COVER SHEET

1803

SEC Registration Number

ABS-CBN CORPORATION
AND SUBSIDIARIES

(Company's Full Name)

ABS-CBN BROADCAST CENTER
SGT. ESGUERRA AVE. CORNER
MO. IGNACIA ST. DILIMAN
QUEZON CITY

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

Enrique I. Quiason	**3415-2272**
(Contact Person)	(Company Telephone Number)

12 31	17-A	06 25
Month *Day*		*Month* *Day*
(Fiscal Year)	Annual Report (Form Type)	(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.	Amended Articles Number/Section

	Total Amount of Borrowings	
5,330	**Php 17.7B**	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2022**

2. SEC Identification Number: **1803** 3. BIR Tax Identification No.: **000-406-761-000**

4. Exact name of issuer as specified in its charter: **ABS-CBN CORPORATION AND SUBSIDIARIES**

5. **Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
Industry Classification Code:

7. **ABS-CBN Broadcasting Center, Sgt. Esguerra Avenue corner Mother Ignacia St. Quezon City 1100**
Address of principal office

8. **(632) 8924-41-01 to 22 / (632) 3415-22-72**
Issuer's telephone number, including area code

9. **Not applicable**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Issued
Common Stock, P1.00 par value	**902,301,848 shares**
Preferred Stock, P0.20 par value	**1,000,000,000 shares**

Short-term & Long-term debt (current & non-current) **P17.72 billion**

11. Are any or all of these securities listed on a Stock Exchange?
Yes [?] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange
Common Shares 899,806,671 shares

12. Check whether the issuer:
(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes [x] No [ ]
(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [x] No [ ]

ABS-CBN CORPORATION ANNUAL REPORT

PART I - BUSINESS AND GENERAL INFORMATION

1. Business Overview

1.1. Historical Background

ABS-CBN Corporation ("ABS-CBN" or the "Company") traces its roots to Bolinao Electronics Corporation (BEC), established in 1946 as an assembler of radio transmitting equipment. In 1952, BEC adopted the business name Alto Broadcasting System (ABS) and began setting up the country's first television broadcast in 1953. On September 24, 1956, the Chronicle Broadcasting Network (CBN), owned by Don Eugenio Lopez Sr. of the Lopez family, was organized primarily for radio broadcasting. In 1957, Don Eugenio Lopez Sr. acquired ABS, and on February 1, 1967, the operations of ABS and CBN were integrated, and BEC changed its corporate name to ABS-CBN Broadcasting Corporation. On August 16, 2010, the Philippine Securities and Exchange Commission (SEC) approved the change of the Company's corporate name to ABS-CBN Corporation. This change was meant to reflect the Company's diverse business interests.

ABS-CBN achieved many firsts since it started the television industry in the country in 1953. However, with the imposition of martial law in September 1972, ABS-CBN ceased operations as the government forcibly took control of the Company. ABS-CBN resumed commercial operations in 1986 after the People Power or EDSA revolution.

Recovery after fourteen (14) years of absence was difficult as resources were scarce. Nevertheless, through relentless effort, ABS-CBN recaptured leadership in the Philippine television and radio industries by 1988. During the 1990s and the early part of the new millennium, the Company expanded and ventured into complementary businesses in cable and satellite TV, international syndication, music, feature films, artist management, sports, and the online space as well as mobile services, consumer products, theme parks, events and concerts and magazine publishing.

On 05 May 2020, the National Telecommunications Commission ("NTC") issued an Order which directed ABS-CBN to cease operating all its radio and television stations throughout the Philippines (the "CDO"). On 30 June 2020, the NTC likewise issued an *Alias* Cease and Desist Order, which directed the shutdown of ABS-CBN's Digital Terrestrial Television DTT) network (the "*Alias* CDO").

On July 10, 2020, the House Committee on Legislative Franchises passed and approved the Resolution, which denied the franchise application of ABS-CBN to construct, install, establish, operate, and maintain radio and television broadcasting stations in the Philippines (the "Resolution").

Under the Resolution, the House Committee on Legislative Franchises adopted the findings and recommendations of a Technical Working Group (TWG), which recommended that the committee deny the broadcast franchise application of ABS-CBN. The Resolution also stated that based on Section 49 of the 18th Congress' Rules of the House of Representatives, all of the House Bills and House Resolutions relative to the grant or renewal of the franchise application of ABS-CBN are "laid on the table," or effectively "killed." Consequently, ABS-CBN was no longer authorized to operate as a broadcast company.

Through a decision dated 9 September 2020, the NTC recalled all the frequencies assigned to the Company. The NTC also canceled all provisional authorities granted to the Company.

The Company has continued to produce world-class content and distribute its programs on different platforms such as Cable and Satellite TV (domestic and international), domestic free TV through various partnerships with local broadcasters, 3rd party digital platforms, ABS-CBN's streaming service iWantTFC, and through co-production and syndication agreements with international streaming platforms.

1.2. Lines of Business

ABS-CBN is one of the Philippines' leading media and entertainment companies. The Company presents its operations into the following reportable segments:

A. Content Creation, Production, and Distribution
B. Cable, Satellite, and Broadband

CONTENT CREATION, PRODUCTION, AND DISTRIBUTION

Content Creation, Production, and Distribution refers to content created and produced by ABS-CBN and exhibited on terrestrial free television (TV), cable and satellite channels, and online streaming and TVOD/SVOD platforms; international syndication and distribution of content and linear channels; feature films; music; digital and on-line publications; as well as live events and concerts.

Audiences can watch ABS-CBN programs on free analog and digital terrestrial TV via A2Z and TV5's national networks and various domestic and international cable/satellite providers. ABS-CBN manages multiple cable/satellite, IPTV, and online linear channels, including Kapamilya Channel, Cinemo, Jeepney TV, CinemaOne, Metro Channel, MYX, and Knowledge Channel. ABS-CBN's news channels include TeleRadyo and the ABS-CBN News Channel (ANC). ABS-CBN content is available across third-party online platforms like Youtube and Facebook, TVOD portals like Amazon and iTunes, and via ABS-CBN's iWantTFC and KTX. Various movies and series are available on international streaming platforms, including Netflix, Viu, and WeTV. ABS-CBN's music and podcasts are available on Spotify and different audio streaming platforms.

<u>Global Operations</u>

The global division pioneered the international marketing and distribution of ABS-CBN content and media products in the United States in 1994 through ABS-CBN International. The main goal is to bring global Filipinos back to their roots through programs and products that reflect their needs, dreams, and aspirations.

Global's flagship product, The Filipino Channel (TFC), is a 24-hour programming service consisting of general entertainment, news, and feature programs in Tagalog and/or Tagalog-English language, distributed via cable, direct-to-home (DTH) satellite, online (iWantTFC), internet protocol television (IPTV), mobile applications and over-the-top media streaming services, to suit the needs and preferences of over 10 million Filipinos overseas. TFC distributes content in over two hundred countries worldwide with an on-ground presence in the United States, Canada, Middle East, Europe, Australia, and Asia Pacific, through ABS-CBN's international subsidiaries, affiliates, and/or third-party distributors and carriage partners.

Global is also promoting and producing live entertainment and shows, including music events, concerts, and tours, strategically aimed at bringing Filipino talent to the world stage and reaching international audiences. It likewise operates MYX, a global platform that offers live and on-demand access to exclusive Filipino music and entertainment content. It celebrates the next generation of Filipino artists, creatives & filmmakers alongside international stars.

Global's portfolio of products and services also includes advertising sales, theatrical film distribution, retail, and philanthropic support for Filipinos and the communities they now call home.

The **Feature Films** segment of the Company is ABS-CBN Film Productions, Inc. (AFPI) or more popularly known as Star Cinema. AFPI comprises film brands like Star Cinema, Black Sheep, Cinebro, and Cinema One Originals. Movies that may be acquired or co-produced with other local or international producers are distributed by AFPI through its own Cinexpress, a consolidated circuit that includes theatrical distribution, TVOD via iWantTFC, KTX, and 3rd party international platforms, satellite Pay-per-View (PPV) via Cignal, cable PPV via Sky Cable, and IPTV via TFC Global. KTX, as mentioned above, is a ticketing and live event streaming platform directly managed by AFPI. Lastly, AFPI runs the Rise Artists Studio, which trains and manages future movie stars.

The **Music** segment of the Company handles production, promotion, servicing and distribution, and music licensing. Its main business is producing and promoting Original Sound Recordings (OSRs), administrating all copyright on songs, lyrics, and musical compositions, and developing singers and songwriters. The music division has various music labels such as Star Music, Tarsier, Starpop, and DNA Records. In addition, other business units produce audio and video content like MOR Entertainment, Myx, and OneMusicPH. Revenues mainly come from audio and video streaming and downloads from various Digital Service Providers (DSPs) such as Spotify, Apple Music, Amazon, and YouTube. Complementary to this business is the management of artists and the creation and mounting of events. The Company also produces commissioned recordings for television shows and commercial advertisements. The Company also controls a valuable music publishing, and recording catalog of iconic Filipino hit songs covering half a century. These are licensed to third parties for various uses, including theme songs in TV shows and films, commercial advertisements, and communication to the public.

The **Digital** segment of ABS-CBN manages and operates the online assets and has strategic oversight of the entire digital business of the company. These assets include some of the top domains and accounts in the world. Combining ABS-CBN's web properties, OTT, Youtube, and Facebook accounts - the overall combined audience reach of these digital properties would make ABS-CBN to be among the strongest worldwide.

News.abs-cbn.com ranks among the top 10 publishers online in the Philippines and is the top draw of the company's website.

iWantTFC is the global OTT platform owned and operated by ABS-CBN. The home of Filipino stories, the platform's vast content library spans over 60 years of entertainment, news and information, documentaries, music, and sports. Viewers enjoy popular and highly-acclaimed movies, the latest and well-loved series, features, kids and lifestyle programs, exclusive live streaming events, plus iWantTFC Originals. iWantTFC is available in AVOD and SVOD, depending on a user's location.

CABLE, SATELLITE, AND BROADBAND

Sky Cable Corporation pioneered innovative and superior cable services in the Philippines over 30 years ago. It offers value-for-money Home Internet, Pay TV, and bundled subscription plans. It also introduces modern in-premise customer equipment ranging from 2-way digiboxes via the new SKY EVO box to high-speed modems and wifi mesh for seamless connectivity at home.

Its products include SKYCable, the leading cable TV brand in the country known for its top-notch programming with an extensive lineup of HD channels and Pay per view offerings, as well as SKY Fiber, a fiber-to-the-curb (FTTC) powered broadband service with subscription plans ranging from its best value Plan 999 at 20mbps up to 200Mbps. It also introduced SKY Fiber Edge, which utilizes its fiber-to-the-home (FTTH) backbone and competitive Ultra High-Speed plans of up to 1Gbps, available only in select condominiums and villages in Mega Manila and parts of Visayas.

SKY is also a promising player in the SME and Enterprise market, catering to commercial businesses through SKYbiz, which offers content services and customized broadband connectivity. SKYbiz is the first provider to create relevant content for the hospitality industry, making it the preferred cable TV provider of premier establishments in the country.

Subsidiaries

The following is a list of the Company's active subsidiaries to which ABS-CBN has economic rights as of December 31, 2022, and 2021:

Company	Incorporation	Principal Activities	Currency	**2022**	2021
Content Production and Distribution					
Global:					
ABS-CBN Global Ltd. (ABS-CBN Global)[(a) (j)]	Cayman Islands	Holding company	United States dollar (USD)	**100.0**	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe)[(b)(c) (j)]	United Kingdom	Cable and satellite programming services	Great Britain pound (GBP)	**100.0**	100.0
ABS-CBN Japan, Inc. (ABS- CBN Japan)[(d) (j) €]	Japan	Cable and satellite programming services	Japanese yen (JPY)	**100.0**	100.0
ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East)[(b) (j)]	Dubai, UAE	Cable and satellite programming services	United Arab Emirates Dirham (AED)	**100.0**	100.0
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary) [(j)]	Budapest, Hungary	Holding company	USD	**100.0**	100.0
Makati Kft. [(j)]	Budapest, Hungary	Holding company	USD	**100.0**	100.0
ABS-CBN International, Inc. (ABS-CBN International)[(j) (n)]	California, USA	Cable and satellite programming services	USD	**100.0**	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia)[(j) (k)]	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	**100.0**	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada)[(j) (k)]	Canada	Cable and satellite programming services	The Canadian dollar (CAD)	**100.0**	100.0
ABS-CBN Telecom North America, Inc.[(j) (k)]	California, USA	Telecommunications	USD	**100.0**	100.0
Films and Music:					
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	Philippine peso	**100.0**	100.0
Cinescreen, Inc. (Cinescreen) [(f)]	Philippines	Theater operator	Philippine peso	**100.0**	100.0
Narrowcast					
Creative Programs, Inc. (CPI) [(v)]	Philippines	Content development, publishing, and programming services	Philippine peso	**100.0**	100.0
Others:					
ABS-CBN Europe Remittance Inc.[(d) (j) (y)]	United Kingdom	Services - money remittance	GBP	**100.0**	100.0
E-Money Plus, Inc.[(b)]	Philippines	Services - money remittance	Philippine peso	**100.0**	100.0
ABS-CBN Global Remittance Inc.[(j) (k) (y)]	California, USA	Services - money remittance	USD	**100.0**	100.0
ABS-CBN Canada Remittance Inc.[(j) (n) (y)]	Canada	Services - money remittance	CAD	**100.0**	100.0
ABS-CBN Center for Communication Arts, Inc.[(e)]	Philippines	Educational/training	Philippine peso	**100.0**	100.0
.ABS-CBN Global Cargo Corporation[(t)]	Philippines	Non-vessel operations common carrier	Philippine peso	**100.0**	100.0
ABS-CBN Integrated and Strategic Property Holdings, Inc.	Philippines	Real estate	Philippine peso	**100.0**	100.0
ABS-CBN Shared Service Center PTE. Ltd.[(j) (m)]	Singapore	Services - support	Singapore dollar (SGD)	**100.0**	100.0
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine peso	**100.0**	100.0

Company	Incorporation	Principal Activities	Currency	2022	2021
Grassfed Corporation	Philippines	Services - livestock	Philippine peso	**100.0**	100.0
Probabilistic Insights, Inc. [(aa)]	Philippines	Services - support	Philippine peso	**100.0**	100.0
Rosetta Holdings Corporation (RHC)	Philippines	Holding company	Philippine peso	**100.0**	100.0
Callirrhoe, Inc.	Philippines	Holding company	Philippine peso	**100.0**	100.0
Eukelade Holding Corporation	Philippines	Holding company	Philippine peso	**100.0**	100.0
Sarimanok News Network, Inc.	Philippines	Content development and programming services	Philippine peso	**100.0**	100.0
The Big Dipper Digital Content & Design, Inc. (Big Dipper)	Philippines	Digital film archiving and central library, content licensing, and transmission	Philippine peso	**100.0**	100.0
The Chosen Bun, Inc. (Chosen Bun)[(z)]	Philippines	Services - restaurant and food	Philippine peso	**100.0**	100.0
TV Food Chefs, Inc. [(bb)]	Philippines	Services - restaurant and food	Philippine peso	**100.0**	100.0
iConnect Convergence, Inc.	Philippines	Service - call center	Philippine peso	**100.0**	100.0
ABS-CBN Studios, Inc.	Philippines	Production facility	Philippine peso	**100.0**	100.0
Medianow Strategies, Inc. (Medianow) [(x)]	Philippines	Marketing, sales, and advertising	Philippine peso	**79.7**	79.7
Sapientis Holdings Corporation (Sapientis)	Philippines	Holding company	Philippine peso	**100.0**	100.0
Columbus Technologies, Inc. (CTI)[(q)]	Philippines	Holding company	Philippine peso	**70.0**	70.0
ABS-CBN Convergence, Inc, (ABS-C)[(q)]	Philippines	Telecommunication	Philippine peso	**69.3**	69.3
ABS-CBN Theme Parks and Resorts Holdings, Inc. (ABS-CBN Theme Parks)	Philippines	Holding company	Philippine peso	**100.0**	100.0
ABS-CBN Themed Experiences, Inc. (ABS-CBN Themed Experiences) [(u)(bb)]	Philippines	Management of locations	Philippine peso	**100.0**	100.0
Play Innovations, Inc. (PII)[(g) (bb)]	Philippines	Theme park	Philippine peso	**73.0**	73.0
Play Innovations Hungary Kft. (Play Innovations)[(j) (g)]	Budapest, Hungary	Theme park	USD	**73.0**	73.0
Cable and Broadband					
Sky Vision Corporation (Sky Vision) [(w)] (see Note 4)	Philippines	Holding Company	Philippine peso	**75.0**	75.0
Sky Cable Corporation (Sky Cable) [(w)] (see Note 4)	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Bisaya Cable Television Network, Inc.[(h) (i) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Bright Moon Cable Networks, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Cavite Cable Corporation[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Cepsil Consultancy and Management Corporation[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Davao Cableworld Network, Inc.[(h) (o) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
HM Cable Networks, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
HM CATV, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Hotel Interactive Systems, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Isla Cable TV, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Moonsat Cable Television, Inc.[(h) (o) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Pilipino Cable Corporation (PCC)[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Satellite Cable TV, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Sun Cable Holdings, Incorporated (SCHI)[(h) (w)]	Philippines	Holding company	Philippine peso	**59.4**	59.4
Sun Cable Systems Davao, Inc.[(h) (i) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Sunvision Cable, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Tarlac Cable Television Network, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Telemondial Holdings, Inc.[(h) (i) (w)]	Philippines	Holding company	Philippine peso	**59.4**	59.4
JMY Advantage Corporation[(h) (w)]	Philippines	Cable television services	Philippine peso	**56.4**	56.4
Cebu Cable Television, Inc.[(h) (o) (p) (w)]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Suburban Cable Network, Inc.[(h) (w)]	Philippines	Cable television services	Philippine peso	**54.9**	54.9
Pacific CATV, Inc. (Pacific)[(h) (o) (w)]	Philippines	Cable television services	Philippine peso	**58.0**	58.0
First Ilocandia CATV, Inc.[(h) (o) (w)]	Philippines	Cable television services	Philippine peso	**54.9**	54.9
Mactan CATV Network, Inc.[(h) (o) (p) (w)]	Philippines	Cable television services	Philippine peso	**56.6**	56.6
Discovery Mactan Cable, Inc.[(h) (s) (w)]	Philippines	Cable television services	Philippine peso	**41.6**	41.6
Home-Lipa Cable, Inc.[(h) (s) (w)]	Philippines	Cable television services	Philippine peso	**35.6**	35.6

[(a)] *With branches in the Philippines and Taiwan*

[(b)] *Through ABS-CBN Global*

[(c)] *With branches in Italy and Spain*

[(d)] *A subsidiary of ABS-CBN Europe*

(e) *Nonstock ownership interest*
(f) *On June 5, 2017, the SEC approved the incorporation of Cinescreen. Cinescreen was established primarily to own, acquire, establish, lease, maintain, operate, manage, control, promote, advertise, undertake, and carry on the business of theatres, movie houses, and public amusement and entertainment places.*
(g) *Through ABS-CBN Theme Parks*
(h) *Through Sky Cable*
(i) *Subsidiary of SCHI*
(j) *Considered as a foreign subsidiary*
(k) *A subsidiary of ABS-CBN International*
(l) *With a branch in Luxembourg*
(m) *With a regional operating headquarters in the Philippines*
(n) *Through ABS-CBN Hungary*
(o) *Subsidiary of PCC*
(p) *Through Pacific*
(q) *Through Sapientis*
(r) *With a branch in Korea*
(s) *A subsidiary of Sky Cable where Sky Cable effectively owns more than 50% interest*
(t) *In liquidation*
(u) *On July 7, 2017, the SEC approved the incorporation of ABS-CBN Themed Experiences. ABS-CBN Themed Experiences was established primarily to design, develop, manage, operate, and maintain theme and amusement parks, hotels, restaurants, coffee shops, refreshment parlors, and other attractions and facilities.*
(v) *On September 18, 2018, the SEC approved the merger of CPI and ABS-CBN Publishing, with the former being the surviving entity.*
(w) *In 2012, ABS-CBN acquired an additional interest in Sky Vision, increasing its economic interest to 24.8%. The same year, Lopez, Inc. also executed a proxy in favor of ABS-CBN assigning its voting rights to Sky Vision. As a result, ABS-CBN has a voting interest of 75% in Sky Vision since 2012. Sky Vision is the holding company of Sky Cable, where ABS-CBN has an economic interest of 57.4% in 2014. In 2015, ABS-CBN purchased additional shares in Sky Vision, increasing its economic interest in Sky Vision and Sky Cable to 75% and 59.4%, respectively.*
(x) *In 2014, CPI and Sky Cable agreed to form a joint venture company. Medianow, which was incorporated on August 22, 2014, is 78.7% effectively owned by the Company in 2014. As a result of the acquisition of an additional interest in Sky Vision, the economic interest in Medianow increased to 79.7% in 2015.*
(y) *On June 30, 2018, ABS-CBN Europe Remittance Inc., ABS-CBN Global Remittance Inc., and ABS-CBN Canada Remittance Inc. ceased operations.*
(z) *On March 12, 2019, the SEC approved the incorporation of Chosen Bun. Chose Bun was established primarily to raise, process, manufacture and package all kinds of food products; to establish, operate, manage, and maintain restaurants, coffee shops, and refreshments parlors; to serve and cater foods, drinks, refreshments, and other food or commodities.*
(aa) *On June 18, 2019, the SEC approved the incorporation of Probabilistic Insights, Inc. Probabilistic Insights, Inc. was established primarily to provide software products and data science services including but not limited to management consulting, marketing services such as direct marketing, database marketing, workshop facilitation and marketing training.*
(bb) *The Company decided to wind-down its food and beverage and experience operations in July 2020.*

1.3. Significant Philippine Associates and Affiliates

Company	Principal Activity	Date of Incorporation	Relationship
Lopez, Inc.	Holding Company	11 August 1967	Parent of ABS-CBN
Lopez Holdings Corporation*	Holding Company	08 June 1993	Under common control of Lopez Inc.
ABS-CBN Holdings Corporation		30 March 1999	Under common control of Lopez Inc.
A CJ O Shopping Corporation**	Home shopping	13 August 2013	50% owned by ABS-CBN
ALA Sports Promotions International, Inc.	Boxing promotions	4 December 2013	44% owned by ABS-CBN
Daum Kakao Corporation***	Services	16 February 2015	50% owned by ABS-CBN
The Flagship, Inc.	Services	20 October 2015	40% owned by ABS-CBN

**Formerly Benpres Holdings Corporation*

*** On June 25, 2020, the stockholders and BOD of the A CJ O Shopping Corporation approved a plan of liquidation and cessation of operations effective December 31, 2020. In November 2020, the Company discontinued its operations to prevent further losses.*

**** On January 31, 2019, the Philippine SEC has approved Daum Kakao's decrease in its capital stock from ₱900 million to ₱86 million. As of June 3, 2021, Daum Kakao has returned capital of ₱364 million to the joint* *venturers. Refer to Note 13 of the Company's 2022 audited consolidated financial statements.*

1.4. Competition

MEDIA NETWORK AND STUDIO ENTERTAINMENT

Content Production and Distribution

ABS-CBN continues to be a significant supplier of Filipino entertainment, news, and current affairs programs for free TV, cable, and satellite channels and online platforms both in the Philippines and worldwide.

The Company faces competition for program distribution from other producers of Filipino programming and international producers. ABS-CBN competes with other programming providers for channel space and compensation for carriage from cable television operators and other multi-channel distributors. For such program services, distributors select programming based on various considerations, including the price charged for the programming and the quality, quantity, and variety of programming.

ABS-CBN's content library of in-house produced drama series, movies, reality shows, variety shows, documentaries, and the like, runs in the hundreds of thousands of hours combined. Moreover, the Company also has exclusive exhibition licenses for numerous popular local and foreign-acquired programs and movies.

Competition in acquiring foreign-produced programming and films has also been more significant than in previous years. The Company competes with other Philippine entities, pan-regional cable programming producers, and OTT platforms in acquiring rights to popular foreign shows and films.

Global

Global distributes TFC and other media content in the US, Canada, Middle East, Europe, Australia, and Asia Pacific on owned and operated platforms and through various multichannel video programming distributors (MVPDs) and over-the-top streaming media services.

TFC competes for audience attention with Filipino content providers in the regions and with mainstream media content providers on satellite television and cable systems, national broadcast networks, regional and local broadcast stations, and on-demand streaming media services.

Films and Music

Feature Film Production and Distribution: AFPI competes for the services of a limited pool of recognized and bankable creative talents, both artists and production staff, and for film rights and scripts, which are essential to the success of a feature film. The Company likewise competes with other feature film producers, including established Filipino studios, an increasing number of smaller independent producers, and major foreign studios such as Disney, Dreamworks, and Warner Brothers.

The number of films released by the Company's competitors in any given period may create an oversupply of products in the market, reducing the Company's share of gross box office admissions. Star Cinema also competes with other forms of entertainment and leisure time activities such as streaming, travel, and dining. Piracy also takes a considerable chunk of the Company's earnings potential.

Music Production and Promotion: The Music Group's primary business is the production and promotion of Original Sound Recordings (OSRs), administration of all copyright on songs, lyrics, and musical compositions, and the development of singers and songwriters. Revenues come mainly from audio and video streaming and downloads from various Digital Service Providers (DSPs) like Spotify, Apple Music, Amazon, and YouTube. Complementary to this business is the management of artists and the creation and mounting of events.

Music Servicing and Distribution: The Company also produces commissioned recordings for television shows and commercial advertisements and distributes recordings for various music and movie producers.

Music Publishing and Licensing: The Company controls a valuable music publishing, and sound recording catalog of iconic Filipino hit songs spanning over half a century. These are licensed to third parties for various usages, including theme songs in commercials, TV shows, and films.

CABLE, SATELLITE, AND BROADBAND

SKY Cable is one of the significant providers of cable and broadband services in the Philippines. SKY Cable competes with Cable and DTH operators in certain cities, but no wired cable operator has the same scale and coverage as SKY Cable.

SKYcable competes for viewer attention and subscriptions with other entertainment, news, and information providers, including other cable television systems, broadcast television stations, and OTT service providers.

Critical competitive factors include coverage and subscriber base, quality and variety of the program offerings, fees charged for basic and premium services, and the effectiveness of marketing efforts.

The broadband business where Sky Cable operates has several direct competitors. These competitors range from large telecommunications companies to smaller, dedicated cable broadband service providers catering to individuals and businesses alike. Key competitive factors aside from price include fiber facilities, speed, service reliability, and easy access to 24/7 customer service.

DIGITAL

As of Jan 2023, ABS-CBN Entertainment YouTube channel remains the most subscribed and viewed YouTube Channel in the Media & Entertainment Category ranking in Southeast Asia with 42.1 million subscribers and over 56.3 billion lifetime views. Viewership increased by 11% from 2021 to 2022 as ABS-CBN strengthened its digital presence to make its content more accessible to audiences on many platforms.

Other ABS-CBN YouTube channels that rank among the most subscribed and most viewed in the Philippines are ABS-CBN News (14.6M subscribers and 10B views), ABS-CBN Star Music (8.2M subscribers and 3.6B views), ABS-CBN Star Cinema (6.8M subscribers and 2.3B views), iWantTFC (3.5M subscribers and 568M views), Idol Philippines (2.4M subscribers and 779M views) and Pinoy Big Brother ABS-CBN (5M subscribers and 2.9B views).

1.5. Patents, Trademarks, Licenses, Franchises, Concessions, and Royalty

ABS-CBN produces programs, recordings, and music and provides programming services over which ABS-CBN, directly or indirectly, owns and holds intellectual property rights. ABS-CBN owns various trademarks and copyright over most programs it produces. It has also acquired the rights over the content of several third-party production entities and its co-produced content.

Third Party-owned Foreign and Local Films and Programs aired through the ABS-CBN Platforms or Third-Party Platforms

ABS-CBN and its subsidiaries have licenses from foreign and local program and feature film owners to distribute the same through its platforms and other programming services in the Philippines and territories where said platforms and programming services are distributed. These licenses have an average term of 2 to 3 years.

In some instances, ABS-CBN is granted sub-license or assignment rights over programs, films, or events produced by third parties exhibited under license, distribution, and other industry standard arrangements with third-party platform owners and/or operators.

Music Licenses

ABS-CBN and its subsidiaries secure synchronization licenses for music used in films and TV programs for musical compositions and sound recordings. Fees for public performance rights of TFC are paid to the relevant collecting societies in the territories where the channels are operated.

Government Regulations on Principal Products or Services

The 1987 Philippine Constitution provides that "ownership and management of mass media shall be limited to citizens of the Philippines, or corporations, cooperatives or associations wholly-owned and managed by such citizens" (Section 11, Article XVI). As a result, the Company is subject to a nationality restriction, which it has continuously and fully complied with.

The government departments and agencies that administer the laws governing the exhibition and distribution of content are the Department of Information and Communications Technology (DICT), the Movie and Television Review and Classification Board (MTRCB), the Optical Media Board (OMB), and the Department of Labor and Employment (DOLE).

The DICT is the primary policy, planning, coordinating, implementing, and administrative entity of the Executive Branch of the government that plans, promotes and develops the national ICT agenda. Although the NTC is attached to the DICT for policy and program coordination, the DICT does not have the power to review the acts and resolutions of the NTC.

The MTRCB is responsible for rating television and film in the Philippines. It screens, reviews, and examines motion pictures, television programs, and publicity materials and then classifies them based on their content. It is also the regulatory body that initiates plans and fosters cooperation in the industry to improve, upgrade and make viable the industry as one source of fueling the national economy.

The OMB was created under the state's policy to institute means to regulate the manufacture, mastering, replication, importation, and exportation of optical media. To this end, the OMB has been empowered to formulate and implement policies and programs necessary to accomplish the purposes of the Optical Media Act of 2003. It has also been granted the power to supervise, regulate, grant, or renew licenses. Its authority also encompasses inspections, applying for and obtaining search warrants, and acting as a complainant in criminal prosecutions for violators of the Act. It can hear and resolve administrative cases against violators of the Act and impose sanctions, confiscate optical media, and suspend, cancel, or deny renewal of licenses.

In addition to the restrictions imposed by government agencies, a mass media company must also follow the rules and industry standards promulgated by the *Kapisanan ng mga Brodkaster sa Pilipinas* (KBP), of which the Company is a member. The KBP is a self-regulating trade organization consisting of television and radio operators. It formulates policies and guidelines for the operations of its members and enforces programming and advertising rules.

Costs and Effect of Compliance with Environmental Laws

Development projects classified by law as environmentally critical or projects within statutorily defined environmentally critical areas must obtain an Environmental Compliance Certificate (ECC) before commencement. Through its regional offices or the Environmental Management Bureau (EMB), the Department of Environment and Natural Resources (DENR) determines whether a project is environmentally critical or located in an ecologically critical area.

The ECC is a government certification that (i) the proposed project or undertaking will not cause a significant adverse environmental impact; (ii) that the proponent has complied with all the requirements of the Environmental Impact System (EIS) system and; (iii) that the proponent is committed to implement its approved environmental management plan in the EIS or, if an IEE was required, that it will comply with the mitigation measures suggested therein. The ECC contains specific measures and conditions that the project proponent must undertake before and during the project's operation, and in some cases, during the abandonment phase of the project to mitigate identified environmental impact.

ABS-CBN is not engaged in any project or activity that may require compliance with these requirements. For the past three years, there were no costs related to the effect of compliance with environmental laws.

However, if and when applicable, the Company shall apply for and secures proper permits, clearances, or exemptions from the DENR, Department of Health, Civil Aviation Authority of the Philippines, and other regulatory agencies, as may be necessary for the conduct of its business operations.

Employees and agreements of labor contracts, including duration

ABS-CBN and its Subsidiaries had 3,867 regular employees, 324 project employees, 626 program-based employees, and 884 independent contractors as of December 31, 2022.

The Philippine Labor Code and other statutory enactments provide the minimum benefits employers must provide to their employees. These include certain social security benefits, such as benefits mandated by the Social Security Act of 1997 (R.A. No. 8282), the National Health Insurance Act of 1995 (R.A. No. 7875), as amended, and the Home Development Fund Law of 2009 (R.A. No. 9679).

Under the Social Security Act of 1997, social security coverage is compulsory for all employees under 60. An employer is obligated to deduct and withhold from each employee's monthly salary, wage, compensation, or earnings the employee's contribution, and the employer, for its part, makes a counterpart contribution for the employee and remits both amounts to the Social Security System (SSS). These remittances enable the employees to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits, and maternity-leave benefits. The Social Security Act of 1997 imposes penal sanctions if an employer fails to remit contributions to the SSS. For corporate employers, the penalty is imposed on its president and board of directors members.

The National Health Insurance Act created the National Health Insurance Program (NHIP) to provide health insurance coverage and ensure affordable and accessible healthcare services to all Filipino citizens. Under the law, all members of the SSS are automatically members of the NHIP. The Philippine Health Insurance Corporation (PhilHealth) administers the NHIP, and an employer must deduct and withhold the contributions from the employee’s salary, wage, or earnings, make a counterpart contribution for the employee, and remit both amounts to PhilHealth. The NHIP will then subsidize personal health services required by the employee subject to specific terms and conditions under the law. The National Health Insurance Act likewise imposes penal sanctions if an employer does not remit contributions to PhilHealth. For corporate employers, the penalty is imposed on its president and board of directors members.

The Home Development Fund Law (R.A. No. 9679), or the Pag-IBIG Fund Law, created the Home Development Mutual Fund (HDMF), a national savings program and a fund to provide affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee's monthly compensation, up to a maximum of ₱5,000, make a counterpart contribution of 2% of the employee's monthly compensation, and remit the contributions to the HDMF. The Pag-IBIG Fund Law also imposes penal sanctions if the employer does not send the contributions to the HDMF.

The Philippine Labor Code provides that, in the absence of a retirement plan provided for by their employers, private-sector employees who have reached 60 years of age or more but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least six months being considered as one whole year. To compute the retirement pay, "one-half month's salary" shall include all of the following: 15 days' salary based on the latest salary rate; in addition, one-twelfth of the 13th month pay and the cash equivalent of 5 days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement (CBA).

ABS-CBN has complied with all these labor regulations and laws.

ABS-CBN's management recognizes two labor unions, one for the supervisory employees and another for the rank-and-file employees. The Supervisory Union represents approximately 4% of the total regular employees of ABS-CBN, while 10% belong to the Rank & File Union. The current CBA for the supervisory union covers the period August 1, 2020, to July 31, 2023, while the CBA for the rank and file employees covers the period December 1, 2021, to November 30, 2024

For the last three (3) years, there were neither labor strikes nor any disputes with the labor unions. CBA negotiations with the Rank and File and Supervisory unions were concluded without any significant issues and were ratified by the majority of the union members.

1.6. Corporate Social Responsibility (CSR)

ABS-CBN Lingkod Kapamilya Foundation, Inc. (formerly ABS-CBN Foundation, Inc.)

ABS-CBN Lingkod Kapamilya Foundation, Inc. (ALKFI), a non-stock, non-profit organization, was incorporated in 1989 to address the plight of the disadvantaged and to ensure that publicly solicited funds and support are properly allotted and utilized.

2022 was a year to fortify new strategies and work on partnerships as the Foundation worked towards becoming more resilient and responsive in uncertain times.

The prolonged pandemic has understandably weakened the economic position of many partners and donors, including the Foundation's largest donor, ABS-CBN. ABS-CBN's substantial contribution served as a seed fund for each program to implement plans of action quickly. During disasters, ABS-CBN is always first to forward donations and conduct public service activities alongside the Foundation. Likewise, without the support of free television, it was difficult for the Foundation to reach a wider audience and disseminate critical information, especially during calamities.

Through these challenges, the Foundation remained true to its core of being in the service of the Filipino. The Foundation continued to provide timely and relevant aid to Filipinos in need, wherever they may be. The Foundation's five pillar advocacies – child welfare, environmental stewardship, disaster relief and rehabilitation, livelihood support, and education - implemented projects with partners toward shared goals and objectives.

Bantay Bata 163. Founded in 1997, Bantay Bata 163 began as a rescue hotline for at-risk children. Through the years, its services have evolved to include helping indigent children through medical assistance and scholarships. Eventually, it opened the Children's Village, a halfway home for abused and at-risk children.

In 2022, Bantay Bata launched innovative projects while staying true to their core advocacy and acknowledging the need to address the needs of Filipino children of the present. In the current digital age, the program saw the need to expand its reach through digital platforms and introduced innovative approaches to the problems of Filipino children today.

Bantay Bata 163's projects included:

- Child Safe Schools
  As face-to-face classes resumed in 2022, Bantay Bata launched Child Safe Schools. The project aims to create a child-safe environment for students by enabling school personnel and the school community to

craft a needs-based Child Protection Policy and Program that is contextualized to the school and learners' needs. This program also aimed to strengthen the home and school mechanisms that address child protection concerns. Part of the activities in Child Safe Schools was Training and Writeshop on Creating a School-based Child Protection Policy, Child Protection Talks, Turnover Ceremony of School Advocacy Kits, and the Children's Congress.

- Project MIND
  Project Mind or Mental Health Intervention for Children in Need/Affected by Disasters provides mental health and psychosocial support (MHPSS) services to children and their caregivers in the immediate aftermath of disasters and calamities. The project started in 2021. It expanded in 2022 to respond to the increase in demand for mental health and psychosocial support for children and their caregivers. The project also sought to create a network of MHPSS volunteers nationwide by providing training to community members who can be mobilized in times of disaster.

- Helpline 163
  The relaunching of Hotline 163 to Helpline 163, was a strategic move to stay up-to-date with the current needs of children. Helpline 163 continued as a response mechanism to reports of abuse, the need for parental counseling, and other inquiries related to child welfare and child protection. However, to remain relevant and to have further reach, Helpline 163 has now made its services available through email and social media. Through the support of UNICEF, Bantay Bata offered free 1-hour Psychotherapy/ Talk Therapy through the Bantay Bata Helpline 163 for children and their caregivers in 2022.

Two years into the pandemic, Bantay Bata 163, much like the other ALKFI programs, has adapted their projects to fit the new normal. The Bantay Bata team provided timely and relevant services to meet the needs of the current generation of children. Providing these services makes children's physical and mental well-being valued and protected.

Bantay Kalikasan. Launched in 1998, Bantay Kalikasan (BK), the Foundation's environmental advocacy arm, has propelled massive changes toward protecting and sustaining the environment and the country's natural resources. It has initiated watershed rehabilitation and management, recovery and recycling of used lead acid batteries and oil, advocacy building through Information and Education Campaigns (IEC), and community empowerment for two decades.

Bantay Kalikasan projects included the following:

- La Mesa Watershed and Ecopark Management
  With the support of various partners, the Foundation continued the protection and enrichment of the La Mesa Watershed and the operation of La Mesa Ecopark. La Mesa is the only remaining forest of its size in Metro Manila.

- Bantay Baterya and Bantay Langis
  The project involves collecting and properly recycling used lead acid batteries, used oil, and other recyclable wastes of partner companies. The proceeds from the recycling funds BK projects and activities.

- Science, Education, and Advocacy of the Verde Island Passage (SEA VIP) Project. The Verde Island Passage is the "center of marine shore fish biodiversity in the world." Apart from regular education activities on the conservation and enrichment of the VIP, SEA was also heavily involved in developing citizen scientists among the community to help in reef monitoring. SEA's Citizen Science Program aims to empower coastal communities with the knowledge and skills to collect critical information on the health of marine ecosystems in a cost-effective and timely manner.

In 2022, the BK team planted 107,000 native trees covering 267.5 hectares at the La Mesa Watershed from June to September. This number is the greatest number of trees planted in any year since the start of the project. In addition, La Mesa Foresters maintained 452 hectares of young saplings planted in the previous three (3) years. During the planting season, forty-six (46) tree-planting activities were held at the Watershed, engaging more than 3,000 participants in the Plant-a-Forest initiative. The team also facilitated twenty-six (26) Plant-a-Seed activities with more than 1000 participants. Meanwhile, the EcoPark hosted eight (8) employee engagement activities with 400 participants.

Visitor traffic to the EcoPark rose to 118,152 (39,349 in 2021) and the Watershed to 14,561 (6,447 in 2021). This substantial increase is due to the re-opening of the EcoPark Adventure Zone in July 2022 with our partner, Global Gutz Parks Phils, Inc. The Adventure Zone offers paintball, archery, wall climbing, and rappelling activities. Additionally, outdoor events such as an Ultramarathon and Gravel Bike Race were hosted at the EcoPark. These activities also required rehabilitating facilities, including the Narra Pavilion, Multi-purpose Hall, picnic areas, sidewalks, pedestrian lanes, entrance ticket booth, nipa huts, and electrical grids.

The Alwan Coral Reef Monitoring effort in Lobo, Batangas, was completed in 2022 in partnership with First Gen Corporation, the Municipality of Lobo, the Lobo Bantay Dagat, and community organizations. Two other communities were added to the program, and the success of this initiative resulted in a grant from USAID under the Inspire Program to expand the reef monitoring project to six communities in Batangas, Mindoro, and Romblon. The program started with an Alwan Reef Monitoring Trainers' Training for our Romblon government and academe partners. A second citizen science program for Mangrove and Seagrass ecosystems was launched in Lobo with two partner communities comprising twenty citizen scientists undergoing training on mangrove tagging and assessments to validate the satellite images of the Philippine Mangrove Map. Both Citizen Science Programs will expand to additional sites in 2023.

Sagip Kapamilya (SK) assists victims of calamities and natural disasters. It is likewise engaged in the rehabilitation of typhoon-damaged infrastructures and several disaster risk-reduction projects all over the country. SK leads in delivering relief in evacuation centers in partnership with the local government units, social workers, and volunteer groups.

In 2022, Sagip Kapamilya assisted 257,456 families by giving out food packs to mitigate the impact of calamities such as typhoons, earthquakes, and fire incidents. 69,726 individuals were also served hot meals through the soup kitchen. Sagip Kapamilya also distributed house repair kits to 1,270 households. The Pantawid ng Pagibig Program, which was launched to aid Filipinos during the COVID-19 pandemic, assisted a total of 33,854 individuals.

Sagip Kapamilya has also facilitated training with 6,594 beneficiaries for the Sagip Kapamilya Livelihood and Rehabilitation Program. Water facilities were also turned over to communities: two (2) in Dagami, Leyte, two (2) in Patnongon, Antique, and one (1) in Calinog, Iloilo, with a total of 9,392 direct beneficiaries. Pump boats that benefit 30 families were also turned over to Brgy. Bojon A & B, San Juan, Southern Leyte.

