If Overpayment, mark "X" one box only *(Once the choice is made, the same is irrevocable)*

( ) To be refunded ( ) To be issued a Tax Credit Certificate (TCC) ( ) To be carried over as tax credit next year/quarter

We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. *(If Authorized Representative, attach authorization letter and indicate TIN)*

| Signature over printed name of President/Principal Officer/Authorized Representative | | Signature over printed name of Treasurer/Assistant Treasurer | | 22 Number of Attachments |
|---|---|---|---|---|
| Title of Signatory | TIN | Title of Signatory | TIN | 4 |

## Part III - Details of Payment

| Particulars | Drawee Bank/Agency | Number | Date *(MM/DD/YYYY)* | Amount |
|---|---|---|---|---|
| 23 Cash/Bank Debit Memo | | | | 0 |
| 24 Check | | | | 0 |
| 25 Tax Debit Memo | | | | 0 |
| 26 Others *(Specify Below)* | | | | |
| | | | | 0 |

| Machine Validation/Revenue Official Receipts Details *(if not filed with an Authorized Agent Bank)* | *Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)* |
|---|---|
| | |

| BIR Form No. 1702-RT January 2018(ENCS) Page 2 | **Annual Income Tax Return** Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate | 1702-RT 01/18ENCS P2 |
|---|---|---|

| Taxpayer Identification Number (TIN) | Registered Name |
|---|---|
| 000 - 917 - 916 - 000 | GMA NETWORK, INC. |

**Part IV - Computation of Tax** *(Do NOT enter Centavos)*

| | |
|---|---|
| **27** Sales/Receipts/Revenues/Fees | 21,490,026,700 |
| **28** Less: Sales Returns, Allowances and Discounts | 0 |
| **29** Net Sales/Receipts/Revenues/Fees *(Item 27 Less Item 28)* | 21,490,026,700 |
| **30** Less: Cost of Sales/Services | 7,818,792,481 |
| **31** Gross Income from Operation *(Item 29 Less Item 30)* | 13,671,234,219 |
| **32** Add: Other Taxable Income Not Subjected to Final Tax | 160,246,508 |
| **33 Total Taxable Income** *(Sum of Items 31 and 32)* | 13,831,480,727 |

Less: Deductions Allowable under Existing Law

| | |
|---|---|
| **34** Ordinary Allowable Itemized Deductions *(From Part VI Schedule I Item 18)* | 6,121,200,066 |
| **35** Special Allowable Itemized Deductions *(From Part VI Schedule II Item 5)* | 0 |
| **36** NOLCO *(only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Part VI Schedule III Item 8)* | 0 |
| **37** Total Deductions *(Sum of Items 34 to 36)* | 6,121,200,066 |
| ***OR** [in case taxable under Sec 27(A) & 28(A)(1)]* | |
| **38** Optional Standard Deduction *(40% of Item 33)* | 0 |

| | |
|---|---|
| **39 Net Taxable Income/(Loss)** *(If Itemized: Item 33 Less Item 37; If OSD: Item 33 Less Item 38)* | 7,710,280,661 |
| **40 Applicable Income Tax Rate** | 25 % |
| **41** Income Tax Due other than Minimum Corporate Income Tax (MCIT) *(Item 39 x Item 40)* | 1,927,570,165 |
| **42** MCIT Due *(2% of Item 33)* | 138,314,807 |
| **43 Tax Due** *(Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher) (To Part II Item 14)* | 1,927,570,165 |

Less: Tax Credits/Payments (attach proof)

| | |
|---|---|
| **44** Prior Year's Excess Credits Other Than MCIT | 0 |
| **45** Income Tax Payment under MCIT from Previous Quarter/s | 0 |
| **46** Income Tax Payment under Regular/Normal Rate from Previous Quarter/s | 822,223,045 |
| **47** Excess MCIT Applied this Current Taxable Year *(From Part VI Schedule IV Item 4)* | 0 |
| **48** Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307 | 320,580,875 |
| **49** Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter | 258,850,348 |
| **50** Foreign Tax Credits, if applicable | 0 |
| **51** Tax Paid in Return Previously Filed, if this is an Amended Return | 0 |
| **52** Special Tax Credits *(To Part V Item 58)* | 0 |
| Other Credits/Payments *(Specify)* | |
| **53** | 0 |
| **54** | 0 |

| | |
|---|---|
| **55** Total Tax Credits/Payments *(Sum of Items 44 to 54) (To Part II Item 15)* | 1,401,654,268 |
| **56 Net Tax Payable / (Overpayment)** *(Item 43 Less Item 55) ) (To Part II Item 16)* | 525,915,897 |