Sagip Kapamilya has also turned over a building for ALKFI's Legacy Projects to the Cuartero National High School in Capiz, with 1575 students as direct beneficiaries.

Programa Genio. Launched in 2012, Programa Genio (PG) hopes to help every Filipino discover and develop the inherent "genio" or genius in them. Named in honor of ABS-CBN Founder and Chairman Eugenio Lopez Jr., Programa Genio's goal is to help empower the marginalized and disadvantaged through quality educational soft programs to become skilled and productive citizens of the country. Two years after the onset of the COVID-19 pandemic, Programa Genio assisted in the transition to the new normal of hybrid learning. It re-focused its strategies on helping marginalized schools cope with the combination of face-to-face and distance learning by providing students with school equipment and learning kits.

In 2022, Community Learning Hubs were created. These local areas' network-based servers served as repositories of learning materials, videos, and podcasts. They were developed to support learning without internet access. These provided a library of open resources for students. Career Coaching was also launched to help students

select relevant and useful tracks, strands, and subjects. Through the funds given by donors, PG procured duplicator machines (risograph machines) which schools and teachers used to produce modules.
Integrated Area Development. ALKFI's integrated area development (IAD) approach with grassroots communities is a purposive move towards better sustainability and a more lasting impact. This approach covers building the capacity of the communities towards governance, leadership, stewardship, and community-based enterprise development and management.

In 2022, the Foundation's IAD program journeyed with 38 communities. These are in Marikina, Benguet, Zambales, Batangas, Romblon, Sorsogon, Samar, Leyte, Eastern Samar, Biliran, Iloilo, Sarangani and South Cotabato.

Over twenty-seven (27) empowerment and people development training programs were conducted, with an additional 100 pieces of training facilitated by partners to benefit the communities. These programs directly engaged over 750 individuals, focusing on adding to the knowledge, enriching the skills, and cultivating the disposition, mindset, and culture of leaders and members of people's organizations, associations, and cooperatives as they manage, operate and grow their development programs.

Examples of these programs are:

- Grassroots Leaders of Tomorrow
  Serving as a training ground for community leaders, this involves a training and immersion program that brings together leaders from different communities so they can learn with and from each other. In 2022, twenty-five (25) leaders from Luzon and Visayas went on a learning trip to Leyte.

- Catalyst, Ako ang Simula
  This program features social enterprise ideation and designs boot camps developed for communities. It follows the pillars of the design-thinking approach.

- Community-based Social Enterprise Training
  Anchored on the importance of skills-building for sustainability, this is a learning-while-doing training series that accompanies communities developing, implementing, and growing their social enterprises.

On our Sustainability Report, please refer to the following links for the full report:
https://www.abs-cbn.com/sustainability
https://www.abs-cbn.com/sustainability/sustainability-report-2022/id-7e35b83c-eded-4812-b396-e4714e037048

1.7. Principal Competitive Strengths of the Company

Diversified businesses

ABS-CBN is considered one of the Philippines' leading media and entertainment companies, with services and offerings across different platforms, demographics, and geographies. The Company delivers diversified revenues, including advertising, subscriptions, box-office sales, syndication, licensing, and distribution.

The Company provides satellite, IPTV, OTT, and cable programs and services internationally to over 3 million viewers in North America, the Middle East, Europe, Japan, Australia, Canada, and other countries in Asia.

The Company's portfolio includes subsidiaries focused on feature film production, music, cable, and satellite channels, television production, content distribution, creative development, various online assets, live events, and artist management.

An experienced management team

ABS-'CBN's management comprises highly experienced professionals with significant track records in the media and entertainment sector. Key senior officers have worked within the industry for at least ten years.

Growth strategy

The Company continues to focus on creating compelling content and stories for domestic and overseas markets and platforms through partnerships and collaborations. With an emphasis on generating maximum value for its content and products, the Company continues to monitor shifts in technology, audience behavior, and industry demand as it expands its digital and international businesses while continuing to invest in content and story-generation capabilities.

1.8. Key Strategies and Objectives

As an organization, ABS-CBN affirms its mission of serving the Filipino and its stakeholders worldwide. The Company is driven to pioneer, innovate and adapt as it provides information, news, and entertainment that connects Filipinos and their community - wherever they may be. ABS-CBN is firmly committed to pursuing excellence. The critical elements of its business strategy are:

Building on our core strength in content creation. While the technology, the production process, and the medium used to access content evolve, ABS-'CBN's ability to create quality content that touches, inspires and empowers its viewers must remain constant. The Company will continue building on its core strength in content creation and talent development.

Anytime, anywhere, on any device, in any medium. As ABS-CBN's audience expands worldwide and demands greater control over how and when they will consume content, the Company will provide access to its content across the broadest array of platforms possible. Audiences can access ABS-CBN anytime at any place in any medium.

Maintain a solid fiscal position and deliver value to our stakeholders. The Company will optimize synergies across its businesses. In addition, the Company will consciously operate more efficiently and cost-effectively as it delivers more excellent value to its customers, clients, partners, and shareholders.

1.9. Transactions with Related Parties

For a detailed discussion of ABS-CBN's related party transactions, refer to Note 23 of the Company's 2022 audited consolidated financial statements.

Except for related party transactions discussed in the accompanying notes to the Company's 2022 audited consolidated financial statements, there have been no material transactions during the past two (2) years, nor is any material transaction presently proposed to which the Company was or is to be a party in which any director, executive officer of the Company, or a security holder of more than 10% of the Company's voting securities, any relative or spouse of any such director or executive officer or owner of more than 10% of the Company's voting securities had or is to have a direct or indirect material interest.

Furthermore, there have been no material transactions during the past two (2) years, nor is any material transaction presently proposed, between the Company and parties that fall outside the definition of " related parties" under PAS 24 *Related Party Disclosure – Key Management Personnel*, but with whom the registrants or its related parties have a relationship (e.g., former senior management of the Company or other parties who have some other former or current relationship with the Company) that enables the parties to negotiate terms of material transactions that may not be availed from other, more clearly independent parties on an arm's length basis.

1.10. Risks Relating to the Company

The Company's results may be negatively affected by the continuing effects of COVID-19, global and domestic events, and possible adverse economic conditions in the Philippines and abroad. Its operations depend on its ability to sell airtime for advertising, to sell various goods and services to consumers, and to collect subscription fees from its subscribers. Historically, the advertising industry, relative to other sectors, has been susceptible to the general condition of the economy. Also, the ability of consumers to pay for the Company's services or goods depends on their disposable income at any given time and access to retail outlets. Consequently, the Company's business may be affected by the country's economic condition and the territories where it conducts its business.

ABS-'CBN's Board of Directors and management are mindful of the potential impact of various risks on the Company's ability to operate a viable business. Strategy formulation and decision-making always consider these potential risks, and the Company ensures that it takes all the steps necessary to minimize, if not eliminate, such risks. ABS-CBN provides that it has the proper control systems in place and, to the extent possible, adopts global best practices to identify, assess, analyze, and mitigate market, operating, financial, regulatory, community, reputational, and other risks.

The Risk Management Committee, formed in March 2010, assumes the oversight responsibility for Enterprise Risk Management (ERM), taking over from the Audit Committee.

2. Properties

The properties of the Company consist of production, distribution, playout, and office facilities, the majority of which the Company owns. Playout and studio operations are conducted in the 44,000 square meters ABS-CBN Center at Sgt. Esguerra Avenue corner Mother Ignacia St. Quezon City.

The center consists of several buildings, one of which is a fifteen (15)-story building known as the Eugenio Lopez Jr. Communications Center (ELJCC). ELJCC houses the corporate offices of the Company and its subsidiaries. Various television studios, sound recording studios, and other television production facilities are interspersed in the compound. ELJCC has a gross floor area of approximately 108,000 square meters and a total office space of about 58,000 square meters. The ground floor is leased to various businesses, including banks and clinics. The broadcast center also houses the Company’s other buildings and properties.

The main building currently houses the Company’s TV Production and News and Current Affairs. The Technical Operations Center and several studios and soundstages are also located in the main building, which was completed in 1968.

In 2020, the Company agreed with its existing lenders to create a mortgage and security interest over real properties and equipment in Mega Manila. ABS-CBN also owns real estate properties in various parts of the country.

3. Legal Proceedings

For the past (five) 5 years, the Company has not been a party in any legal proceedings which involved a claim for damages in an amount, exclusive of interest and cost, exceeding 10% of the current assets of ABS-CBN.

PART II - SECURITIES OF THE REGISTRANT

1. Market Information for Issuer’s Common Equity and Related Stockholder Matters

The Company’s common shares have been listed on the PSE since 1992. The Philippine Depositary Receipts (PDRs) were listed in 1999. Common shares may be exchanged for PDRs. The common shares (PSE: ABS) closed at Php7.39, while the PDRs (PSE: ABSP) closed at PHP7.53 on December 31, 2022.

High and Low Share Prices

		ABS		ABSP	
		High	**Low**	**High**	**Low**
2022	First Quarter	8.00	7.03	8.60	7.50
	Second Quarter	13.32	7.84	13.46	8.50
	Third Quarter	13.20	8.70	12.70	9.00
	Fourth Quarter	14.26	11.34	13.48	10.92
2021	First Quarter	15.00	10.80	14.50	10.00
	Second Quarter	13.40	10.70	13.08	10.10
	Third Quarter	14.60	10.82	13.96	10.36
	Fourth Quarter	16.48	12.40	15.50	11.70
2020	First Quarter	24.85	14.8	20.2	13.30
	Second Quarter	18.38	13.9	17.9	13.02
	Third Quarter	16.14	6.66	15.4	6.37
	Fourth Quarter	16.86	6.98	14.58	6.80
2019	First Quarter	25.30	20.00	22.00	18.24
	Second Quarter	20.85	16.80	19.56	16.34
	Third Quarter	22.00	17.06	20.00	16.72
	Fourth Quarter	19.56	14.80	18.78	13.52
2018	First Quarter	29.40	28.70	27.85	27.50
	Second Quarter	25.50	24.90	25.00	24.20
	Third Quarter	21.30	20.90	19.50	19.20
	Fourth Quarter	20.15	19.92	18.80	18.70

2. Holders

The number of shareholders of record as of December 31, 2022, was 5,330. Common shares issued as of December 31, 2022, were 902,301,848. Preferred Shares outstanding as of December 31, 2022, were 1,000,000,000.

As of December 31, 2022, the foreign equity ownership of ABS-CBN is at 0%.

Top 20 Common Shares Stockholders

As of December 31, 2022, the Top 20 stockholders of ABS-CBN own an aggregate of 861,573,100 or 98.42% of issued common shares.

	STOCKHOLDERS NAME	CITIZENSHIP	RECORD/ BENEFICIAL	TOTAL SHARES	%
1	LOPEZ, INC.	PH	Record	502,256,308	55.66%
2	PCD NOMINEE CORPORATION	PH	Record	377,221,617	41.81%
3	ABS-CBN FAO VARIOUS PARTICIPANTS OF SPP1 AND SPP2	PH	Record	2,573,951	0.29%
4	CHAN, JOSE MARI LIM	PH	Record	1,257,130	0.14%
5	CHING TIONG KENG	PH	Record	1,111,500	0.12%
6	ABS-CBN FOUNDATION, INC.	PH	Record	780,995	0.09%
7	TOWER SECURITIES, INC. A/C IGODED11	PH	Record	600,000	0.07%
8	CREME INVESTMENT CORPORATION	PH	Record	417,486	0.05%
9	FG HOLDINGS	PH	Record	386,270	0.04%
10	CHENG, CHARLOTTE C.	PH	Record	340,000	0.04%
11	CHING, CYNTHIA D.	PH	Record	337,500	0.04%
12	MANUEL M. LOPEZ	PH	Record	246,186	0.03%
13	MA. SOCORRO VALENZUELA VIDANES	PH	Record	239,500	0.03%
14	CARLO LOPEZ KATIGBAK	PH	Record	237,500	0.03%
15	LA SUERTE CIGAR & CIGARETTE FACTORY	PH	Record	205,000	0.02%
16	LAURENTI MILLEZA DYOGI	PH	Record	186,500	0.02%
17	ROLANDO P VALDUEZA	PH	Record	178,800	0.02%
18	ALBERTO G. MENDOZA &/OR JEANIE MENDOZA	PH	Record	168,250	0.02%
19	CHUA, MIMI	PH	Record	162,390	0.02%
20	MAJOGRAJO DEV. CORPORATION	PH	Record	140,700	0.02%
	SUBTOTAL TOP 20 STOCKHOLDERS			**889,047,583**	**98.53%**
	OTHERS			13,254,265	1.47%
	TOTAL			**902,301,848**	**100.00%**

Top 20 Preferred Shares Stockholders

As of December 31, 2022, the Top 20 stockholders of ABS-CBN’s preferred stock are as follows:

RANK	NAME	CITIZENSHIP	RECORD / BENEFICIAL	NO. OF SHARES	%
1	LOPEZ, INC.	Filipino	Record	987,130,246	98.71%
2	TOWER SECURITIES INCORPORATED	Filipino	Record	4,431,583	0.44%
3	CITIBANK NA FAO MAYBANK ATR KIM ENG CAPITAL PARTNERS INC. TRUST DEPT. AS INV. MGR	Filipino	Record	2,244,787	0.22%
4	MANUEL M. LOPEZ &/OR MA. TERESA L. LOPEZ	Filipino	Record	1,643,032	0.16%
5	ABACUS SECURITIES CORPORATION	Filipino	Record	727,085	0.07%
6	ABACUS SECURITIES CORPORATION	Filipino	Record	699,091	0.07%

RANK	NAME	CITIZENSHIP	RECORD / BENEFICIAL	NO. OF SHARES	%
7	VALUE QUEST SECURITIES CORPORATION	Filipino	Record	662,020	0.07%
8	GLOBALINKS SEC. & STOCKS, INC.	Filipino	Record	297,081	0.03%
9	MANUEL M. LOPEZ	Filipino	Record	187,518	0.02%
10	MAYBANK ATR KIM ENG SECURITIES, INC.	Filipino	Record	182,083	0.02%
11	BELSON SECURITIES, INC.	Filipino	Record	128,905	0.01%
12	ASIASEC EQUITIES, INC.	Filipino	Record	120,000	0.01%
13	PCCI SECURITIES BROKERS CORPORATION	Filipino	Record	112,022	0.01%
14	RICKY SEE ENG HUY	Filipino	Record	103,901	0.01%
15	NOLI DE CASTRO	Filipino	Record	93,372	0.01%
16	MERIDIAN SECURITIES, INC.	Filipino	Record	93,133	0.01%
17	EDMOND T. AGUILAR	Filipino	Record	71,961	0.01%
18	LEONARDO P. KATIGBAK	Filipino	Record	66,702	0.01%
19	KRIS AQUINO	Filipino	Record	64,136	0.01%
20	IMPERIAL, DE GUZMAN, ABALOS & CO., INC.	Filipino	Record	56,641	0.01%
	Subtotal of Top 20 Stockholders			999,115,299	99.91%
	Others			884,701	0.09%
	Total No. of Shares			**1,000,000,000**	**100.00%**

3. Dividends

The declaration and payment of dividends are subject to certain conditions under the Company's existing long-term loan agreements with various banks.

Stock Dividend (Per Share)

No stock dividend has been declared since July 2, 1996.

Cash Dividend (Per Share)

Amount	Share	Declaration Date	Record Date	Payment Date
₱0.60	Common	March 28, 2001	April 25, 2001	May 25, 2001
₱0.64	Common	July 21, 2004	July 24, 2004	August 10, 2004
₱0.45	Common	March28, 2007	April 20, 2007	May 15, 2007
₱0.83	Common	March 26, 2008	April 30, 2008	May 27, 2008
₱0.90	Common	March 25, 2009	May 5, 2009	May 29, 2009
₱1.11	Common	March 11, 2010	March 31, 2010	April 29, 2010
₱2.10	Common	March 4, 2011	March 25, 2011	April 19, 2011
₱0.80	Common	March 30, 2012	April 25, 2012	May 22, 2012
₱0.40	Common	April 23, 2013	May 10, 2013	June 6, 2013
₱0.004	Preferred	January 30, 2014	February 14, 2014	February 28, 2014
₱0.60	Common	March 27, 2014	April 16, 2014	May 7, 2014
₱0.60	Common	March 5, 2015	March 20, 2015	April 30, 2015
₱0.004	Preferred	April 24, 2015	May 11, 2015	May 18, 2015
₱0.75	Common	March 18, 2016	April 11, 2016	April 29, 2016
₱0.004	Preferred	May 05, 2016	May 20, 2016	June 7, 2016
₱1.04	Common	February 22, 2017	March 8, 2017	March 22, 2017
₱0.004	Preferred	February 22, 2017	March 8, 2017	March 22, 2017
₱0.92	Common	February 22, 2018	March 8, 2018	March 22, 2018
₱0.004	Preferred	February 22, 2018	March 8, 2018	March 22, 2018

₱0.55	Common	February 28, 2019	March 14, 2019	March 26, 2019
₱0.004	Preferred	February 28, 2019	March 14, 2019	March 26, 2019

There were no cash dividends declared from 2020 up to 2022.

4. Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities, Constituting an Exempt Transaction

On February 28, 2013, the Company issued One Billion Preferred Shares at an issue price of ₱0.20 per share through a rights offering solely to its stockholders. No underwriters were involved in the offer, and no commission or remuneration was paid in connection with the offer. The offer and issuance of the Preferred Shares is an exempt transaction under Section 10.1 (e) of the Securities Regulation Code since the securities were offered and sold to the Company's stockholders exclusively, and no commission or remuneration was paid in connection with the offer and sale of the securities.

On June 5, 2013, the Company issued 57,836,900 Common Shares to ABS-CBN Holdings Corporation at an issue price of ₱43.125 per share. The offer and issuance of the said Common Shares is an exempt transaction under Section 10.1 (k) of the Securities Regulation Code since the securities were sold to fewer than twenty (20) persons in the Philippines during any twelve months. On June 25, 2013, Lopez, Inc. subscribed to 34,702,140 Common Shares at a subscription price of ₱43.225 per share. The offer and issuance of the said Common Shares is an exempt transaction under Section 10.1 (k) of the Securities Regulation Code since the securities were sold to fewer than twenty (20) persons in the Philippines during any twelve months.

The SEC has approved the Registration Statement for issuing the additional Common Shares.

On February 22, 2017, the Board of Directors approved an Employee Stock Purchase Plan and an Executive Stock Purchase Plan. The ABS-CBN Employee Stock Purchase Plan was offered to rank-and-file employees, technical specialists, and Internal Job Market members with at least one (1) year tenure in January 2018. The maximum number of ABS-CBN common shares a participant under this plan may subscribe to is 2,000 shares. The subscription price was PHP29.50, a 15% discount on the closing price as of the offer date. The subscription price will be paid in five (5) years. The Executive Stock Purchase Plan was offered to managers, artists, and members of the Board of Directors with at least one (1) year tenure. Managers and artists can subscribe to a maximum of shares equivalent to 2.5 months of their monthly salary or income. Members of the Board of Directors can subscribe to up to 100,000 shares. The subscription price for the first 2,000 shares was PHP29.50, a 15% discount on the closing price as of the offer date.
There was no discount on the subscription price for the shares subscribed in excess of 2,000 shares. The subscription price will be paid in 5 years. The stockholders unanimously approved the Employee Stock Purchase Plan and Executive Stock Purchase Plan on April 6, 2017, and the Securities and Exchange Commission (SEC) resolved that the issuance of said shares is exempt from the registration requirement, under Section 10.2 of the Securities and Regulation Code, on September 28, 2017. From January 22, 2018, to February 9, 2018, the Parent Company offered shares to qualified employees and executives under the ESPP and the Executive Stock Purchase Plan. As of February 22, 2018, the Company accepted a total subscription of 11,391,500 common shares from participants. As of December 31, 2022, the total subscriptions remaining of the ESPP and ASSP were 2,495,177 due to withdrawals of various participants.

On December 18, 2020, the Board of Directors approved the ABS-CBN Stock Purchase Plans and Stock Grant Plans. The ABS-CBN Stock Purchase Plan 1 (SPP1) was given to employees who agreed to a pay reduction from September 2020 until February 2021. The ABS-CBN Stock Purchase Plan 2 (SPP2) was given to employees who agreed to a pay reduction from March to December 2021. The subscription price is based on the 45-day preceding volume weighted average price as of May 31, 2021. The ABS-CBN Stock Grant Plans were given to employees who were promoted anytime between September 2020 to December 2021 and who did not receive any salary adjustment for the period. The stockholders unanimously approved the Employee Stock Purchase Plan and Executive Stock Purchase Plan on February 2, 2021, and the Securities and Exchange Commission (SEC) resolved that the issuance of said shares is exempt from the registration requirement, under Section 10.2 of the Securities and Regulation Code, on December 9, 2021. The Philippine Stock Exchange approved listing 19,150,319 shares for the SPP1 & SPP2 on August 25, 2022, and 8,534,000 shares for Stock Grant on October 6, 2022.

PART III. FINANCIAL INFORMATION

1. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Management's Discussion and Analysis of Financial Condition and the Results of Operation for the past three fiscal years are attached hereto as **Annex A.**

Key Performance Indicators

Ratios	2022	2021	Formula
Current Ratio	0.82	0.94	Current Assets/Current Liabilities
Net Debt-to-Equity Ratio	1.38	1.46	Interest-bearing loans and borrowings less Cash and Cash equivalent/ Total Stockholders' Equity
Asset-to-equity ratio	4.37	4.42	Total Assets/ Total Stockholders' Equity
Interest rate coverage ratio	(1.06)	(3.49)	EBIT/ Interest Expense
Return on Equity	(23.08%)	(46.9%)	Net Income/ Total Stockholders' Equity
Return on Assets	(5.28%)	(10.6%)	Net Income/Total Asset
Profitability Ratios:			
Gross Profit Margin	18.6%	15.4%	Gross Profit/ Net Revenue
Net Income Margin	(13.7%)	(31.8%)	Net Profit/ Net Revenue

Information on Independent Accountants and other Related Matters

The Company's principal accountants and external auditors are the accounting firm of SyCip, Gorres, Velayo & Company (SGV & Co.). The accounting firm of SGV & Co. has been the Company's Independent Public Accountant for the last five (5) years. There was no event in the past five (5) years where SGV & Co. and the Company had any disagreement concerning any matter relating to accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

The Company has engaged SGV & Co., with Djole S. Garcia as the engagement partner, to audit the Company's books in 2021. The Company has complied with the revised SRC Rule 68, paragraph 3(b) (iv) regarding the external auditor's rotation requirements.

SGV & Co. was re-elected at the Annual Stockholders' Meeting last July 28, 2022.

The aggregate fees billed to ABS-CBN and its subsidiaries for each of the last two (2) fiscal years for professional services rendered by the external auditor are P10.3 million in 2022 andP12.2 million in 2021. The non-audit fees in 2022 amounted to P31.4 million, including tax compliance services and various advisory services.

The Audit Committee's Approval Policies and Procedures for the above services from SGV & Co., the external auditors, are discussed in Section IV of the Company's Manual of Corporate Governance filed with the Commission on May 26, 2017. Any Non-Assurance Service by any of the external auditors of ABS-CBN Corporation and its subsidiaries has to be approved by the Audit Committee before it is entered into or the provision of services begins. If Non-Assurance Service fees exceed the audit fees, they must be presented to the Audit Committee for approval.

2. Financial Statements

The Company's Statement of Management's Responsibility and Audited Financial Statements as of December 31, 2022, is in **Annex B**. Financial Statements are prepared in accordance with SRC Rule 68, as amended, and Rule 68.1.

The Schedule for Determination of Retained Earnings available for Dividend Declaration prepared in accordance with SEC Memorandum Circular No. 11 is also included in **Annex B**.

3. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no changes in and disagreements with accountants on accounting and financial disclosure during the two (2) most recent fiscal years or subsequent interim periods.

PART IV – MANAGEMENT AND SECURITY HOLDERS

1. Directors and Executive Officers

Board of Directors

The following are the members of the Board of Directors for 2022:

Martin L. Lopez
Augusto Almeda-Lopez
Mario L. Bautista
Randolf S. David (*Independent Director*)
Emmanuel S. de Dios (*Independent Director*)
Federico M. Garcia
Carlo L. Katigbak
Federico R. Lopez
Oscar M. Lopez
Honorio G. Poblador IV (*Independent Director*)
Salvador G. Tirona

Martin L. Lopez, Filipino, age 50
Chairman
Mr. Martin Lopez was appointed as a Director on April 6, 2017. He was elected Chairman of the Board on April 19, 2018, and is responsible for setting the Company's strategic direction. Before joining the Company, he was Meralco's Vice President and Chief Information Officer. He was also the President of e-Meralco Ventures, Inc. (eMVI), a wholly-owned subsidiary of Meralco. He is a Menlo College in California graduate with a degree in Business Administration. He completed the Executive MBA Program from the Asian Institute of Management.

Augusto Almeda-Lopez, Filipino, age 94
Vice-Chairman
Mr. Augusto Almeda Lopez became a Director on April 27, 1988, and has served as Vice Chairman since 1989. He also serves as Director of the First Philippine Holdings Corporation (FPHC), First Philippine Industrial Corporation (FPIC), and ADTEL Inc. He is the Board Chairman of his family's company, ACRIS Corporation. He is an Alumnus of De La Salle College, Ateneo de Manila, and the University of the Philippines College of Law, Class 1952. He attended several Business Seminars, including the Advance Management Program at Harvard Business School in 1969.

Carlo L. Katigbak, Filipino, age 53
President and Chief Executive Officer
Mr. Carlo L. Katigbak was appointed President and Chief Executive Officer of the Company effective January 1, 2016. Mr. Katigbak became a Director on May 5, 2016. He has almost 30 years of business experience, including financial management, business operations, corporate planning, and general management. He began his career as a financial analyst with First Pacific Capital Corporation in 1992. Joining SKY Cable in 1994 as a Corporate Finance Manager, he eventually held various positions in Corporate Planning, Provincial Operations, and Finance. In 1998, he served as the first Managing Director of Pilipino Cable Corporation. He was appointed Managing Director of ABS-CBN Interactive the following year. He led the Company's pioneering efforts in various digital services such as mobile downloads, interactive television, online advertising, and online video-on-demand. In 2005, he returned to SKY Cable as Managing Director. In 2015, he was appointed the Company's Chief Operating Officer. Mr. Katigbak holds a Bachelor of Science in Management Engineering degree from the Ateneo De Manila University and completed the Advanced Management Program at Harvard Business School in 2009.

Emmanuel S. de Dios, Filipino, age 69
Board Member, Independent Director
Mr. Emmanuel S. de Dios was appointed independent director on April 23, 2013. Mr. de Dios has been a Professor of Economics at the University of the Philippines School of Economics since 1989. He is also the President of the Human Development Network (Philippines) since July 2012. He was the Dean of the University of the Philippines School of Economics from 2007 to 2010. He was a member of the Board of Advisers to the Company's Board of Directors from 2011 until his election as an Independent Director in 2013. He became chair of the Board of Trustees of Pulse Asia Research, Inc. in 2016. He received his AB in Economics degree from the Ateneo de Manila University (cum laude) in 1978 and his Ph.D. in Economics from the University of the Philippines in 1987. He pursued post-doctoral studies at the Universität Konstanz in Germany from 1987 to 1988 and is the author or editor of various books, monographs, articles, and reviewers in economics.

Federico M. Garcia, Filipino, age 78
Board Member
Mr. Garcia has been a Director of ABS-CBN since his appointment on September 2, 1992. He was also a radio and television broadcasting consultant from January 2006. Mr. Garcia is currently the Chairman of the Programming Committee and a member of the Compensation Committee for the Chairman and CEO and Risk Management Committee. Mr. Garcia was the President of ABS-CBN from 1997 to 2003. Before he was appointed President, Mr. Garcia was Executive Vice President and General Manager of ABS-CBN from 1987 to 1998. He also worked as a TV Sales Executive with ABS-CBN in 1966 until Martial Law. Before rejoining the Company in 1987, he was Executive Vice President of GMA Network, managing its marketing and programming activities. He attended the College of Business Administration at the University of the Philippines. Mr. Garcia is a recipient of various Philippine broadcasting industry awards.

Federico R. Lopez, Filipino, age 61
Board Member
Mr. Federico Lopez has served as Director of the Company since August 25, 1999. Mr. Lopez is Chairman and Chief Executive Officer of First Philippine Holdings Corporation (FPH), First Gen Corporation (First Gen), and Energy Development Corporation (EDC). First Gen and EDC are publicly listed power generation companies in clean and indigenous energy and are part of the FPH portfolio. He is currently the Vice Chairman of Rockwell Land Corporation. An advocate of the environment, Mr. Lopez is the Chairman of the Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management Foundation (The OML Center) and the Sikat Solar Challenge Foundation, Inc. The OML Center is the result of the advocacy of the Lopez family for environmental protection and public service. He is also a member of the Board of Trustees of the World Wildlife Fund Philippines, the Philippine Disaster Recovery Foundation, and the Forest Foundation Philippines. Mr. Lopez is a member of the World Presidents Organization, Asia Business Council, ASEAN Business Club, New York Philharmonic International Advisory Board, Management Association of the Philippines, Philippine Chamber of Commerce and Industry, European Chamber of Commerce of the Philippines, and Makati Business Club. Mr. Lopez graduated with a Bachelor of Arts in Economics and International Relations (cum laude) from the University of Pennsylvania, U.S.A., in 1983.

Oscar M. Lopez, Filipino, age 93
Board Member
Mr. Oscar M. Lopez has been a Director of ABS-CBN since July 1966. He also serves as Chairman Emeritus to First Philippine Holdings Corp., Lopez Holdings Corporation, First Gen Corporation, Energy Development Corp., Rockwell Land Corp., and First Philippine Industrial Park, among others. He was the Management Association of the Philippines' Management Man of the Year 2000. He was the first Filipino businessman awarded the most prestigious Officer's Cross of the Order of Merit of the Federal Republic of Germany in 2005. He received the Outstanding Filipino (TOFIL) Award in Business in 2009. Mr. Lopez has a Master's in Public Administration from the Littauer School of Public Administration at Harvard University (1955). He also earned his Bachelor of Arts degree, cum laude, in 1951 from the same university.

Mario L. Bautista, Filipino, age 69
Board Member and General Counsel
Mr. Bautista has been appointed Director of ABS-CBN, effective September 2020. He is also the General Counsel of ABS-CBN and was a member of the Company's Board of Advisors from 2011 to 2020. He is also a Board Adviser of First Philippine Holdings Corporation. He is a Founding Partner of the Poblador Bautista and Reyes Law Office and has been its Managing Partner since 1999. He sits on the board of directors and is a corporate secretary in several companies. Mr. Bautista graduated with a Bachelor of Arts in Communication Arts from the Ateneo de Manila University in 1975. He obtained his Bachelor of Laws Degree from the University of the Philippines in 1979 and ranked sixth in the Bar Examinations of that year. He was a Professor of Criminal Law at the Ateneo de Manila School of Law.

Salvador G. Tirona, Filipino, age 68
Board Member
Mr. Salvador G. Tirona has served as a Director of the Company since July 28, 2010. He is the President, Chief Operating Officer, and, concurrently, Chief Finance Officer of Lopez Holdings Corporation. He initially joined Lopez Holdings Corporation as its Chief Finance Officer in September 2005 and held this position until his appointment to his current position in 2010. He was formerly a Director and the Chief Finance Officer of Bayan Telecommunications, Inc. He joined the Lopez Group in 2003 as the Chief Finance Officer of Maynilad Water Services, Inc. He holds a Bachelor’s degree in Economics from the Ateneo de Manila University and a Master’s in Business Administration from the same university.

Randolf S. David, Filipino, age, 77
Board Member, Independent Director
Mr. Randolf S. David is a professor emeritus of sociology at the University of the Philippines in Quezon City, where he retired as a Full Professor in 2010. He was educated at the University of the Philippines and the University of Manchester. He has published five books and has lectured extensively at various universities in the Philippines and abroad. He was visiting scholar at the Ryukoku Buddhist University in Kyoto in 1991 and visiting lecturer at the National Autonomous University of Mexico in 1996. In the wake of the 1986 EDSA people power revolution, he started a second career in media, hosting a multi-awarded public affairs TV talk show in the Filipino language from 1986 to 2003. His column, "Public Lives," has appeared in the Philippine Daily Inquirer since 1995. Recognized as one of the country's leading public intellectuals, he has been honored for his work in the mass media, the social sciences, and education. He is the recipient of an honorary doctorate in humanities from the Ateneo de Naga University, the Ozanam Award from the Ateneo de Manila University, and, in 2019, the Grand Prize from the Fukuoka Asian Prize of Japan. He was a member of the Board of Advisors to the Company's Board of Directors from 2011 to July 2021. He was elected as an Independent Director of the Company on July 29, 2021.

Honorio G. Poblador IV, Filipino, age,53
Board Member, Independent Director
Mr. Honorio Poblador IV has deep experience in investment banking and private equity from Credit Suisse First Boston, Morgan Stanley Private Equity, Iron Capital Management, and Rothschild. He is the Founder and Managing Partner of The Navegar Fund. He is a Director for entities under The Bistro Group and Bo’s Coffee. He is also a Director of Camp Resources and Asia Digital Holdings. He holds a Bachelor’s degree in Management

Economics from the Ateneo de Manila University and a Master's in Business Administration from Columbia University. He was a member of the Board of Advisors to the Company's Board of Directors from 2014 to July 2021. He was elected as an Independent Director of the Company on July 29, 2021.

Independent Directors of the Board

<u>The Independent Directors</u>

Mr. David, Mr. Poblador, and Mr. de Dios are independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors of the Company.

Specifically, Mr. David, Mr. Poblador and Mr. de Dios: (i) are not directors or officers or substantial stockholders of the Company or its related companies or any of its substantial shareholders (other than as independent directors of any of the foregoing); (ii) are not relatives of any director, officer or substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iv) have not been employed in any executive capacity by the Company, or any of its related companies or by any of its substantial shareholders within the last two (2) years; (v) are not retained as professional advisers by the Company, any of its related companies or any of its substantial shareholders within the last two (2) years, either personally or through their firms; (vi) have not engaged and do not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by themselves or with other persons or through a firm of which they are partners or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arm's length and are immaterial; (vii) do not own more than two percent of the shares of the Company and/or its related companies or any of its substantial shareholders; (viii) are not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and (ix) are not employed as executive officers of another company where any of the Company's executives serve as directors. Mr. David, Mr. Poblador, and Mr. de Dios do not possess any disqualifications enumerated under the Code of Corporate Governance and SEC Memorandum Circular No. 19, Series of 2016.

<u>Executive Officers</u>

The following are the officers of the Corporation as of December 31, 2022.

Maria Luisa S. Alcañeses, Filipino, age 52
Data Privacy Officer
Ms. Alcañeses has more than 25 years of IT auditing and operations experience. Before being appointed Data Privacy Officer, she was the Head of ABS-CBN's IT and Technical Audit. She was responsible for managing all application systems and IT general controls review and technical process reviews covering ABS-CBN and its Subsidiaries, ABS-CBN Foundation, and Sky Cable. Before joining ABS-CBN in 2009, she was with an external audit firm, PricewaterhouseCoopers (PWC), in Dublin, Ireland, as Systems Process Assurance Manager, where she was the lead manager for the TICE (Technology, Information, Communication, and Entertainment) industry. She graduated from the University of Santo Tomas with a B.S. in Mathematics, majoring in Computer Science. Among her global certifications include: Certified Data Privacy Solutions Engineer (CDPSE), Certified Ethical Hacker (CEH), Certified Information Systems Auditor (CISA), and Certified in Risk and Information Systems Control (CRISC). She is also a member of the Advisory Council of PNP's Anti-Cybercrime Group.

Maria Rosario S. Bartolome, Filipino, age 52
Head, Integrated Marketing and Customer Experience
Ms. Bartolome is the Head of Integrated Marketing and Customer Experience. Before this, she was President & CEO of Play Innovations, Inc. (PII), ABS-CBN Themed Experiences Inc., and Head of ABS-CBN Integrated Marketing. Ms. Bartolome brings over 21 years of experience in integrated communications planning and media marketing. She is recognized locally and internationally for her innovative, cutting-edge media solutions shaping the

Philippine media landscape. Before joining ABS-CBN, she was the Managing Director of Carat Philippines and Vice President of Universal McCann Philippines. Ms. Bartolome graduated from the Ateneo de Manila University with a degree in Communication Arts. In 2016, she completed the IAAPA Attraction Managers Program and Harvard Business School's Advanced Management Program.

Ernilda L. Bayani, Filipino, age 54
Head, Human Resources and Organization Development
Ms. Bayani has been the Company's Head of Human Resources and Organization Development since 2019. As Head, Ms. Bayani drives the division's strategic initiatives to ensure alignment with corporate strategies. Ms. Bayani has over 24 years of experience in Human Resources management, handling various leadership roles in the Company and others. Her expertise in HR systems, compensation, and benefits facilitated establishing, reviewing, and upgrading different enterprise-wide HR Systems in the Company. Ms. Bayani graduated from the University of the Philippines with a Bachelor's Degree in Psychology. She also graduated from the University of the Philippines with a Master's Degree in Labor and Industrial Relations in 2003.

Aldrin M. Cerrado, Filipino, age 53
Head, Global
Mr. Cerrado was appointed Head of Global on February 1, 2021. Before this appointment, he was the corporation's compliance officer while concurrently serving as the Chief Financial Officer of ABS-CBN Corporation since 2013. Before joining ABS CBN on July 1, 2012, Mr. Cerrado was a Partner in SyCip Gorres Velayo & Co. He is a certified public accountant with nearly 25 years of experience in providing independent assurance on financial and non-financial information on companies in various industries, including media and entertainment. His previous roles included transaction advisory partner focused on delivering transaction support services, which included financial and commercial due diligence work and merger and acquisitions advisory work. Mr. Cerrado completed his Bachelor's in Business Administration from the University of Santo Tomas in 1991. He obtained his Master in Business Management degree, with distinction, from the Asian Institute of Management in 1998.

Kane Errol C. Choa, Filipino, age 50
Head, Integrated Corporate Communications
Mr. Choa is currently the head of the Integrated Corporate Communications of ABS-CBN. He is a communication leader with extensive experience in media and public relations. He also serves as the recognition director of the International Association of Business Communicators (IABC) Asia Pacific, as an adviser to the International Association of Business Communicators (IABC) Philippines, as vice president of Anak TV, a trustee of the Quezon City Tourism Council, and a member of the Standards Authority of the Kapisanan ng mga Brodkaster ng Pilipinas. He writes a column for The Philippine Star and teaches part-time at the University of Santo Tomas.   He obtained his Master of Science degree in Media and Communications with Merit from The London School of Economics and Political Science in 2005 as a British Chevening scholar.

Carmela Grace C. Del Mundo, Filipino, age 51
Head, Internal Audit
Carmela Grace Del Mundo is currently the head of the Internal Audit Division of ABS-CBN. She has over 25 years of experience in internal audit, finance operations, and risk management. Before her role as the Head of Internal Audit, she was the Head of Financial and Operations Audit. She was responsible for overseeing and managing the financial and operations review of ABS-CBN and its subsidiaries, Sky Cable and ABS CBN Lingkod Kapamilya Foundation. Before joining ABS-CBN, she was with Bayan Telecommunications Inc. as Audit Manager, Finance Officer at Asea Brown Boveri Inc., and Technical Staff Consultant at Sycip Gorres and Velayo and Co. She graduated from De La Salle University with a Bachelor of Arts in Asian Studies and a Bachelor of Science in Accountancy. She also completed the Advanced Management Program at the Asian Institute of Management. Carmela is a Certified Public Accountant, Internal Auditor, Fraud Examiner, and Forensic Accountant.

Kriz Anthony Gazmen, Filipino, Age 36
Head, ABS-CBN Films
Kriz Anthony Gazmen has 15 years of experience in the film industry as a producer, screenwriter, and creative director. Before being appointed Head of ABS-CBN Films, he was the Business Unit Head of Black Sheep, responsible for creating the brand, crafting and implementing strategies to capture a new audience base, and creative and business direction of all its projects. Black Sheep gave the industry a new "mainstream-indie" brand that collaborates and connects filmmakers, giving them a platform to push their stories to a broader reach. He also represented ABS-CBN Films and brought its projects to international film markets and festivals. He was also selected as a participant and mentor in international film labs and collaborated with global filmmakers. Before heading Black Sheep, he was the creative director for Star Cinema, where his works as a screenwriter and producer garnered multiple awards and recognitions from award-giving bodies. He graduated from the University of the Philippines Diliman, cum laude, with a degree in Film and Audio-Visual Communication.

Dennis Marco A. Liquigan, Filipino, age 53
Head, ABS-CBN Music
Mr. Liquigan was appointed Head of ABS-CBN Music (formerly Star Music) in 2013. Before becoming Head of ABS-CBN Music, he held various positions in ABS-CBN, starting as a Researcher, then as a Segment Producer for Showbiz Lingo, an Executive Producer for The Buzz, and rising up the rank as Promo Director for Star Cinema. He graduated from the University of Santo Tomas with a Bachelor of Arts degree in Communication Arts.

Eugenio Lopez IV, Filipino, age 43
Head, Digital
Mr. Lopez is the Head of Digital of ABS-CBN Corporation. Before this appointment, Mr. Lopez spent the past four years in Sky Cable in various capacities: Customer Engineering, Project Management Office, and Program Owner for Business Transformation. Before this, he spent four years with Energy Development Corporation in the Information Technology Group as its IT Integration Manager, where he managed EDC's Central IT Group. He graduated with a Bachelor of Arts (BA) in Psychology and completed a Master's in Business Administration (MBA) at Notre Dame de Namur University.

Raymund Martin T. Miranda, Filipino, age 60
Chief Strategy Officer, Chief Risk Management Officer, Compliance Officer
Mr. Miranda has been an Asia-Pacific media executive and strategist throughout his professional career. He was appointed Chief Strategy Officer of ABS-CBN Corporation in August 2012. He was appointed Chief Risk Management Officer concurrently in November 2012. Before his appointment with ABS-CBN, he was a consultant for the company for various projects. Mr. Miranda served as the Managing Director of Global Networks Asia-Pacific of NBCUniversal from 2007 to 2011, heading the entertainment channels division of NBCUniversal across 33 countries. Before that, he spent a year in Manila as the President/CEO of Nation Broadcasting Corporation (92.3xFM) and Head of Strategy and Content for Mediaquest Holdings, Inc. From 1998 to 2006. He was with The Walt Disney Company in Singapore and Manila as Managing Director of South East Asia for Walt Disney International, Managing Director for South East Asia/Korea for Walt Disney Television International, and the Head of Radio Disney Asia. He started his career in FM radio before joining the GMA Network group in 1987. He was named Vice-President Creative Services of GMA Network, Inc. in 1992.

Ma. Regina E. Reyes, Filipino, age 60
Head, Integrated News, and Current Affairs
Ms. Reyes is responsible for all newsgathering, content, and strategic direction of the News and Current Affairs Division of ABS-CBN. She has over 30 years of solid experience as a broadcast journalist. She joined ABS-CBN in 1986 as a Production Assistant. She rose from the ranks to become Executive Producer, Head Writer of the award-winning "The World Tonight" and other special events, and eventually, Director for News Production. Before becoming Head of News and Current Affairs, Ms. Reyes was ABS-CBN'S North America News Bureau Chief from 2002 to 2010. In 2007, she was named by the Filipina Women's Network as one of the 100 Most Influential Filipino Women in the U.S. Ms. Reyes received her Bachelor of Arts in Broadcast Communication from the University of the Philippines. Under her leadership for the past decade, ABS-CBN News pivoted to a digital-first organization, pursued data analytics-driven reporting, and produced award-winning documentaries. She continues

to provide editorial oversight on TV Patrol and other programs and leads the operations of cable news channels Teleradyo and ANC.

Ricardo B. Tan, Jr., Filipino, age 58
Group Chief Financial Officer
Mr. Tan was appointed the Group's Chief Financial Officer in April 2020. He joined ABS-CBN in 2013 as the Head of Corporate Treasury and Investor Relations. Before joining ABS-CBN Corporation, he was the Chief Financial Officer of Vista Land & Lifescapes Inc., where he was employed for over five (5) years. He has also worked for the Philippine government (International Finance Group of the Department of Finance), Philippine Airlines (finance division), Philippine Long Distance Telephone Company (in various divisions as Vice President - regulatory management, investor relations, and strategic planning), and as a consultant for the Asian Development Bank. Mr. Tan obtained his BSc. Degree in Monetary Economics from the London School of Economics in 1986 and an MBA (Finance and International Business) from the University of Chicago Booth School of Business in 1991.

Rossana H. Trinidad, Filipino, age 60
Head, Integrated Sales
Ms. Trinidad was appointed as Head of Integrated Sales in January 2020. She joined ABS-CBN Corporation in 2008 as the Head of Sales Strategic Planning. At this time, she was tasked to drive strategic revenue planning/maximization by utilizing different platforms. After that, from 2012 to 2019, she held the position of Head of Channel 2 & Strategic Planning. For this role, she established strategic partnerships with agencies and client advertisers. Ms. Trinidad graduated from De La Salle University with a Bachelor of Science in Applied Math in 1984.

Ms. Trinidad has several years of experience in the media and advertising industry. She was previously President & CEO of ZenithOptimedia Philippines, Media Planning Director for Starcom Mediavest, and Media Director for Strategic Planning in Jimenez d'Arcy.

Antonio S. Ventosa, Filipino, age 60
President and Chief Operating Officer, Sky Cable
Mr. Ventosa joined the Company in 2006 as Head of Corporate Marketing. In November 2015, he was appointed COO of Sky Cable Corporation, and in June 2017 was appointed President. In his over 15 years with ABS-CBN, immediately before his appointment to Sky, Mr. Ventosa was the OIC of Access Group and concurrent Head of ABS-CBN's Narrowcast group consisting of ABS-CBN Sports, ABS-CBN Publishing, and Creative Programs, Inc. He was involved with the launch of ABS-CBN TV+, the group's DTT service, and managed over 20 TV channels, magazines, and digital brands.

Before ABS-CBN, he was managing director of Leo Burnett Manila, president of ARC Worldwide & Blackpencil Advertising, and regional account director with Leo Burnett Asia. He also took on roles with industry organizations as chairman and president of the Association of Accredited Advertising Agencies of the Philippines, a board director of AdBoard, chairman of the Standards of Trade Practices Committee of the AdBoard, executive vice president of the Kapisanan ng mga Broadkaster ng Pilipinas, and the founding chairman of the Araw Values Awards. He is currently a member of the Advisory Board of UA&P Tambuli Awards and a board director of Knowledge Channel. Mr. Ventosa obtained his degree of Bachelor of Science in Marketing from De La Salle University

Ma. Socorro V. Vidanes, Filipino, age 60
Chief Operating Officer, Broadcast
Ms. Vidanes was appointed Chief Operating Officer, Broadcast on February 1, 2016. In November 2020, she was appointed concurrent Head of Creative Programs, Inc. Before this, Ms. Vidanes was Head of Free TV, Head of Channel 2 Mega Manila, and Managing Director for ABS-CBN TV Production. She has been with ABS-CBN since 1986, starting as an Associate Producer, and has since then been involved in producing all types of programs – talk shows, variety, reality, game, comedy, and drama. Ms. Vidanes obtained her Bachelor of Arts in Communication Arts from the Ateneo de Manila University. She also completed the Advance Management Program at Harvard Business School in 2014.

Other Corporate Officers

The following are the other corporate (non-executive) officers of the Company:

Enrique I. Quiason, Filipino, age 62
Corporate Secretary
Mr. Enrique I. Quiason was appointed as Corporate Secretary in 2015. He has been the Assistant Corporate Secretary of the Company since 1993. He received a Bachelor of Science degree in Business Economics, a Bachelor of Laws degree from the University of the Philippines, and a Master of Laws degree in Securities Regulation from Georgetown University. He is a senior partner of the Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Office. He is the corporate secretary of FPHC, LHC, Lopez, Inc., Rockwell Land Corporation, ABS-CBN Holdings, Inc., and Sky Cable Corporation.

Marifel G. Gaerlan-Cruz, Filipino, age 56
Assistant Corporate Secretary
Ms. Gaerlan-Cruz was appointed as Assistant Corporate Secretary in 2015. She was the Head of Contracts and Corporate Services since 2006 and the Head of the Legal Services Department of the Company and its subsidiaries until August 2020. She received her Bachelor of Arts in History (cum laude) from the University of the Philippines and her Juris Doctor degree (second honors) from the Ateneo de Manila School of Law.

Family Relationships

Mr. Oscar M. Lopez is the father of Mr. Federico R. Lopez and the uncle of Mr. Martin L. Lopez and Mr. Rafael L. Lopez. Mr. Martin Lopez, Mr. Federico L. Lopez, Mr. Rafael L. Lopez, and Mr. Carlo L. Katigbak are cousins.

Mr. Martin Lopez and Mr. Rafael L Lopez are the uncles of Mr. Eugenio Lopez IV.

Significant Employees

The Company considers its entire workforce as significant employees. Everyone is expected to work together to achieve the company’s goals and objectives.

Changes in Control

There have not been any arrangements that have resulted in a change in control of the Company during the period covered by this report. The Company is not aware of the existence of any voting trust arrangement among the shareholders.

Involvement of Directors and Officers in Certain Legal Proceedings

For the past five (5) years up to March 15, 2023, the Company is not aware of any bankruptcy proceedings filed by or against any business of which a director, person nominated to become a director, executive officer, or control person of the Company is a party or of which any of their property is subject.

For the past five (5) years up to March 15, 2023, the Company is not aware of any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, of any of its director, a person nominated to become a director, executive officer, or control person, except for People of the Philippines v. Tulfo et al., a libel case filed and still pending against Eugenio Lopez III, in his former capacity as President and CEO of the Company.

For the past five (5) years up to March 15, 2023, the Company is not aware of any order, judgment, or decree not subsequently reversed, superseded, or vacated by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of a director, person nominated to become a director, executive officer, or control person of the Company in any business, securities, commodities, or banking activities.

For the past five (5) years up to March 15, 2023, the Company is not aware of any findings by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of its directors, a person nominated to become a director, executive officer, or control person has violated a securities or commodities law.

2. Executive Compensation

Information as to the aggregate compensation paid or accrued during the last three (3) fiscal years and to be paid in the ensuing fiscal year to the Company's chief executive and four (4) other most highly compensated executive officers as follows:

	2021	2022	2023E
Salaries (Guaranteed)	147,471,967[1]	187,638,870[2]	182,741,467[3]
Bonuses	-	-	
Others: Employee Stock Plan (compensation for voluntary pay cuts from September 2020 to December 2021)		74,812,003	
	147,471,967	**262,450,873**	**182,741,467**
	Katigbak, Carlo L Lopez,Martin Miranda,Raymund Ventosa, Antonio Vidanes, Ma. Socorro	Katigbak, Carlo L Cerrado, Aldrin Lopez, Martin Miranda, Raymund Vidanes, Ma. Socorro	

	2021	2022	2023E
Salaries (Guaranteed)	1,172,747,186[1]	1,222,382,474[2]	1,089,208,229[3]
Bonuses	-	-	-
Others:(Employee Stock Plan - compensation for voluntary paycuts from Sep 2020 to Dec 2021, Commissions, other cash ben)	23,005,677	206,685,358	
	1,195,752,863	**1,429,067,832**	**1,089,208,229**

[1]**2021** - Salaries (Guaranteed) reflect voluntary pay cuts

[2]**2022E** - Salaries (Guaranteed), pay cuts were no longer implemented; The figures for 2022 include the Employee Stock Plan that allowed employees to own shares of the company as compensation for voluntary pay cuts from Sep 2020 to Dec 2021

[3]**2023E** – Salaries (Guaranteed), reflect salaries, 13th and 14th months pay and taxable allowance

Compensation of Directors

Each Board Director receives a set *per diem* amount of ₱40,000 per board meeting, and ₱20,000 per committee meeting attended. In terms of profit sharing and bonuses, the total yearly compensation of directors shall not exceed 10% of the net income before the Company's income tax during the preceding year. For 2022, the Board of Directors' fees and other compensation are included in the Summary Compensation table of Part IV, Item 2.

3. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Records and Beneficial Owners as of December 31, 2022

Title Of class	Name and Address of Record Owner	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Class	% of Outstanding
Common	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc.	Filipino	502,256,308	55.66%	26.40%
Common	PCD Nominee Corporation* G/F Makati Stock Exchange Bldg., Ayala Ave., Makati City	ABS-CBN Holdings Corporation	Filipino	262,519,130	29.09%	13.80%
Preferred	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc.	Filipino	987,130,246	98.71%	51.89%

**PCD Nominee Corporation is not related to the Company*

The preferred shares are voting, and every holder of preferred shares shall be entitled to one vote for each share of preferred stock held as of the established record date.

Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the families of the late Eugenio Lopez, Jr., Oscar M. Lopez, the late Presentacion L. Psinakis, and the late Manuel M. Lopez. It has issued Philippine deposit receipts covering the shares in the Company registered and beneficially owned by it in favor of Lopez Holdings Corporation (formerly: Benpres Holdings Corporation).

In connection with the 2022 Annual Stockholders' Meeting, Martin L. Lopez was named and appointed to exercise the voting power of Lopez Inc.'s shares in ABS-CBN Corporation.

The 262,519,130 common shares under PCD Nominees Corporation are held for ABS-CBN Holdings Corporation (ABS-CBN Holdings) and represent the underlying shares covered by Philippine Deposit Receipts (PDRs) issued by ABS-CBN Holdings. ABS-CBN Holdings is owned 59.75% by Lopez, Inc. and 40.25% by Oscar M. Lopez, Manuel M. Lopez, Salvador G. Tirona, Emmanuel S. De Dios, Benjamin R. Lopez, Jose C. Vitug, and Eugenio Lopez III. The shares in the Company registered and beneficially owned by it are covered by Philippine Depositary Receipts (PDRs), giving the holder thereof the right to delivery or sale of the underlying share. The PDRs are listed with the PSE.

In connection with the 2022 Annual Stockholders' Meeting, Martin L. Lopez was named and appointed to exercise the voting power of ABS-CBN Holdings' shares in ABS-CBN Corporation.

Other than the stockholders identified above, as of December 31, 2022, there are no other stockholders other than participants under the PCD account who own more than 5% of the voting securities.

There are no foreign shareholders.

Security Ownership of Management as of December 31, 2022:

As of December 31, 2022, the Company's directors and senior officers owned an aggregate of 11,346,832 shares, equivalent to 1.26% of the Company's total issued and outstanding capital stock.

Title of Class	Stockholder Name and Position	Position	Nature of Beneficial Ownership	Citizenship	Number of Shares Held	Percent Held
Common	Martin L. Lopez	Chairman	Direct	Filipino	1,126,950.00	0.12%
Common	Augusto Almeda-Lopez	Vice-Chairman	Direct / Indirect	Filipino	253,888.00	0.03%
Common	Mario L. Bautista	Director and General Counsel	Direct	Filipino	29,000.00	0.00%
Common	Randolf S. David	Independent Director	Direct	Filipino	1.00	0.00%
Common	Emmanuel S. De Dios	Independent Director	Direct	Filipino	1.00	0.00%
Common	Carlo L. Katigbak	Director, President, and Chief Executive Officer	Direct	Filipino	1,527,015.00	0.17%
Common	Federico R. Lopez	Director	Direct	Filipino	7,951.00	0.00%
Common	Oscar M. Lopez	Director	Direct	Filipino	1.00	0.00%
Common	Salvador G. Tirona	Director	Direct	Filipino	22,002.00	0.00%
Common	Federico M. Garcia	Director	Direct	Filipino	13,898.00	0.00%
Common	Honorio G. Poblador IV	Director	Direct	Filipino	16,000.00	0.00%
Common	Maria Luisa S. Alcaneses	Data Privacy Officer	Direct	Filipino	1,054.00	0.00%
Common	Ma. Rosario S. Bartolome	Head, Integrated Marketing and Customer Experience	Direct	Filipino	938,133.00	0.10%
Common	Ernilda L. Bayani	Head, Human Resources and Organizational Development	Direct	Filipino	51,477.00	0.01%
Common	Aldrin M. Cerrado	Head, Global	Direct	Filipino	1,393,019.00	0.15%
Common	Kane Errol C. Choa	Head, Integrated Corporate Communications	Direct	Filipino	101,792.00	0.01%
Common	Carmela Grace C. Del Mundo	Head, Internal Audit	Direct	Filipino	245,922.00	0.03%
Common	Marifel G. Gaerlan-Cruz	Assistant Corporate Secretary	Direct	Filipino	2,000.00	0.00%
Common	Kriz Anthony G. Gazmen	Head, ABS-CBN Film Productions, Inc.	Direct	Filipino	75,869.00	0.01%
Common	Dennis Marco A. Liquigan	Head, ABS-CBN Music	Direct	Filipino	137,790.00	0.02%
Common	Eugenio C. Lopez IV	Head, Digital	Direct	Filipino	81,500.00	0.01%
	Raymund Martin T. Miranda					

Title of Class	Stockholder Name and Position	Position	Nature of Beneficial Ownership	Citizenship	Number of Shares Held	Percent Held
Common		Chief Strategy Officer, Chief Risk Management Officer, Compliance Officer	Direct	Filipino	998,678.00	0.11%
Common	Ma. Regina E. Reyes	Head, Integrated News, and Current Affairs	Direct	Filipino	496,609.00	0.06%
Common	Enrique I. Quiason	Corporate Secretary	Direct	Filipino	9,615.00	0.00%
Common	Ricardo B. Tan, Jr.	Group Chief Financial Officer	Direct	Filipino	746,771.00	0.08%
Common	Rossana H. Trinidad	Head, Integrated Sales	Direct	Filipino	19,400.00	0.00%
Common	Antonio S. Ventosa	President and Chief Operating Officer, Sky Cable	Direct	Filipino	326,682.00	0.04%
Common	Ma. Socorro Vidanes	Chief Operating Officer, Broadcast	Direct	Filipino	2,723,814.00	0.30%
	TOTAL				11,346,832	1.26%

None of the Company's directors and management members owns 2% or more of the Company's outstanding capital stock.

(a) The Company knows no person holding more than 5% of common shares under a voting trust or similar agreement.

(b) No change of control in the Company has occurred since the beginning of its last fiscal year.

4. Certain Relationships and Related Transactions

Relationships and Related Transactions / Agreements with Affiliates

For a detailed discussion of ABS-CBN's related party transactions, see Note 23 of the Company's audited consolidated financial statements, which also refers to Transactions with Related Parties of the said report.

Relationships and Related Transactions

For a detailed discussion of ABS-CBN's related party transactions, see the accompanying notes to the Company's audited consolidated financial statements.

Except for transactions discussed in the accompanying notes to the Company's audited consolidated financial statements, there had been no material transactions during the past two (2) years, nor is any material transaction presently proposed to which the Company was or is to be a party in which any director, executive officer of the Company, or a security holder of more than 10% of the Company's voting securities, any relative or spouse of any such director or executive officer or owner of more than 10% of the Company's voting securities had or is to have a direct or indirect material interest.

Furthermore, there have been no material transactions during the past two (2) years, nor is any material transaction presently proposed, between the Company and parties that fall outside the definition of "related parties" under Philippine Accounting Standards (PAS) No. 24, but with whom the registrants or its related parties have a relationship (e.g., former senior management of the Company or other parties who have some other former or current relationship with the Company) that enables the parties to negotiate terms of material transactions that may not be availed from other, more clearly independent parties on an arm's length basis.

Parent Company

Lopez, Inc. is the registered owner of 78.29% of the Company's voting stock as of December 31, 2022. Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the families of the late Eugenio Lopez Jr., Oscar M. Lopez, the late Presentacion L. Psinakis, and the late Manuel M. Lopez. It has issued convertible notes covering the shares in the Company registered and beneficially owned by it in favor of Lopez Holdings Corporation.

Resignation of Directors Because of Disagreement with Policies

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders of the Company because of a disagreement with the Company on matters relating to the Company’s operations, policies, and practices.

PART V – CORPORATE GOVERNANCE

ABS-CBN recognizes the importance of corporate governance in enhancing the stakeholders’ interests in the Company. Its Board of Directors commits itself to the principles of good corporate governance.

The Company’s corporate governance principles are contained in its Articles of Incorporation, By-Laws, Manual of Corporate Governance, and Annual Corporate Governance Report.

As an organization, ABS-CBN reaffirms its mission of serving the Filipino people and espouses that there is no dichotomy between doing good business and practicing the correct values.

Through values cascading throughout the organization, the Company has identified the core values necessary to guide its leaders and employees in formulating and making business decisions, which in the end, must always remain consistent with this mission and goal of service.

In May 2017, the Company revised its Corporate Governance Manual to comply with SEC Memorandum Circular No. 19, Series of 2016, the Code of Corporate Governance for Publicly-Listed Companies. This Manual was revised in September 2018 to comply with Integrated Annual Corporate Governance recommendations.

Pursuant to SEC Memorandum Circular No. 10, Series of 2019, the Company adopted its Related Party Transactions Policy through its Board of Directors in October 2019.

From 2018 to 2021, the Institute of Corporate Directors (ICD) recognized ABS-CBN among the top Philippine Publicly-Listed Companies in terms of corporate governance efforts in the ASEAN Corporate Governance Scorecard (ACGS) Golden Arrow Awards. The award is an assessment tool to measure if a company is managed well and complies with government regulations in 6 participating Association of Southeast Asian Nations (ASEAN) countries: the Philippines, Indonesia, Malaysia, Singapore, Thailand, and Vietnam.

THE BOARD OF DIRECTORS

The ABS-CBN Board of Directors (the “Board”) represents the stakeholders’ interest in pursuing a successful business, including optimizing financial returns. The Board’s mission is to determine that the Company is managed in such a way as to ensure this result while adhering to the laws and rules of the jurisdictions in which it operates, observing the highest standards of corporate governance, and observing high ethical norms. The Board establishes the company's overall goals, strategies, and policies. It strives to regularly monitor the effectiveness of management’s decisions and the execution of strategy. In addition to fulfilling its obligations for increased stockholder value, the Board has a responsibility to the Company's customers, employees, suppliers, and the community.

Per the Company's Articles of Incorporation, By-Laws, and Corporate Governance Manual, the Board comprises eleven (11) members elected by the shareholders during the Annual Stockholders' Meeting. The Company has eleven (11) directors, of which three (3) are independent.

All nominations for the election of Directors by the stockholders must be submitted in writing to the Board of Directors at least thirty (30) business days before the scheduled date of the annual stockholders' meeting. The Nomination and Election Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval and assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors.

There is a mix of executive, non-executive, and independent directors on the Board. Senior management executives other than the Chief Executive Officer attend Board meetings regularly, even if they are not members of the Board. On matters of corporate governance, while the Board assumes that decisions will be made by the impartial (the previous word used is "independent") directors, inputs to any policy formulation and discussions from directors who are employees of the Company are welcome and expected, unless the issue involves an actual conflict of interest with such directors.

For the year 2022, these directors are Martin L. Lopez, Chairman, Augusto Almeda-Lopez, Carlo L. Katigbak, Oscar M. Lopez, Federico R. Lopez, Federico M. Garcia, Salvador G. Tirona, Honorio G. Poblador IV, Mario L. Bautista, Randolf S. David, and Emmanuel S. De Dios.

On November 25, 2021, the Board adopted the Board's Code of Conduct and Ethics to set forth the professional and personal ethical standards to be observed by the members of the Board, the Directors in the interests of the Company, and its stakeholders.

Independent Directors

Three (3) independent directors – Mr. Poblador, Mr. David, and Mr. de Dios — are presently elected. These directors are independent of management and are free of any relationship that may interfere with their judgment. In addition, Mr. Poblador, Mr. David, and Mr. de Dios do not possess any disqualifications enumerated under SEC Memorandum Circular No. 19, Series of 2016. The Board designated Mr. Emmanuel S. De Dios as the Lead Independent Director.

Criteria for Independence for Independent Directors

The Board assesses the independence of each director and individual nominated for election to the Board as an independent director. As part of this analysis, the Board must review and conclude whether each nominee for independent director satisfies the requirements of the rules of the SEC, the By-laws, and the Manual of Corporate Governance.

Under the Manual of Corporate Governance, independent directors (i) are not, or have not been officers or employees or substantial stockholders of the Company or its related companies, or any of its substantial shareholders (other than as independent directors of any of the foregoing); (ii)are not relatives of any director, officer or substantial shareholder of the Company, or any of its related companies, or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iv) have not been employed in any executive capacity by the Company, or any of its related companies or by any of its substantial shareholders within the last two years; (v) are not retained as professional advisers by the Company, any of its related companies, either personally or through their firms; (vi) have not engaged and do not engage in any transaction with the Company, or with any of its related companies, or with any of its substantial shareholders, whether by themselves or with other persons, or through a firm of which they are partners, or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arms-length and are immaterial; (vii) do not own more than 2% of the shares of the Company and/or its related companies, or any of its substantial shareholders; (viii) are not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and (ix) are not employed as executive officers of another company where any of the Company's executives serve as directors.

The Company also adopted a policy that independent directors may serve for a maximum cumulative term of 9 years, after which the independent director will be perpetually barred from re-election as such but may qualify for election as a non-independent director. If the Board wants to retain an Independent Director who has served nine years, the Board will provide a meritorious justification and seek approval from the shareholders during the Annual Stockholders Meeting. As of December 31, 2022, the Company's independent directors have served in such capacity for less than nine (9) years.

Selection of Directors

The Board is responsible for screening its members and recommending them for election by the stockholders. The Chairman and Chief Executive Officer have direct input into the screening process. The full Board determines the final approval of nominees to the director position. In case of vacancies in the Board between annual stockholder meetings, the Board may elect directors to serve until the next annual meeting.

Board of Advisors

The Board of Advisors was created to provide guidance to the Board of Directors. The Board of Advisors sits in all the Board Meetings. Its members are also members of the Board Committees. Maria Rosario Santos-Concio, Cynthia del Castillo, Rafael L. Lopez, Antonio Jose U. Periquet, and Cesar V. Purisima are the members of the Board of Advisors.

Separate Roles of the Chairman and President & Chief Executive Officer (CEO)

The respective roles of the Company's Chairman, Mr. Martin L. Lopez, and President & CEO, Mr. Carlo L. Katigbak, are clearly defined to achieve an appropriate balance of power, increase accountability, and improve the Board's capacity for decision-making independent of the management.

Mr. Martin L. Lopez is responsible for the management, development, and effective performance of the Board and maintains proper governance of the Company. As Chairman of the Board, Mr. Lopez plans and organizes all the activities of the Board, including the preparation for and the conduct of Board meetings. He ensures the quality, quantity, and timeliness of the information that goes to the Board. He also oversees the formation of the Board committees and the integration of their activity with that of the Board.

The President & CEO has general charge and supervision of the business and affairs of the Company, subject to the Board. As the President & CEO, Mr. Katigbak leads Management in developing and implementing business strategies, plans, and budgets subject to Board approval. He then provides the Board and stockholders with a report on the Company's financial performance and its results of operations regularly.

The Corporate Secretary

Mr. Enrique I. Quiason is the Company's Corporate Secretary. Under the Company's Corporate Governance Manual, the Corporate Secretary must be a Filipino Citizen. The Corporate Secretary issues notices for all board and shareholders meetings. It is required that the Corporate Secretary attends and records the minutes of all board meetings. He is also responsible for assisting the Board in preparing the meeting agenda and the Management in preparing and gathering materials/documents to be presented to the Board or shareholders. In addition, as the Corporate Secretary, Mr. Quiason takes charge of the corporate seal and records and signs, together with the President & CEO, all stock certificates and such other instruments as may require such a signature.

Board Performance

The Board has regular monthly meetings, as much as possible, to review the performance of the Company and its subsidiaries, approve any pertinent plans, budgets, and financial statements, set management guidelines, and discuss matters requiring Board attention and approval. Any member of the Board may ask management to give special reports on and analyses of specific issues.

From January 1, 2022, to December 31, 2022, the Board had eleven (11) meetings.

Board Attendance at Meetings in 2022

Directors' Name	Total No. of Board Meetings	No. of Board Meetings Attended	Percentage of Attendance (%)	Attended Annual Stockholders' Meeting? (Y/N)
Martin L. Lopez	11	11	100%	Y
Augusto Almeda Lopez	11	11	100%	Y
Mario L Bautista	11	11	100%	Y
Randolf S. David	11	11	100%	Y
Emmanuel S. De Dios	11	8	73%	Y
Federico M. Garcia	11	10	91%	Y
Carlo L. Katigbak	11	11	100%	Y
Federico R. Lopez	11	11	100%	Y
Oscar M. Lopez	11	0	0%	N
Honorio G. Poblador[2]	11	11	100%	Y
Salvador G. Tirona	11	11	100%	Y

Continuing Education Programs and Training for Directors

The Board has attended the following pieces of training and seminars during the year 2022:

Director's Name	Training / Continuing Education FY2021
Martin L. Lopez	Lopez Group Advanced Corporate Governance Training Program (October 2022)
Mario L. Bautista	Lopez Group Advanced Corporate Governance Training Program (October 2022)
Emmanuel S. De Dios	Lopez Group Advanced Corporate Governance Training Program (October 2022)
Carlo L. Katigbak	Lopez Group Advanced Corporate Governance Training Program (October 2022)
Honorio G. Poblador IV	Lopez Group Advanced Corporate Governance Training Program (October 2022)
Federico R. Lopez	Lopez Group Advanced Corporate Governance Training Program (October 2022)
Salvador Tirona	Lopez Group Advanced Corporate Governance Training Program (October 2022)

On December 6, 2016, the SEC granted Mr. Oscar M. Lopez a permanent exemption from the Corporate Governance training requirement under SEC Memorandum Circular No. 20, series of 2013.

Board Committees

The Board has established the following six (6) board committees to address any issues requiring the directors' attention:

1. **The Programming Committee**

Composition	Chairman, two (2) members, one (1) advisor
Members	Federico M. Garcia – Chairman, Augusto Almeda Lopez, and Randolf David
Advisor	Ma. Rosario Santos-Concio
Responsibilities	The Programming Committee deliberates on the programming issues and strategies of the company and is primarily a business strategy committee.

2. **The Compensation Committee**

Composition	Chairman, two (2) members, and one (1) advisor
Members	Federico R. Lopez – Chairman, Mario L. Bautista and Federico M. Garcia
Advisor	Antonio U. Periquet
Responsibilities	The Compensation Committee reviews any recommendations on bonus and incentive schemes and other compensation benefits.

3. **The Audit Committee**

Composition	Chairman, two (2) members, and one (1) advisor
Members	Emmanuel S. De Dios – Chairman, Honorio Poblador IV, and Salvador G. Tirona
Advisor	Cesar V. Purisima
Responsibilities	The Audit Committee reviews the financial reports and risks, examines internal control systems, and oversees the audit process. The Audit and Compliance Committee also selects and appoints the Company's External Auditor.

4. **The Risk Management Committee**

Composition	Chairman, three (3) members, and one (1) advisor
Members	Honorio Poblador IV – Chairman, Randolf S. David, Emmanuel S. De Dios, Augusto Almeda-Lopezand Mario L. Bautista
Advisor	Cesar V. Purisima
Responsibilities	The Risk Management Committee oversees the formulation and establishment of an enterprise-wide risk management system, including the review, analysis, and recommendation of policies, frameworks, strategies, and systems to be used by the Company to manage risks, threats, and liabilities. The Risk Management Committee also reviews material related-party transactions. The said Committee also oversees the Company's Sustainability initiatives and practices.

5. **The Nominations and Elections Committee**

Composition	Chairman, two (2) members, and one (1) advisor
Members	Randolf S. David – Chairman, Federico R Lopez and Emmanuel S. De Dios
Advisor	Rafael L. Lopez
Responsibilities	The Nomination and Election Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval and assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors.

6. **The Corporate Governance Committee**

Composition	Chairman, two (3) members and one (1) advisor
Members	Randolf S. David – Chairman, Honorio Poblador IV, Emmanuel S. De Dios and Salvador G. Tirona
Advisor	Atty. Cynthia del Castillo
Responsibilities	The Corporate Governance Committee ensures compliance with and proper observance of corporate governance principles and practices.

The Board should ensure that, through a managed and effective system, board appointments are made that provide a mix of proficient directors, each of whom can add value and bring prudent judgment to bear on the decision-making process.

Under the Company's Manual of Corporate Governance, the Nomination and Election Committee shall consider the following qualifications and disqualification of a nominee to the Board in its recommendation of such nominee for election or re-election.

Qualifications of Director

A director shall have the following qualifications at the time he is duly elected and qualified and throughout his term of office:

- Holder of at least one (1) share of stock of the Company;
- Personal integrity, capacity to read and understand financial statements, absence of conflicts of interest with the Company (subject to the discretion of the Board), time availability, and motivation.

Qualifications of an Independent Director

- An independent director shall mean a person other than an officer or employee of the Company, its parent or subsidiaries, or any other individual having a relationship with the Company that would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director.
- If the independent director becomes an officer or employee of the same corporation, he shall be automatically disqualified from being an independent director.

Disqualification and Grounds for Dismissal of Directors

Any of the following shall be a ground for the temporary disqualification or dismissal for cause of a Director:

- Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- Absence or non-participation for unjustifiable reason/s for more than 50% of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12)-month period during said incumbency. This disqualification applies for purposes of the succeeding election;
- Dismissal or termination from directorship in another listed corporation for cause. This disqualification shall be in effect until the director has been cleared of any involvement in the alleged irregularity;
- Conviction that has not yet become final referred to in the grounds for the disqualification of Directors.

Directorship in Other Listed Companies

The following members of the Board are also directors of the publicly listed companies identified below.

Director's Name	Name of Listed Company	Directorship for FY2022
Martin L. Lopez	Lopez Holdings Corporation	Vice Chairman
Oscar M. Lopez	First Gen Corporation	Chairman Emeritus
	First Philippine Holdings Corporation	Chairman Emeritus, Executive Director
	Rockwell Land Corporation	Chairman Emeritus
Federico R. Lopez	First Gen Corporation	Chairman, Executive Director
	Lopez Holdings Corporation	Chairman, Executive Director
	First Philippine Holdings Corporation	Chairman, Executive Director
	Rockwell Land Corporation	Vice Chairman
Salvador G. Tirona	Lopez Holdings Corporation	Executive Director
	ABS-CBN Holdings Corporation	Executive Director
Carlo L. Katigbak	SSI Group Inc.	Independent Director
Emmanuel S. De Dios	ABS-CBN Holdings Corporation Bank of the Philippine Islands	Independent Director Independent Director

COMPANY POLICIES

Code of Conduct and Conflict of Interest Policy

The Company's Code of Conduct (CoC) defines acceptable or unacceptable behaviors within the organization. It details the offenses versus the Company's or the person's property, the schedule of penalties for each violation according to its gravity, and the grievance process. It defines the roles of the different people involved in disciplinary action. The CoC covers all directors, employees, consultants, product and service providers, and anyone who acts in the name of ABS-CBN.

The CoC includes the Company's Conflict of Interest Policy. Directors are disallowed from engaging in any business that competes with or is antagonistic to that of the Company or its subsidiaries and affiliates. On the other hand, employees are expected not to have any direct or indirect financial or pecuniary interest in any business, contract, or transaction in connection with which they intervene or take part in their official capacity. In addition, employees are expected not to render services to another employer without the knowledge of higher management. They are also expected to disclose other businesses or jobs that may conflict with any existing or future undertaking of the Company.

Assisting in disseminating and implementing this Code of Conduct is the Ethics Committee, which focuses on conflict-of-interest situations. The Committee helps make decisions and clarify stands in cases of personal or professional conflict or in which the employee or the company stands to gain unfairly from an arrangement, relationship, or procedure. Essential to sound and ethical conduct is upholding common corporate and individual values disseminated through values cascading.

Related Party Transactions Policy

The Company has adopted its Related Party Transactions Policy through its Board of Directors, pursuant to SEC Memorandum Circular No. 10, Series of 2019.

The Company's policy is to transact sales and purchases from related parties at normal market prices. Outstanding balances as of year-end are unsecured and interest-free, and settlement occurs in cash and is collectible or payable on demand. Assessment of provision for doubtful accounts relating to amounts owed by related parties is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Related-party transactions or reorganizations that would affect related-party transactions are reported to and reviewed by the Audit Committee. All related party transactions are reported in the Company's Annual Audited Financial Statement and Annual Company Report.

Dividend Policy

The declaration and payment of dividends are subject to certain conditions under the Company's existing long-term loan agreements with various banks.

Disclosures and Financial Reporting

ABS-CBN's financial statements comply with Philippine Accounting Standards and Philippine Financial Reporting Standards that, in turn, conform with International Accounting Standards.

The annual consolidated financial statements provide information on the financial condition and results of operations of the businesses of ABS-CBN and its subsidiaries. These financial statements include detailed information on the total assets, total liabilities and shareholders' equity, revenues, costs and expenses, operating income and income before tax, net income attributable to shareholders of ABS-CBN and minority interest, earnings per share, and EBITDA.

Business segment information is likewise provided for major business categories, including revenues, operating and net income, assets and liabilities, capital expenditures, and depreciation and amortization expenses.

Dealings in Company Shares

ABS-CBN requires all members of the Board of Directors and principal officers to report any purchase, sale or change in their shareholdings of the Company's common shares or Philippine Depositary Receipts within three (3) trading days, in compliance with the PSE's requirement for such disclosure.

RISK MANAGEMENT

ABS-CBN's Board of Directors and management are mindful of the potential impact of various risks on the Company's ability to deliver quality content across multiple platforms and, consequently, as a result of its operations, value to shareholders. In 2009, the Board of Directors Audit Committee oversaw Enterprise Risk Management.

In 2010, the newly created Risk Management Committee assumed this responsibility. At the same time, the Company's Board of Directors approved the appointment of a Chief Risk Management Officer, reporting directly to the Board of Directors. The Chief Risk Management Officer provides the overall leadership, vision, and direction for enterprise risk management by continuing to establish and implement an integrated risk management framework that covers all aspects of risk across the Company's organization and improves the Company's risk management readiness.

The Company's corporate strategy formulation and business decision-making processes always consider potential risks and the steps and costs necessary to minimize, if not eliminate, such risks. As part of its fiduciary responsibility and commitment to deliver optimum value to its stakeholders, ABS-CBN ensures that it has the proper control systems. To the extent possible, ABS-CBN adopts global best practices to identify, assess, analyze, and mitigate market, operating, financial, regulatory, community, reputational, and other risks. The Company contracted SGV (a member firm of Ernst and Young) in 2015 to assist in developing an ERM Framework and Program.

AUDIT

Internal Audit

The Internal Audit Division (IA Division) provides independent and objective assurance and consulting services to the Company's Board of Directors through its Audit Committee. Its primary function is to evaluate the adequacy, effectiveness, and efficiency of the Company's internal control system and recommend necessary improvements in control measures. It likewise employs an effective follow-up system to monitor the implementation of recommended controls.

The IA Division comprises people with varied specializations, most of whom are certified public accountants. It also has certified internal auditors, certified fraud examiners, certified forensic accountants, computer engineers, and trained quality assurance validators. Its Audit Analytics Team has members who have completed courses as certified data analysts.

The IA Division regularly audits the Company and its Subsidiaries based on an annual audit plan that the Audit Committee approves. Special audit projects are also undertaken based on the organization's requirements.

In 2022, the IA Division presented to the Audit Committee its audit plan, budget, updates on the status of audit projects, highlights of significant findings, implementation status of audit recommendations, and other significant audit activities.

The IA Division works closely with the Company's Risk Management and Compliance Officer.

Report of the Audit Committee for the Year Ended December 31, 2022

The Audit Committee represents and assists the Board of Directors in fulfilling its oversight responsibilities by reviewing the:

- Reasonableness of the Company's financial statements, the efficiency of the financial reporting process, and soundness of the internal control environment;
- Objectivity, independence, and effectiveness of internal audit functions and processes;
- Qualifications, independence, and fees of the Company's external auditors concerning the annual review of the Company's financial statements; and
- Company's compliance with legal and regulatory requirements.

The roles and responsibilities of the Audit Committee are embodied in an Audit Committee Charter. In compliance with the Charter, the Audit Committee confirms that:

- The majority of the Audit Committee members are independent directors, including the Chairman;
- Quarterly meetings were held and attended by the Chairman and members of the Committee;
- The Committee reviewed and approved the internal audit scope, manpower resources, and competencies necessary to carry out the audit plan;
- The Committee reviewed the reports of the internal auditors and discussed the necessary corrective actions with the concerned management;
- The Committee reviewed the Company's internal control environment through the External Auditor's Management Letter, and Internal Audit reports on completed audit projects and found it adequate;
- The Committee reviewed the audited annual financial statements of the Company and its Subsidiaries and discussed it with management, internal auditors, and external auditors, taking into consideration that:
  - Management is responsible for the Company's financial statements and the related statements of financial condition and results of operations, and;

- SGV & Co., the external auditor, is responsible for expressing an opinion on the conformity of the Company's audited financial statements with the Philippine Financial Reporting Standards and International Financial Reporting Standards, as appropriate.

ROLE OF STAKEHOLDERS

Customers' Welfare

The Company is committed to delivering world-class products and services and the responsible and creative utilization of resources, especially its human resource. It fosters and promotes an environment of professionalism based on competence, self-discipline, and responsible behavior. In establishing such an environment, a set of standards of acceptable behavior in performing one's job and dealing with co-employees and the public that is consistent with corporate policies and core values is necessary.

Supplier/Contractor Selection and Criteria

In dealings with suppliers and contractors, the Company abides by its Code of Conduct, which states that favoring or conniving with suppliers, customers, or any other person in consideration of kickbacks, personal rebates, or any valuable consideration is considered an offense. Company personnel who do not adhere to this policy are dealt with accordingly.

The Company, likewise, has a general policy on the conduct of its bidding process to ensure fair and honest competition. The general policy for supplier/contractor selection is available on the Company's website.

Environmentally Friendly Value Chain

The Company complies with several government environmental laws through the following initiatives: re-use or recycling of effluent water (PD984 or Clean Water Act); proper disposal of busted lamps, used oil, and used/spent batteries (RA6969 or Toxic Substance and Hazardous and Nuclear Waste Control Act) and annual stack emission testing of generator sets (RA8749 or Clean Air Act). The Company saves energy at its office headquarters by installing variable frequency drives for chilled water pump operations in the centralized air conditioning system. It also has materials recovery facilities for solid waste management, which results in an average reduction of twenty-five (25) tons per year of solid waste for disposal.

The vermicomposting facilities reduce solid waste from tree and plant trimmings, and the resulting organic fertilizer is used for plant propagation. The Company uses mostly "green sealed" or "designed for the environment" chemicals for housekeeping, which reduces the health risk among cleaners. The Company also has properly labeled trashcans (reusable, biodegradable, non-biodegradable), making segregating waste easy. It also uses biodegradable trash bags.

Whistle Blowing Policy

In November 2013, the Company implemented the Whistle Blowing Policy. This policy provides for and encourages employees and others to report, in good faith, any covered wrongful conduct committed by employees of which they have personal knowledge. The policy assures the employees of protection against harassment, threats, and any other form of retaliation from the persons reported. Any employee, who attempts, performs, causes, or encourages any retaliatory actions against a whistleblower and/or the whistleblower's relatives up to the fourth degree of consanguinity or affinity, will be subjected to disciplinary action and may be either suspended or dismissed without prejudice to other legal steps that the Company may take, upon showing that the motive of the said employee was due to the disclosure made whistleblower.

The Whistle Blowing Policy is a clear statement that if any covered wrongdoing by any of its employees is identified and reported accordingly, it will be dealt with through a thorough investigation and the proper imposition of accountability. To provide employees several avenues to report illegal or wrongful activities, the

Policy allows reporting to any of the following: Head of Human Resources and Organizational Development, Head of Audit, Head of Legal, and employee's Division Head.

Creditors' Rights

The Company complies with the debt servicing requirements of the creditors. The Company also ensures that the documentary requirements of the creditors are complete, accurate, and submitted on time.

Creditors are regularly provided with financial and operational information about the Company through regular briefings. The Company's CFO and Treasury Head update the creditors on the Company's performance periodically and when there is an immediate need. New contracts or agreements for investments, loan availments, asset disposals, mergers, acquisitions, etc., are reviewed by the Company's Legal Department to determine if certain provisions may violate existing loan covenants. In cases when certain covenants will be breached, the Treasury seeks the consent of creditors to undertake the new initiative or, when appropriate, negotiate with counterparties to remove/modify provisions that may have a consequence of breaching any loan covenants.

Interaction with Community

The ABS-CBN Lingkod Kapamilya Foundation, Inc. was established to become a holistic community builder. The Foundation's pillar programs will continue to provide safe spaces for children, aid those in need, provide educational assistance to all learners, provide environmental protection, and support for sustainable livelihood. Together with multi-sectoral partners, ALFKI will continue contributing to nation-building by building resilient communities.

Moving forward in 2023, the Foundation remains aligned with ABS-CBN's commitment to serving the Filipino.