**Part V - Tax Relief Availment**

| | |
|---|---|
| **57** Special Allowable Itemized Deductions *(Item 35 of Part IV x Applicable Income Tax Rate)* | 0 |
| **58** Add: Special Tax Credits *(From Part IV Item 52)* | 0 |
| **59 Total Tax Relief Availment** *(Sum of Items 57 and 58)* | 0 |

| BIR Form No. **1702-RT** January 2018(ENCS) **Page 3** | **Annual Income Tax Return** **Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate** | 1702-RT 01/18ENCS P3 |
|---|---|---|

| **Taxpayer Identification Number (TIN)** | **Registered Name** |
|---|---|
| 000 - 917 - 916 - 000 | GMA NETWORK, INC. |

### Schedule I - Ordinary Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

| | |
|---|---|
| **1** Amortizations | 73,027,822 |
| **2** Bad Debts | 0 |
| **3** Charitable Contributions | 343,343 |
| **4** Depletion | 0 |
| **5** Depreciation | 244,612,168 |
| **6** Entertainment, Amusement and Recreation | 7,807,390 |
| **7** Fringe Benefits | 0 |
| **8** Interest | 11,299,850 |
| **9** Losses | 0 |
| **10** Pension Trust | 0 |
| **11** Rental | 49,380,187 |
| **12** Research and Development | 99,517,216 |
| **13** Salaries, Wages and Allowances | 3,315,855,061 |
| **14** SSS, GSIS, Philhealth, HDMF and Other Contributions | 61,161,548 |
| **15** Taxes and Licenses | 274,179,495 |
| **16** Transportation and Travel | 49,069,974 |
| **17** Others (Deductions Subject to Withholding Tax and Other Expenses) *[Specify below; Add additional sheet(s), if necessary]* | |
| **a** Janitorial and Messengerial Services | 25,576,548 |
| **b** Professional Fees | 332,373,337 |
| **c** Security Services | 71,201,924 |
| **d** ADVERTISING AND PROMOTION | 168,896,070 |
| **e** COMMISSIONS | 72,645,410 |
| **f** COMMUNICATION, LIGHT AND WATER | 388,575,789 |
| **g** INSURANCE | 30,026,844 |
| **h** REALIZED FOREIGN EXCHANGE LOSS (GAIN) | 68,299,104 |
| **i** OTHERS | 777,350,986 |

| | | |
|---|---|---|
| **i.1** | MISCELLANEOUS | 260,304,395 |
| **i.2** | OFFICE SUPPLIES | 11,510,420 |
| **i.3** | FACILITIES RELATED EXPENSE | 65,892,695 |
| **i.4** | REPAIRS AND MAINTENANCE | 273,385,289 |
| **i.5** | DUES AND SUBSCRIPTION | 31,486,231 |
| **i.6** | SOFTWARE LICENSES | 123,428,128 |
| **i.7** | FREIGHT AND HANDLING | 11,343,828 |

| | |
|---|---|
| **18 Total Ordinary Allowable Itemized Deductions** *(Sum of Items 1 to 17i) (To Part IV Item 34)* | 6,121,200,066 |

### Schedule II - Special Allowable Itemized Deductions *(Attach additional sheet/s, if necessary)*

| Description | Legal Basis | Amount |
|---|---|---|
| 1 | | 0 |
| 2 | | 0 |
| 3 | | 0 |
| 4 | | 0 |
| **5 Total Special Allowable Itemized Deductions** *(Sum of Items 1 to 4) (To Part IV Item 35)* | | 0 |

| BIR Form No. **1702-RT** January 2018(ENCS) **Page 4** | **Annual Income Tax Return** **Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate** | 1702-RT 01/18ENCS P4 |
|---|---|---|

| **Taxpayer Identification Number (TIN)** | **Registered Name** |
|---|---|
| 000 - 917 - 916 - 000 | GMA NETWORK, INC. |

**Schedule III - Computation of Net Operating Loss Carry Over (NOLCO)**

| | |
|---|---|
| **1** Gross Income *(From Part IV Item 33)* | 0 |
| **2** Less: Ordinary Allowable Itemized Deductions *(From Part VI Schedule I Item 18)* | 0 |
| **3** Net Operating Loss*(Item 1 Less Item 2) (To Schedule IIIA, Item 7A)* | 0 |