SUSTAINABILITY

Sustainability at ABS-CBN: A Commitment to Service for a Sustainable Future

For the Company, sustainability is its mandate to grow and operate the business in a way that leaves the world a better place. As a media and entertainment organization, the Company's mission is to serve the Filipino people by helping build a sustainable society. ABS-CBN continually adapts, innovates, and develops ways to mitigate our risks and identify social, environmental, and economic opportunities. ABS-CBN's actions are measured, and performance is measured through this lens.

For an enterprise as large and complex as ABS-CBN, many factors could materially affect its operations. Thus, failure to responsibly manage its multi-tiered operations and supply chain can negatively affect its people, customers, communities, and continued economic growth.

With this as a top priority, policies, standards, and guidelines for sustainable operations, supply chain management was created and strictly enforced in the administration of talents and employees, the acquisition, procurement, and management of needed goods and services, disposal of materials, and in the creation and dissemination of our products and services. ABS-CBN complies with local and international laws and standards and adheres to management best practices.

Sustainability is embedded at the core of the Company's business operations and is observed in every critical path of its supply chain, both upstream and downstream.

The Company's 2022 Sustainability Report can be found here:
https://www.abs-cbn.com/sustainability
https://www.abs-cbn.com/sustainability/sustainability-report-2022/id-7e35b83c-eded-4812-b396-e4714e037048

SHAREHOLDERS' RIGHTS

The Company respects the rights of the stockholders as provided in the Corporation Code, namely:

- Right to vote on all matters that require their consent or approval;
- Pre-emptive rights;
- Power of inspection;
- Right to dividends; and
- Appraisal rights.

The shareholders, as a whole, have the right to receive timely and transparent information about the Company as may be required by laws or rules of the SEC and PSE.

Right to Nominate Candidates for Board of Directors

The By-Laws of the Company allow all stockholders, including minority shareholders, the right to nominate candidates for the Board of Directors.

Conduct of Stockholders' Meeting

Shareholders, including institutional shareholders, are encouraged to attend stockholders' meetings either personally or via remote communication. A written or printed notice of the annual meeting is delivered to each shareholder not less than twenty-one (21) days before the meeting date. Any stockholder entitled to vote may be represented at any regular or special meeting of stockholders by a duly executed proxy or cast their vote via electronic voting in absentia. Proxies should be in writing, properly signed, and witnessed by one party. The written proxy and the intention to vote via electronic voting in absentia shall be filed with the Office of the Corporate Secretary of the Company no later than ten (10) calendar days before the scheduled stockholders meeting.

Shareholders have the right to propose matters in the agenda of the annual meeting, provided that the proposed issues are for legitimate business purposes.

Shareholders likewise have the explicit right to probe and/or ask questions during the annual meeting. In the 2022 Annual Stockholders' Meeting, the shareholders asked several questions, which the Company answered. The minutes containing these questions and answers may be accessed at: https://www.abs-cbn.com/investors/asm-2022/results-of-2022-asm/minutes-of-the-2022-annual-stockholders-meeting/id-627. Details of attendance of shareholders, results of the voting, and the results of annual/special stockholders meetings' resolutions are disclosed in the Integrated-Annual Corporate Governance Report.

INVESTOR RELATIONS

ABS-CBN fully respects shareholder rights and complies with regulatory and legal requirements that enforce and ensure such rights are respected. These requirements include due and proper notification for general meetings and provision of adequate, transparent, and timely information due shareholders.

As a publicly listed corporation, ABS-CBN is subject to reporting requirements prescribed by regulatory authorities, including the SEC and the PSE. ABS-CBN is compliant in submitting timely structured and non-structured reports and disclosure filing required by the SEC and the PSE.

ABS-CBN's Chief Finance Officer, Head of Treasury, and Head of Investor Relations meet with representatives of institutional investors and investment funds upon request and at various investor conferences throughout the year to discuss the Company's businesses, operating and financial results, business prospects, and long-term plans. Inquiries from institutional and individual investors received by regular or electronic mail are also duly acknowledged and addressed promptly and transparently.

ABS-CBN maintains an investor relations website that contains information on the history and businesses of the Company, its Board of Directors and senior management executives, financial information and reports and disclosures filed with the SEC and the PSE, share price performance and dividend history, and investor relations contact information.

The office's contact details (e.g., telephone and email) for investor relations are provided on the ABS-CBN Investor Relations website – https://www.abs-cbn.com/investors.

Evaluation System

ABS-CBN continues to evaluate its compliance with its Manual of Corporate Governance. The Board of Directors regularly conducts its self-assessment and an assessment of ABS-CBN's compliance with the Manual of Corporate Governance. ABS-CBN participates in the corporate governance survey conducted by the PSE.

The Board of Directors likewise evaluates the performance of the Board, Chairman of the Board, Chief Executive Officer, Chief Risk Officer, Chief Audit Officer, and Chief Compliance Officer.

Measures to Comply with Leading Practices

ABS-CBN continues implementing enhancements to comply with leading practices on good corporate governance, such as revising its Corporate Governance Manual to comply with current SEC requirements and submitting the Annual Corporate Governance Report to the SEC. In 2017, the Board of Directors approved a whistle-blowing policy and a policy on insider trading. In 2018, the Board submitted its Integrated-Annual Corporate Governance Report to the SEC. It implemented measures to fully comply with the same, such as approving board committee charters, nomination, and election policies and conducting self-assessment surveys. In 2019, the Company adopted its Related Party Transactions Policy according to SEC directives. The members of the Board of Directors and the key officers attended a training seminar on corporate governance in 2020.

From 2018 to 2021, the Company received an Arrow Recognition from the Institute of Corporate Directors (ICD), recognizing ABS-CBN Corporation as a top-performing publicly-listed company in the Philippines under the ASEAN Corporate Governance Scorecard.

Deviations from the Manual of Corporate Governance

There were no reported deviations from the Company's Manual of Corporate Governance.

Improvement of Corporate Governance

ABS-CBN continues to review its Manual of Corporate Governance for improvements. In May 2017, the Company released its revised Manual on Corporate Governance to comply with the requirements under SEC Memorandum Circular No. 19, Series of 2016. ABS-CBN also reviews the charters of the different committees as well as evaluates existing policies on corporate governance. In July 2017, the Company approved its insider trading policy for directors, officers, and employees.

In 2018, ABS-CBN continued to improve its compliance with corporate governance regulations. It amended its Manual on Corporate Governance to include recommendations under the new Integrated Annual Corporate Governance Report and have the board committees approve its respective charters. In 2022, ABS-CBN continued to comply with more Integrated Annual Corporate Governance Report recommendations.

The Board likewise conducted a board self-assessment last March 2022 to review and evaluate the performance of the Board, its Committees, its members, and key corporate officers to measure the effectiveness of the company's governance practices.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

a. Exhibits

The following exhibits are filed as a separate section of this report:

Exhibit "A" - Audited Consolidated and Parent Company Financial Statements

Exhibit "B" - Revised SRC Rule 68 (Schedules)

b. Reports on SEC Form 17-C for the last six months of 2022

The corporation disclosed the following matters on the dates indicated:

July 7, 2022	Change in Number of Issued and/or Outstanding Shares
July 28, 2022	Results of Annual or Special Stockholders' Meeting held on July 28, 2022
July 28, 2022	Results of Organizational Meeting of Board of Directors held on July 28, 2022
July 28, 2022	[Amend-1] Results of Annual or Special Stockholders' Meeting held on July 28, 2022
July 28, 2022	[Amend-1] Results of Organizational Meeting of Board of Directors held on July 28, 2022
July 29, 2022	Clarification of News Report
August 5, 2022	Change in Number of Issued and/or Outstanding Shares
August 5, 2022	Clarification of News Report
August 11, 2022	Sale by ABS-CBN Corporation of its Interest in Skycable Corporation and Subscription by ABS-CBN Corporation to Common Shares and Convertible Note Issued by TV5 Network, Inc. .
August 11, 2022	Press Release
August 24, 2022	Update on Subscription by ABS-CBN Corporation to Common Shares and Convertible Note Issued by TV5 Network, Inc.
September 1, 2022	Update on Subscription by ABS-CBN Corporation to Common Shares and Convertible Note Issued by TV5 Network, Inc.
September 1, 2022	Update on Sale by ABS-CBN Corporation of Its Interest in SkyCable Corporation
September 7, 2022	Change in Number of Issued and/or Outstanding Shares
October 6, 2022	Change in Number of Issued and/or Outstanding Shares
November 7, 2022	Change in Number of Issued and/or Outstanding Shares
December 6, 2021	Change in Number of Issued and/or Outstanding Shares

SIGNATURES

Pursuant to the requirement of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Quezon City on 14 March 2023.

Martin L. Lopez
Chairman of the Board

Carlo L. Katigbak
President and Chief Executive Officer

Ricardo B. Tan, Jr.
Group Chief Financial Officer

Enrique I. Quiason
Corporate Secretary

Signed this March 14, 2023.

ANNEX A

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

The following is a discussion of ABS-CBN Corporation and its Subsidiaries ("ABS-CBN" or the "Company") financial performance for the twelve months ended December 31, 2022, and 2021.

All values are presented in Philippine Pesos and are rounded to the nearest million, except when otherwise indicated.

The table below summarizes the results of operations for the year ending December 31, 2022.

*(Amounts in million Pesos)**	**2022**	**2021**	**Variance**	
			Amount	**%**
Consolidated Revenues	**19,197**	**17,825**	**1,372**	**8%**
Advertising Revenues	6,395	5,293	1,102	21%
Consumer Sales	12,802	12,532	270	2%
Costs and Expenses	**(23,451)**	**(22,535)**	**916**	**4%**
Production Costs	(7,340)	(7,153)	187	3%
Cost of Sales and Services	(8,280)	(7,931)	349	4%
GAEX	(7,831)	(7,451)	380	5%
Financial Costs – net	**(1,299)**	**(1,088)**	**211**	**19%**
Equity in Net Income (Losses) of Assoc. and JV	**0.29**	**(9.61)**	**9.90**	**103%**
Other Income - net	**3,256**	**572**	**2,684**	**469%**
Loss Before Income Tax	**(2,297)**	**(5,234)**	**2,937**	**56%**
Provision for Income Tax	**339**	**436**	**(97)**	**(22%)**
Net Loss	**(2,636)**	**(5,670)**	**3,034**	**54%**
EBITDA	**2,876**	**553**	**2,323**	**420%**

**Numbers are rounded off to the nearest PHP million which may cause small discrepancies in the displayed totals*

Consolidated Revenues

For the year ended December 31, 2022, ABS-CBN generated consolidated revenues of ₱19.2 billion from advertising and consumer sales, ₱1.4 billion or 8% higher year-on-year.

Advertising revenues increased by ₱1.1 billion or 21% higher, attributable to election-related placements and regular advertising growth. Consumer sales increased by ₱270 million, driven by increased licensing and syndication of the Company's content library.

The comparative revenue mix is as follows:

	2022	**2021**
Advertising revenues	33%	30%
Consumer sales	67%	70%

Consolidated Costs and Expenses

Total costs and expenses amounted to ₱23.5 billion, ₱917 million, or a 4% increase year-on-year.

Production costs increased by ₱187 million or 3% higher year-on-year due to additional programs for IWANTTFC.

Cost of sales and services increased by ₱349 million, 4% higher year-on-year. The increase is attributable to the return of international events and movies released in 2022.

GAEX increased by ₱381 million or 5% compared to the previous year. The increase is mainly attributable to the Employee Stock Plan (ESP). The Company implemented the ESP, wherein company stocks were given to its employees to compensate for the voluntary pay cuts they took to help the Company in the previous year. The facilities-related expenses of cable and broadband business also drove the increase.

Net Loss and EBITDA

The Company registered a ₱2.6 billion net loss for the year ending December 31, 2022, a reduction in the net loss by ₱3 billion or 54% compared to last year.

EBITDA improved to ₱2.9 billion, a 433% improvement year-on-year.

Business Segments

The Company categorizes its operations into the following reportable businesses: (i) Content Production and Distribution and (ii) Sky Cable. This is the basis upon which the Company measures its business operations.

	Content Production and Distribution - Entertainment - News - International - Film & Music - Cable Networks - Digital - Live Events
	Sky Cable - Cable TV - Broadband

The following analysis presents the results of operations of the Company's business segments for the twelve months ending December 31, 2022:

Segment	Operating Revenue		Net Income (Loss)	
	2022	2021	2022	2021
Content Production and Distribution	11,100	9,342	(2,239)	(5,548)
Cable & Broadband	8,097	8,483	(397)	(122)

A. Content Production and Distribution

Despite the non-renewal of the Company's franchise, ABS-CBN remains committed to serving the Filipino. The Company continues to look for ways to serve as many Filipino families as possible. On June 2020, the Company launched its Kapamilya Channel on cable TV and its digital streaming channel "Kapamilya Online Live" on August 2020. On October 2020, ABS-CBN secured a content supply agreement with Zoe Broadcasting that allowed ABS-CBN's programs to air on Channel A2Z. On January 2021, some ABS-CBN shows also began airing on select time slots on TV5. Other partnerships include PIE Channel with Kroma Entertainment and BEAM. These initiatives helped the Company generate ₱6.4 billion in advertising revenues in 2022.

The Company also began ramping up content sales and licensing to domestic and international clients –including TV5, GMA Network, AMBS, Netflix, Viu, iQiyi, and WeTV. The Company distributed over 381 titles to various territories in Asia, Africa, the Middle East, and Europe, as well as over-the-top platforms generating ₱1.3 billion in revenue in 2022.

In addition, the Company widened its international reach by merging its owned domestic and international OTT platforms into "iWantTFC." It continues to utilize various 3rd party platforms like Youtube, Facebook, Tiktok, and Instagram to maximize its reach and generate advertising.

As economies began to open up, the Company restarted staging events and releasing movies in various countries worldwide.

B. Cable & Broadband

With Sky Cable unable to provide direct-to-home (DTH) service following the lapse of its franchise, the Company continued to focus on growing its broadband subscriber base. Following this direction, Sky Cable's revenues amounted to ₱8 billion, despite the absence of DTH services.

<u>Capital Expenditures</u>

Capital expenditures and program rights acquisitions amounted to ₱ 2.9 billion as of December 31, 2022.

<u>Statement of Financial Position Accounts</u>

As of December 31, 2022, total consolidated assets stood at ₱50 billion, 6.4%% lower than total assets of ₱53.4 billion as of December 31, 2021.

Shareholders' equity was at ₱11.4 billion, ₱672 million or 6% lower, vs. December 31, 2021.

The Company's net debt-to-equity ratio was at 1.38x and 1.46x as of December 31, 2022, and December 31, 2021, respectively.

EXHIBIT 1 – Aging of Accounts Receivable

As of December 31, 2022 (Audited)

	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Allowance	Total
		Less than 30 days	30 Days and Over			
Trade receivables:						
Airtime	**₱1,581,810**	**₱223,938**	**₱1,020,457**	**₱339,601**	**(₱339,601)**	**₱2,826,205**
Subscriptions	**335,604**	**32,359**	**221,456**	**1,576,404**	**(1,576,404)**	**589,419**
Others	**99,513**	**38,056**	**136,238**	**283,505**	**(283,505)**	**273,807**
Nontrade receivables	**374,231**	**12,374**	**307,053**	**607,424**	**(607,424)**	**693,658**
Due from related parties	**301,485**	**–**	**–**	**67,374**	**(67,374)**	**301,485**
	₱ 2,692,643	**₱306,727**	**₱ 1,685,204**	**₱2,874,308**	**(₱2,874,308)**	**₱ 4,684,574**

As of December 31, 2021 (Audited)

	Neither Past Due nor Impaired	Past Due but not Impaired		Impaired	Allowance	Total
		Less than 30 days	30 Days and Over			
Trade receivables:						
Airtime	**₱1,233,989**	**₱276,752**	**₱949,139**	**₱342,088**	**(₱342,088)**	**₱2,459,880**
Subscriptions	**261,150**	**31,526**	**380,444**	**1,427,951**	**(1,427,951)**	**673,120**
Others	**27,099**	**26,531**	**764,089**	**295,828**	**(295,828)**	**817,719**
Nontrade receivables	**385,583**	**16,992**	**554,163**	**493,922**	**(493,922)**	**956,738**
Due from related parties	**–**	**–**	**244,268**	**2,052**	**(2,052)**	**244,268**
	₱1,907,821	**₱351,801**	**₱2,892,103**	**₱2,561,841**	**(₱2,561,841)**	**₱5,151,725**

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

The following is a discussion and analysis of ABS-CBN Corporation and Subsidiaries ("ABS-CBN" or the "Company") financial performance for the years ended December 31, 2021 and 2020.

All values are presented in Philippine pesos and are rounded to the nearest million, except when otherwise indicated.

FOR THE YEAR ENDED DECEMBER 31, 2021

The table below summarizes the results of operations for the years 2021 and 2020.

	2021	2020	Variance	
			Amount	%
Consolidated Revenues	**₱17,825**	**₱21,420**	**(₱3,595)**	**(16.8)**
Advertising Revenues	5,293	7,061	(1,768)	(25.0)
Consumer Sales	12,532	14,359	(1,827)	(12.7)
Sale of Services	*12,505*	*13,953*	*(1,448)*	*(10.4)*
Sale of Goods	*27*	*406*	*(379)*	*(93.3)*
Costs and Expenses	**(22,535)**	**(33,548)**	**(11,014)**	**(32.8)**
Production Costs	(7,153)	(10,311)	(3,158)	(30.6)
Cost of Sales and Services	(7,931)	(9,421)	(1,490)	(15.8)
General and Administrative	(7,451)	(13,816)		
Expenses (GAEX)			(6,365)	(46.1)
Financial Costs – net	**(1,088)**	**(1,396)**	**(308)**	**(22.0)**
Equity in Net Loss of	**(9.61)**	**(48)**	**(38)**	**(79.2)**
Associates and Joint Ventures				
Other Income – net	**572**	**93**	**479**	**515**
Net Income (Loss)	**(₱5,670)**	**(₱13,531)**	**₱7,861**	**(58.1)**
EBITDA	**₱553**	**(₱6,234)**	**₱6,787**	**(108.9)**

<u>**Consolidated Revenues**</u>

For the year ended December 31, 2021, ABS-CBN generated consolidated revenues of ₱17.8 billion from advertising and consumer sales, ₱3.6 billion or 16.8% lower year-on-year.

Advertising revenues decreased by ₱1.8 billion or 25.0% lower, attributable to the absence of the Company in the Free-to-Air advertising space following the cease-and-desist order issued by NTC on the Company's broadcast operations on May 5, 2020, and the eventual adoption of a Resolution denying the franchise application of the Company by the House Committee on Legislative Franchises on July 10, 2020. The cease-and-desist order similarly affected consumer sales, prohibiting the Company from engaging in Sky Cable's DTH services and distributing TV Plus Boxes. In addition, the impact of the COVID-19 outbreak resulted in the Company being unable to generate revenues from concerts and events and box office receipts. The pandemic also resulted in the cessation of ancillary operations such as Heroes Burger, Kidzania Manila, and Studio XP. These unfortunate events resulted in a decrease in consumer revenues of ₱1.8 billion.

The comparative revenue mix is as follows:

	2021	2020
Advertising revenues	30%	33%
Consumer sales	70%	67%

Consolidated Costs and Expenses

Direct costs and expenses amounted to ₱11.0 billion, a 32.8% decrease year-on-year.

In compliance with the directive by the Office of the President of the Philippines imposing stringent social distancing measures on March 15, 2020, the Company ceased production of content the same day. This production stoppage was further extended after the NTC issued the cease-and-desist order to the Company. Instead, the Company decided to align the number of programs based on partnerships closed by the Company with various Free-to-Air operators. This alignment reduced production costs amounting to ₱3.2 billion or 30.6%.

Due to the cumulative impact of the COVID-19 outbreak and the cease-desist order issued by the NTC, the Company was forced to cease its Food & Beverage, Live Experiences, TV Plus, and Direct-to-Home business operations. This reduced the cost of sales and services by ₱379 million, or a 93.3% decrease year-on-year.

Following the franchise denial and the impact of COVID-19, the Company enforced stringent cost-cutting measures to manage the Company's financial performance further. The Company's GAEX decreased by ₱6.4 billion or 46.1% compared to the previous year.

Net Loss and EBITDA

The Company incurred a ₱5.7 billion net loss for the year ended December 31, 2021, a reduction in a net loss of ₱7.9 billion or 58.1% vs. last year.

EBITDA improved to ₱553 million, a 108.9% increase year-on-year.

Business Segments

The Company categorizes its operations for management purposes into the following reportable businesses: (i) Content Production and Distribution and (ii) Sky Cable. These segments provide the basis for which the Company measures its business operations.

Content Production and Distribution

- Entertainment
- News
- International
- Film & Music
- Cable Networks
- Digital
- Live Events
- Themeparks *(Ceased in 2020)*
- Home Shopping *(Ceased in 2020)*
- Licensing & Merchandising *(Ceased in 2020)*

<u>Sky Cable</u>

- Cable TV
- Broadband

The following analysis presents the results of operations of the Company's business segments for the Year ended December 31, 2021:

Segment	Operating Revenue		Net Income	
	2021	**2020**	**2021**	**2020**
Content Production and Distribution	₱9,342	₱11,816	(₱5,535)	(₱13,541)
Cable & Broadband	8,483	9,604	(135)	14

C. Content Production and Distribution

Despite the non-renewal of the Company's franchise, ABS-CBN remained committed to producing meaningful and quality content to continue serving the Filipino worldwide. The Company continued to look for ways to reach as many Filipinos as possible. On June 13, 2020, the Company launched its Kapamilya Channel on cable TV and its digital streaming channel "Kapamilya Online Live" on August 1, 2020. These platforms showcased the entertainment and news programs of ABS-CBN. On October 2020, ABS-CBN secured a content supply agreement with Zoe Broadcasting that allowed ABS-CBN's programs to air on Channel A2Z. On January 2021, some ABS-CBN shows also began airing on select time slots on TV5. These initiatives allowed ABS-CBN to increase its audience size and reach domestically. These initiatives allowed the Company to generate ₱5.1 billion in advertising revenues.

The Company widened its international reach by consolidating its owned and operated streaming platforms into "iWantTFC" while lifting geographic restrictions for entertainment and news content in certain regions worldwide. The Company also licensed over 180 titles to multiple territories in Asia, Africa, the Middle East, Europe, and various international OTT platforms generating over ₱528 million.

D. Sky Cable

With Sky Cable unable to provide direct-to-home (DTH) service following the lapse of its franchise, the Company continued to focus on growing its broadband subscriber base. Following this direction, Sky Cable's revenues amounted to ₱8.40 billion, despite the absence of DTH services.

<u>Capital Expenditures</u>

Capital expenditures and program rights acquisitions amounted to ₱3.6 billion as of December 31, 2021.

<u>Statement of Financial Position Accounts</u>

On December 31, 2021, total consolidated assets stood at ₱52.6 billion, 10.8% lower than the ₱58.9 billion of December 31, 2020.

Shareholders' equity decreased to ₱12.0 billion or 30% on December 31, 2021, compared to the previous year.

The company's net debt-to-equity ratio was 1.46x and 0.88x as of December 31, 2021, and 2020, respectively.

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

The following is a discussion and analysis of ABS-CBN Corporation and Subsidiaries ("ABS-CBN" or the "Company") financial performance for the years ended December 31, 2020, and 2019.

FOR THE YEAR ENDED DECEMBER 31, 2020 and 2019

The table below summarizes the results of operations for the years 2020 and 2019.

	2020	2019	Variance	
			Amount	%
Consolidated Revenues	**₱21,420**	**₱42,835**	**(₱21,415)**	**(50.0)**
Advertising Revenues	7,061	22,942	(15,881)	(69.2)
Consumer Sales	14,359	19,893	(5,534)	(27.8)
Sale of Services	*13,953*	*17,201*	*(3,248)*	*(18.9)*
Sale of Goods	*406*	*2,692*	*(2,286)*	*(84.9)*
Costs and Expenses	**(33,548)**	**(42,398)**	**(8,850)**	**(20.9)**
Production Costs	(10,311)	(13,136)	(2,825)	(21.5)
Cost of Sales and Services	(9,421)	(13,148)	(3,727)	(28.3)
General and Administrative Expenses (GAEX)	(13,816)	(16,114)	(2,298)	(14.3)
Financial Costs – net	**(1,396)**	**(1,299)**	**97**	**7.5**
Equity in Net Loss of Associates and Joint Ventures	**(48)**	**(19)**	**29**	**152.6**
Other Income – net	**93**	**530**	**437**	**(82.5)**
Net Income (Loss)	**(₱13,531)**	**(₱2,645)**	**(₱10,886)**	**411.6**
EBITDA	**(₱6,234)**	**₱9,154**	**(₱15,388)**	**(168.1)**

<u>Consolidated Revenues</u>

For the year ended December 31, 2020, ABS-CBN generated consolidated revenues of ₱21.4 billion from advertising and consumer sales, ₱21.4 billion or 50.0% lower year-on-year.

Advertising revenues decreased by ₱15.9 billion or 69.2% lower, attributable to the absence of the Company in the Free-to-Air advertising space following the cease-and-desist order issued by NTC on the Company's broadcast operations on May 5, 2020, and the eventual adoption of a Resolution denying the franchise application of the Company by the House Committee on Legislative Franchises on July 10, 2020. The cease-and-desist order similarly affected consumer sales, prohibiting the Company from engaging in Sky Cable's DTH services and distributing TV Plus Boxes. In addition, the impact of the COVID-19 outbreak resulted in the Company ceasing various ancillary operations such as Heroes Burger, Kidzania Manila, and Studio XP. These unfortunate events resulted in a decrease in consumer revenues of ₱5.5 billion.

The comparative revenue mix is as follows:

	2020	2019
Advertising revenues	33%	54%
Consumer sales	67%	46%

<u>Consolidated Costs and Expenses</u>

Direct costs and expenses amounted to ₱33.5 billion, a 20.9% decrease year-on-year.

In compliance by the Company on the directive by the Office of the President of the Philippines imposing stringent social distancing measures on March 15, 2020, the Company ceased production of content the same day. This cessation of production work was further extended after the cease-and-desist order issued by the NTC to the Company. The Company decided to align the number of programs based on the partnerships closed by the Company with various Free-to-Air operators. This alignment resulted in a reduction in production cost amounting to ₱2.8 billion or 21.5%.

Due to the cumulative impact of the COVID-19 outbreak and the cease-desist order issued by the NTC, the Company was forced to cease its Food & Beverage, Live Experiences, TV Plus, and Direct-to-Home business operations. This, in turn, resulted in a reduction in the cost of sales and services of ₱3.7 billion, or a 28.3% decrease year-on-year.

Following the abovementioned events, the Company was forced to implement a retrenchment program covering the Group effective end of business day of August 31, 2020. In addition to the retirement costs, the Company also provided additional separation benefits amounting to ₱1.1 billion during the year. The Company recognized impairment losses on its assets and TV Plus Boxes amounting to ₱668.7 million and ₱605.6 million, respectively. The impact of COVID-19 also brought about challenges in collection efforts which was reflected in increased provisions for estimated credit losses from ₱600 million in 2019 to ₱1.1 billion in 2020. Having all these considered, the Company enforced stringent cost-cutting measures to manage the Company's financial performance further. The Company's GAEX decreased by ₱2.3 billion or 14.3% compared to the previous year.

Net Loss and EBITDA

The Company incurred a ₱13.5 billion net loss for the year ended December 31, 2020.

EBITDA declined to (₱6.2 billion), a 168.1% decrease year-on-year.

Business Segments

For management purposes, the Company categorizes its operations into the following reportable businesses: (i) Content Production and Distribution and (ii) Sky Cable (iii). This segmentation is the basis upon which the Company measures its business operations.

Content Production and Distribution

- Entertainment
- News
- International
- Film & Music
- Cable Networks
- Digital
- Live Events
- Themeparks *(Ceased in 2020)*
- Home Shopping *(Ceased in 2020)*
- Licensing & Merchandising *(Ceased in 2020)*

Sky Cable

- Cable TV
- Broadband

The following analysis presents the results of operations of the Company's business segments for the Year ended December 31, 2020:

Segment	Operating Revenue		Net Income	
	2020	2019	2020	2019
Content Production and Distribution	₱11,816	₱33,173	(₱13,544)	(₱2,817)
Cable & Broadband	9,604	9,661	14	172

E. Content Production and Distribution

Despite the non-renewal of the Company's franchise, ABS-CBN remained committed to producing meaningful and quality content to continue serving the Filipino worldwide. The Company continued looking for ways to reach as many Filipino families as possible. A light was shed on achieving this goal came when the Company launched its Kapamilya Channel on cable TV last June 13, 2020. Its digital streaming channel "Kapamilya Online Live" began operating on August 1, 2020, showcasing entertainment and news programs of ABS-CBN. On October 2020, ABS-CBN secured a content supply agreement with Zoe Broadcasting that allowed ABS-CBN's programs to air on Channel A2Z. These initiatives allowed ABS-CBN to be welcomed back to Filipino households worldwide. Launching these platforms permitted the Company to generate ₱1.01 billion in revenues, mainly from the 4th quarter.

The challenges to Free-to-Air paved the way for various opportunities in the digital landscape. The Company reached incredible milestones, including getting 30 million and 10 million subscribers for its ABS-CBN Entertainment and ABS-CBN News channels.

The Company furthered its international reach by merging its proprietary digital application with "IwantTFC" and unblocking entertainment and news content in various regions worldwide. The Company also distributed over 180 titles to multiple territories in Asia, Africa, the Middle East, Europe, and different Over-the-Top platforms, generating over USD 5.67 million.

F. Sky Cable

With Sky Cable unable to provide direct-to-home (DTH) service following the lapse of its franchise, the Company continued to focus on growing its broadband subscriber base. Following this direction, Sky Cable's revenues amounted to ₱9.60 billion, despite the absence of DTH services.

<u>Capital Expenditures</u>

Cash capital expenditures and program rights acquisitions amounted to ₱4.4 billion as of December 31, 2020.

<u>Statement of Financial Position Accounts</u>

As of December 31, 2020, total consolidated assets stood at ₱58.9 billion, 25.6% lower than the total assets of ₱79.2 billion as of December 31, 2019.

Shareholders' equity decreased to ₱17.2 billion or 44.7% on December 31, 2020, compared to the previous year.

The company's net debt-to-equity ratio was at 0.88x and 0.45x as of December 31, 2020, and 2019, respectively.

ABS-CBN CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ABS-CBN Corporation and Subsidiaries** 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 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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

Martin L. Lopez
Chairman of the Board

Carlo L. Katigbak
President and Chief Executive Officer

Ricardo B. Tan, Jr.
Group Chief Financial Officer

Signed this 14 day of March, 2023

SUBSCRBED AND SWORN to me before this 14 day of MAR 2023, 2023. Affiants exhibiting to me their Passports, as follows:

NAMES	PASSPORT NO.	DATE OF EXPIRY	PLACE OF ISSUE
Martin L. Lopez	P9450479A	11/6/2028	DFA, Manila
Carlo L. Katigbak	P5367822B	7/27/2030	DFA, Manila
Ricardo B. Tan, Jr.	P7898714B	10/17/2031	DFA, Manila

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Page No.: 12
Book No.: II
Series of: 2023

JOHN ALBERT M. BONIFACIO
NOTARY PUBLIC
FOR AND IN THE CITY OF PASIG AND SAN JUAN
AND IN THE MUNICIPALITY OF PATEROS
UNTIL DECEMBER 31, 2023
PTR NO. 0173108; 01/06/2023; PASIG CITY
IBP NO. 260961; 01/05/2023; RIZAL (RSM)
MCLE COMPLIANCE NO. VII-0018257; 4/14/2025
ROLL NO. 73150/APPOINTMENT NO. 80 (2022-2023)
21/F Robinsons-Equitable Tower, 4 ADB Ave. cor. Poveda St.
1605 Ortigas Center, Pasig City

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

SEC Registration Number

							1	8	0	3

COMPANY NAME

ABS-CBN CORPORATION AND SUBSIDIARIES

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

ABS-CBN Broadcast Center, Sgt. Esguerra Avenue corner Mother Ignacia St., Quezon City

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
IR@abs-cbn.com	(632) 3415 - 2272	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
5.330	June 25	December 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
Ricardo B. Tan	Rick_Tan@abs-cbn.com	(632) 3415-2272	–

CONTACT PERSON's ADDRESS

ABS-CBN Broadcast Center, Sgt. Esguerra Avenue corner Mother Ignacia St. 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
ABS-CBN Corporation
ABS-CBN Broadcast Center
Sgt. Esguerra Ave. corner Mother Ignacia Street
Quezon City

Opinion

We have audited the consolidated financial statements of ABS-CBN Corporation (the "Parent Company") and Subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, 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, 2021 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group incurred net losses of ₱2.6 billion, ₱5.7 billion and ₱13.5 billion for the years ended December 31, 2022, 2021 and 2020, respectively. The Group's current liabilities exceeded its current assets by ₱2.7 billion and ₱0.9 billion as of December 31, 2022 and 2021, respectively. These conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. 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 in the following section, 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.

<u>Revenue Recognition</u>

The Group derives significant portion of its revenue from advertising services which accounted for 33% of the total consolidated revenue for the year ended December 31, 2022. This matter is significant to our audit because of the magnitude of the amounts involved, the advertising revenue process is highly automated, and the amounts recognized depend on the calculated rates using a pricing scheme where billings are based on the actual ratings when the advertisements were aired, hence, results in variations in billings.

The Group's policy on airtime revenue recognition is disclosed in Note 2 to the consolidated financial statements.

Audit response

We updated our understanding of the advertising revenue process and tested the relevant controls. We performed correlation analysis among advertising revenues, receivables and cash collection and examined and performed validation on the correlation variances. We selected sample invoices and traced their settlement to supporting documents such as official receipts, remittance advice and bank statements. We tested the airtime rates for selected sample billings by comparing the television ratings used against third-party television ratings reports and recomputed the billed amounts. We also tested sample transactions taking place within a certain period before and after year-end to evaluate the timing of the recognition of advertising revenues.

<u>Recoverability of Goodwill</u>

Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. As at December 31, 2022, the Group's goodwill amounted to ₱4.8 billion, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which is still impacted by the coronavirus pandemic, specifically revenue growth and gross margins in its cable subscription, international broadcasting and broadband businesses, and discount rates, which were applied to the cash flow forecasts.

The Group's disclosures about goodwill are included in Notes 3 and 12 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodologies and the assumptions used in determining the value-in-use of the cash generating unit (CGUs). These assumptions include revenue growth and gross margins in its cable subscription, international broadcasting and broadband businesses and discount rates. We compared the key assumptions used, such as the revenue growth rate and gross margins against the historical performance of the CGU, industry and market outlook, and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect in the determination of the recoverable amount of goodwill.

<u>Impairment Testing of Property and Equipment and Program Rights</u>

The denial of legislative franchise application and other factors as discussed in Note 1 are considered as impairment indicators that require an assessment of the recoverability of the Parent Company's non-financial assets, particularly its towers, transmission, and other broadcasting equipment, and program rights with carrying amounts of ₱0.8 billion and ₱1.6 billion, respectively, as of December 31, 2022. The determination of recoverable amounts of these assets using discounted cash flows technique and fair value less cost to sell requires the use of significant judgment, estimates, and assumptions, which are subject to higher level of estimation uncertainty due to the current economic conditions as impacted by the coronavirus pandemic, such as gross revenue, gross margin, operating expenses, long-term growth rate and discount rate that were then applied to the cash flows forecast and selling price and cost to sell for the fair value less cost to sell.

The disclosures in relation to the above matters are included in Notes 3, 10 and 12 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodologies and assumptions used in determining the recoverable amount of the towers, transmission, and other broadcasting equipment, and program rights. We evaluated the key assumptions used to estimate the discounted cash flows of the CGU, which include the gross revenue, gross margin, operating expenses, long-term growth rate and discount rate, based on our understanding of the Parent Company's business plan and by reference to historical performance of the CGU and relevant market data, as applicable, taking into consideration the impact associated with the coronavirus pandemic. For the fair value less cost to sell, we tested the fair values used in the calculation by comparing the amounts to supporting agreements.

<u>Recoverability of Deferred Tax Assets</u>

The analysis of the recoverability of deferred tax assets of significant entities within the Group was significant to our audit because the assessment process is complex and judgmental, and is based on assumptions that are affected by expected future market or economic conditions, including the impact of the coronavirus pandemic, and the expected performance of these entities.

The disclosures in relation to deferred taxes are included in Note 29 to the consolidated financial statements.

Audit response

We evaluated management's assessment on the availability of future taxable income assessment in reference to financial forecast and tax strategies. In addition, we evaluated the assumptions used in the financial forecasts as part of the impairment testing for goodwill. We evaluated the reconciling items considered in computing the forecasted taxable income with reference to prior years' reconciling items and their expected timing of reversal.

Other Information

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

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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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 Djole S. Garcia.

SYCIP GORRES VELAYO & CO.

Djole S. Garcia

Djole S. Garcia
Partner
CPA Certificate No. 0097907
Tax Identification No. 201-960-347
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Firm Accreditation No. 0001-SEC (Group A)
    Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Partner Accreditation No. 97907-SEC (Group A)
    Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-102-2021, September 16, 2021 to September 15, 2024
PTR No. 9564626, January 3, 2023, Makati City

March 14, 2023

ABS-CBN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱1,936,852**	₱2,539,978
Short-term investments (Note 6)	**11,055**	10,818
Trade and other receivables (Notes 7 and 23)	**4,684,574**	5,151,725
Inventories (Note 8)	**263,876**	385,955
Program rights and other intangible assets (Note 12)	**582,537**	701,796
Other current assets (Notes 9 and 15)	**4,433,886**	4,976,450
	11,912,780	13,766,722
Noncurrent assets held for sale (Note 31)	**409,442**	173,490
Total Current Assets	**12,322,222**	13,940,212
Noncurrent Assets		
Property and equipment (Notes 10 and 18)	**24,461,485**	26,285,854
Goodwill, program rights and other intangible assets - net of current portion (Note 12)	**8,928,015**	9,482,557
Financial assets at fair value through other comprehensive income (FVOCI) (Note 13)	**44,357**	41,658
Investment properties (Notes 11 and 18)	**1,266**	1,294
Investments in associates and joint ventures (Note 14)	**116,477**	121,775
Deferred tax assets (Note 29)	**1,530,464**	1,097,950
Other noncurrent assets (Notes 16 and 23)	**2,549,271**	2,429,603
Total Noncurrent Assets	**37,631,335**	39,460,691
TOTAL ASSETS	**₱49,953,557**	₱53,400,903
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 4, 17, 23 and 30)	**₱10,972,959**	₱10,044,129
Contract liabilities (Note 9)	**1,755,011**	2,166,105
Income tax payable	**215,166**	334,018
Obligations for program rights (Note 19)	**119,168**	124,767
Current lease liabilities (Note 32)	**213,864**	172,727
Interest-bearing loans and borrowings (Notes 10, 11 and 18)	**1,711,132**	2,004,882
Total Current Liabilities	**14,987,300**	14,846,628
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 10, 11 and 18)	**16,017,185**	18,250,975
Obligations for program rights - net of current portion (Note 19)	**45,053**	159,084
Accrued pension obligation and other employee benefits (Note 30)	**6,082,299**	6,850,961
Deferred tax liabilities (Note 29)	**481,758**	249,762
Noncurrent lease liabilities (Note 32)	**450,809**	460,672
Convertible notes (Note 20)	**188,019**	172,693
Other noncurrent liabilities (Note 21)	**278,730**	316,061
Total Noncurrent Liabilities	**23,543,853**	26,460,208
Total Liabilities	**38,531,153**	41,306,836

(Forward)

	December 31	
	2022	2021
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 22):		
Common	**₱899,807**	₱872,124
Preferred	**200,000**	200,000
Additional paid-in capital	**4,428,800**	4,745,399
Treasury shares and Philippine depository receipts convertible to common shares (Note 22)	**(544,168)**	(1,638,719)
Exchange differences on translation of foreign operations	**854,231**	207,219
Fair value reserves on financial assets at FVOCI (Note 13)	**75,368**	77,869
Shared-based payment plan	**(264)**	–
Retained earnings (Note 22)	**6,855,255**	8,691,759
Equity attributable to equity holders of the Parent Company	**12,769,029**	13,155,651
Noncontrolling Interests (Note 4)	**(1,346,625)**	(1,061,584)
Total Equity	**11,422,404**	12,094,067
TOTAL LIABILITIES AND EQUITY	**₱49,953,557**	₱53,400,903

See accompanying Notes to Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Amounts)

	Years Ended December 31		
	2022	2021	2020
REVENUES (Notes 5, 23, 24 and 31)	**₱19,196,916**	₱17,825,204	₱21,419,757
PRODUCTION COSTS (Notes 10, 12, 23, 25, 30 and 31)	**(7,340,082)**	(7,152,642)	(10,310,826)
COST OF SERVICES (Notes 8, 10, 12, 15, 23, 26, 30 and 31)	**(8,165,429)**	(7,890,298)	(9,136,575)
COST OF SALES (Notes 8, 10, 23, 26, 30 and 31)	**(114,423)**	(40,546)	(284,707)
GROSS PROFIT	**3,576,982**	2,741,718	1,687,649
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 8, 10, 11, 12, 22, 23, 27, 30 and 31)	**(7,831,131)**	(7,450,527)	(13,815,768)
FINANCE COSTS (Notes 18, 20 and 28)	**(1,131,776)**	(1,178,095)	(1,213,934)
INTEREST INCOME (Note 6)	**12,740**	8,515	201,101
FOREIGN EXCHANGE GAINS (LOSSES) - Net	**(179,692)**	81,545	(382,796)
EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 14)	**286**	(9,607)	(47,634)
OTHER INCOME - Net (Notes 28 and 32)	**3,255,565**	572,290	92,837
LOSS BEFORE INCOME TAX	**(2,297,026)**	(5,234,161)	(13,478,545)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)			
Current	**236,553**	287,710	538,985
Deferred	**102,369**	148,512	(486,714)
	338,922	436,222	52,271
NET LOSS	**(₱2,635,948)**	(₱5,670,383)	(₱13,530,816)
Net loss Attributable to:			
Equity holders of the Parent Company (Note 35)	**(₱2,459,841)**	(₱5,638,992)	(₱13,456,161)
Noncontrolling interests	**(176,107)**	(31,391)	(74,655)
	(₱2,635,948)	(₱5,670,383)	(₱13,530,816)
Basic/Diluted Loss Per Share Attributable to Equity Holders of the Parent Company (Note 35)	**(₱2.887)**	(₱6.857)	(₱16.356)

See accompanying Notes to Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
NET LOSS	**(₱2,635,948)**	(₱5,670,383)	(₱13,530,816)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit plan - net of tax (Note 30)	**508,303**	150,935	(350,002)
Fair value adjustments on financial assets at FVOCI - net of tax (Note 13)	**3,599**	452,425	34,462
	511,902	603,360	(315,540)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	**647,012**	(37,761)	(305,709)
OTHER COMPREHENSIVE INCOME (LOSS)	**1,158,914**	565,599	(621,249)
TOTAL COMPREHENSIVE LOSS	**(₱1,477,034)**	(₱5,104,784)	(₱14,152,065)
Total Comprehensive Loss Attributable to:			
Equity holders of the Parent Company	**(₱1,191,993)**	(₱5,134,488)	(₱13,986,948)
Noncontrolling interests	**(285,041)**	29,704	(165,117)
	(₱1,477,034)	(₱5,104,784)	(₱14,152,065)

See accompanying Notes to Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 22)								**Retained Earnings** (Note 22)				
	Common	**Preferred**	**Additional Paid-in Capital**	**Treasury Shares and Philippine Depository Receipts Convertible to Common Shares** (Note 22)	**Exchange Differences in Translation of Foreign Operations**	**Fair Value Reserves on Financial Assets At FVOCI** (Note 13)	**Remeasure-ment Gain (Loss) on Defined Benefit Plan - Net** (Note 30)	**Share-based Payment Plan**	**Appropriated**	**Unappropriated**	**Total**	**Noncontrolling Interests** (Notes 17 and 20)	**Total Equity**
At December 31, 2021	**₱872,124**	**₱200,000**	**₱4,745,399**	**(₱1,638,719)**	**₱207,219**	**₱77,869**	**₱–**	**₱–**	**₱–**	**₱8,691,759**	**₱13,155,651**	**(₱1,061,584)**	**₱12,094,067**
Net loss	–	–	–	–	–	–	–	–	–	**(2,459,841)**	**(2,459,841)**	**(176,107)**	**(2,635,948)**
Other comprehensive income	–	–	–	–	**647,012**	**3,599**	**617,237**	–	–	–	**1,267,848**	**(108,934)**	**1,158,914**
Total comprehensive income (loss)	–	–	–	–	**647,012**	**3,599**	**617,237**	–	–	**(2,459,841)**	**(1,191,993)**	**(285,041)**	**(1,477,034)**
Remeasurement gain on defined benefit plan transferred to retained earnings	–	–	–	–	–	–	**(617,237)**	–	–	**617,237**	–	–	–
Sale of treasury shares (Note 22)	–	–	**(594,551)**	**1,094,551**	–	–	–	–	–	–	**500,000**	–	**500,000**
Transfer of fair value reserves on financial assets at FVOCI	–	–	–	–	–	**(6,100)**	–	–	–	**6,100**	–	–	–
Others (Note 22)	**27,683**	–	**277,952**	–	–	–	–	**(264)**	–	–	**305,371**	–	**305,371**
At December 31, 2022	**₱899,807**	**₱200,000**	**₱4,428,800**	**(₱544,168)**	**₱854,231**	**₱75,368**	**₱**	**(264)**	**₱**	**₱6,855,255**	**₱12,769,029**	**(₱1,346,625)**	**₱11,422,404**

	Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 22)							Retained Earnings (Note 22)				
	Common	Preferred	Additional Paid-in Capital	Treasury Shares and Philippine Depository Receipts Convertible to Common Shares (Note 22)	Exchange Differences in Translation of Foreign Operations	Fair Value Reserves on Financial Assets At FVOCI (Note 13)	Remeasure-ment Gain (Loss) on Defined Benefit Plan - Net (Note 30)	Appropriated	Unappropriated	Total	Noncontrolling Interests (Notes 17 and 20)	Total Equity
At December 31, 2020	₱872,124	₱200,000	₱4,745,399	(₱1,638,719)	₱244,980	₱71,712	₱–	₱16,200,000	(₱2,405,357)	₱18,290,139	(₱1,091,288)	₱17,198,851
Net loss	–	–	–	–	–	–	–	–	(5,638,992)	(5,638,992)	(31,391)	(5,670,383)
Other comprehensive income	–	–	–	–	(37,761)	452,425	89,840	–	–	504,504	61,095	565,599
Total comprehensive income (loss)	–	–	–	–	(37,761)	452,425	89,840	–	(5,638,992)	(5,134,488)	29,704	(5,104,784)
Remeasurement gain on defined benefit plan transferred to retained earnings	–	–	–	–	–	–	(89,840)	–	89,840	–	–	–
Reversal of appropriation of retained earnings	–	–	–	–	–	–	–	(16,200,000)	16,200,000	–	–	–
Transfer of fair value reserves on financial assets at FVOCI	–	–	–	–	–	(446,268)	–	–	446,268	–	–	–
At December 31, 2021	₱872,124	₱200,000	₱4,745,399	(₱1,638,719)	₱207,219	₱77,869	₱–	₱–	₱8,691,759	₱13,155,651	(1,061,584)	₱12,094,067

	Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 22)							Retained Earnings (Note 22)				
	Common	Preferred	Additional Paid-in Capital	Treasury Shares and Philippine Depository Receipts Convertible to Common Shares (Note 22)	Exchange Differences in Translation of Foreign Operations	Fair Value Reserves on Financial Assets At FVOCI (Note 13)	Remeasure-ment Gain (Loss) on Defined Benefit Plan - Net (Note 30)	Appropriated	Unappropriated	Total	Noncontrolling Interests (Notes 17 and 20)	Total Equity
At December 31, 2019	₱872,124	₱200,000	₱4,745,399	(₱1,638,719)	₱550,689	₱172,920	₱–	₱16,200,000	₱10,914,963	₱32,017,376	(₱926,171)	₱31,091,205
Net loss	–	–	–	–	–	–	–	–	(13,456,161)	(13,456,161)	(74,655)	(13,530,816)
Other comprehensive income (loss)	–	–	–	–	(305,709)	34,462	(259,540)	–	–	(530,787)	(90,462)	(621,249)
Total comprehensive income (loss)	–	–	–	–	(305,709)	34,462	(259,540)	–	(13,456,161)	(13,986,948)	(165,117)	(14,152,065)
Remeasurement loss on defined benefit plan transferred to retained earnings	–	–	–	–	–	–	259,540	–	(259,540)	–	–	–
Transfer of fair value reserves on financial assets at FVOCI	–	–	–	–	–	(135,670)	–	–	135,670	–	–	–
Others	–	–	–	–	–	–	–	–	259,711	259,711	–	259,711
At December 31, 2020	₱872,124	₱200,000	₱4,745,399	(₱1,638,719)	₱244,980	₱71,712	₱–	₱16,200,000	(₱2,405,357)	₱18,290,139	(₱1,091,288)	₱17,198,851

See accompanying Notes to Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱2,297,026)**	(₱5,234,161)	(₱13,478,545)
Adjustments to reconcile loss before income tax to net cash flows:			
Depreciation and amortization (Notes 10, 11, 25, 26 and 27)	**3,121,495**	3,425,454	3,591,768
Impairment loss (Notes 10, 12, 14, 16 and 27)	**48,376**	118,309	699,692
Amortization of:			
Program rights and other intangibles (Note 12)	**896,590**	1,118,188	2,130,841
Debt issue costs (Note 28)	**20,496**	17,874	20,831
Deferred charges (Note 26)	**–**	19	19
Interest expense (Note 28)	**1,101,886**	1,149,831	1,180,429
Gain on sale of noncurrent assets held for sale (Notes 28 and 31)	**(2,055,578)**	–	–
Loss (gain) on sale of property and equipment (Notes 10 and 28)	**(475,195)**	(184,484)	279,519
Movements in accrued pension obligation and other employee benefits (Note 30)	**(661,530)**	(107,994)	572,316
Loss on extinguishment of program rights (Note 12)	–	80,019	–
Net unrealized foreign exchange loss (gain)	**148,349**	(31,683)	(99,092)
Equity in net losses (income) of associates and joint ventures (Note 14)	**(286)**	9,607	47,634
Interest income (Notes 6)	**(12,740)**	(8,515)	(201,101)
Dividend income (Note 13)	–	(7,245)	(7,862)
Working capital changes:			
Decrease (increase) in:			
Trade and other receivables	**1,497,378**	399,484	4,873,586
Inventories	**122,128**	55,876	150,545
Other current assets	**136,355**	(585,052)	959,204
Increase (decrease) in:			
Trade and other payables	**882,553**	1,445,026	(3,158,581)
Other noncurrent liabilities	**194,665**	(128,710)	(220,967)
Obligations for program rights	**(98,383)**	98,995	(147,760)
Contract liabilities	**(411,094)**	9,066	(270,714)
Net cash generated from (used in) operations	**2,158,439**	1,639,904	(3,078,238)
Income taxes paid	**(355,405)**	(172,213)	(623,113)
Net cash provided by (used in) operating activities	**1,803,034**	1,467,691	(3,701,351)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for additions to:			
Property and equipment (Notes 5 and 10)	**(2,395,643)**	(3,388,712)	(3,039,097)
Goodwill, program rights and other intangible assets (Notes 12 and 36)	**(234,243)**	(505,944)	(857,983)
Decrease (increase) in short-term investments	**(237)**	862	6,987,015
Proceeds from sale of:			
Property and equipment and noncurrent assets held for sale (Notes 10 and 31)	**3,743,310**	555,477	645,198
FVOCI (Note 13)	**7,000**	472,613	235,742

(Forward)

	Years Ended December 31		
	2022	2021	2020
Interest received	**₱14,466**	₱10,603	₱373,394
Decrease (increase) in other noncurrent assets	**(620,658)**	89,489	182,213
Return of investment in a joint venture (Note 14)	**–**	–	182,000
Net cash provided by (used in) investing activities	**513,995**	(2,765,612)	4,708,482
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debt (Notes 18 and 36)	**(2,548,036)**	(1,461,938)	(4,560,130)
Interest (Note 36)	**(1,135,848)**	(1,116,002)	(1,205,551)
Principal portion of lease liabilities (Note 32)	**(226,503)**	(284,948)	(255,131)
Proceeds from sale of treasury shares	**500,000**	–	–
Decrease in (additions to) restricted cash (Note 15)	**473,509**	75,103	(695,471)
Proceeds from availment of long-term debt (Note 36)	**–**	200,403	–
Net cash used in financing activities (Note 36)	**(2,936,878)**	(2,587,382)	(6,716,283)
EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**16,723**	(4,445)	(31,039)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(603,126)**	(3,889,748)	(5,740,191)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,539,978**	6,429,726	12,169,917
CASH AND CASH EQUIVALENTSAT END OF YEAR (Note 6)	**₱1,936,852**	₱2,539,978	₱6,429,726

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Information, Status of Operations and Authorization for Issuance of the Consolidated Financial Statements**

ABS-CBN Corporation (“ABS-CBN” or “Parent Company”) was incorporated in the Philippines on July 11, 1946. On July 27, 1994, the Philippine Securities and Exchange Commission (“SEC”) approved the extension of the corporate term of the Parent Company for another 50 years. The Parent Company’s core business is television and radio broadcasting. Its subsidiaries and associates are involved in the following related businesses: cable and television distribution and movie production, audio recording and distribution, video/audio post-production and film distribution. Other activities of the subsidiaries include merchandising and internet services. The Parent Company was 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 until May 4, 2020. On July 10, 2020, the House Committee on Legislative Franchises (regular and ex-officio members) voted to adopt a resolution denying the franchise application of the Parent Company (the “Resolution”).

ABS-CBN and Subsidiaries (collectively referred to as “the Group”) incurred net losses of ₱2.6 billion, ₱5.7 billion and P13.5 billion for the years ended December 31, 2022, 2021 and 2020, respectively. The Group’s current liabilities exceeded its current assets by ₱2.7 billion and ₱0.9 billion as of December 31, 2022 and 2021, respectively. Moreover, the Parent Company is required to maintain certain financial ratios and the effectivity of the standstill provision in the Parent Company’s Omnibus Intercreditor and Security Agreement with its lenders will expire on June 30, 2023 (the “Long Stop date”) (refer to Note 18). These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

The Group continues to explore and pursue other business relationships with local and foreign entities to ensure the maximum exposure and monetization of its content assets. To continue to be of service to “The Filipino People”, the Parent Company launched its Kapamilya Channel on cable TV, and subsequently, its digital streaming channel “Kapamilya Online Live” on August 2020. The Parent Company also partnered with broadcasting companies for a wider reach by providing content. On October 2020, the Parent Company secured a content supply agreement with Zoe Broadcasting that allowed ABS-CBN’s programs to be shown on Channel A2Z. In January 2021, some ABS-CBN shows also began airing on select time slots on TV5. Other partnerships include content supply agreements on Pinoy Interactive Entertainment (PIE) channel with Kroma Entertainment and BEAM. These initiatives generated revenue amounting to ₱6.4 billion in advertising revenue in 2022.

In addition, the Group also began ramping up content sales and licensing of its contents to both domestic and international clients – a roster that includes TV5, GMA Network, AMBS, Netflix, Viu, iQiyi, WeTV, where the Company distributed over 381 titles to various territories in Asia, Africa, Middle East and Europe as well as over-the-top platforms generating ₱1.3 billion in revenue in 2022.

Management assessed that the Group will be able to maintain its positive cash position and settle its liabilities as they fall due within the next 12 months through management’s plans on future actions as discussed in Note 3.

Lopez Inc., a Philippine entity, has 56% economic interest in the Parent Company, with 79% voting rights. Lopez, Inc. is the ultimate parent company.

The common shares of ABS-CBN were listed beginning July 8, 1992 and have been traded in the Philippine Stock Exchange (PSE) since then.

The registered office address of the Parent Company is ABS-CBN Broadcast Center, Sgt. Esguerra Avenue corner Mother Ignacia St., Quezon City.

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) of the Parent Company on March 14, 2023.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for investments in equity shares and club shares which have been 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 thousand, except for number of shares, per share amounts and when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group were prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group, unless otherwise indicated. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- 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 Group adopted the amendments beginning January 1, 2022. These amendments have no impact on the Group's consolidated financial statements.

- Amendments to PAS 16, *Property, Plant and Equipment*

  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 Group adopted the amendments beginning January 1, 2022. These amendments have no impact on the Group's consolidated financial statements.

- 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 Group adopted the amendments beginning January 1, 2022. These amendments have no impact on the Group's consolidated financial statements

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - 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.

  - 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.

The Group adopted the amendments beginning January 1, 2022. These amendments have no impact on the Group's consolidated financial statements.

Basis of Consolidation and Noncontrolling Interests

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries.

The following is a list of the subsidiaries as at December 31, 2022 and 2021:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest **2022**	Effective Interest 2021
Content Production and Distribution					
Global:					
ABS-CBN Global Ltd. (ABS-CBN Global)[(a) (j)]	Cayman Islands	Holding company	United States dollar (USD)	**100.0**	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe)[(b)(c) (j) (dd)]	United Kingdom	Cable and satellite programming services	Great Britain pound (GBP)	**100.0**	100.0
ABS-CBN Japan, Inc. (ABS- CBN Japan)[(d) (j)]	Japan	Cable and satellite programming services	Japanese yen (JPY)	**100.0**	100.0
ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East)[(b) (j)]	Dubai, UAE	Cable and satellite programming services	United Arab Emirates dirham (AED)	**100.0**	100.0
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary) [(j)]	Budapest, Hungary	Holding company	USD	**100.0**	100.0
Makati Kft. [(j)]	Budapest, Hungary	Holding company	USD	**100.0**	100.0
ABS-CBN International, Inc. (ABS-CBN International)[(j) (n)]	California, USA	Cable and satellite programming services	USD	**100.0**	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia)[(j) (k)]	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	**100.0**	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada)[(j) (k)]	Canada	Cable and satellite programming services	Canadian dollar (CAD)	**100.0**	100.0
ABS-CBN Telecom North America, Inc.[(j) (k)]	California, USA	Telecommunications	USD	**100.0**	100.0
Films and Music:					
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	Philippine peso	**100.0**	100.0
Cinescreen, Inc. (Cinescreen) [(f)]	Philippines	Theater operator	Philippine peso	**100.0**	100.0
Narrowcast					
Creative Programs, Inc. (CPI) [(v)]	Philippines	Content development, publishing and programming services	Philippine peso	**100.0**	100.0
Others:					
ABS-CBN Europe Remittance Inc.[(d) (j) (y) (cc)]	United Kingdom	Services - money remittance	GBP	**100.0**	100.0
E-Money Plus, Inc.[(b)]	Philippines	Services - money remittance	Philippine peso	**100.0**	100.0
ABS-CBN Global Remittance Inc.[(j) (k) (y)]	California, USA	Services - money remittance	USD	**100.0**	100.0
ABS-CBN Canada Remittance Inc.[(j) (n) (y)]	Canada	Services - money remittance	CAD	**100.0**	100.0
ABS-CBN Center for Communication Arts, Inc.[(e)]	Philippines	Educational/training	Philippine peso	**100.0**	100.0
ABS-CBN Global Cargo Corporation[(t)]	Philippines	Non-vessel operations common carrier	Philippine peso	**100.0**	100.0
ABS-CBN Integrated and Strategic Property Holdings, Inc.	Philippines	Real estate	Philippine peso	**100.0**	100.0
ABS-CBN Shared Service Center PTE. Ltd.[(j) (m)]	Singapore	Services - support	Singapore dollar (SGD)	**100.0**	100.0
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine peso	**100.0**	100.0
Grassfed Corporation	Philippines	Services - livestock	Philippine peso	**100.0**	100.0
Probabilistic Insights, Inc. [(aa)]	Philippines	Services - support	Philippine peso	**100.0**	100.0
Rosetta Holdings Corporation (RHC)	Philippines	Holding company	Philippine peso	**100.0**	100.0
Callirrhoe, Inc.	Philippines	Holding company	Philippine peso	**100.0**	100.0
Eukelade Holding Corporation	Philippines	Holding company	Philippine peso	**100.0**	100.0
Sarimanok News Network, Inc.	Philippines	Content development and programming services	Philippine peso	**100.0**	100.0
The Big Dipper Digital Content & Design, Inc. (Big Dipper)	Philippines	Digital film archiving and central library, content licensing and transmission	Philippine peso	**100.0**	100.0

(Forward)

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest 2022	2021
The Chosen Bun, Inc. (Chosen Bun)[z]	Philippines	Services - restaurant and food	Philippine peso	**100.0**	100.0
TV Food Chefs, Inc. [bb]	Philippines	Services - restaurant and food	Philippine peso	**100.0**	100.0
iConnect Convergence, Inc.	Philippines	Service - call center	Philippine peso	**100.0**	100.0
ABS-CBN Studios, Inc.	Philippines	Production facility	Philippine peso	**100.0**	100.0
Medianow Strategies, Inc. (Medianow) [x]	Philippines	Marketing, sales and advertising	Philippine peso	**79.7**	79.7
Sapientis Holdings Corporation (Sapientis)	Philippines	Holding company	Philippine peso	**100.0**	100.0
Columbus Technologies, Inc. (CTI)[q]	Philippines	Holding company	Philippine peso	**70.0**	70.0
ABS-CBN Convergence, Inc, (ABS-C)[q]	Philippines	Telecommunication	Philippine peso	**69.3**	69.3
ABS-CBN Theme Parks and Resorts Holdings, Inc. (ABS-CBN Theme Parks)	Philippines	Holding company	Philippine peso	**100.0**	100.0
ABS-CBN Themed Experiences, Inc. (ABS-CBN Themed Experiences) [u,bb]	Philippines	Management of locations	Philippine peso	**100.0**	100.0
Play Innovations, Inc. (PII)[g,bb]	Philippines	Theme park	Philippine peso	**73.0**	73.0
Play Innovations Hungary Kft. (Play Innovations)[j,g]	Budapest, Hungary	Theme park	USD	**73.0**	73.0
Cable and Broadband					
Sky Vision Corporation (Sky Vision) [w] (see Note 4)	Philippines	Holding Company	Philippine peso	**75.0**	75.0
Sky Cable Corporation (Sky Cable) [w] (see Note 4)	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Bisaya Cable Television Network, Inc.[h,i,w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Bright Moon Cable Networks, Inc.[h,w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Cavite Cable Corporation[h,w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Cepsil Consultancy and Management Corporation[h,w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Davao Cableworld Network, Inc.[h,o,w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
HM Cable Networks, Inc.[h,w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
HM CATV, Inc.[h,w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Hotel Interactive Systems, Inc.[h,w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Isla Cable TV, Inc.[h,w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Moonsat Cable Television, Inc.[h,o,w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Pilipino Cable Corporation (PCC)[h,w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Satellite Cable TV, Inc.[h,w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Sun Cable Holdings, Incorporated (SCHI)[h,w]	Philippines	Holding company	Philippine peso	**59.4**	59.4
Sun Cable Systems Davao, Inc.[h,i,w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Sunvision Cable, Inc.[h,w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Tarlac Cable Television Network, Inc.[h,w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Telemondial Holdings, Inc.[h,i,w]	Philippines	Holding company	Philippine peso	**59.4**	59.4
JMY Advantage Corporation[h,w]	Philippines	Cable television services	Philippine peso	**56.4**	56.4
Cebu Cable Television, Inc.[h,o,p,w]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Suburban Cable Network, Inc.[h,w]	Philippines	Cable television services	Philippine peso	**54.9**	54.9
Pacific CATV, Inc. (Pacific)[h,o,w]	Philippines	Cable television services	Philippine peso	**58.0**	58.0
First Ilocandia CATV, Inc.[h,o,w]	Philippines	Cable television services	Philippine peso	**54.9**	54.9
Mactan CATV Network, Inc.[h,o,p,w]	Philippines	Cable television services	Philippine peso	**56.6**	56.6
Discovery Mactan Cable, Inc.[h,s,w]	Philippines	Cable television services	Philippine peso	**41.6**	41.6
Home-Lipa Cable, Inc.[h,s,w]	Philippines	Cable television services	Philippine peso	**35.6**	35.6

[a] *With branches in the Philippines and Taiwan*
[b] *Through ABS-CBN Global*
[c] *With branches in Italy and Spain*
[d] *Subsidiary of ABS-CBN Europe*
[e] *Nonstock ownership interest*
[f] *On June 5, 2017, the SEC approved the incorporation of Cinescreen. Cinescreen was established primarily to own, acquire, establish, lease, maintain, operate, manage, control, promote, advertise, undertake and carry on the business of theatres, movie houses and places of public amusement and entertainment.*
[g] *Through ABS-CBN Theme Parks*
[h] *Through Sky Cable*
[i] *Subsidiary of SCHI*
[j] *Considered as foreign subsidiary*
[k] *Subsidiary of ABS-CBN International*
[l] *With a branch in Luxembourg*
[m] *With a regional operating headquarters in the Philippines*
[n] *Through ABS-CBN Hungary*

[o] *Subsidiary of PCC*
[p] *Through Pacific*
[q] *Through Sapientis*
[r] *With branch in Korea*
[s] *A subsidiary of Sky Cable where Sky Cable effectively owns more than 50% interest*
[t] *In liquidation*
[u] *On July 7, 2017, the SEC approved the incorporation of ABS-CBN Themed Experiences. ABS-CBN Themed Experiences was established primarily to design, build, develop, manage, operate and maintain theme and amusement parks, hotels, restaurants, coffee shops, refreshment parlors and other attractions and facilities.*
[v] *On September 18, 2018, the SEC approved the merger of CPI and ABS-CBN Publishing with the former being the surviving entity.*
[w] *In 2012, ABS-CBN acquired additional interest in Sky Vision increasing its economic interest to 24.8%. On the same year, Lopez, Inc. also executed a proxy in favor of ABS-CBN assigning its voting rights in Sky Vision. As a result, ABS-CBN has a voting interest of 75% in Sky Vision since 2012. Sky Vision is the holding company of Sky Cable, where ABS-CBN has an economic interest of 57.4% in 2014. In 2015, ABS-CBN purchased additional shares in Sky Vision increasing its economic interest on Sky Vision and Sky Cable to 75% and 59.4%, respectively.*
[x] *In 2014, CPI and Sky Cable entered into an agreement to form a joint venture company. Medianow, which was incorporated on August 22, 2014, is 78.7% effectively owned by the Group in 2014. As a result of the acquisition of additional interest in Sky Vision, economic interest on Medianow increased to 79.7% in 2015.*
[y] *On June 30, 2018, ABS-CBN Europe Remittance Inc., ABS-CBN Global Remittance Inc. and ABS-CBN Canada Remittance Inc. ceased operations.*
[z] *On March 12, 2019, the SEC approved the incorporation of Chosen Bun. Chose Bun was established primarily to raise, process, manufacture and package all kinds of food products; to establish, operate, manage and maintain restaurants, coffee shops, and refreshments parlors; to serve and cater foods, drinks, refreshments and other food or commodities.*
[aa] *On June 18, 2019, the SEC approved the incorporation of Probabilistic Insights, Inc. Probabilistic Insights, Inc. was established primarily to provide software products and data science services including but not limited to management consulting, marketing services such as direct marketing, database marketing, workshop facilitation and marketing training.*
[bb] *The Group decided to wind-down its food and beverage and experience operations in July 2020.*
[cc] *On December 21, 2021, ABS-CBN Europe Remittance Inc closed.*
[dd] *In April 2022 and July 2021, ABS-CBN Europe closed its branches in Italy and Spain, respectively.*

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.

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,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses 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 Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intra-group balances, transactions, income and expenses and profits and losses are eliminated in full during consolidation.

Noncontrolling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately from equity attributable to equity holders of the Parent Company in the consolidated financial statements. This includes the equity interests in Sky Vision, Sky Cable and its subsidiaries, subsidiaries of Sapientis, ABS-CBN Theme Parks and Medianow.

A change in the ownership interest of a subsidiary, without a loss of control, is considered as an acquisition or disposal of noncontrolling interest and accounted for as an equity transaction. The difference between the amount by which the noncontrolling interest is adjusted and the fair value of the consideration paid or received is recorded directly in equity.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in profit or loss. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair value to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using provisional values. Adjustment to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability, or contingent liability that is recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by the amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business Combination Involving Entities under Common Control

Where there are business combinations in which all the combining entities within the group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group may account such business combinations under the acquisition method of accounting or pooling of interests method, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the noncontrolling interest, shall be considered.

In cases where the business combination has no substance, the Group shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction, the difference in the amount recognized and the fair value of consideration received is also accounted for as an equity transaction.

Foreign Currency Translation and Transaction

Functional and Presentation Currency. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. Each entity determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of all the subsidiaries, except foreign subsidiaries, is the Philippine peso. The functional currencies of the foreign subsidiaries are disclosed under the Basis of Consolidation section. As at financial reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Parent Company (the Philippine peso) at the rate of exchange ruling at financial reporting date and, their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to “Exchange differences on translation of foreign operations” in the OCI and “Exchange differences on translation of foreign operations” account within the equity section of the consolidated statement of financial position. Upon disposal of any of these foreign subsidiaries, the deferred cumulative amount recognized in equity relating to that particular foreign subsidiary will be recognized in the consolidated statement of income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Foreign Currency-denominated Transactions. Transactions in foreign currencies are initially recorded in the functional currency exchange rate ruling 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 date.

All differences are taken to the consolidated statement of 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.

Fair Value Measurement

The Group measures financial instruments at fair value at each financial reporting date.

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 nonfinancial 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 re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every financial reporting date.

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.

Financial Statements Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the financial 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 financial reporting date.

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

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 dates of acquisitions and that are subject to an insignificant risk of change in value.

Short-term Investments
Short-term investments represent investments that are readily convertible to known amounts of cash with original maturities of more than three months to one year.

Financial Instruments
Date of Recognition. Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting. Derivatives are recognized on trade date accounting.

Day 1 Difference. 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 income. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statement of income 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 Assets

Initial Recognition and Measurement of Financial Assets. Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI, and fair value through profit or loss (FVTPL).

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 fair value through profit or loss, 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. Financial assets with cashflows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

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.

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), and financial assets at FVTPL.

a. *Financial Assets at Amortized Cost (Debt Instruments).* This category is the most relevant to the Group. 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 solely payments of principal and interest on the principal amount outstanding.

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

This category includes the Group's cash and cash equivalents, short-term investments, trade and other receivables and deposits (included under "Other noncurrent assets" account).

b. *Financial Assets at FVOCI (Debt Instruments).* The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has no debt instruments at FVOCI as at December 31, 2022 and 2021.

c. 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 fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss 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 its listed and non-listed equity investments and investments in club shares under this category.

d. Financial Assets at FVTPL. Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes derivative instruments.

The Group has not designated any financial assets at FVTPL as at December 31, 2022 and 2021.

Embedded Derivatives. A derivative embedded in a hybrid contract, with a financial liability or nonfinancial host, is separated from the host and accounted for as a separate derivative if: the economic characteristic and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded with a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Group has no embedded derivatives as at December 31, 2022 and 2021.

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.

Modification of financial assets
The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Group considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "solely payment for principal and interest"

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Impairment of Financial Assets and Contract Assets. The Group recognizes an expected credit loss (ECL) for all debt instruments not held at fair value through profit or loss. 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 effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies a general approach in calculating ECLs. The Group recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash and cash equivalents and short-term investments since initial recognition.

For trade and other receivables and contract assets, 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.

The Group considers a financial asset in default when contractual payments are generally 60 to 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 when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement of Financial Liabilities. Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, 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 are trade and other payables, interest-bearing loans and borrowings, obligations for program rights, convertible note and customers' deposits (included under "Other noncurrent liabilities" account).

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

a. *Financial Liabilities at FVTPL.* Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

   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 income. Financial liabilities designated upon initial recognition at fair value through profit or loss 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 FVTPL.

b. *Financial Liabilities at Amortized Cost.* This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

   Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included under "Finance costs" account in the consolidated statement of income.

   Classified under this category are trade and other payables, interest-bearing loans and borrowings, obligations for program rights, convertible note and customers' deposits (included under "Other noncurrent liabilities" account).

Derecognition of Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Exchange or modification
The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

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

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. Net realizable value of inventories that are for sale is the selling price in the ordinary course of business, less the cost of marketing and distribution. Net realizable value of inventories not held for sale is the current replacement cost.

Other Current Assets

Restricted Cash. Restricted cash pertains to funds intended for debt repayment and is not available for any disbursement transactions other than its specified purpose.

Creditable Withholding Taxes (CWT). CWT represents the amount withheld by the Group's customers in relation to its revenues. These are recognized upon collection of the related billings and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

Advances to Suppliers. Advances to suppliers represent advance payments on goods to be received or services to be incurred in connection with the Group's operations and are generally applied to acquisition of inventories and fixed assets and availment of services and others within the next financial year.

Preproduction Expenses. Preproduction expenses represent costs incurred 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 upon airing of the related program or episodes. Costs related to previously taped episodes determined not to be aired are charged to expense.

Prepayments. Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months or within the normal operating cycle.

Noncurrent Assets Held for Sale

Noncurrent assets is classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Property and Equipment
Property and equipment, except land, are carried at cost (including capitalized interest), excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Land is stated at cost, which includes initial purchase price and other cost directly attributable in bringing such asset to its working condition, less any impairment in value.

Initial installation costs, including materials, labor and overhead costs are capitalized as part of distribution equipment (included in the "Towers, transmission, television, radio, movie and auxiliary equipment" account) and depreciated over the subscriber relationship or the estimated useful life of the distribution equipment whichever is shorter. The costs of subsequent disconnection and reconnection are charged to profit or loss when incurred.

Unissued spare parts represent major spare parts that can be used only in connection with the distribution equipment. Unissued spare parts are not depreciated but tested for impairment until these become available for use. These are included in the "Other equipment" account.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

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 initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, 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 their estimated useful life and lease term. Right-of-use assets are subject to impairment.

Depreciation and amortization are computed on a straight-line method over the following useful lives of property and equipment:

Asset Type	Number of Years
Land improvements	5 to 10
Right-of-use assets	5 to 9
Buildings and improvements	10 to 40
Towers, transmission, television, radio, movie and auxiliary equipment	5 to 20
Other equipment	3 to 25

The property and equipment's residual values, useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at each financial reporting date.

Construction in-progress represents equipment under installation and building under construction and is stated at cost, which includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and become available for operational use.

An item of property and equipment 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 the consolidated statement of income in the year the asset is derecognized.

Asset Retirement Obligation

The net present value of legal obligations associated with the retirement of an item of property and equipment that resulted from the acquisition, construction or development and the normal operations of property and equipment is recognized in the period in which it is incurred and a reasonable estimate of the obligation can be made. This is included as part of “Other noncurrent liabilities” account in the consolidated statement of financial position. These obligations are accreted and such accretion is recognized as expense in the consolidated statement of income. The related asset retirement cost is capitalized under “Property and equipment” account in the consolidated statement of financial position and is being depreciated on a straight-line basis.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at least each financial reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization of intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if an indication of impairment exists either individually or at the cash-generating unit level. Such intangibles are not amortized. Intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Amortization of program rights is computed on a straight-line method over the following method:

<table>
<tr><th>Category</th><th>Policy</th></tr>
<tr><td>Specific run with specific terms</td><td rowspan="3">For fixed term program and film rights, amortized on a straight-line basis over the license term as indicated in the contract, regardless if program and film right is aired or not.</td></tr>
<tr><td>Multiple runs with specific terms</td></tr>
<tr><td>Multiple runs with indefinite start date of license term</td></tr>
</table>

Category	Policy
Perpetual rights	For perpetuity program and film rights, amortized on a straight-line basis at the beginning of the term as indicated in the contract, regardless if the program and film right is aired or not, and shall run over a period of 15 years from the start of amortization.

Effective January 1, 2022, in view of the change in the expected pattern of economic benefits from the assets, the Group revised the estimated useful life and amortization method of trademarks from indefinite life to remaining useful life of 15 years (see Note 3).

The policies applied on other intangible assets are as follows:

Intangible Asset	Useful Lives	Amortization Method Used	Impairment Testing	Current and Noncurrent Classification
Music Rights	Finite (useful economic benefit) – 50 years	Amortized on a straight-line basis over the economic useful life	If the remaining expected benefit period is shorter than the Group's initial estimates, the Group accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Based on the estimated year of usage
Movie In-process/Filmed Entertainment	Finite	Amortized on accelerated method (i.e., majority of the cost is amortized upon showing and the remainder is over 15 years)	If the unamortized film cost is higher than the fair value of the film, the asset is written down to its recoverable amount.	Based on the estimated year of usage
Story and Publication	Finite (useful economic benefit) – 10 to 50 years	Amortized on a straight-line basis over the economic useful life	If the remaining expected benefit period is shorter than the Group's initial estimates, the Group accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Based on the estimated year of usage
Video Rights, and Record Master	Finite – six months	Amortized on a straight-line basis over six months	If the remaining expected benefit period is shorter than the Group's initial estimates, the Group accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Current

Intangible Asset	Useful Lives	Amortization Method Used	Impairment Testing	Current and Noncurrent Classification
Customer Relationships	Finite – 3 to 25 years	Amortized on a straight-line basis over the estimated customer service life	If the remaining expected benefit period is shorter than the Group's initial estimates, the Group accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent
Cable Channels – CPI	Finite - 10 years	Amortized on a straight-line basis over a period of 10 years	If the remaining expected benefit period is shorter than the Group's initial estimates, the Group accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent
Production and Distribution Business - Middle East	Finite - 25 years	Amortized on a straight-line basis over the period of 25 years	If the remaining expected benefit period is shorter than the Group's initial estimates, the Group accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	Noncurrent
Trademarks	Finite – 15 years	Amortized on a straight-line basis over a period of 15 years	If the remaining expected benefit period is shorter than the Group's initial estimates, the Group accelerates amortization of the cost. Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount	Noncurrent
Digital Platforms	Finite - 5 years	Amortized on a straight-line basis over the estimated useful life	If the expected benefit period is shorter than the Group's initial estimates, the Group accelerates the amortization of the cost	Noncurrent
IP Block	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists.	Noncurrent

Intangible Asset	Useful Lives	Amortization Method Used	Impairment Testing	Current and Noncurrent Classification
			Impairment loss is also recognized if the carrying value exceeds the asset's recoverable amount.	
Business Process Re-engineering	Finite - 7 years	Amortized on a straight-line basis over the estimated useful life	If the expected benefit period is shorter than the Group's initial estimates, the Group accelerates the amortization of the cost	Noncurrent

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

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 carrying 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" account up to the date of change in use.

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

Investments in Associates
The Group's investments in associates are accounted for under the equity method of accounting. An associate is an entity over which the Group has significant influence or the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies.

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

Under the equity method, investment in associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not tested for impairment. The consolidated statement of income reflects the Group's share on the financial performance of an associate. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Unrealized intercompany gains and losses arising from the transactions with the associate are eliminated to the extent of the interest in the associate.

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

Investments in Joint Ventures

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 joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The consolidated statement of income reflects the Group's share of the results of operations of the joint venture. Any change in the OCI of the joint venture is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the 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 joint venture are eliminated to the extent of the interest in the joint venture.

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

The reporting dates of the joint venture and the Group and the joint venture's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of 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 former joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

When the remaining investment in a joint venture constitutes significant influence, it is accounted for as an investment in an associate. The Group continues to apply the equity method and does not remeasure the retained interest.

Tax Credits
Tax credits from government airtime sales availed under Presidential Decree (PD) No. 1362 are recognized in the books upon actual airing of government commercials and advertisements. These are included under “Other noncurrent assets” account in the consolidated statement of financial position.

Impairment of Nonfinancial Assets
The Group assesses at each financial reporting date whether there is an indication that property and equipment, investment properties, program rights and other intangible assets with finite lives, investments in associates and joint ventures and tax credits may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value, less costs to sell and its 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 groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss 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. The 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 the consolidated statement of income. After such a reversal, the depreciation and amortization 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.

The following criteria are also applied in assessing impairment of specific nonfinancial assets:

Intangible Assets with Indefinite Life. Goodwill, trademark (for 2021 and prior years) and IP block are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill, trademarks and IP block by assessing the recoverable amount of the cash-generating units, to which the goodwill, trademarks and IP block relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which the goodwill, trademarks and IP block has been allocated, an impairment loss is recognized in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill, trademarks and IP block as at December 31 of each year.

Investments in Associates and 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 net investments in the associates and joint ventures. The Group determines at each financial reporting date whether there is any objective evidence that the investments in associates and 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 an investment in associate and joint ventures and the carrying value and recognizes the loss as part of "Equity in net earnings (losses) of associates and joint ventures" in the consolidated statement of income.

Paid-in Capital

The Group has issued par value capital stock that is classified as equity. Incremental costs directly attributable to the issuance of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

When the Group issues its par value shares, the proceeds shall be credited to the "Capital stock" account in the consolidated statement of financial position to the extent of the par value, with any excess being reflected as "Additional paid-in capital" in the consolidated statement of financial position.

Where the Group purchases its capital stock and PDRs issued by ABS-CBN Holdings that are convertible to Parent Company common shares (recorded as "Treasury shares and PDRs convertible to common shares" account in the consolidated statement of financial position), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the equity holders of the Parent Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the equity holders of the Parent Company.

Share-based Payment Transactions

Employees and talents (including directors) of the Group receive remuneration in the form of share-based payment transactions from the Parent Company and from Lopez Holdings Corporation (a commonly-controlled entity), whereby eligible participants render services as consideration for equity instruments (equity-settled transactions). Selected key employees of the Group, also receive remuneration in the form of share-based payment transactions, whereby the Group incurs a liability to pay cash (cash-settled transactions) to the employees in consideration for their services rendered.

Equity-settled Transactions. The cost of equity-settled transactions is determined by the fair value of the stock options at the date the option is granted. The fair value is determined using the Black-Scholes-Merton Option Pricing Model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the subjected shares ("market conditions") and non-vesting conditions, if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in "Share-based payment plan" account in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period).

The cumulative expense recognized for equity-settled transactions at each financial reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest at that date. The current income or expense charges in "Personnel expenses", under "General and administrative expenses" account in the consolidated statement of income, represents the movement in cumulative expense recognized as at financial reporting date.

No expense is recognized for awards that do not ultimately vest.

When the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled with payment, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. There is no reversal of cost already charged after vesting of the equity-settled transactions, only transfers between components of equity.

Cash-settled Transactions. The cost of liability from the cash-settled transactions for notional shares allocated to selected key employees is measured by reference to the market price of the Parent Company's share as at financial reporting date. At each financial reporting date between the grant date and settlement, the liability recognized is the fair value of the award at that date multiplied by the expired portion of the vesting period. All changes in the liability are recognized in profit or loss for the period.

Retained Earnings (Deficit)
Retained earnings (Deficit) includes cumulative balance of net income or loss attributable to the equity holders of the Parent Company and reduced by dividends on capital stock.

Retained earnings (Deficit) may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Deposit for future subscription
Deposit for future subscription accounts represents funds received by the Group which it records as such with a view to applying the same as payment for additional issuance of shares or increase in capital stock. Deposits for future subscription is reported as part of the statement of changes in equity and as a separate item in the equity section of the statement of financial position, if the following criteria are met, otherwise, this is classified as non-current liability:

- the unissued authorized capital stock of the entity is insufficient to cover the number of shares indicated in the contract
- there is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the Group);
- there is stockholders' approval of said proposed increase; and
- the application for the approval of the proposed increase has been filed with the SEC on or before the financial reporting date

Dividends on Common and Preferred Shares of the Parent Company
Dividends on common and preferred 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 the financial reporting date are dealt with as an event after financial reporting date.

Revenue Recognition
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, excluding amounts collected on behalf of third parties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

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 disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

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

Advertising revenue. Revenue is recognized at a point in time when advertisement is aired. Under PFRS 15, bonus spots are considered as separate performance obligations. Accordingly, transaction price shall be separately allocated to bonus spots based on standalone selling price and recognized as revenue when these are aired. The Parent Company uses the cost per individual rating point (CPIRP) pricing scheme. The scheme provides that the advertising spots sold will be computed using a multiplier based on the actual rating point of the spot aired as provided by a third-party measurement company.

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

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

Industry rules allow ABS-CBN to sell up to 18 minutes of commercial spots per hour of television programming. These spots are sold mainly through advertising agencies which act as the buying agents of advertisers, and to a lesser extent, directly to advertisers. Agency commissions are recognized at a standard rate of 15%.

Incentives, which include volume discounts for large quantities of telecast order, are recognized upon airing.

Payments received before broadcast (pay before broadcast) represent customer deposits, which are recognized as revenue upon airing of related advertisements. These are included in the consolidated statement of financial position as part of “Contract liabilities”.

Sale of services comprise of the following:

a. Subscription fees are recognized as follows:

   DTH and Internet Protocol Television Subscribers and Cable Operators. Subscription fees are recognized over the subscription period in accordance with the terms of the subscription agreements.