**Schedule IIIA - Computation of Available Net Operating Loss Carry Over (NOLCO)** *(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)*

| | Net Operating Loss | | B) NOLCO Applied Previous Year |
|---|---|---|---|
| | Year Incurred | A) Amount | |
| 4 | | 0 | 0 |
| 5 | | 0 | 0 |
| 6 | | 0 | 0 |
| 7 | | 0 | 0 |

Continuation of Schedule IIIA (Item numbers continue from table above)

| | C) NOLCO Expired | D) NOLCO Applied Current Year | E) Net Operating Loss (Unapplied) *[ E = A Less (B + C + D) ]* |
|---|---|---|---|
| 4 | 0 | 0 | 0 |
| 5 | 0 | 0 | 0 |
| 6 | 0 | 0 | 0 |
| 7 | 0 | 0 | 0 |
| **8 Total NOLCO** *(Sum of Items 4D to 7D) (To Part IV, Item 36)* | | 0 | |

**Schedule IV - Computation of Minimum Corporate Income Tax (MCIT)**

| | Year | A) Normal Income Tax as adjusted | B) MCIT | C) Excess MCIT over Normal Income Tax |
|---|---|---|---|---|
| 1 | | 0 | 0 | 0 |
| 2 | | 0 | 0 | 0 |
| 3 | | 0 | 0 | 0 |

Continuation of Schedule IV *(Item numbers continue from table above)*

| | D) Excess MCIT Applied/Used in Previous Years | E) Expired Portion of Excess MCIT | **F) Excess MCIT Applied this Current Taxable Year** | G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [ G = C Less (D + E + F) ] |
|---|---|---|---|---|
| 1 | 0 | 0 | 0 | 0 |
| 2 | 0 | 0 | 0 | 0 |
| 3 | 0 | 0 | 0 | 0 |
| **Total Excess MCIT Applied** *(Sum of Items 1F to 3F) (To Part IV Item 47)* | | | 0 | |

**Schedule V - Reconciliation of Net Income per Books Against Taxable Income** *(attach additional sheet/s, if necessary)*

| | |
|---|---|
| **1** Net Income/(Loss) per books | 5,463,995,349 |
| Add: Non-deductible Expenses/Taxable Other Income | |
| **2** NONDEDUCTIBLE INTEREST EXPENSE | 14,193,339 |
| **3** OTHERS | 2,504,072,162 |
| **3.1** ACCRUAL OF PBB | 240,262,517 |
| **3.2** NONDEDUCTIBLE TAX DEFICIENCY PAYMENT | 102,579,288 |
| **3.3** PROVISION FOR INCOME TAX | 1,798,312,959 |
| **3.4** MOVEMENT IN PENSION LIABILITY | 362,917,398 |
| **4** Total *(Sum of Items 1 to 3)* | 7,982,260,850 |
| Less: A) Non-Taxable Income and Income Subjected to Final Tax | |
| **5** INCOME ALREADY SUBJECTED TO FINAL TAX | 9,803,236 |
| **6** OTHERS | 262,176,953 |
| B) Special Deductions | |
| **7** | 0 |
| **8** | 0 |
| **9** Total (Sum of Items 5 to 8) | 271,980,189 |
| **10** Net Taxable Income/(Loss) (Item 4 Less Item 9) | 7,710,280,661 |

# UBP Payment Status

| | |
|---|---|
| Filing Reference Number | 462300053360736 |
| Payment Transaction Number | 233999207 |
| TIN | 000917916 |
| Branch Number | 000 |
| Return Period | 12/31/2022 |
| Tax Type | IT |
| Amount Due | 525,915,897.00 |
| Actual Amount Paid | 525,915,897.00 |
| Transacting Bank's Code | 043000 |
| Depository Bank's Code | 043000 |
| UBP Acknowledgement Number | 233999207S78518038A |
| Payment Transaction Date | 04/14/2023 |

Your payment instruction in favor of BIR has been successfully submitted to Union Bank and the corresponding amount has been debited from your account. For your protection, payment shall be credited to BIR upon successful transaction validation.
(Cut-Off time for same-day payments is 9:30 PM.)

Return to BIR EFPS    Cancel