   Share in DirecTV Subscription Revenue. Subscription revenue from subscribers of DirecTV who subscribe to the "The Filipino Channel" is recognized over time in accordance with the Deal Memorandum as discussed in Note 32.

   Subscription Revenue from TFC.tv (formerly TFC Now). Payment from online streaming services of Filipino-oriented content and programming received in advance is deferred (included as "Contract liabilities" in 2020 and 2019 in the consolidated statement of financial position) and recognized as revenue on a straight-line basis over the period during which the service is rendered.

   Cable and Broadband Subscribers. Subscription and related installation fees are recognized over the subscription period and estimated length of customer relationship, respectively, in accordance with the terms of the subscription agreements. Subscription and related installation fees billed and collected in advance are deferred and shown as part of "Contract liabilities" and recognized as revenue when service is rendered.

   Sky Cable offers bundled cable and broadband services and is assessed as two separate performance obligations. The performance obligations to deliver cable television and broadband services on a monthly basis qualify as performance obligations satisfied over time since the customer simultaneously receives and consumes the benefit provided by the Group's performance.

b. Installation service fees are recognized over the estimated customer relationship period.

c. Income from film exhibition is recognized on the dates the films are shown.

d. Short-messaging-system/text-based revenue, sale of news materials and Group-produced programs are recognized upon delivery.

e. Royalty income is recognized at a point in time upon rendering of service based on the terms of the agreement and is reduced to the extent of the share of the composers or co-publishers of the songs produced for original sound recording. It also includes income from Parent Company's share in fees from endorsements and other external services of its talents equivalent to 10% of gross receipts.

f. Ancillary rights, which pertain to income from TV rights and cable rights, are recognized either outright or over the license period. The Group recognizes revenue over the license period if all of the following criteria are met; otherwise, revenue is recognized outright:

   - the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights
   - the rights granted by the license directly expose the customer to any positive or negative effects of the Group's activities
   - those activities do not result in the transfer of a good or a service to the customer as those activities occur.

g. Service fee revenue are recognized at a point in time when these services are rendered.

h. Sponsorship revenue are recognized at a point in time when sponsorship services are rendered.

i. Admission revenue and ticket sales are recognized at a point in time when tickets are used or expired. Tickets issued are initially recorded as contract liabilities.

j. Other revenues include fees for IPTV reauthorization, restocking, shipping and activation, publishing revenue and remittance revenue. Revenue is recognized at a point in time when these services are rendered.

Sale of goods is recognized at a point in time when delivery has taken place and control has been completed. These are stated net of sales discounts.

<u>Other Revenue</u>
Other revenue is recognized when:

a. Rental income is recognized as income on a straight-line basis over the lease term.

b. Channel lease revenue is recognized as income on a straight-line basis over the lease term.

c. Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

d. Dividends are recognized when the shareholders' right to receive payment is established.

<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.

<u>Incremental Costs to Obtain a Contract</u>
The Group incurs certain incremental costs to obtain a contract with a customer that would not have been incurred if the contract had not been entered into. Under PFRS 15, these are recognized as incremental costs of obtaining a contract and are capitalized as an asset if the costs are expected to be recoverable. These costs are amortized on a systematic basis that is consistent with the Group's transfer of the related goods or services to the customer. The Group applies the practical expedient to immediately expense contract costs that are expected to be amortized within one year or less. Sky Cable is precluded from availing the practical expedient because the amortization period of its contract cost asset is more than one year.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Capitalized contract costs are subject to an impairment assessment at the end of each reporting period. Impairment losses are recognized in profit or loss.

Cost and Expense Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participant. Cost and expenses other than those with specific policies are recognized in the consolidated statement of income in the year these are incurred.

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. 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.

Lease liability. 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 of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Group as Lessor. Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the year, less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalizable rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during the year shall not exceed the amount of borrowing costs incurred during that year.

Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred in the year in which they occur.

Pension Costs and Other Employee Benefits

The Group's pension plans are funded (Parent Company, Sky Cable and PCC) and unfunded (other subsidiaries) defined benefit pension plans, except for ABS-CBN International, which has a defined contribution pension plan. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method.

Defined Benefit Pension 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.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as part of costs and expenses in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit obligation or asset is recognized under costs and expenses in the consolidated statement of income.

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

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.

Defined Contribution Pension Plans. For ABS-CBN International, the defined contribution pension plan is composed of the contribution of ABS-CBN International or employee (or both) to the employee's individual account. These contributions generally are invested on behalf of the employee through American Funds. Employees ultimately receive the balance in their account, which is based on contributions plus or minus investment gains or losses. The value of each account will fluctuate due to changes in the value of investments.

The amount of the Group's contribution to the defined contribution pension plan is recognized as expense in the period incurred.

Termination Benefit. Termination benefits are employee benefits provided in exchange for the termination of an employee's employment before the normal retirement date as a result of either an entity's decision or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement. Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. Liability for leaves expected to be settled beyond 12 months are recognized as part of the noncurrent portion of other employee benefits liability and measured at the present value of the benefit as at financial reporting date.

Taxes

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

Current tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it 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 nor taxable profit.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in other subsidiaries and associates, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Deferred tax relating to items recognized outside profit and loss is recognized in correlation to the underlying transaction either in OCI or directly in equity and not in the consolidated statement of income.

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

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 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 statement of financial position to the extent of the recoverable amount.

Earnings (Loss) Per Share (EPS) attributable to the Equity Holders of the Parent Company
Basic EPS amounts are calculated by dividing the net income or loss (less preferred shares, if any) attributable to equity holders of the Parent Company for the year over the weighted average number of common shares outstanding (net of treasury shares and PDRs) during the year, with retroactive adjustments for any stock dividends and stock split.

Diluted EPS amounts are computed in the same manner, adjusted for the dilutive effect of any potential common shares. As the Group has no dilutive potential common shares outstanding, basic and diluted EPS are stated at the same amount.

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 disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after Financial Reporting Date
Any event after financial reporting date that provides additional information about the Group's financial position at financial reporting date (adjusting events) are reflected in the consolidated financial statements. Events after financial reporting date that are not adjusting events are disclosed in the notes to consolidated financial statements, when material.

Segment Reporting
For management purposes, the Group's operating businesses are organized and managed separately into two (2) business activities. Such business segments are the bases upon which the Group reports its operating segment information. The Group operates in three (3) geographical areas where it derives its revenue. Financial information on segment reporting is presented in Note 5.

Future Changes in Accounting Policies
The standards, amendments and interpretations that are issued, but not yet effective as at December 31, 2022 are disclosed in the next section. The Group intends to adopt these standards, if applicable, when these become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2023

- 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 amendments are not expected to have a material impact on the Group.

- 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. The amendments are not expected to have a material impact on the Group.

- 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.

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, 2024 and must be applied retrospectively.

- 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.

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.

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 continues to assess the impact of the new and amended accounting standards and interpretations effective subsequent to December 31, 2022 financial statements. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

3. Management's Use of Judgments, Estimates and Assumptions

The Group's consolidated financial statements prepared under PFRSs require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Judgments

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

Going Concern Assessment

As discussed in Note 1, the Group incurred net losses of ₱2.6 billion, ₱5.7 billion and ₱13.5 billion for the years ended December 31, 2022, 2021 and 2020, respectively. The Group's current liabilities exceeded its current assets by ₱2.7 billion and ₱1.0 billion as of December 31, 2022 and 2021, respectively. Moreover, the Parent Company is required to maintain certain financial ratios and the effectivity of the standstill provision in the Parent Company's Omnibus Intercreditor and Security Agreement with its lenders will expire on June 30, 2023 (refer to Note 18). These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business.

To address the impact of the factors which indicate that there is a material uncertainty in the Group's ability to continue as a going concern:

1. The Group has and will continue to pursue partnerships with various reputable companies that will allow the Parent Company to share its produced content nationwide.

2. The Group continues to operate in other businesses that do not require a legislative franchise, such as, international licensing and distribution, digital and cable businesses, as well as, continue with the syndication of content through various streaming services.

3. The Company has adopted and continues to implement cost control measures and reducing general and administrative expenses or overhead, rationalizing capital expenditures, and streamlining its manpower requirements.

4. The Parent Company continues to service its loan obligations with its creditor banks. The Parent Company is in discussions with its lenders to address the effect of the expiry of the standstill, including, but not limited to, the waiver of financial ratios for 2023 and the long-stop date, possible options for the early settlement of the loan through sale of certain properties, and possible restructuring of the remaining loan balance.

5. The Group continues to explore and intends to pursue all available remedies and courses of action, and will comply with relevant legal, regulatory and contractual requirements, to be able to sustain its current and future business operations, which do not necessarily involve broadcast only.

After considering the responses of the Group to address these uncertainties, management assessed that the Group will be able to maintain its positive cash position and settle its liabilities as they fall due within 12 months from the end of the reporting period. Accordingly, the consolidated financial statements are prepared on a going concern basis.

Revenue from Contracts with Customers. The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

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

   Revenues earned from multiple element arrangements are split into separately identifiable performance obligations based on their relative stand-alone selling price to reflect the substance of the transaction.

   In relation to the subscription business, Sky Cable offers bundled cable and broadband services and is assessed as two separate performance obligations. The performance obligations to deliver cable television and broadband services on a monthly basis qualify as performance obligations satisfied over time since the customer simultaneously receives and consumes the benefit provided by the Group’s performance.

b. *Principal versus Agent Consideration.* The Group enters into contracts with its customers. The Group determined that it controls the goods and services before they are transferred to customers, and it has the ability to direct their use. The following factors indicate that the Group controls the goods and services before they are being transferred to customers. Therefore, the Group determined that it is a principal in these contracts.

- The Group is primarily responsible for fulfilling the promise to provide the specified goods and services.
- The Group has inventory risk on the goods and services before these are transferred to the customer.
- The Group has discretion in establishing the prices for the other party's goods or services and, therefore, the benefit that the Group can receive from those goods or services is not limited. It is incumbent upon the Group to establish the price of its services to be offered to its customers.
- The Group's consideration in these contracts is the entire consideration billed to the service provider.

Based on the foregoing, the Group is considered the principal in its contracts with its customers. It has the primary obligation to provide the services to them.

c. *Revenue Recognition.* The Group recognizes revenue over time or at a point in time depending on its evaluation of when the customer obtains control of the promised goods or services.

The subscription revenue from cable and broadband service, because transfer of control is assessed to be over the contract period, is recognized monthly as the Group provides the service. The related installation service is not distinct from the cable and broadband service, revenue is recognized over the period the cable and broadband services are provided to the customer.

For licensing, judgment is exercised in determining whether the Group can recognize revenue outright or over the license period. The Group recognizes revenue over the license period if all of the following criteria are met; otherwise, revenue is recognized outright:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights
- the rights granted by the license directly expose the customer to any positive or negative effects of the Group's activities
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

Revenues from other revenue streams are recognized at a point in time when control over goods or services is transferred.

Determination of Functional Currency. The Parent Company and all other subsidiaries, except for foreign subsidiaries, have determined that their functional currency is the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Parent Company and all other subsidiaries, except for foreign subsidiaries, operate. The Philippine peso is also the currency that mainly influences the sale of goods and services as well as the costs of selling such goods and providing such services.

Each foreign subsidiary determines its functional currency (i.e., USD, GBP, JPY, AUD, CAD, EUR or SGD). Thus, the accounts of foreign subsidiaries were translated to Philippine peso for purposes of consolidation to the Group's accounts.

Determination of lease term of contracts with renewal and termination options – Group as Lessee. The Group has several lease contracts that include extension and termination options. The Group applies judgement 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 included the renewal period as part of the lease term for leases of office spaces and warehouses with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on operations if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases - 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 (for example, when leases are not in the subsidiary's functional currency). 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 subsidiary's stand-alone credit rating) (see Note 32).

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Allowance for ECL

a. *Definition of Default and Credit-Impaired Financial Assets*. Under PFRS 9, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

   - *Quantitative Criteria*. The borrower is generally more than 60 to 90 days past due on its contractual payments, which is consistent with the Group's definition of default.

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

     a. The borrower is experiencing financial difficulty or is insolvent;
     b. The borrower is in breach of financial covenant(s); or
     c. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

b. *Simplified Approach for Trade and Other Receivables.* The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

   The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

   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. 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.

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

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

   Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

   In light of COVID-19 pandemic, the Group reviewed the conduct of its impairment assessment and ECL methodology. The Group also reassessed the framework for macroeconomic overlay, incorporating pandemic scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

Provision for ECL amounted to ₱363 million, ₱159 million and ₱1,411 million in 2022, 2021 and 2020, respectively (see Notes 7 and 27). Trade and other receivables, net of allowance for ECL, amounted to ₱4.7 billion and ₱5.2 billion as at December 31, 2022 and 2021, respectively. Allowance for ECL amounted to ₱2.9 billion and ₱2.6 billion as at December 31, 2022 and 2021, respectively (see Note 7).

Estimated Useful Lives of Property and Equipment, Investment Properties and Intangible Assets. The useful life of each item of the Group's property and equipment, investment properties and intangible assets with finite life is estimated based on the period over which the asset is expected to be available for use. Estimation for property and equipment and investment properties is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets while for intangible assets with finite life, estimated life is based on the life of agreement covering such intangibles or based on expected future benefits. The estimated useful life of each asset is reviewed periodically and 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 these assets. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the aforementioned factors. The amounts and timing of recording the depreciation and amortization for any year, with regard to the property and equipment, investment properties and intangible assets would be affected by changes in these factors and circumstances. A reduction in the estimated useful life of any of the property and equipment, investment properties or intangible assets would increase the recorded expenses and decrease noncurrent assets.

In 2022, there was a change in useful life of the Group's trademarks from indefinite life (for 2021 and prior years) to remaining useful life of 15 years to reflect the expected pattern of economic benefits from the assets based on management's assessment.

This is accounted for prospectively starting 2022 as a change in accounting estimate, thereby increasing the amortization expense of the Group by ₱74 million in 2022 and for each succeeding year until the end of its useful life.

In 2021, there was a change in useful life of the Group's studio properties from 3 years to 10-15 years to reflect the expected pattern of economic benefits from the assets based on management's assessment. This was accounted for prospectively starting 2021 as a change in accounting estimate thereby decreasing depreciation expense by ₱139 million in 2021 and for each succeeding year until the end of its useful life. The depreciation for these assets were recognized in 2021 when they became available for use.

There were no changes in the estimated useful lives of property and equipment, other intangible assets and investment properties in 2020.

The carrying values of depreciable property and equipment, investment properties and intangible assets with finite life are as follows (see Notes 10, 11 and 12):

	2022	2021
Property and equipment	**₱19,608,242**	₱19,612,349
Program rights	**1,432,822**	2,116,565
Trademarks	**1,037,665**	−
Movie in-process and filmed entertainment	**1,032,304**	991,222
Customer relationships	**353,645**	439,820
Cable channels	**192,224**	232,826
Story and publication, video rights, and record master	**108,030**	110,677
Production and distribution business - Middle East	**2,777**	3,000
Investment properties	**1,266**	1,294
Digital platforms	**3**	3

Amortization of Program Rights. The Group reviews its program rights inventory and plans for its usage across different platforms to maximize its benefits. The Group amortizes program rights based on usage or specific term.

Program rights amounted to ₱1.4 billion and ₱2.1 billion as at December 31, 2022 and 2021, respectively (see Note 12).

Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets (enumerated in the following table other than inventories) 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 under-performance 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; and
- significant negative industry or economic trends.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The Group determined the consequences of the Resolution passed by the House Committee on Legislative Franchises denying the franchise application of the Parent Company as impairment indicators on its nonfinancial assets, including, among others, the Parent Company’s towers, transmission, television, radio, movie and auxiliary equipment, program rights and inventories.

The carrying values of nonfinancial assets as at December 31, 2022 and 2021 are as follows (see Notes 9, 10, 11, 12, 14 and 15):

	2022	2021
Property and equipment	**₱24,461,485**	₱26,285,854
Program rights	**1,432,822**	2,116,565
Trademarks	**1,037,665**	–
Movie in-process and filmed entertainment	**1,032,304**	991,222
Customer relationships	**353,645**	439,820
Tax credits - net of allowance for impairment	**340,754**	380,701
Preproduction expenses	**255,442**	368,629
Cable channels	**192,224**	232,826
Investments in associates and joint venture	**116,477**	121,775
Story and publication, video rights, and record master	**108,030**	110,677
Production and distribution business - Middle East	**2,777**	3,000
Investment properties	**1,266**	1,294
Digital platforms	**3**	3

The Group recognized impairment losses amounting to ₱48 million and ₱76 million, relating to its property and equipment, movie in-progress and filmed entertainment and tax credits, in 2022 and 2021, respectively (see Notes 10, 12 and 16).

Recoverability testing requires an estimation of the fair value of the cash-generating units to which certain nonfinancial assets are allocated. Certain nonfinancial assets have been allocated to one cash-generating unit which is also the operating entity. Estimating the recoverable amount of the cash-generating unit involves significant assumptions about the future results of the business such as revenue growth and gross margins in its cable and digital platform, advertising and syndication businesses, and discount rates which were applied to cash flow forecasts, including the impact of COVID-19. The cash flow forecasts were based on financial budgets approved by senior management of the Group covering a five-year period.

The impairment on nonfinancial assets is determined by comparing: (a) the carrying amount of the cash-generating unit; and (b) the higher of is fair value less cost to sell or its value in use which is the present value of the annual projected cash flows for five years and the present value of the terminal value computed under the discounted cash flow method.

As of December 31, 2022 and 2021, the recoverable amount of certain assets was determined using its fair value less cost to sell or using income approach based on discounted cash flow techniques where expected cash flow from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations. The recoverable amount is most sensitive to the inputs used in the valuation which are lease income growth rate and discount rate.

The key assumptions used, after consideration of the impact of COVID-19, in the impairment test of goodwill, cable channels, trademarks and licenses are as follows:

a. Gross Revenue

   On the average, gross revenue of the Parent Company over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the Group in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, advertising spending growth had a direct correlation with economic growth. Perpetuity growth rates of 4.8% in 2022 and 3.5% in 2021 were assumed at the end of the five-year forecast period.

b. Operating Expenses

   On the average, operating expenses were projected to increase at a single-digit growth rate and at a slower pace than revenue.

c. Gross Margins

   Increased efficiencies over the next five years are expected to result in margin improvements.

d. Discount Rate

   The discount rate used to arrive at the present value of future cash flows was the Parent Company's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity.

   The discount rates applied to the cash flow projections are 7.2% in 2022 and 7.9% in 2021.

Estimation of net realizable values. Net realizable values of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated cost necessary to sell. Increase in the net realizable value will increase the carrying amount of inventories but only to the extent of their original acquisition costs.

Merchandise inventories amounted to ₱264 million and ₱386 million as of December 31, 2022 and 2021, respectively. Inventory losses amounted to ₱1 million, ₱83 million and ₱606 million in 2022, 2021 and 2020, respectively (see Note 8).

Recoverability of Goodwill, Trademarks and IP Block. The Group performs recoverability testing annually or more frequently when there are indications of impairment for goodwill and intangible assets with indefinite lives. Until December 31, 2021, the Group has identified that trademarks and IP block have indefinite lives. Effective January 1, 2022, in view of the change in the expected pattern of economic benefits from the assets, the Group revised the estimated useful life and amortization method of trademarks from indefinite life to 15 years.

Recoverability testing requires an estimation of the value-in-use of the cash-generating units to which goodwill, cable channels, trademarks, licenses and IP block to operate wireless business are allocated.

The impairment on goodwill, cable channels, trademarks, licenses and IP block is determined by comparing: (a) the carrying amount of the cash-generating unit; and (b) the present value of the annual projected cash flows for five years and the present value of the terminal value computed under the discounted cash flow method.

The key assumptions used, after consideration of the impact of COVID-19, in the impairment test of goodwill, cable channels, trademarks and licenses are as follows:

a. Gross Revenue

   On the average, gross revenue of the subsidiaries over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, advertising spending growth had a direct correlation with economic growth. The Group assumed average perpetuity growth rate of 4.8% in 2022 and 3.5% in 2021 at the end of the five-year forecast period.

b. Operating Expenses

   On the average, operating expenses were projected to increase at a single-digit growth rate and at a slower pace than revenue.

c. Gross Margins

   Increased efficiencies over the next five years are expected to result in margin improvements.

d. Discount Rate

   The discount rate used to arrive at the present value of future cash flows was the Group's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity. The discount rates applied to the cash flow projections range from 7.2% to 8.0% in 2022 and 2021, respectively.

The carrying values of goodwill and intangible assets with indefinite useful lives as at December 31, 2022 and 2021 are as follows (see Note 12):

	2022	2021
Goodwill	**₱4,767,479**	₱4,743,970
IP block	**37,804**	37,804
Trademarks*	**–**	1,111,784

** Effective January 1, 2022, in view of the change in the expected pattern of economic benefits from the assets, the Group revised the estimated useful life and amortization method of trademarks from indefinite life to 15 years.*

Present Value of Pension Obligation and Other Employee Benefits. The cost of defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions such as discount rates and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each financial reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Employee leave entitlements that is expected to be settled within one year from reporting date is classified as a current liability in the consolidated statement of financial position. Otherwise, this is classified as part of the noncurrent portion of other employee benefits liability. Accrued pension obligation and other employee benefits of the Group amounted to ₱6.1 billion and ₱6.9 billion as at December 31, 2022 and 2021 (see Note 30).

Taxes. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the diversity of the Group's businesses and the long-term nature and complexity of existing contractual agreements or the nature of the business itself, changes in differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities under which the Group operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile or to the operations of the Group.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management's assessment of the deferred tax assets to be recognized involves significant judgements and is based on assumptions regarding the entities' current performance, future plans for the business and tax planning strategies. Management exercised judgement on the financial forecast used in determining the forecasted taxable income of the entities, including the timing of reversal of future taxable and deductible temporary differences.

As at December 31, 2022 and 2021, the Group recognized gross deferred tax assets amounting to ₱1,530 million and ₱1,098 million, respectively. From this amount, ₱1,663 million and ₱857 million as at December 31, 2022 and 2021, respectively, relates to significant subsidiaries that incurred net losses and/or are in a capital deficiency position. Management has determined that there is sufficient taxable profit against which these recognized deferred tax assets will be realized, after consideration of the impact of COVID-19. The Group did not recognize deferred tax assets from the Parent Company and certain subsidiaries amounting to ₱9,913 million and ₱9,917 million as at December 31, 2022 and 2021, respectively, as management believes that sufficient future taxable profit will not be available to allow these deferred tax assets to be utilized (see Note 29).

Provisions and Contingencies. The Group is currently involved in various legal proceedings and periodic examinations by tax authorities, which may result in taxation issues due to different interpretation and implementation of the relevant laws and regulations. Significant estimates and judgment are made by management regarding the outcome of these legal proceedings and tax examinations. The Group's estimate of the costs of the resolution of these claims has been developed in consultation with their external legal counsels and considering the correspondences with relevant tax authorities and any relevant historical and recent judgments issued by the court or tax authorities. Any change on these assumptions and the estimates may have a material impact on the Group's consolidated financial statements (see Note 37).

4. Significant Acquisitions, Re-organization and Material Noncontrolling Interests

Significant Acquisitions and Re-organization

a. Subscription Agreement between Sky Cable, Sky Vision, Sampaquita Communications PTE LTD (Sampaquita) and the Parent Company

On December 18, 2017, Sky Cable, Sky Vision, Sampaquita and the Parent Company entered into a subscription agreement with the following salient provisions:

- The Parent Company agreed to subscribe to 162,373,928 PDRs for ₱9.6853 per PDR from Sky Vision.

- Sky Cable agreed to offer 314,910,225 shares to its shareholders from an increase in capital stock. Sky Vision agreed to subscribe to 288,338,018 offered shares and the Parent Company agreed to subscribe to 26,572,207 offered shares for ₱9.6853 per share.

The Parent Company and Sampaquita agreed that the following aggregate economic interests shall be maintained:

- ABS-CBN, Lopez Holdings Corporation, Lopez, Inc. and Sky Vision shall have an aggregate economic interest of at least 59.4% of the total issued share capital of Sky Cable on a fully diluted basis; and

- Sampaquita shall have an aggregate economic interest of 40% of the total issued share capital of Sky Cable on a fully diluted basis.

On December 19, 2017, the Parent Company and Sky Vision paid Sky Cable their respective subscription for shares. The Parent Company and Sampaquita also paid Sky Vision their subscription for PDRs. The payment of Sampaquita of ₱1.2 billion is recorded as "Deposits for future subscription" under "Trade and Other Payables" account. As at March 14, 2023, the PDR instruments remain unissued.

Material Noncontrolling Interests
Financial information of subsidiaries that have material noncontrolling interests is provided below.

Proportion of Equity Interest Held by Noncontrolling Interests

		Percentage	
Company	Place of Incorporation	**2022**	2021
Sky Cable Corporation and Subsidiaries	Philippines	**40.6%**	40.6%
Sapientis Holdings Corporation and Subsidiaries	Philippines	**30.7%**	30.7%
ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries	Philippines	**27.0%**	27.0%

Accumulated Earnings (Losses) of Material Noncontrolling Interests

Company	**2022**	2021
Sapientis Holdings Corporation and Subsidiaries	**(₱2,417,531)**	(₱2,416,545)
Sky Cable Corporation and Subsidiaries	**1,589,146**	1,921,071
ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries	**(536,629)**	(585,013)

Net Income (Loss) Attributable to Material Noncontrolling Interests

	Years Ended December 31		
Company	**2022**	2021	2020
Sky Cable Corporation and Subsidiaries	**(₱162,685)**	(₱63,351)	₱2,195
Sapientis Holdings Corporation and Subsidiaries	**(986)**	49,790	(32,630)
ABS-CBN Theme Parks and Resorts Holdings, Inc. and Subsidiaries	**(11,922)**	(17,776)	(43,941)

The summarized financial information of Sky Cable, Sapientis, and ABS-CBN Theme Parks are provided in the succeeding section. This information is based on amounts before intercompany eliminations and after fair value adjustments.

a. Sky Cable

Summarized Consolidated Statements of Financial Position

	2022	2021
Cash and cash equivalents	**₱545,065**	₱718,694
Other current assets	**2,398,748**	2,195,148
Goodwill	**4,491,817**	4,491,817
Trademarks	**1,037,665**	1,111,784
Customer relationships	**353,645**	439,819
Other noncurrent assets	**17,193,929**	16,263,177
Current liabilities	**(6,468,973)**	(5,083,954)
Noncurrent liabilities	**(7,663,063)**	(7,410,109)

Summarized Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2022	2021	2020
Revenue	**₱8,097,124**	₱8,482,817	₱9,603,622
Cost of services	**(6,715,866)**	(6,823,068)	(7,548,712)
General and administrative expenses	**(1,879,645)**	(1,444,953)	(2,015,125)
Finance costs	**(278,329)**	(250,954)	(271,609)
Other income - net	**327,406**	380,886	251,698
Income (loss) before income tax	**(449,310)**	338,728	19,874
Provision for (benefit from) income tax	**(64,443)**	483,050	5,962
Net income (loss)	**(384,867)**	(144,322)	13,912
Other comprehensive loss	**256,912**	143,663	(212,352)
Total comprehensive income (loss)	**(₱127,955)**	(₱659)	(₱198,440)

Summarized Consolidated Statements of Cash Flows

	Years Ended December 31		
	2022	2021	2020
Operating	**₱1,474,813**	₱1,126,357	₱2,195,906
Investing	**(1,435,766)**	(3,287,376)	(2,993,715)
Financing	**(212,676)**	668,984	(385,527)
Net decrease in cash and cash equivalents	**(₱173,629)**	(₱1,492,035)	(₱1,183,336)

b. *Sapientis*

Summarized Consolidated Statements of Financial Position

	2022	2021
Cash and cash equivalents	**₱2,592**	₱2,584
Other current assets	**953,768**	951,862
Current liabilities	**(5,960,536)**	(5,955,358)
Noncurrent liabilities	**(3,007,664)**	(3,007,664)

Summarized Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2022	2021	2020
Revenue	**₱–**	₱–	₱–
Cost of services	**–**	–	(3,816)
General and administrative expenses	**(2,614)**	(5,843)	(102,151)
Finance costs	**–**	(417)	(774)
Other income - net	**(651)**	18,792	256
Loss before income tax	**(3,265)**	12,532	(106,485)
Provision for (benefit from) income tax	**–**	(149,594)	(47)
Net income (loss)	**(3,265)**	162,126	(106,438)
Other comprehensive loss	**–**	–	–
Total comprehensive income (loss)	**(₱3,265)**	₱162,126	(₱106,438)

Summarized Consolidated Statements of Cash Flows

	Years Ended December 31		
	2022	2021	2020
Operating	**₱8**	(₱146,522)	(₱6,752)
Investing	**–**	150,168	7,194
Financing	**–**	(3,677)	(5,744)
Net decrease in cash and cash equivalents	**₱8**	(₱31)	(₱5,302)

c. ABS-CBN Theme Parks

Summarized Consolidated Statements of Financial Position

	2022	2021
Cash and cash equivalents	**₱1,691**	₱3,382
Other current assets	**13,931**	10,622
Current liabilities	**(1,508,484)**	(1,459,123)
Noncurrent liabilities	**(15,080)**	(18,597)

Summarized Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2022	2021	2020
Revenue	**₱–**	₱–	₱82,996
Cost of services	**–**	(322)	(806)
General and administrative expenses	**(14,064)**	(35,068)	(266,797)
Finance costs	**(30,221)**	(30,136)	(38,770)
Other income - net	**59**	(372)	3,566
Loss before income tax	**(44,226)**	(65,898)	(219,811)
Provision for income tax	**–**	17	1,016
Net loss	**(44,226)**	(65,915)	(220,827)
Other comprehensive income	**–**	–	–
Total comprehensive loss	**(₱44,226)**	(₱65,915)	(₱220,827)

Summarized Consolidated Statements of Cash Flows

	Years Ended December 31		
	2022	2021	2020
Operating	**(₱1,691)**	(₱20,326)	₱246,207
Investing	**–**	–	(325)
Financing	**–**	–	(240,000)
Net increase (decrease) in cash and cash equivalents	**(₱1,691)**	(₱20,326)	₱5,882

5. Segment Information

Segment information is prepared on the following bases:

<u>Business Segments</u>
For management purposes, the Group is organized into two business activities – Content Production and Distribution and Cable and Broadband. This segmentation is the basis upon which the Group reports its primary segment information.

- Content production and distribution comprise entertainment, news and current affairs, global operations, film and music production, cable channels, publishing, content distribution through digital platforms, and live events and concerts. This consists of local and global content creation and distribution through television and radio broadcasting.

- Cable and Broadband includes cable television and broadband services in Metro Manila and in certain provincial areas in the Philippines.

Geographical Segments
The Group operates in three major geographical areas namely, the Philippines, United States and Other Countries. In the Philippines, its home country, the Group is involved in content production and distribution and pay TV. In the United States and in other locations (which include Middle East, Europe, Australia, Canada and Japan), the Group operates its cable and satellite operations to bring its produced content outside the Philippines.

The Group does not have revenue from transactions with a single external customer amounting to 10% or more of the Group's revenues.

Inter-segment Transactions
Segment revenue, segment expenses and operating 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.

The Executive Committee, the Group's chief operating decision maker, monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on consolidated net income for the year, earnings before interest, taxes and depreciation and amortization (EBITDA) and EBITDA margin. EBITDA margin pertains to EBITDA divided by gross revenues.

EBITDA and EBITDA margin are non-PFRSs measures.

The Group recognized impairment losses amounting to ₱0.1 billion and ₱0.3 billion for Content Production and Distribution in 2022 and 2021, respectively.

The following table shows the reconciliation of the consolidated EBITDA to consolidated net income (loss):

	Years Ended December 31		
	2022	2021	2020
Consolidated EBITDA	**₱2,875,540**	₱552,637	(₱6,240,828)
Depreciation and amortization	**(3,121,496)**	(3,425,454)	(3,591,768)
Finance costs*	**(1,122,382)**	(1,167,705)	(1,201,260)
Amortization of intangible assets**	**(891,602)**	(1,000,713)	(1,340,496)
Provision for income tax	**(338,922)**	(436,222)	(52,271)
Impairment loss	**(49,827)**	(352,084)	(1,305,294)
Interest income	**12,740**	8,515	201,101
Consolidated net loss	**(₱2,635,948)**	(₱5,821,026)	(₱13,530,816)

**Excluding bank service charges*
***Excluding amortization of movie in-process and filmed entertainment and story and publication, video rights, and record master*

Business Segment Data

The following tables present revenue and income information and certain asset and liability information regarding business segments for each of the three years in the period ended December 31:

	Content Production and Distribution			Cable and Broadband			Eliminations			Consolidated		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Revenue												
External sales	**₱11,666,537**	₱9,808,028	₱12,257,547	**₱8,097,124**	₱8,482,817	₱9,603,622	**₱–**	₱–	₱–	**₱19,763,661**	₱18,290,845	₱21,861,169
Inter-segment sales	**2,308,509**	1,460,748	2,511,745	**–**	–	–	**(2,308,509)**	(1,460,748)	(2,511,745)	**–**	–	–
Revenue deductions	**(601,691)**	(465,641)	(768,178)	**–**	–	–	**34,946**	–	326,766	**(566,745)**	(465,641)	(441,412)
Total revenue	**₱13,373,355**	₱10,803,135	₱14,001,114	**₱8,097,124**	₱8,482,817	₱9,603,622	**(₱2,273,563)**	(₱1,460,748)	(₱2,184,979)	**₱19,196,916**	₱17,825,204	₱21,419,757
Results												
Operating results	**(₱4,274,471)**	(₱6,373,170)	(₱13,621,708)	**(₱498,387)**	₱194,403	₱39,785	**₱518,709**	₱1,449,565	₱1,453,804	**(₱4,254,149)**	(₱4,708,809)	(₱12,128,119)
Finance costs	**(921,946)**	(979,098)	(1,193,658)	**(284,099)**	(236,561)	(271,609)	**74,269**	57,957	251,333	**(1,131,776)**	(1,178,095)	(1,213,934)
Foreign exchange gains (losses) – net	**(371,944)**	(218,474)	(278,531)	**(114,735)**	(12,648)	(87,211)	**306,987**	312,667	(17,054)	**(179,692)**	81,545	(382,796)
Interest income	**50,410**	63,028	221,252	**7,004**	3,444	31,541	**(44,674)**	(57,957)	(51,692)	**12,740**	8,515	201,101
Equity in net losses of associates and joint ventures	**286**	(9,607)	(1,776,100)	**–**	–	–	**–**	–	1,728,466	**286**	(9,607)	(47,634)
Other income – net	**3,720,474**	890,170	451,087	**435,137**	390,090	307,368	**(900,046)**	(707,970)	(665,618)	**3,255,565**	572,290	92,837
Income tax	**(403,365)**	46,828	(46,309)	**64,443**	(483,050)	(5,962)	**–**	–	–	**(338,922)**	(436,222)	(52,271)
Net income (loss)	**(₱2,200,556)**	(₱6,580,323)	(₱16,243,967)	**(₱390,637)**	(₱144,322)	₱13,912	**(₱44,755)**	₱1,054,262	₱2,699,239	**(₱2,635,948)**	(₱5,670,383)	(₱13,530,816)
EBITDA										**₱2,875,540**	₱682,887	(₱6,240,828)
EBITDA Margin										**15%**	4%	(29%)
Assets and Liabilities												
Operating assets	**₱28,018,488**	₱29,612,345	₱35,457,299	**₱23,773,522**	₱23,850,193	₱24,478,669	**(₱3,894,837)**	(₱2,291,965)	(₱2,886,225)	**₱47,897,174**	₱51,170,573	₱57,049,743
Noncurrent assets held for sale	**409,442**	173,490	–	**–**	–	–	**–**	–	–	**409,442**	173,490	–
Investments in associates and joint ventures	**16,954,997**	15,801,696	15,957,614	**–**	1,562	1,562	**(16,838,520)**	(15,681,483)	(15,797,794)	**116,477**	121,775	161,382
Deferred tax assets	**237,369**	539,178	433,848	**1,293,096**	558,772	1,315,992	**–**	–	(34,788)	**1,530,464**	1,097,950	1,715,052
Total assets	**₱45,620,296**	₱46,126,709	₱51,848,761	**₱25,066,618**	₱24,410,527	₱25,796,223	**(₱20,733,357)**	(₱17,973,448)	(₱18,718,807)	**₱49,953,557**	₱52,563,788	₱58,926,177
Operating liabilities	**₱14,308,115**	₱15,090,327	₱14,881,647	**₱7,058,608**	₱6,742,944	₱6,710,426	**(₱3,465,329)**	(₱3,268,510)	(₱3,408,838)	**₱17,901,394**	₱18,564,761	₱18,183,235
Contract liabilities	**1,384,982**	123,837	64,392	**370,029**	642,105	692,484	**–**	–	–	**1,755,011**	765,942	756,876
Interest-bearing loans and borrowings	**13,131,500**	15,628,343	16,033,607	**4,866,817**	4,897,514	5,996,203	**(270,000)**	(270,000)	(542,556)	**17,728,317**	20,255,857	21,487,254
Deferred tax liability	**481,758**	249,762	353,639	**–**	–	–	**–**	–	–	**481,758**	249,762	353,639
Lease liabilities	**571,544**	76,999	173,468	**601,911**	561,162	777,616	**(508,782)**	(4,762)	(4,762)	**664,673**	633,399	946,322
Total liabilities	**₱29,877,899**	₱31,169,268	₱31,506,753	**12,897,365**	₱12,843,725	₱14,176,729	**(₱4,244,111)**	(3,543,272)	(₱3,956,156)	**₱38,531,153**	₱40,469,721	₱41,727,326
Other Segment Information												
Capital expenditures:												
Property and equipment	**₱238,866**	₱404,892	₱1,101,867	**₱2,411,367**	₱3,132,446	₱3,233,871	**₱–**	₱–	₱–	**₱2,650,233**	₱3,537,338	₱4,335,738
Intangible assets	**85,125**	183,992	967,086	**149,118**	160,914	51,935	**–**	–	–	**234,243**	344,906	1,019,021
Depreciation and amortization	**2,615,070**	2,702,764	5,189,742	**2,107,020**	2,065,325	1,979,908	**(704,005)**	(224,447)	(1,409,098)	**4,018,085**	4,543,642	5,760,552
Noncash expenses other than depreciation and amortization	**199,956**	348,769	372,862	**344,302**	119,854	786,670	**(95,267)**	(311,742)	–	**448,992**	156,881	1,159,532

Geographical Segment Data

The following tables present revenue and expenditure and certain asset information regarding geographical segments for each of the three years in the period ended December 31:

	Philippines			United States			Others			Eliminations			Consolidated		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Revenue															
External sales	**₱15,623,560**	₱14,827,461	₱17,961,491	**₱3,043,631**	₱2,347,178	₱2,340,949	**₱1,096,470**	₱1,116,206	₱1,558,729	**₱–**	₱–	₱–	**₱19,763,661**	₱18,290,845	₱21,861,169
Inter-segment sales	**2,308,509**	1,460,748	2,511,745	**–**	–	–	**–**	–	–	**(2,308,509)**	(1,460,748)	(2,511,745)	**–**	–	–
Revenue deductions	**(601,691)**	(465,641)	(768,178)	**–**	–	–	**–**	–	–	**34,946**	–	326,766	**(566,745)**	(465,641)	(441,412)
Total revenue	**₱17,330,378**	₱15,822,568	₱19,705,058	**₱3,043,631**	₱2,347,178	₱2,340,949	**₱1,096,470**	₱1,116,206	₱1,558,729	**(₱2,273,563)**	(₱1,460,748)	(₱2,184,979)	**₱19,196,916**	₱17,825,204	₱21,419,757
Assets															
Operating assets	**₱40,860,912**	₱46,707,139	₱54,268,951	**₱2,281,998**	₱2,098,564	₱1,511,933	**₱8,621,432**	₱4,621,363	₱4,101,334	**(₱3,894,837)**	(₱2,291,965)	(₱2886,225)	**₱47,869,505**	₱51,135,101	₱56,995,993
Noncurrent assets held for sale	**409,442**	173,490	–	**–**	–	–	**–**	–	–	**–**	–	–	**409,442**	173,490	–
Contract assets	**27,669**	35,472	53,750	**–**	–	–	**–**	–	–	**–**	–	–	**27,669**	35,472	53,750
Investments in associates and joint ventures	**16,954,997**	15,803,258	15,959,176	**–**	–	–	**–**	–	–	**(16,838,520)**	(15,681,483)	(15,797,794)	**116,477**	121,775	161,382
Deferred tax assets – net	**1,454,778**	939,361	1,585,052	**54,756**	144,789	143,880	**20,930**	13,800	20,908	**–**	–	(34,788)	**1,530,464**	1,097,950	1,715,052
Total assets	**₱59,707,798**	₱63,658,720	₱71,866,929	**₱2,336,754**	₱2,243,353	₱1,655,813	**₱8,642,362**	₱4,635,163	₱4,122,242	**(₱20,733,357)**	(₱17,973,448)	(₱18,718,807)	**₱49,953,557**	₱52,563,788	₱58,926,177
Liabilities															
Operating liabilities	**₱17,896,655**	₱17,855,687	₱17,505,656	**₱898,808**	₱942,048	₱451,536	**₱2,571,260**	₱3,035,536	₱3,634,881	**(₱3,465,329)**	(₱3,268,510)	(₱3,408,838)	**₱17,901,394**	₱18,564,761	₱18,183,235
Contract liabilities	**1,755,011**	765,942	756,876	**–**	–	–	**–**	–	–	**–**	–	–	**1,755,011**	765,942	756,876
Interest-bearing loans and borrowings	**17,998,317**	20,525,857	22,029,810	**–**	–	–	**–**	–	–	**(270,000)**	(270,000)	(542,556)	**17,728,317**	20,255,857	21,487,254
Deferred tax liability	**481,758**	249,762	353,639	**–**	–	–	**–**	–	–	**–**	–	–	**481,758**	249,762	353,639
Lease liabilities	**1,173,455**	632,608	943,944	**–**	3,497	6,995	**–**	2,056	145	**(508,782)**	(4,762)	(4,762)	**664,673**	633,399	946,322
Total liabilities	**₱39,305,196**	₱40,029,856	₱41,589,925	**₱898,808**	₱945,545	₱458,531	**₱2,571,260**	₱3,037,592	₱3,635,026	**(₱4,244,111)**	(3,543,272)	(₱3,956,156)	**₱38,531,153**	₱40,469,721	₱41,727,326
Other Segment Information															
Capital expenditures:															
Property and equipment	**₱2,644,090**	₱3,503,325	₱4,331,634	**₱4,951**	₱23,671	₱3,430	**₱1,192**	₱10,342	₱674	₱–	₱–	₱–	₱2,650,233	₱3,537,338	₱4,335,738
Intangible assets	**234,243**	344,906	1,019,021	–	–	–	–	–	–	–	–	–	234,243	344,906	1,019,021

6. Cash and Cash Equivalents and Short-term Investments

	2022	2021
Cash on hand and in banks	**₱1,696,926**	₱1,914,780
Cash equivalents	**239,926**	625,198
	₱1,936,852	₱2,539,978

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term placements, which 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 placement rates.

Cash deposits amounting to ₱11 million as at December 31, 2022 and 2021 and with maturities of more than three months but less than one year are classified as "Short-term investments" in the consolidated statements of financial position.

Interest earned from cash and cash equivalents and short-term investments amounted to ₱13 million, ₱9 million and ₱201 million in 2022, 2021 and 2020, respectively.

7. Trade and Other Receivables

	2022	2021
Trade:		
Airtime	**₱2,977,016**	₱2,801,968
Subscriptions	**2,325,649**	2,101,071
Others	**804,976**	1,113,547
Due from related parties (Note 23)	**303,537**	246,320
Advances to employees and talents (Note 23)	**168,153**	646,923
Others	**979,551**	803,737
	7,558,882	7,713,566
Less allowance for ECL	**2,874,308**	2,561,841
	₱4,684,574	₱5,151,725

Trade receivables are noninterest-bearing and are generally on 60 to 90-days term upon receipt of invoice by the customer.

Airtime receivables include unbilled airtime arising from advertisements which have been aired during the year. Invoicing normally takes around 7 days from airing.

Subscription receivables include unbilled subscription, where revenue has been accrued based on the rates in the subscription agreements multiplied by the number of subscribers based on the latest report from the cable providers.

For terms and conditions relating to due from related parties, refer to Note 23.

Advances to employees and talents are usually settled within one year (see Note 23).

Other trade receivables pertain to other revenue generated from the sale of goods and services and usually collected within one year.

Other receivables include interest receivable and receivables related to the sale of Amcara Broadcasting Network, Inc. (Amcara) amounting to ₱259 million and is fully provided with allowance. It also includes claims arising from sources other than the sale of airtime and subscription and advances to employees and talents that are reasonably expected to be realized in cash within the next financial year.

The aging analysis of the unbilled airtime and subscription receivables follows:

	2022	2021
Less than 30 days	**₱89,289**	₱89,452
31 to 90 days	**85,485**	85,576
	₱174,774	₱175,028

Allowance for ECL

Movements in the allowance for ECL are as follows:

	Trade				
	Airtime	Subscriptions	Others	Nontrade	Total
Balance at January 1, 2021	₱343,739	₱1,920,192	₱354,801	₱839,718	₱3,458,450
Provisions (Note 27)	–	147,711	7,748	3,941	159,400
Write-offs and others	(1,651)	(639,952)	(66,721)	(347,685)	(1,056,009)
Balance at December 31, 2021	342,088	1,427,951	295,828	495,974	2,561,841
Provisions (Note 27)	–	**249,671**	–	**178,824**	**428,495**
Write-offs and others	**(2,487)**	**(101,218)**	**(12,323)**	–	**(116,028)**
Balance at December 31, 2022	**₱339,601**	**₱1,576,404**	**₱283,505**	**₱674,798**	**₱2,874,308**

8. Inventories

	2022	2021
At cost:		
Office supplies	**₱4,933**	₱4,933
At net realizable value:		
Merchandise inventories	**170,564**	364,269
Materials, supplies and spare parts	**88,379**	16,753
	₱263,876	₱385,955

Merchandise inventory consists mainly of set-top boxes, records and other consumer products held for sale by the Parent Company and subsidiaries. Materials, supplies and spare parts comprise mainly of cable, construction and installation supplies of Sky Cable and the Parent Company’s spare parts and supplies.

Cost of sales related to digital boxes amounting to ₱8 million, ₱18 million and ₱260 million in 2022, 2021 and 2020, respectively, is recorded as part of “Inventory costs” under the “Cost of sales” account in the consolidated statements of income (see Note 26). Total inventory costs recognized under “Cost of sales and services” amounted to ₱101 million, ₱23 million and ₱334 million in 2022, 2021 and 2020, respectively (see Note 26).

The cost of inventories carried at net realizable value amounted to ₱1,061 million and ₱1,094 million as at December 31, 2022 and 2021, respectively. Inventory losses amounted to ₱1 million, ₱83 million and ₱606 million in 2022, 2021 and 2020, respectively (see Note 27). The Group has no reversal of inventory write-downs in 2022, 2021 and 2020, respectively.

9. Contract Cost Assets and Contract Liabilities

	2022	2021
Contract cost assets (Note 15)	**₱27,669**	₱35,472
Contract liabilities	**1,755,011**	2,166,105

Incremental Costs to Obtain Contracts

Contract cost assets pertain to the incremental costs incurred by the Group in obtaining contracts with customers.

Sky Cable pays sales commission to its sales agents for each contract that they obtain from subscribers. This sales commission is considered incremental cost of obtaining the contract and has been capitalized in accordance with PFRS 15 since Sky Cable expects that sales commission is recoverable. This is amortized on a straight-line basis over the period the services are provided to the customer.

The amortization related to incremental costs to obtain contracts recorded in “Advertising and promotion” under “General and administrative expense” account in the consolidated statement of income amounted to ₱77 million, ₱47 million and ₱27 million in 2022, 2021 and 2020, respectively (see Note 27).

No impairment loss was recognized in 2022, 2021 and 2020.

Contract Liabilities

Contract liabilities pertain to the payments received before broadcast, subscription fees billed and received in advance, nonrefundable installation service fee received in advance, payments received for distribution of music catalogue and advance payments from the industry partners of PII. These are recognized as revenue when the Group performs under the contract.

Out of the opening contract liabilities, total revenue recognized amounted to ₱342 million, ₱219 million and ₱461 million in 2022, 2021 and 2020, respectively. Contract liabilities are usually recognized as revenues within one year from receipt.

The Group reclassified customer deposits in 2021 to conform to the 2022 presentation. Customer deposits previously presented under “Trade and other payables” were reclassified as "Contract liabilities". The impact on total current liabilities as of December 31, 2021 is immaterial.

10. Property and Equipment

	December 31, 2022							
						Right-of-use assets		
	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Buildings and Improvements	Total
Cost								
Balance at beginning of year	**₱2,411,166**	**₱14,384,550**	**₱30,799,273**	**₱13,621,257**	**₱5,093,733**	**₱2,106,933**	**₱299,836**	**₱68,716,748**
Additions	**–**	**–**	**440,508**	**81,031**	**1,874,104**	**177,900**	**76,690**	**2,650,233**
Disposals/retirements	**(555,204)**	**(31,403)**	**(679,429)**	**(145,700)**	**(2,127)**	**(43,903)**	**–**	**(1,457,766)**
Reclassifications	**–**	**24,999**	**1,822,106**	**107,677**	**(1,954,782)**	**–**	**–**	**–**
Reclassification to noncurrent assets held for sale (Note 31)	**(225,792)**	**–**	**(601,229)**	**–**	**–**	**–**	**–**	**(827,021)**
Translation adjustments	**8,420**	**266**	**4,675**	**13,197**	**–**	**167**	**984**	**27,709**
Balance at end of year	**₱1,638,590**	**₱14,378,412**	**₱31,785,904**	**₱13,677,462**	**₱5,010,928**	**₱2,241,097**	**₱377,510**	**₱69,109,903**

(Forward)

	December 31, 2022							
						Right-of-use assets		
	Land and Land Improvements	**Buildings and Improvements**	**Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment**	**Other Equipment**	**Construction in Progress**	**Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment**	**Buildings and Improvements**	**Total**
Accumulated Depreciation, Amortization and Impairment								
Balance at beginning of year	**₱64,522**	**₱9,317,323**	**₱21,737,760**	**₱9,771,835**	**₱766,871**	**₱542,300**	**₱230,283**	**₱42,430,894**
Depreciation and amortization (Notes 25, 26 and 27)	**16,782**	**304,717**	**1,869,692**	**659,156**	**–**	**213,942**	**57,054**	**3,121,343**
Disposals/retirements	**(14,153)**	**(28,662)**	**(217,487)**	**(138,376)**	**(7,661)**	**(12,381)**	**–**	**(418,720)**
Impairment (Note 27)	**–**	**–**	**–**	**18,994**	**–**	**–**	**–**	**18,994**
Reclassification	**–**	**–**	**–**	**(57,616)**	**–**	**57,616**	**–**	**–**
Reclassification to noncurrent assets held for sale (Note 31)	**–**	**–**	**(417,579)**	**–**	**–**	**–**	**–**	**(417,579)**
Translation adjustments	**–**	**149**	**(101,464)**	**13,934**	**–**	**94**	**773**	**(86,514)**
Balance at end of year	**67,151**	**9,593,527**	**22,870,922**	**10,267,927**	**759,210**	**801,571**	**288,110**	**44,648,418**
Net Book Value	**₱1,571,439**	**₱4,784,885**	**₱8,914,982**	**₱3,409,535**	**₱4,251,718**	**₱1,439,526**	**₱89,400**	**₱24,461,485**

	December 31, 2021							
						Right-of-use assets		
	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Buildings and Improvements	Total
Cost								
Balance at beginning of year	₱2,240,547	₱13,549,916	₱27,862,148	₱13,560,712	₱6,775,436	₱2,104,292	₱341,476	₱66,434,527
Additions	–	44,290	2,146,594	334,391	856,094	7,343	10,177	3,398,889
Disposals/retirements	(54,148)	(79,467)	(33,472)	(862,999)		(5,939)	(52,102)	(1,088,127)
Reclassifications	219,496	869,089	884,251	565,042	(2,537,878)	–	–	–
Reclassification to noncurrent assets held for sale (Note 31)	–	–	(63,627)	–	–	–	–	(63,627)
Translation adjustments	5,271	722	3,379	24,111	81	1,237	285	35,086
Balance at end of year	2,411,166	14,384,550	30,799,273	13,621,257	5,093,733	2,106,933	299,836	68,716,748
Accumulated Depreciation, Amortization and Impairment								
Balance at beginning of year	₱48,145	₱9,038,953	₱19,909,587	₱9,345,349	₱691,012	₱372,150	₱271,067	₱39,676,263
Depreciation and amortization (Notes 25, 26 and 27)	16,697	327,757	1,870,731	994,713	–	196,818	18,338	3,425,054
Disposals/retirements	(320)	(50,000)	(19,428)	(589,345)	–	(5,939)	(52,102)	(717,134)
Impairment (Note 27)	–	–	–	–	75,859	–	–	75,859
Reclassification to noncurrent assets held for sale (Note 31)	–	–	(26,064)	–	–	–		(26,064)
Translation adjustments	–	613	2,934	21,118	–	(20,729)	(7,020)	(3,084)
Balance at end of year	64,522	9,317,323	21,737,760	9,771,835	766,871	542,300	230,283	42,430,894
Net Book Value	₱2,346,644	₱5,067,227	₱9,061,513	₱3,849,422	₱4,326,862	₱1,564,633	₱ 69,553	₱26,285,854

Construction in progress pertains to cost of building the production facilities.

In 2022, the Group disposed various property and equipment items with a net book value amounting to ₱1.04 billion for a total proceed of ₱1.51 billion resulting to a gain on disposal amounting to ₱0.5 billion (see Note 28).

In 2021, the Group disposed various property and equipment items with a net book value amounting to ₱0.5 billion for a total proceed of ₱0.7 billion resulting to a gain amounting to ₱0.2 billion lodged in “Other income” in 2021 (see Note 28).

In 2020, the Group disposed various property and equipment items with a net book value amounting to ₱0.9 billion for a total proceed of ₱0.6 billion resulting to a loss on disposal amounting to ₱0.3 million (see Note 28).

To address the impact of the denial of the franchise application (as discussed in Note 1), the Group has entered into an agreement with its existing lenders to provide for the creation of mortgage and security interest over certain assets of the Group. The carrying value of assets mortgaged to secure the long-term debt of ABS-CBN as at December 31, 2022 and 2021 amounted to ₱5,790 million and ₱6,834 million, respectively (see Note 18).

Unamortized borrowing costs capitalized as part of property and equipment amounted to ₱1,772 million and ₱1,786 million as at December 31, 2022 and 2021, respectively. There were no borrowing costs capitalized in 2022 and 2021 with this borrowing cost capitalization rates in 2022 and 2021 is nil.

The Group determined the consequences of the Resolution passed by the House Committee on Legislative Franchises denying the franchise application of the Parent Company, as impairment indicators on its nonfinancial assets. The Group recognized impairment losses amounting to ₱19 million and ₱76 million, relating to its property and equipment in 2022 and 2021, respectively.

11. Investment Properties

	December 31, 2022		
	Land	**Building**	**Total**
Cost:			
Balance at beginning of year	**₱–**	**₱2,860**	**₱2,860**
Translation adjustments	**–**	**287**	**287**
Balance at end of year	**–**	**3,147**	**3,147**
Accumulated depreciation:			
Balance at beginning of year	**–**	**1,566**	**1,566**
Depreciation (Note 27)	**–**	**152**	**152**
Translation adjustments	**–**	**163**	**163**
Balance at end of year	**–**	**1,881**	**1,881**
Net book value	**₱–**	**₱1,266**	**₱1,266**

	December 31, 2021		
	Land	Building	Total
Cost:			
Balance at beginning of year	₱135,928	₱7,803	₱143,731
Disposal	–	(5,426)	(5,426)
Reclassification (Note 31)	(135,928)	–	(135,928)
Translation adjustments	–	483	483
Balance at end of year	–	2,860	2,860
Accumulated depreciation:			
Balance at beginning of year	–	2,619	2,619
Depreciation (Note 27)	–	400	400
Disposal	–	(1,572)	(1,572)
Translation adjustments	–	119	119
Balance at end of year	–	1,566	1,566
Net book value	₱–	₱1,294	₱1,294

The Parent Company owns a parcel of land for capital appreciation purposes costing ₱136 million as at December 31, 2020. These properties are located in Scout Borromeo St. and Scout Bayoran St., Brgy. South Triangle, Diliman, Quezon City, and Sgt. Esguerra Avenue corners Scout Bayoran Street and Scout Borromeo Street, within Barangay South Triangle, Diliman, Quezon City. The fair value of the land, based on the latest appraisal reports dated February 14 and 20, 2020, amounted to ₱1.6 billion as determined by an independent appraiser accredited by the Philippine SEC using the Sales Comparison Approach, which considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. The fair value of this investment property is categorized under Level 3 of the fair value hierarchy as the market for the identical or similar properties is not active. The highest and best use of the asset is as a commercial utility. For Sales Comparison approach, the higher the rise per sqm., the higher the fair value. The significant unobservable input to valuation of the land is the price per square meter ranging from ₱115,000 to ₱250,000. The land was reclassified to non-current held for sale as of December 31, 2021 (see Note 31).

Direct operating expenses, which consist mainly of depreciation, amounted to ₱0.2 million, ₱0.4 million and ₱2 million in 2022, 2021 and 2020, respectively.

12. Goodwill, Program Rights and Other Intangible Assets

	Goodwill	Program Rights	Movie In-Process and Filmed Entertainment	Story and Publication, Video Rights, and Record Master	Trademarks	Customer Relationships	Cable Channels - CPI	Production and Distribution Business - Middle East	Business Process Re-engineering	Digital Platforms and IP Block	Total
Balance as at January 1, 2022	₱4,743,970	₱2,116,565	₱991,222	₱110,677	₱1,111,784	₱439,820	₱232,826	₱3,000	₱396,682	₱37,807	₱10,184,353
Additions	–	25,265	58,144	1,716	–	–	–	–	149,118	–	234,243
Amortization (see Notes 25, 26 and 27)	–	(686,343)	(4,988)	(4,363)	(74,119)	(86,175)	(40,602)	–	–	–	(896,590)
Disposals and others	–	(22,665)	(12,075)	–	–	–	–	–	–	–	(34,740)
Translation adjustments	23,509	–	–	–	–	–	–	(223)	–	–	23,286
Balance as at December 31, 2022	4,767,479	1,432,822	1,032,304	108,029	1,037,665	353,645	192,224	2,777	545,800	37,807	9,510,552
Less current portion	–	464,909	114,440	3,188	–	–	–	–	–	–	582,537
Noncurrent portion	₱4,767,479	₱967,913	₱917,864	₱104,841	₱1,037,665	₱353,645	₱192,224	₱2,777	₱545,800	₱37,807	₱8,928,015
Balance as at January 1, 2021	₱4,729,250	₱3,347,466	₱1,071,277	₱115,958	₱1,111,784	₱506,399	₱273,428	₱3,217	₱235,768	₱37,807	₱11,432,354
Additions	–	146,572	37,420	–	–	–	–	–	160,914	–	344,906
Amortization (see Notes 25, 26 and 27)	–	(888,251)	(117,475)	(5,281)	–	(66,579)	(40,602)	–	–	–	(1,118,188)
Disposals and others	–	(489,222)	–	–	–	–	–	–	–	–	(489,222)
Translation adjustments	14,720	–	–	–	–	–	–	(217)	–	–	14,503
Balance as at December 31, 2021	4,743,970	2,116,565	991,222	110,677	1,111,784	439,820	232,826	3,000	396,682	37,807	10,184,353
Less current portion	–	617,136	82,194	2,466	–	–	–	–	–	–	701,796
Noncurrent portion	₱4,743,970	₱1,499,429	₱909,028	₱108,211	₱1,111,784	₱439,820	₱232,826	₱3,000	₱396,682	₱37,807	₱9,482,557

Goodwill
Goodwill arose from the following acquisitions and business combination:

	2022	2021
Sky Cable	**₱4,491,817**	₱4,491,817
ABS-CBN International*	**275,662**	252,153
	₱4,767,479	₱4,743,970

**Includes translation adjustments*

Program Rights and Other Intangible Assets
Program rights include the acquired rights of the Group to air foreign and local films or programs for a certain period of time. As at December 31, 2022, the remaining useful life of program rights range from one to 23 years. Licenses with finite life include franchise of KidZania brand in the Philippines, acquired in 2012, by PII. License is fully impaired as of December 31, 2022 and 2021. In 2021, the Group cancelled its contract for certain program rights and recognized loss on extinguishment amounting to ₱80 million which is included in "Production costs" account in the consolidated income statement (see Note 25).

The customer relationships acquired in a business combination relate to the core subscribers of the following:

- Sky Cable postpaid, prepaid and platinum, broadband and other subscribers at conversion date who have sustained their relationship with Sky Cable for more than a year
- Destiny Cable, Incorporated (DCI), Solid Broadband Corporation and UNI Cable TV, Inc. cable postpaid, prepaid and broadband subscribers
- Tri-Isys postpaid internet subscribers

The cable channels include Lifestyle Channel, Cinema One, and Myx Channel acquired by CPI from Sky Vision.

Production and distribution business for Middle East operations represent payments arising from the sponsorship agreement between Arab Digital Distribution (ADD) and ABS-CBN Middle East. This agreement grants the Group the right to operate in the Middle East with ADD as sponsor for a period of 25 years. The related contract expired in 2021 and management recognized impairment loss due to the uncertainty in contract renewal and adverse financial position of the major customer in 2020.

Costs of other intangible assets with indefinite life are as follows:

	2022	2021
IP block	**₱37,804**	₱37,804
Trademarks	**–**	1,111,784
	₱37,804	₱1,149,588

In 2021, other intangible assets assessed to have indefinite life include trademarks and IP block. Trademarks pertain to DCI and Sky Cable distinctive sign to promote and distinguish its products and services from those of other entities. Based on the Group's analysis of all the relevant factors, there is a foreseeable limit to the period over which the business is expected to generate net cash inflows for the Group and therefore, these were assessed to have an indefinite life. In 2022, the Group reassessed the useful life of the trademarks based on industry trends and changed it from indefinite to remaining useful life of 15 years to reflect the expected pattern of economic benefits from the assets. This was accounted prospectively as a change in accounting estimate, thereby increasing the amortization expense of the Group by ₱74 million in 2022 and for each of the succeeding years until the end of its useful life.

13. Financial Assets at Fair Value through Other Comprehensive Income

	2022	2021
Non-listed ordinary common and quoted club shares	**₱44,357**	₱41,658

Investment in quoted equity securities represents the Parent Company's investment in Manila Electric Company common shares. Investments in quoted club shares mainly comprise of investments in Wack Wack Golf and Country Club, Manila Polo Club and others.

In 2022, Parent Company sold various investment in equity securities. In 2022, the fair value on the date of sale is ₱7 million and the accumulated gain recognized in other comprehensive income of ₱6.1 million was transferred to retained earnings.

In 2021, the Group sold its investment in equity securities. The fair value on the date of sale is ₱473 million and the accumulated gain recognized in other comprehensive income of ₱446 million was transferred to retained earnings.

Quoted equity securities generated dividends amounting to ₱7.2 million and ₱7.9 million in 2021 and 2020, respectively (nil in 2022).

Movements in this account follow:

	2022	2021
Balance at beginning of year	**₱41,658**	₱61,846
Sale of investment	**(900)**	(472,613)
Unrealized fair value gain	**3,599**	452,425
Balance at end of year	**₱44,357**	₱41,658

14. Investments in Associates and Joint Ventures

		Percentage of Ownership	
Entity	Principal Activities	**2022**	2021
Associates:			
Star Cinema Productions, Inc. (Star Cinema)	Services	**45.0**	45.0
The Flagship, Inc. (Flagship)	Services	**40.0**	40.0
Joint ventures:			
A CJ O Shopping Corporation (A CJ O)	Home shopping	**50.0**	50.0
Daum Kakao Philippines Corporation (Daum Kakao)	Services	**50.0**	50.0
ALA Sports Promotions International, Inc. (ALA Sports)	Boxing promotions	**44.0**	44.0

Details and movement in the account are as follows:

	2022	2021
Acquisition costs –		
Balance at beginning of year	**₱853,049**	₱853,049
Return of investment in joint venture	**–**	–
Balance at end of year	**853,049**	853,049
Accumulated equity in net losses –		
Balance at beginning of year	**(653,629)**	(644,022)
Equity in net income (loss) during the year	**286**	(9,607)
Balance at end of year	**(653,343)**	(653,629)
Accumulated impairment loss –		
Balance at beginning of year	**(77,645)**	(47,645)
Impairment of investment in joint venture	**(5,584)**	(30,000)
Balance at end of year	**(83,229)**	(77,645)
	₱116,477	₱121,775

Investments in:		
Joint ventures	**₱13,299**	₱18,597
Associates	**103,178**	103,178
	₱116,477	₱121,775

All the associates and joint ventures are incorporated and have principal place of business in the Philippines. The associates and joint ventures have no contingent liabilities or capital commitments as at December 31, 2022 and 2021.

Investments in Joint Ventures

i. A CJ O

The joint venture operates O Shopping Channel which broadcasts company-produced shopping programs 24/7 via Sky Cable and Destiny Cable. It also airs programs through ABS-CBN’s Channel 2.

On June 25, 2020, the stockholders and BOD of the Group approved a plan of liquidation and cessation of operations effective December 31, 2020. In November 2020, the Group decided to discontinue its operations to prevent further losses. Though the Parent Company expects to recover its investment through liquidation of the remaining assets of A CJ O, the Parent Company recognized ₱45 million impairment loss on this investment in 2022.

ii. ALA Sports

The primary purpose of ALA Sports, which was incorporated in December 2013, is to organize, stage and promote boxing matches, and provide, distribute and market products and services that are otherwise connected to the operations of said business, in the Philippines and other territories. Due to the circumstances brought by the pandemic, the Parent Company recognized ₱30 million impairment loss on this investment in 2022.

iii. Daum Kakao

In 2015, the Parent Company entered into a joint venture agreement with Kakao Corporation to form a joint venture corporation, Daum Kakao. The primary purpose of Daum Kakao, which was incorporated in February 2015, is to engage in and provide KakaoTalk services developed and/or customized for users in the Philippines for mobile devices, including marketing and sales promotions. The joint venture agreement also includes a put option in favor of the Parent Company for the joint venture partner to purchase all of the Parent Company's stocks in Daum Kakao within 60 days after the second year of Daum Kakao's registration.

On July 29, 2016, the stockholders and the BOD of Daum Kakao approved the resolution to cease business operations and dissolve the corporation, subject to approval of SEC, effective August 30, 2016. Thereafter, the Parent Company recognized ₱3 million impairment loss from its investment in Daum Kakao in 2016.

In view of the recent developments in Daum Kakao, the stockholders and the BOD of Daum Kakao revoked its previous resolution on cessation and dissolution of the corporation, and thereafter approved the continuance of its business operations in 2017.

The Philippine SEC has approved Daum Kakao's decrease in its capital stock from ₱900 million to ₱86 million on January 31, 2019. As of June 3, 2021, Daum Kakao has returned capital of ₱364 million to the joint venturers.

Combined financial information of the joint ventures follows:

	2022	2021
Current assets	**₱229,885**	₱229,216
Noncurrent assets	**67,243**	67,243
Current liabilities	**(117,198)**	(117,122)
Net equity	**₱179,930**	₱179,337

	Years Ended December 31		
	2022	2021	2020
Revenue	**₱774**	₱2,679	₱276,365
Costs and expenses	**(183)**	(21,980)	(372,583)
Net loss	**₱591**	(₱19,301)	(₱96,218)
Equity in net losses of joint ventures	**₱286**	(₱9,607)	(₱47,634)

Below is the reconciliation of the summarized financial information of the joint ventures to the carrying amount of the Parent Company's investments therein:

	2022			
	A CJ O	**ALA Sports**	**Daum Kakao**	**Total**
Net assets of joint ventures	**₱89,557**	**₱58,305**	**₱32,068**	**₱179,930**
Interest of the Parent Company in the net assets of the joint ventures	**50%**	**44%**	**50%**	
	44,779	**25,654**	**16,034**	**86,467**
Accumulated impairment loss	**(44,779)**	**(25,654)**	**(2,735)**	**(73,168)**
Carrying amount of investments in joint ventures	**₱–**	**₱–**	**₱13,299**	**₱13,299**

	2021			
	A CJ O	ALA Sports	Daum Kakao	Total
Net assets of joint ventures	₱89,557	₱58,137	₱31,643	₱179,337
Interest of the Parent Company in the net assets of the joint ventures	50%	44%	50%	
	44,779	25,580	15,822	86,180
Accumulated impairment loss	(34,848)	(30,000)	(2,735)	(67,583)
Carrying amount of investments in joint ventures	₱9,931	(₱4,420)	₱13,087	₱18,597

a. Investments in Associates

In 2015, the Parent Company entered into an agreement with certain individuals to form Flagship, a holding company with interests on entities engaged in the business of producing and co-producing motion pictures and providing visual effects and post-production services. In 2022 and 2021, the Group did not recognize equity in net income of Flagship because it is immaterial.

Investment in the other associate, Star Cinema, has been reduced to zero due to accumulated equity in net losses. The net cumulative unrecognized net losses amounted to ₱17 million as at December 31, 2022 and 2021.

Combined financial information of associates follows:

	2022	2021
Current assets	**₱138,670**	₱138,670
Noncurrent assets	**26,886**	26,886
Current liabilities	**(62,378)**	(62,378)
Net equity	**₱103,178**	₱103,178

15. **Other Current Assets**

	2022	2021
Creditable withholding and prepaid taxes	**₱3,558,287**	₱3,281,694
Restricted cash	**146,859**	620,368
Advances to suppliers	**229,673**	408,542
Preproduction expenses	**255,442**	368,629
Prepayments:		
Licenses	**107,571**	93,833
Rent	**66,221**	61,062
Subscription	**11,632**	34,751
Insurance	**9,867**	13,534
Transponder services	**7,922**	6,428
Contract cost assets (Note 9)	**27,669**	35,472
Other prepayments	**12,743**	52,137
	₱4,433,886	₱4,976,450

Restricted cash pertains to funds intended for debt repayment and is not available for any disbursement transactions other than its specified purpose (see Note 18).

Advances to suppliers are generally applied against future billings within next year.

Other prepayments mainly pertain to sponsorship and royalties.

The Group reclassified certain accounts in 2021 to conform to the 2022 presentation. Deferred input VAT previously presented as net with Deferred output VAT under “Trade and other payables” were reclassified to "Other current assets". The impact on total current assets and total current liabilities as of December 31, 2021 is immaterial.

16. Other Noncurrent Assets

	2022	2021
Tax credits - net of allowance for impairment	**₱2,145,237**	₱1,922,095
Deposits and bonds - net of allowance for impairment of ₱38 million and ₱27 million as of December 31, 2022 and 2021, respectively	**321,946**	360,015
Others	**82,088**	147,493
	₱2,549,271	₱2,429,603

Tax credits represent claims from the government arising from airing of government commercials, advertisements and cablecast services. 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 its broadcasting and cable equipment. The tax credits cannot be used to pay for any other tax obligation to the government. The Group expects to utilize these tax credits within the next six years until 2027.

On January 9, 2012, the Department of Finance issued a favorable ruling on the request of the Parent Company to utilize the tax credits in the payment of duties and taxes on the importation of digital terrestrial television boxes which will be subsequently distributed or made available to its customers and end-users.

Allowance for impairment of tax credits amounted to ₱379 million as at December 31, 2022 and 2021.

Deposits and bonds pertain to advance payments which serves as either down payment or earnest money to show the Group’s interest (reservation) in acquiring right of use over one’s property or services from another property for a certain period of time.

17. Trade and Other Payables

	2022	2021
Trade	**₱1,810,479**	₱1,740,961
Accrued expenses:		
Production costs and other expenses	**4,419,062**	3,720,212
Salaries and other employee benefits (Note 30)	**1,267,738**	1,277,988
Taxes	**1,795,099**	1,350,914
Interest	**213,157**	262,445
Deposits for future subscription (Notes 4 and 22)	**1,287,421**	1,360,416
Dividend payable	**44,481**	44,481
Due to related parties (Note 23)	**34,478**	34,696
Others	**101,044**	252,016
	₱10,972,959	₱10,044,129

Trade payables are noninterest-bearing and are normally settled on 30 to 90-day term.

Accrued expenses are normally settled within the next financial year.

Accrued production costs and other expenses represent accruals for various expenses related to the production of programs.

Deposits for future subscription include deposits from Sampaquita (see Note 4) and from eligible SPP participants (see Note 22).

For terms and conditions relating to due to related parties, refer to Note 23.

Other current liabilities include statutory liabilities which are payable within the next financial year.

The Group reclassified certain accounts in 2021 to conform to the 2022 presentation. Deferred input VAT previously presented as net with Deferred output VAT under “Trade and other payables” were reclassified to "Other current assets". Customer deposits previously presented under “Trade and other payables” were reclassified as "Contract liabilities". The impact on total current assets and total current liabilities as of December 31, 2021 is immaterial.

18. Interest-bearing Loans and Borrowings

	2022			2021		
Borrower	**Current Portion**	**Noncurrent Portion**	**Total**	Current Portion	Noncurrent Portion	Total
Parent Company	**₱975,679**	**₱12,155,820**	**₱13,131,499**	₱1,942,037	₱13,686,305	₱15,628,342
Sky Cable	**735,453**	**3,861,365**	**4,596,818**	62,845	4,564,670	4,627,515
	₱1,711,132	**₱16,017,185**	**₱17,728,317**	₱2,004,882	₱18,250,975	₱20,255,857

Parent Company

The details of interest-bearing loans and borrowings of the Parent Company are as follows:

	2022			2021		
	Current Portion	**Noncurrent Portion**	**Total**	Current Portion	Noncurrent Portion	Total
Term loans:						
Loan agreements	**₱975,679**	**₱12,155,820**	**₱13,131,499**	₱1,942,037	₱13,686,305	₱15,628,342

a. *Loan Agreements*

(i) On October 29, 2010, the Parent Company signed a syndicated loan for ₱10 billion with Allied Banking Corporation, Allied Savings Bank, Banco de Oro (BDO) Unibank, Inc., BDO Unibank, Inc. - Trust and Investment Group, Bank of the Philippine Islands (BPI), Insular Life Assurance Company Ltd., Philippine National Bank (PNB), PNB Life Insurance, Inc., Security Bank Corporation (Security Bank) (collectively, the “Lenders”), BPI Capital Corporation (the “Lead Arranger”), BDO Capital & Investment Corporation and Security Bank (collectively, the “Arrangers”) and PNB Capital & Investment Corporation and Insular Life Assurance Company Ltd. (collectively the “Co-Arranger”). BPI - Asset Management and Trust Group served as the loan’s facility agent. The loan was used to refinance existing indebtedness and fund working capital requirements.

The loan is unsecured and unsubordinated with interest at 3-month PDST-F plus 0.65% per annum for the floating rate portion and 7-year PDST-F plus 0.65% per annum for the fixed rate portion.

On November 9, 2010, the Parent Company availed the amount of ₱6,906 million from the syndicated loan to prepay existing debt facilities, namely, the Senior Credit Agreement (SCA) facility, the BDO facility, the ₱800 million Syndicated Loan facility and the Combined facility agreements.

On January 30, 2014 and October 30, 2014, the BOD approved the refinancing of the fixed rate portions of the syndicated loan, which amounted to ₱4,850 million in principal. Thereafter, on February 28, 2014 and November 10, 2014, the Group entered into loan agreements with local banks for principal amounts of ₱1,650 million and ₱3,200 million, respectively. The loans are intended to refinance existing indebtedness and to fund working capital requirements.

The ₱1,650 million loan, which was availed from Security Bank, bears interest of 4.25% per annum and a term of four years. The ₱3,200 million loan, which was secured from BPI, bears interest of 3.88% per annum and a term of three years. Transaction cost incurred in availing the 2014 loans amounted to ₱105 million.

On February 9, 2016, the Parent Company entered into a loan agreement with Unionbank of the Philippines for a principal amount of ₱4,750 million. The loan, which refinanced the remaining portion of the syndicated loan, bears interest of 5.00% payable semi-annually with a term of ten years. Transaction cost incurred in availing the loan amounted to ₱24 million.

On May 13, 2016, the Parent Company entered into a loan agreement with BPI to refinance the ₱3,200 million loan availed from BPI in 2014. The loan bears interest of 5.00% payable quarterly with a term of ten years. Transaction cost incurred in availing the loan amounted to ₱16 million.

On April 26, 2017, the Parent Company entered into a loan with Unionbank of the Philippines for a principal amount of ₱1,600 million for a term of 10 years. The loan, which was used to finance the settlement of the ₱1,650 million loan from Security Bank, bears interest of 4.25% per annum for first year, and 5.15% per annum for succeeding years until maturity. Transaction costs incurred in availing the loan amounted to ₱8 million.

(ii) On March 7, 2014, the Group secured a ₱1 billion loan from Philippine American Life and General Insurance Company to partially finance its capital expenditure requirements and general working capital requirements. The loan has a term of ten years and a fixed rate of 5.40% per annum. Transaction cost incurred in availing the loan amounted to ₱5 million. This was prepaid in November 2019 resulting to a loss of ₱2.5 million.

(iii) On March 1, 2018, the Parent Company entered into a loan with BPI for a principal amount of ₱6 billion to refinance maturing debt and general working capital requirements. The loan bears interest of 5.75% payable quarterly with a term of seven years.

(iv) On May 21, 2019, the Parent Company entered into a loan with Unionbank for a principal amount of ₱5 billion to partially finance its capital expenditures and general working capital requirements. The loan has a term of ten years and a fixed rate of 6.74% per annum, payable quarterly.

(v) On various dates in 2020, the Parent Company prepaid portions of its principal with BPI and Unionbank amounting to ₱1.8 billion and ₱2.2 billion, respectively.

(vi) On various dates in 2021, the Parent Company prepaid portions of its principal with BPI and Unionbank amounting to ₱93.8 million and ₱114.4 million, respectively.

(vii) On various dates in 2022, the Parent Company prepaid portions of its principal with BPI and Unionbank amounting to ₱1.0 billion and ₱1.3 billion, respectively

Based on the Group's assessment, the modifications in the contractual cash flows as a result of the actual and expected prepayments of its principal are not substantial. The difference of the net present value of the revised cash flows and the carrying amount of the original loan is recognized in statement of income amounting to ₱5.1 million in 2022 and ₱23.1 million in 2021.

The loan agreements contain provisions regarding the maintenance of certain financial ratios and limiting, among others, the payment of dividends, making investments, the issuing or selling of the Group's capital stock or some of its subsidiaries, the selling or exchange of assets, the creation of liens and the effecting of mergers.

Part of the Parent Company's existing loan covenant with its creditors require it to possess a valid government license/franchise to operate certain businesses. The non-renewal of the franchise therefore had an adverse impact on the Parent Company's ability to comply with this loan provision (the "Franchise Expiration Default'). To address this, the Group entered into an agreement with its existing lenders in 2020 (the "Omnibus Security and Intercreditor Agreement") to provide for the creation of a mortgage and security interest over certain assets of the Group, the opening and maintenance of Debt Service Reserve Account, pre-payment of the ₱4.0 billion of its loans, and an amendment of existing loan agreements. The lenders agree that, upon satisfaction of the necessary conditions under the Omnibus Security and Intercreditor Agreement (the "Standstill Effective Date") and during the effectivity period (the "Standstill Period") of the standstill as specified in the Omnibus Security and Intercreditor Agreement, it shall not declare an event of default to the extent that it relates to the Franchise Expiration Default. The Standstill Period shall be from the Standstill Effective until the Long Stop Date (June 30, 2023). The Omnibus Security and Intercreditor Agreement provides for a certain condition to be met prior to the Long Stop Date. Non-occurrence of such condition as of the Long Stop Date shall cause the Standstill effectivity to cease and from and as of such date the lenders shall have the right to declare an event of default and exercise all or any of their rights and remedies as provided under the Omnibus Security and Intercreditor Agreement, including the enforcement of the security interest created under the Omnibus Security and Intercreditor Agreement.

On May 31, 2021, all the conditions specified under the Omnibus Security and Intercreditor Agreement were satisfied and accordingly, the Standstill Effective Date Notice was executed by all parties.

As of December 31, 2021, the Parent Company received waivers from its creditor banks waiving the compliance with the relevant financial ratios for each of the quarters for the year ended December 31, 2021 and extends to each of the quarters in the year ended December 31, 2022. As a result of the receipt of these waivers as of December 31, 2021 for which the effect extends as of December 31, 2022 and for all quarters for the year then ended, the portion of the loans payable of the Parent Company which are payable in 2024 onwards continue to be presented as non-current liabilities. As of March 14, 2023, the Parent Company continues to be in discussions with its lenders to address the effect of the expiry of the Standstill, including, but not limited to, the waiver of financial ratios for 2023 and the Long Stop Date, possible options for the early settlement of the loan through sale of certain properties, and possible restructuring of the remaining loan balance.

The Omnibus Security and Intercreditor Agreement amended certain provisions of the loan agreements, which include, among others, the provision of collateral for the Parent Company's loans and changes in the affirmative and negative covenants in relation to sale of assets. The disclosure on the assets pledged as collateral are in Note 10. It also required maintaining debt reserve service account for debt repayment amounting to ₱146.9 million and ₱620.4 million as of December 31, 2022 and 2021, respectively (see Note 15). The Parent Company and its creditors executed Amendments to the Omnibus Security and Intercreditor Agreement in 2022 and 2021 to authorize the sale of portions of the mortgaged assets, the proceeds of which were used to prepay the loan. This has resulted in the decrease in outstanding loan amounting to ₱2.5 billion.

Unamortized debt issue cost, presented as a deduction from the Group's outstanding loan, amounted to ₱35 million and ₱60 million as at December 31, 2022 and 2021, respectively.

Amortization of debt issue costs amounted to ₱20 million, ₱13 million and ₱16 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 28).

Breakdown of the Parent Company's term loans as at December 31, 2022 and 2021 follows:

	2022	2021
Principal	**₱13,155,750**	₱15,673,573
Less unamortized transaction costs	**24,251**	45,231
	13,131,499	15,628,342
Less current portion	**975,679**	1,942,037
Noncurrent portion	**₱12,155,820**	₱13,686,305

Debt issue costs as at December 31 are amortized over the term of the loans using the effective interest method as follows:

Year	**2022**	2021
Within one year	**₱10,256**	₱15,624
More than 1 year but less than 2 years	**9,689**	9,854
More than 2 years	**4,306**	19,753
	₱24,251	₱45,231

Amortization of debt issue costs for the years ended December 31, 2022, 2021 and 2020 amounted to ₱16 million, ₱12 million and ₱16 million, respectively (see Note 28).

Repayments of loans based on nominal values are scheduled as of December 31 follows:

Year	**2022**	2021
Within one year	**₱985,935**	₱1,957,661
More than 1 year but less than 2 years	**581,032**	233,921
More than 2 years	**11,588,784**	13,481,991
	₱13,155,751	₱15,673,573

Sky Cable
The details of interest-bearing loans and borrowings of the Sky Cable are as follows:

	December 31, 2022			December 31, 2021		
	Current Portion	**Noncurrent Portion**	**Total**	Current Portion	Noncurrent Portion	Total
Term loans:						
Unsubordinated loan	**₱735,453**	**₱3,861,365**	**₱4,596,818**	₱62,845	₱4,564,670	₱4,627,515
	₱735,453	**₱3,861,365**	**₱4,596,818**	₱62,845	₱4,564,670	₱4,627,515

a. *Unsubordinated Loan*

On October 17, 2013, Sky Cable executed an unsecured and unsubordinated loan agreement with BPI and Security Bank for ₱1,800 million with interest at 7-year PDST-F plus 1% per annum subject to a floor rate of 5.40% and Robinsons Bank for ₱200 million with interest at 10-year PDST-F plus 0.9% per annum subject to a floor rate of 5.40%. The proceeds were used to repay the existing short-term loan of Sky Cable with BPI amounting to ₱1,850 million. The remaining ₱150 million was allocated for working capital purposes.

On January 16, 2017, Sky Cable executed a loan agreement with BPI for ₱873 million for a term of 7 years, with interest rate of 5.40% per annum for the first 4 years from the issue date and the higher between the PDST-F plus 1.25% and 5.0% floor rate per annum until the date of maturity. The proceeds were used to refinance the existing loan of Sky Cable with BPI amounting to ₱900 million.

On February 1, 2017, Sky Cable executed a loan agreement with Security Bank for ₱873 million for a term of 7 years, with a fixed interest rate of 5.40% per annum until maturity date. The proceeds were used to refinance the existing loan of Sky Cable with Security Bank amounting to ₱900 million.

On January 15, 2018, Sky Cable executed a loan agreement with BDO for ₱2 billion for a term of 10 years, with a fixed interest rate of 5.80% per annum until the first interest rate repricing date, 5.80% per annum until the second interest rate repricing date, and interest rate based on the prevailing PDST-R2 or a fixed interest rate until date of maturity, that will be mutually agreed upon by Sky Cable and BDO. The proceeds will be used to finance Sky Cable's capital expenditures.

On January 15, 2018, Sky Cable executed another loan agreement with BDO, for the purpose of refinancing PCC's outstanding loan obligation, amounting to ₱762 million for a term of 7 years, with an interest rate of higher of the sum of the prevailing 3-month PDST-R2 rate and the prevailing BSP Term Deposit Facility Rate until the first interest rate repricing date, and the higher of the sum of the prevailing 3-month PDST-R2 rate and the prevailing BSP Term Deposit Facility Rate divided by 0.95 until maturity date.

b. *Loan Agreement*

On January 25, 2016, Sky Cable secured a ₱1 billion loan from Rizal Commercial Banking Corporation to partially finance its capital expenditure requirements, investments and/or debt refinancing. The loan has a term of five years and a fixed rate of 4.60% per annum. Sky Cable fully paid the loan as of December 31, 2021.

c. *Advances from STT*

On December 23, 2021, STT granted Sky Cable a USD4.0million loan with an interest of 3.50% payable in 2 years. Debt issue costs incurred from this transaction amounted to ₱1.5 million and was deferred, and will be amortized until 2023 using the effective interest method. Interest expense amounted to ₱0.2 million in 2021.

As at December 31, 2022 and 2021, Sky Cable is in compliance with the provisions and all of the financial ratios required by its creditors in the agreement.

Unamortized debt issue costs, presented as a deduction from the unsubordinated loan, amounted to ₱11 million and ₱15 million as at December 31, 2022 and 2021, respectively. Using the effective interest method, unamortized debt issue costs as at December 31, 2022 to be amortized are presented below:

Year	Amount
2023	₱4,176
2024	2,887
2025	1,623
2026 and onwards	1,929
	₱10,615

Amortization of debt issue costs amounted to ₱4 million, ₱5 million. and ₱5 million in 2022, 2021 and 2020, respectively (see Note 28).

Based on nominal values, the schedule of debt repayments of the unsubordinated loans is as follows:

Year	Amount
2023	₱469,628
2024	1,687,240
2025 and onwards	2,450,565

19. Obligations for Program Rights

This account represents liabilities to foreign and local film suppliers for program rights purchased by the Group. The liabilities are noninterest-bearing and are payable in equal monthly, quarterly or semiannual installments over a period of one to four years. The amounts presented in the consolidated statements of financial position represent the face amounts of the obligations, net of unamortized discounts, which represent the difference between the face amounts and the fair values of the obligations upon initial recognition.

The schedule of repayments as at December 31 is as follows:

	2022			2021		
	Gross Value	**Unamortized Discount**	**Carrying Value**	Gross Value	Unamortized Discount	Carrying Value
Within one year	**₱119,168**	**₱–**	**₱119,168**	₱131,120	₱6,353	₱124,767
More than one year to four years	**45,053**	**–**	**45,053**	159,084	–	159,084
	₱164,221	**₱–**	**₱164,221**	₱290,204	₱6,353	₱283,851

20. **Convertible Note**

On February 14, 2011, ABS-CBN, Lopez, Inc, Lopez Holdings, Sky Vision, Sky Cable, STT Communications Ltd. (STTC) and Sampaquita, entered into a Subscription and Purchase Agreement (SPA) wherein Sampaquita agreed to purchase PDRs from ABS-CBN and Lopez Holdings and to subscribe to originally issued PDRs from Sky Vision and convertible note to be issued by Sky Cable.

On March 30, 2011, ABS-CBN completed the sale of 143,107,174 PDRs with underlying Sky Cable shares to Sampaquita for ₱1,816 million. Simultaneously, Sampaquita completed the subscription of originally issued 149,711,934 PDRs with underlying Sky Cable shares from Sky Vision for ₱1,450 million and Sky Cable convertible note for ₱250 million.

On May 12, 2011, Sky Cable, as provided in the SPA dated February 14, 2011, completed the issuance of the ₱250 million note to Sampaquita convertible into 25,812,403 shares of Sky Cable at the option of Sampaquita any time from issue date to maturity date, which is 10 years from date of issuance.

The convertible note bears 0% interest rate for the first three years, subject to adjustment every three years upon mutual agreement of the parties, provided that the interest rate shall not exceed 10% per annum. The interest rate shall be agreed upon by Sky Cable and Sampaquita at least 30 days prior to the commencement of each 3-year period. If no such agreement is reached, the interest rate for the succeeding period shall be the same as the interest rate for the preceding 3-year period. Such interest shall accrue from and including the first day of such interest period but not including the last day of such interest period. In 2017, Sampaquita and Sky Cable agreed to retain the interest rate at 0% for the next three-year period.

The convertible note was accounted for under split accounting. The equity component of the convertible note amounting to ₱27 million (net of transaction costs of ₱2 million and tax of ₱12 million) was recognized as part of noncontrolling interests in the consolidated financial statements. The liability component is presented separately as “Convertible note” in the consolidated statements of financial position.

The carrying value of the convertible note amounted to ₱188 million and ₱173 million as at December 31, 2022 and 2021, respectively.

Accretion of the convertible note recognized as part of interest expense in the consolidated statements of income amounted to ₱15 million, ₱11 million and ₱17 million in 2022, 2021, and 2020, respectively (see Note 28).

21. **Other Noncurrent Liabilities**

	2022	2021
Contract liabilities	**₱168,148**	₱272,580
Deferred credits	**89,088**	9,674
Others	**21,494**	33,807
	₱278,730	₱316,061

Contract liabilities represent customer deposits on set-top boxes and modems upon subscription and are refunded to the customers upon termination of service.

Others include outstanding transmission liability and other long-term payables.

22. **Equity**

<u>Capital Stock</u>
Details of authorized and issued capital stock as at December 31, 2022 and 2021 are as follows:

2022

	Number of Shares	Amount
	(Amounts in Thousands, Except Number of Shares)	
Authorized -		
Common shares - ₱1.0 par value	1,300,000,000	1,300,000,000
Preferred shares - ₱0.2 par value	1,000,000,000	200,000
Issued -		
Common shares	899,806,671	₱899,807
Preferred shares	1,000,000,000	200,000

2021

	Number of Shares	Amount
	(Amounts in Thousands, Except Number of Shares)	
Authorized -		
Common shares - ₱1.0 par value	1,300,000,000	1,300,000,000
Preferred shares - ₱0.2 par value	1,000,000,000	200,000
Issued -		
Common shares	872,123,642	₱872,124
Preferred shares	1,000,000,000	200,000

Below is the Parent Company's track record of the registration of securities:

Date of SEC Order Rendered Effective or Permit to Sell	Event	Authorized Capital Stock	Issued Shares	Issue Price
	Registered and Listed Shares (Original Shares)	₱200,000	111,327,200	₱1.00
March 31, 1992	Initial Public Offering (Primary)	200,000	12,428,378	15.00
	Secondary *	200,000	18,510,517	15.00
	ESOP*	200,000	1,403,500	15.00
June 16, 1993	40% stock dividends	200,000	49,502,074	1.00
August 18, 1994	50% stock dividends	500,000	86,620,368	1.00
July 25, 1995	100% stock dividends	1,500,000	259,861,104	1.00
July 2, 1996	50% stock dividends	1,500,000	259,861,104	1.00
January 7, 2014	Issuance	1,500,000	57,836,900	43.125
January 7, 2014	Issuance	1,500,000	34,702,140	43.225

**Included in the 111,327,200 shares existing at the time of the IPO*

The Parent Company's total number of common stockholders is 5,330 and 5,975 as at December 31, 2022 and 2021, respectively.

Preferred Shares. The account consists of 1 billion cumulative, voting, non-participating, redeemable and nonconvertible preferred shares with a par value of ₱0.20 per share. No preferred dividends were distributed since 2020 amounting to ₱12 million cumulative dividends to date.

The Parent Company's total number of preferred shareholders is 197 as at December 31, 2022 and 2021.

Share-based Payment Transactions

Lopez Holdings (LPZ) ESPP. Lopez Holdings, a commonly controlled entity, has an Employee Stock Purchase Plan (LPZ ESPP) that was approved by its BOD and stockholders on February 28, 2011. The terms of LPZ ESPP, include among others, a limit as to the number of shares a qualified regular employee, officer or qualified director of Lopez Holdings and Lopez, Inc. or a qualified officer of Lopez Holdings' subsidiaries and associates, may purchase and the manner of payment based on equal semi-monthly installments over a period of two years through salary deductions. The stock options vest after two years from the grant date. All qualified participants are given until 10 years from grant date to exercise the stock options.

The primary terms of the grant are as follows:

Grant date	May 2011
Number of options granted allocable to the Group	21,974,257
Offer price per share	₱4.573
Option value per share	₱1.65

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes Option Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the option grants:

Expected volatility	42.6%
Weighted average share price	₱4.573
Risk-free interest rate	4.3%
Expected life of option	5 years
Dividend yield	2.5%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which likewise, may not necessarily be the actual outcome. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. No other features of options grant were incorporated into the measurement of the fair value of the options.

As at December 31, 2022 and 2021, total number of options exercisable under ESPP is nil.

On December 18, 2020, the Board of Directors approved the ABS-CBN Stock Purchase Plans and Stock Grant Plans. The ABS-CBN Stock Purchase Plan 1 (SPP1) was given to employees who agreed to a pay reduction from September 2020 until February 2021. The ABS-CBN Stock Purchase Plan 2 (SPP2) was given to employees who agreed to a pay reduction from March to December 2021. The subscription price is based on the 45-day preceding volume weighted average price as of May 31, 2021. The ABS-CBN Stock Grant Plans were given to employees who were promoted anytime between September 2020 to December 2021 and who did not receive any salary adjustment for the period. The stockholders unanimously approved the Employee Stock Purchase Plan and Executive Stock Purchase Plan on February 2, 2021, and the Securities and Exchange Commission (SEC) resolved that the issuance of said shares is exempt from the registration requirement, under Section 10.2 of the Securities and Regulation Code, on December 9, 2021. The Philippine Stock Exchange approved the listing 19,150,319 shares for the SPP1 & SPP2 on August 25, 2022, and 8,534,000 shares for Stock Grant on October 6, 2022.

In 2022, the Group has remaining share-based payment amounting to ₱0.3 million

ABS-CBN Stock Purchase Plan and Executive Stock Purchase Plan (SPP). From January 22, 2018 to February 9, 2018, the Parent Company offered to eligible participants its SPP Program where employees may subscribe to the Parent Company's shares up to a maximum of 5% of total authorized shares.

Participants eligible in the SPP are non-managers, managers and up, board members and selected artists with at least one year of tenure. Non-managers may subscribe up to a maximum of 2,000 shares per participant while managers and artists may subscribe up to a maximum of shares equivalent to 2.5 months of their monthly salary or income. Members of the BOD may subscribe up to 100,000 shares. The subscription price for the first 2,000 shares will be at a 15% discount on the closing price as at the offer date or 45-day weighted closing prices, whichever is lower. There will be no discount on the subscription price for the shares subscribed in excess of 2,000 shares. The subscription price will be paid in five years (see Note 17).

On February 28, 2018, the Group accepted the total SPP subscription from participants of 11,391,500 common shares. As of December 31, 2022 and 2021, remaining SPP subscription from participants is at 2,495,177 common shares and 3,300,177 common shares, respectively.

The primary terms of the grant are as follows:

Grant date	February 28, 2018
Number of options granted	11,391,500
Offer price per share	₱29.50
Option value per share	₱2.22

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes Option Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the option grants:

Expected volatility	22.38%
Weighted average share price	₱29.50
Risk-free interest rate	4.71%
Expected life of option	5 years
Dividend yield	1.89%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which likewise, may not necessarily be the actual outcome. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. No other features of options grant were incorporated into the measurement of the fair value of the options.

As at December 31, 2022 and 2021, there are no exercisable shares under SPP.

The SPP does not have a dilutive effect because the average market price of the common shares during the period is less than the exercise price under the option.

<u>Retained Earnings</u>
Unappropriated retained earnings available for dividend distribution is adjusted to exclude the Parent Company's accumulated equity in net earnings (losses) of subsidiaries, associates and joint ventures amounting to ₱888 million and ₱602 million as at December 31, 2022 and 2021, respectively.

Further, the Parent Company's loan agreement with its creditors limits the declaration of dividends up to 50% of the net income after tax for the immediately preceding financial year. This limitation has been in effect since 2004 resulting in an accumulation of unappropriated retained earnings (see Note 18).

On February 27, 2013, the Group's BOD approved the appropriation of retained earnings of ₱16,200 million, including the specific projects and timeline. The appropriated retained earnings is set aside for capital expenditures particularly for the purchase of Parent Company's property and equipment needed for business operations and expansion over a period of five years. On May 27, 2021, the Group's BOD approved the release from appropriation, retained earnings of ₱16,200 million set aside for capital expenditures.

Treasury Shares and PDRs Convertible to Common Shares

Details of treasury shares and PDRs convertible to common shares held by the Parent Company as at December 31, 2022 and 2021 are as follows:

	Number of Shares			
	Treasury Shares	PDRs Convertible to Common Shares	Total	Amount
Balance at beginning of year	21,322,561	27,828,645	49,151,206	₱1,638,719
Sale of treasury shares	(21,322,561)	(11,507,379)	(32,829,940)	(1,094,551)
Balance at end of year	–	16,321,266	16,321,266	₱544,168

PDRs convertible to common shares represents ABS-CBN Holdings PDRs held by the Parent Company, which are convertible into ABS-CBN shares. Each PDR grants the holders, upon payment of the exercise price and subject to certain other conditions, the delivery of one ABS-CBN share or the sale of and delivery of the proceeds of such sale of one ABS-CBN share. The ABS-CBN shares are still subject to ownership restrictions on shares of corporations engaged in mass media and ABS-CBN may reject the transfer of shares to persons other than Philippine nationals. The PDRs were listed in the PSE on October 7, 1999 and may be exercised at any time from said date. Any cash dividends or other cash distributions in respect of the underlying ABS-CBN shares shall be applied by ABS-CBN Holdings, issuer of PDRs, towards payment of operating expenses and any amounts remaining shall be distributed pro-rata among outstanding PDR holders.

On January 20, 2022, the Board approved the sale of its treasury shares and PDRs held by ABS-CBN, to interested qualified institutional buyers. On January 21, 2022, a block sale of 21,322,561 ABS-CBN common shares and 11,507,379 PDRs was completed at a price of ₱15.23 for each common share and for each PDR. The purchaser for the common shares and PDRs was the Parent Company's principal shareholder, Lopez, Inc. at a total purchase price of ₱500 million.

23. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or 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.

The Group's BOD has the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations. The BOD approves material related party transactions prior to entering into said transactions should it be determined that all related party transactions within the 12-month period meet the aggregate threshold for material related party transactions which is 10% of the Group's total assets based on its latest audited financial statements. Related party transactions that involves exclusive contracts regardless of amounts or provided by a related party servicing 30% or more of its business with the Group shall be reviewed and approved by a board-level Risk Management Committee.

Transactions with Related Parties

In addition to the related party transactions discussed in Note 4, significant transactions of the Group with its associates, joint ventures and related parties are presented in the next page.

		Years Ended December 31		
	Nature	**2022**	2021	2020
Associate and Joint Venture				
Revenue of Parent Company and subsidiaries from other related parties	Rent and utilities, print revenue and other services	**₱–**	₱–	₱12,252
Expenses and charges paid for by the Parent Company which are reimbursed by A CJ O	Rent and utilities	**–**	–	1,175
Airtime revenue from A CJ O	Airtime fees	**–**	–	16
Entities under Common Control				
Expenses paid by the Group to Goldlink Securities and Investigative Services, Inc. (Goldlink) and other related parties	Service fees and utilities expenses	**226,709**	81,678	101,578
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	Rent and utilities	**10,120**	13,260	10,788
Revenue of subsidiaries from other related parties	Service fees	**11,605**	10,310	2,715

The related receivables from related parties, presented under "Trade and other receivables" account and payables to related parties, presented under "Trade and other payables" account in the consolidated statements of financial position, are as follows:

	Relationship*	Terms	Conditions	**2022**	2021
Due from (see Note 7)					
Rockwell Land Corporation (Rockwell Land)	Affiliate under common control	Payable in tranches based on the agreement; noninterest-bearing	Unsecured, no impairment	**₱107,159**	₱1,870
ALA Sports	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, with impairment of ₱55 million in 2022	**78,042**	80,128
Iloilo-Negros Air Express Company (INAEC)	Affiliate under common control	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**50,255**	103,004

(*Forward*)

	Relationship*	Terms	Conditions	2022	2021
ABS-CBN Lingkod Kapamilya**	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**23,109**	23,491
A CJ O	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, with impairment of ₱10.0 million in 2022	**15,676**	12,986
Star Cinema	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**8,343**	8,343
First Philippine Holdings Corporation (FPHC)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**6,181**	3,964
Lopez, Inc.	Parent	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**4,575**	716
Knowledge Channel Foundation, Inc.	Affiliate under common control	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**2,986**	2,929
Goldlink	Affiliate under common control	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**2,626**	2,897
Daum Kakao	Joint venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, with impairment of ₱0.3 million in 2021	**1,555**	1,315
First Gas Power Corp.	Affiliate under common control	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**1,540**	1,540
ABS-CBN Holdings Corporation	Stockholder	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**19**	315
Others	Affiliates under common control	30 days upon receipt; noninterest-bearing	Unsecured, no impairment	**1,471**	2,822
Total				**₱303,537**	₱246,320

**Affiliate pertains to various entities under common control of Lopez, Inc., ultimate parent company*
*** The Group has common officers and directors with ABS-CBN Lingkod Kapamilya.*

	Relationship*	Terms	Conditions	2022	2021
Due to (see Note 17)					
Beyond Cable Holdings, Inc.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	**₱16,690**	₱16,690
Lopez Holdings	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	**12,786**	12,786
Others	Affiliates	30 days upon receipt of billings; noninterest-bearing	Unsecured	**5,002**	5,220
Total				**₱34,478**	₱34,696

**Affiliate pertains to various entities under common control of Lopez, Inc., ultimate parent company*

a. The Parent Company owns the program rights being aired in UHF Channel 23 of Amcara. Prior to the issuance of cease and desist order of NTC, the Parent Company had an existing blocktime agreement with Amcara for its provincial operations.

b. Advances to employees and talents amounted to ₱168 million and ₱647 million as at December 31, 2022 and 2021, respectively (see Note 7).

c. The Parent Company has advances to ALA Sports amounting to ₱78 million and ₱80 million as at December 31, 2022 and 2021, respectively.

d. In 2022, Rockwell Land agreed to purchase the property of the Parent Company with the following payment terms and conditions:

   1. 10% of the purchase price upon execution and notarization of the contract to sell.
   2. 80% of the purchase price upon execution of the Deed of Absolute Sale.
   3. 10% of the purchase price within 7 business days from receipt by Rockwell Land of the electronic Certificate Authorizing Registration issued by the Bureau of Internal Revenue.

e. Other transactions with related parties include cash advances for working capital requirements.

The Group's Board of Directors reviews and approves material transactions with related parties, ensuring that these transactions are in the best interest of the Corporation, after considering all the relevant facts and circumstances available.

Terms and Conditions of Transactions with Related Parties
Except for transactions identified in the previous section as interest-bearing, outstanding balances as at financial reporting date are generally unsecured, interest-free and settlement occurs in cash, and are collectible or payable on demand. For the years ended December 31, 2022 and 2021, the Group recorded provision for ECL amounting to ₱65 million and ₱2 million, respectively (nil in 2020)[see Note 27]. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel of the Group

	Years Ended December 31		
	2022	2021	2020
Compensation (see Notes 25, 26 and 27)	**₱1,185,723**	₱991,597	₱1,062,401
Vacation leaves and sick leaves	**181,232**	29,665	95,052
Share-based payment	**171,995**	–	–
Pension benefits (see Note 30)	**50,790**	42,407	46,145
Termination benefits	**31,373**	201,495	36,740
	₱1,621,113	₱1,265,164	₱1,240,338

24. Revenues

Set out below is the disaggregation of the Group's revenues:

	Years Ended December 31		
	2022	2021	2020
Subscription revenue	**₱9,855,856**	₱10,485,651	₱12,546,837
Advertising revenue	**6,395,197**	5,292,997	7,060,993
Ancillary rights and other revenues	**1,850,958**	1,432,983	755,451
Installation service revenue	**235,294**	3,324	152,078
Income from film exhibition	**137,177**	71,066	123,191
Royalty income	**85,185**	58,707	82,748
Service fee revenue	**62,769**	36,001	27,382
Sponsorship revenue	**77,709**	23,721	87,905

(Forward)

	Years Ended December 31		
	2022	2021	2020
Sale of goods	**₱45,137**	₱2,984	₱406,171
Admission revenue / ticket sales	**–**	383	16,891
Total revenue from contracts with customers	**18,745,282**	17,407,817	21,259,647
Channel lease and other rental income	**451,634**	417,387	160,110
Total revenues	**₱19,196,916**	₱17,825,204	₱21,419,757

25. **Production Costs**

	Years Ended December 31		
	2022	2021	2020
Personnel expenses and talent fees (see Notes 23 and 30)	**₱3,455,750**	₱3,005,110	₱5,337,013
Facilities-related expenses (see Notes 23 and 32)	**1,120,666**	889,107	1,723,868
Amortization of program rights (see Note 12)	**562,631**	786,422	1,024,425
Depreciation and amortization (see Note 10)	**548,918**	694,998	780,092
Set requirements	**332,658**	221,689	354,831
Travel and transportation	**298,522**	282,064	371,434
Catering and food expenses	**138,192**	116,847	116,893
License and royalty	**92,610**	33,458	59,741
Other program expenses	**790,135**	1,122,947	542,529
	₱7,340,082	₱7,152,642	₱10,310,826

Personnel expenses include talent fees, salaries and other employee benefits.

Other program expenses consist of production expenses including, but not limited to, prizes and other expenses related to the promotional activities of various projects during the year.

The Group incurred expenses of ₱341.8 million in 2022 and ₱377.0 million in 2021 relating to ongoing efforts to mitigate risks of COVID-19 to production personnel and financial assistance.

26. **Cost of Sales and Services**

Cost of services consists of the following:

	Years Ended December 31		
	2022	2021	2020
Facilities-related expenses (see Notes 23 and 32)	**₱2,730,102**	₱2,406,094	₱2,820,643
Depreciation and amortization (see Note 10)	**1,937,891**	2,043,450	1,911,461
Personnel expenses (see Notes 23 and 30)	**1,478,515**	1,458,953	1,570,718
Bandwidth costs	**745,325**	650,423	818,951
Programming costs	**423,438**	673,848	1,112,711

(Forward)

	Years Ended December 31		
	2022	2021	2020
Amortization of program rights (see Note 12)	**₱164,315**	₱101,829	₱156,814
Transportation and travel	**162,523**	45,397	60,817
Taxes and licenses	**68,862**	73,776	70,078
Stationery and office supplies	**61,789**	64,118	57,144
License fees and royalties	**36,709**	34,908	29,961
Catering and food expenses	**14,924**	3,761	4,866
Set requirements	**8,385**	11,660	6,722
Amortization of other intangible assets (see Note 12)	**4,362**	45,883	94,546
Freight and delivery	**4,215**	4,106	9,093
Inventory costs (see Note 8)	**942**	5,428	57,120
Amortization of deferred charges	**–**	19	19
Others	**323,132**	266,645	354,911
	₱8,165,429	₱7,890,298	₱9,136,575

Personnel expenses include salaries, bonuses, retirement and separation pay and other employee benefits.

Amortization of movie in-process and filmed entertainment are recorded as part of "Cost of services" under each applicable expense account.

Cost of sales consists of the following:

	Years Ended December 31		
	2022	2021	2020
Inventory costs (see Note 8)	**₱99,802**	₱17,884	₱276,684
Others	**14,621**	22,662	8,023
	₱114,423	₱40,546	₱284,707

27. General and Administrative Expenses

	Years Ended December 31		
	2022	2021	2020
Personnel expenses (see Notes 22, 23 and 30)	**₱3,854,726**	₱3,439,490	₱5,863,918
Contracted services	**720,515**	703,040	1,171,668
Depreciation and amortization (see Notes 10 and 11)	**634,686**	687,006	900,215
Facilities-related expenses (see Notes 23 and 32)	**588,130**	514,528	923,056
Taxes and licenses	**481,739**	448,948	563,100
Provision for ECL (see Note 7)	**428,495**	159,400	1,411,037
Transportation and travel	**326,811**	229,754	432,349
Advertising and promotion (see Note 9)	**184,174**	133,190	146,621
Research and survey	**178,247**	336,626	211,809
Amortization of other intangible assets (see Note 12)	**160,294**	66,579	64,712

(Forward)

	Years Ended December 31		
	2022	2021	2020
Provision for impairment losses (see Notes 10, 12, 14)	**₱48,376**	₱118,309	₱699,692
Entertainment, amusement and recreation	**35,061**	23,063	94,252
Donations and contributions	**12,586**	12,146	111,823
Inventory losses (see Note 8)	**1,451**	83,132	605,602
Others	**175,840**	495,316	615,914
	₱7,831,131	₱7,450,527	₱13,815,768

Personnel expenses include salaries, bonuses, retirement and separation pay and other employee benefits.

Others consist mainly of amortization of other deferred charges, catering and food expenses, stationery and office supplies, noncapitalized fixed assets, and dues, subscription and periodicals.

The Group incurred expenses of ₱44.34 million in 2022 and ₱54.6 million in 2021 relating to projects for COVID-19 prevention and "Pantawid Pag-ibig".

28. **Other Income and Expenses**

Finance Costs

	Years Ended December 31		
	2022	2021	2020
Interest expense (see Notes 18, 20 and 31)	**₱1,101,886**	₱1,149,831	₱1,180,429
Amortization of debt issue costs (see Note 18)	**20,496**	17,874	20,831
Bank service charges	**9,394**	10,390	12,674
	₱1,131,776	₱1,178,095	₱1,213,934

The following are the sources of the Group's interest expense:

	Years Ended December 31		
	2022	2021	2020
Long-term debt (see Note 18)	**₱1,042,876**	₱1,101,591	₱1,097,029
Lease liabilities (see Note 32)	**43,685**	37,717	66,039
Convertible note (see Note 20)	**15,325**	10,523	17,361
	₱1,101,886	₱1,149,831	₱1,180,429

Other Income

	Years Ended December 31		
	2022	2021	2020
Gain on sale of noncurrent asset held for sale (Note 31)	**₱2,055,578**	₱–	₱–
Gain (loss) on sale of property and equipment (Notes 10 and 31)	**475,195**	184,484	(279,519)
Leasing operations (see Note 32)	**265,698**	115,711	118,163
Dividend income	**–**	7,245	7,862
Others - net (see Note 20)	**459,094**	264,850	246,331
	₱3,255,565	₱572,290	₱92,837

Others mainly consist of income from unclaimed deposits, service fees and other miscellaneous income.

29. Income Tax and Registration with the Philippine Economic Zone Authority (PEZA)

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

	2022	2021
Deferred tax assets - net:		
Allowance for ECL	**₱406,076**	₱396,307
Accrued pension obligation and other employee benefits	**513,942**	270,295
Excess of the purchase price over the fair value of net assets acquired	**119,880**	(268,423)
NOLCO	**261,700**	181,822
Accrued expenses	**56,339**	173,678
Allowance for inventory obsolescence	**39,975**	19,402
Contract liabilities	**38,414**	90,360
MCIT	**24,596**	20,393
Lease liabilities	**20,147**	114,018
Customers' deposits	**16,008**	18,780
Allowance for impairment loss on property and equipment	**13,088**	2,684
Unearned revenue	**9,533**	912
Net unrealized foreign exchange loss	–	3,218
Others	**9,707**	38,891
	1,530,464	1,097,950
Deferred tax liabilities – net		
Net unrealized foreign exchange gain	**201,406**	–
Capitalized interest, duties, and taxes	**156,769**	177,459
Imputed discount	**70,447**	70,447
Right-of-use asset – net	**53,136**	1,856
	₱481,758	₱249,762

The details of the deductible temporary differences, NOLCO and MCIT of the Parent Company and certain subsidiaries for which no deferred tax assets were recognized are as follows:

	2022	2020
NOLCO	**₱19,109,045**	₱16,579,004
Allowance for ECL	**11,917,278**	11,807,830
Accrued pension obligation and others	**5,997,934**	5,665,268
Contract liabilities	**536,300**	2,619,702
Allowance for impairment loss	**39,421**	1,496,258
Allowance for decline in value of inventories	**721,150**	733,407
Unearned revenue	**231,414**	460,483
MCIT	**97,079**	46,318
Lease liabilities	–	65,853
Allowance for impairment loss on property and equipment	**39,421**	53,873

Management believes that it is not probable that taxable income will be available against which these temporary differences, NOLCO and MCIT will be utilized.

NOLCO amounting to ₱820 million and ₱593 million have expired in 2022 and 2021, respectively. NOLCO amounting to ₱19 million and ₱128 million were claimed as deduction against taxable income in 2022 and 2021, respectively.

MCIT amounting to ₱115 million have expired and were written off in 2022. MCIT amounting to ₱49 million were claimed as deduction against taxable income in 2021.

As of December 31, 2022, MCIT amounting to ₱115 million can be claimed as tax credit against future RCIT as follow:

Year Paid	Expiry Dates	Amount
2020	December 31, 2023	₱4,618
2021	December 31, 2024	35,039
2022	December 31, 2025	75,736
		₱115,393

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) 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 of December 31, 2022, the Group has incurred NOLCO in 2022 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
2022	2023 to 2025	₱3,442,775

As of December 31, 2022, the Group has incurred NOLCO in taxable years 2020 & 2021 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
2020	2021 to 2025	₱13,221,951
2021	2022 to 2026	3,472,262

As at December 31, 2022 and 2021, deferred tax liability on undistributed earnings of ABS-CBN Global, holding company of the Parent Company's foreign subsidiaries, amounting to ₱835 million and ₱1,023 million, respectively, has not been recognized because the Parent Company has control over such earnings, which have been earmarked for expansion in the Group's foreign operations and are not expected to reverse in the foreseeable future.

The reconciliation of statutory tax rate to effective tax rates applied to income before income tax is as follows:

	Years Ended December 31		
	2022	2021	2020
Statutory tax rate	**25%**	25%	30%
Additions to (reduction in) income taxes resulting from the tax effects of:			
Interest income subjected to final tax	**0**	0	(2)
Nondeductible interest expense	**(12)**	(5)	(3)
Change in unrecognized deferred tax assets and others	**(28)**	(28)	(25)
Effective tax rates	**(15%)**	(8%)	–%

The income tax on profits of overseas subsidiaries have been calculated at the rates of tax prevailing in the countries where such subsidiary operates, based on existing legislation, interpretations and practices in respect thereof.

CREATE bill
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 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

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

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT, 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower minimum corporate income tax rate of 1% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 05-2021 dated April 08, 2021 issued by the BIR, the prorated CIT rate of the Group for CY2020 is 27.5%. This will result in lower provision for current income tax for the year ended December 31, 2020, and higher creditable withholding taxes as of December 31, 2020 by ₱3.5 million. The effect of CREATE was reflected in the Parent Company and respective subsidiaries' 2020 annual income tax return. However, for financial reporting purposes, the changes was only recognized in the 2021 financial statements.

- This resulted in lower deferred tax assets and liabilities by ₱291 million as of December 31, 2020 and benefit from deferred tax for the year then ended by ₱314.8 million. These reductions were recognized in the 2021 consolidated financial statements.

Registration with the PEZA
On July 14, 2009, the PEZA approved the application of Big Dipper for registration as an Ecozone Information Technology (IT) Enterprise to provide digital film archiving, digital central library, content licensing and transmission at the 3rd Floor, Eugenio Lopez, Jr. Communications Center, Eugenio Lopez Drive, Quezon City. On December 6, 2022, Big Dipper secured PEZA Board Resolution No. 22-337 approving the Company's application for cancellation of its PEZA registration. The cancellation took effect on January 6, 2023.

On January 28, 2016, the PEZA approved the application of ABS-CBN Studios, Inc. for registration as an IT Export Enterprise for IT-enabled film and television content production at Barangay Sto. Cristo and Kaybanban, San Jose del Monte City, Bulacan, which is an IT park to be known as "Horizon IT Park".

On January 22, 2018, the PEZA approved the application of Rosetta Holdings Corporation for registration as an Ecozone Developer to establish, develop, administer, manage and operate the Horizon IT Park.

Registration with the Board of Investments
On April 8, 2015, the Board of Investments approved PII's project as a New Operator of Tourism Entertainment Complex – Educational Theme Park and was granted income tax holiday for four years beginning April 2015. Total income tax holiday incentives availed by PII amounted to ₱3 million for the year ended December 31, 2019. PII ceased operations in 2020.

30. Pension and Other Employee Benefits

Accrued pension obligation and other employee benefits consist of:

	2022	2021
Pension obligation	**₱4,962,786**	₱5,555,875
Other employee benefits	**1,267,987**	1,454,392
	₱6,230,773	₱7,010,267

These are presented in the consolidated statements of financial position as follows:

	2022	2021
Current (see Note 17)	**₱148,474**	₱159,306
Noncurrent	**6,082,299**	6,850,961
	₱6,230,773	₱7,010,267

a. Pension Plan

The Group's pension plans are composed of funded (Parent Company and Sky Cable) and unfunded (other subsidiaries), noncontributory and actuarially computed defined benefit pension plans, except for ABS-CBN International (contributory), covering substantially all of its employees. The benefits are based on years of service and compensation during the last year of employment. Actuarial valuation is performed every year-end.

The following tables summarize the components of consolidated net pension expense recognized in the consolidated statements of income and accrued pension obligation recognized in the consolidated statements of financial position:

Net Pension Expense

	Years Ended December 31		
	2022	2021	2020
Current service cost	**₱417,982**	₱455,118	₱520,257
Net interest cost	**242,339**	186,390	214,644
Past service cost	**1,210**	–	30,997
Net pension expense	**₱661,531**	₱641,508	₱765,898

Accrued Pension Obligation

	2022	2021
Present value of obligation	**₱5,395,761**	₱6,144,753
Fair value of plan assets	**(432,975)**	(588,878)
Accrued pension obligation	**₱4,962,786**	₱5,555,875

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

	2022	2021
Defined benefit obligation at beginning of year	**₱6,144,753**	₱6,466,823
Current service cost	**417,982**	455,118
Interest cost	**278,585**	214,638
Actuarial losses (gains) arising from:		
Change in financial assumptions	**(560,366)**	(662,599)
Change in demographic assumptions	**(18,500)**	–
Experience adjustments	**(209,303)**	363,763
Benefits paid*	**(658,600)**	(692,990)
Past service cost	**1,210**	–
Net released obligation due to employee transfers	**–**	–
Defined benefit obligation at end of year**	**₱5,395,761**	₱6,144,753

** includes benefits paid out of Group's operating fund amounting to ₱657 million and ₱344 million for 2022 and 2021, respectively*

Changes in the fair value of plan assets of the Parent Company and Sky Cable are as follows:

	2022	2021
Fair value of plan assets at beginning of year	**₱588,878**	₱968,731
Interest income included in net interest cost	**36,248**	28,248
Benefits paid from retirement fund	**–**	(318,174)
Return on plan assets excluding amount included in net interest cost	**(192,151)**	(89,927)
Fair value of plan assets at end of year	**₱432,975**	₱588,878

Income tax effect of re-measurement gains and losses on defined benefit plan presented in OCI amounted to ₱88 million, ₱93 million and (₱87 million) in 2022, 2021 and 2020 respectively.

The Parent Company and Sky Cable expects no contributions to be made to the retirement fund in 2023.

The major categories of the fair value of total plan assets are as follows:

	2022	2021
Investment in stocks	**₱272,550**	₱428,677
Investment in fixed/floating rate treasury note	**143,269**	146,237
Investment in government securities and bonds	**12,610**	11,189
Others	**4,546**	2,775
	₱432,975	₱588,878

The ranges of principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	December 31	January 1	
	2022	**2022**	2021
Discount rate	**6.35% -7.35%**	4.89%-5.18%	3.45%-4.05%
Future salary rate increases	**2.67% - 6.00%**	3.0%-6.0%	4.0%-6.4%

<u>ABS-CBN</u>
The pension fund is actively managed by the retirement committee, composed of five members, four of whom are executive staff of the Parent Company and beneficiaries of the plan.

The retirement committee of the beneficial trust fund uses an investment approach with the objective of maximizing the long-term expected return of plan assets. The plan's investment portfolio seeks to achieve regular income, long-term capital growth and consistent performance over its own portfolio benchmark. In order to attain this objective, the Trustee's mandate is to invest in a diversified portfolio of fixed income and equities. The investment portfolio consists of investment in equity and fixed income securities of 99% and 1% as at December 31, 2022, respectively, and 99% and 1% as at December 31, 2021, respectively. The Parent Company made a withdrawal amounting to nil and ₱318 million in 2022 and 2021, respectively.

On July 27, 2010, the retirement committee of the retirement fund approved the following:

a. Acquisition of ABS-CBN securities to fully fund the retirement fund deficiency;
b. Allow the acquisition of Lopez Holdings shares and shares of other listed companies;
c. Migrate to an investment management account arrangement in lieu of a "Trusteed" arrangement with BDO; and
d. Appoint an investment officer of the retirement plan.

The fair value of ABS-CBN's plan assets as at December 31, 2022 and 2021 are as follows:

	2022	2021
Fixed Income:		
Short-term	**₱3,480**	₱3,439
Equities:		
Investment in shares of stock and other securities of related parties	**266,526**	422,362
	₱270,006	₱425,801

Short-term Fixed Income. Short-term fixed income investment includes investments in short term UITF including money market funds and short-term funds in 2022 and 2021.

Equities. These pertain to investments in shares of stock and other securities of related parties and other companies listed in the PSE.

Investments in Shares of Stock and Other Securities of Related Parties. These pertain to investments in ABS-CBN PDRs and common shares and Lopez Holdings and Rockwell Land common shares.

	December 31, 2022			
	Number of Shares	**Cost**	**Fair Value**	**Unrealized Loss**
ABS-CBN Holdings PDRs	**34,903,160**	**₱1,515,862**	**₱262,821**	**(₱1,253,041)**
ABS-CBN Common	**501,320**	**24,052**	**3,705**	**(20,347)**
	35,404,480	**₱1,539,914**	**₱266,526**	**(₱1,273,388)**

	December 31, 2021			
	Number of Shares	Cost	Fair Value	Unrealized Loss
ABS-CBN Holdings PDRs	34,903,160	₱1,515,862	₱416,045	(₱1,099,817)
ABS-CBN Common	501,320	24,052	6,317	(17,735)
	35,404,480	₱1,539,914	₱422,362	(₱1,117,552)

As at December 31, 2022 and 2021, the value of each ABS-CBN PDRs held by the retirement fund is at ₱7.53 and ₱11.92, respectively.

Total loss from investments in shares of stock and other securities of related parties amounted to ₱1,273 million and ₱1,118 million in 2022 and 2021, respectively.

<u>Sky Cable and PCC</u>
Sky Cable's retirement benefit fund is being maintained by trustee banks, BDO and Rizal Commercial Banking Corporation.

The fair value of Sky Cable's plan assets as at December 31, 2022 and 2021 are as follows:

	2022	2021
Short-term fixed income	**₱4,546**	₱2,775
Investment in medium and long-term fixed income:		
Government securities	**139,789**	142,799
Corporate bonds	**12,610**	11,189
Unit investment trust fund	**6,024**	511
Preferred shares	**–**	5,803
	₱162,969	₱163,077

Short-term Fixed Income. Short-term fixed income investment includes time deposit, special deposit account and special savings account with average interest rate of 3.8% and 3.3% as at December 31, 2022 and 2021, respectively.

Medium and Long-term Fixed Income. Investment in medium and long-term fixed income include Philippine peso-denominated bonds, such as government securities, corporate bonds, notes and debt securities.

Investment in Government Securities. Investment in government securities include treasury bills and fixed-term treasury notes bearing interest ranging from 2.45% to 8.63 % and 1.82% to 6.25% as at December 31, 2022 and 2021, respectively. These securities are fully guaranteed by the government of the Republic of the Philippines. Total loss from investments in government securities amounted to ₱6 million and ₱1 million for the years ended December 31, 2022 and 2021, respectively.

Investment in Corporate Bonds. These pertain to ₱12 million and ₱11 million unsecured bonds with terms ranging from 3 to 7 years and 5 to 10 years as at December 31, 2022 and 2021, respectively. Yield to maturity rate ranges from 3.29% to 7.51% with losses of ₱230 thousand and ₱90 thousand in 2022 and 2021, respectively.

b. Other Employee Benefits

Other employee benefits consist of accumulated employee sick and vacation leave entitlement.

Net Benefit Expense

	Years Ended December 31		
	2022	2021	2020
Current service cost	**₱62,295**	₱90,580	₱133,736
Interest cost	**67,740**	51,661	95,385
Net actuarial gain	**(197,914)**	(177,443)	(29,238)
Net benefit expense (income)	**(₱67,879)**	(₱35,202)	₱199,883

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

	2022	2021
Defined benefit obligation at beginning of year	**₱1,454,392**	₱1,550,836
Current service cost	**62,295**	90,580
Interest cost	**67,740**	51,661
Actuarial loss	**(197,914)**	(177,443)
Benefits paid	**(118,526)**	(61,242)
Defined benefit obligation at end of year	**₱1,267,987**	₱1,454,392

The sensitivity analysis on the next page has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant.

	2022	2021
	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease) in Defined Benefit Obligation
Discount rate:		
Increase by 1%	**(₱89,684)**	(₱458,769)
Decrease by 1%	**62,680**	454,983
Future salary increases:		
Increase by 1%	**₱360,500**	₱479,275
Decrease by 1%	**(389,098)**	(502,840)

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

Year	**December 31, 2022**	December 31, 2021
One year	**₱1,583,004**	₱839,088
More than one year but less than five years	**1,717,884**	1,916,645
More than five years but less than ten years	**4,384,518**	3,997,240
Beyond ten years	**11,099,037**	11,415,906

The average duration of the defined benefit obligation at the end of the period ranges from 8 to 16 years.

31. Noncurrent Assets Held for Sale

In 2021, the Group classified certain transmitter equipment and land under investment properties amounting to ₱37 million and ₱136 million, respectively, as noncurrent assets held for sale (see Notes 10 and 11). These assets were sold in 2022 for a total amount of ₱2,229 million resulting in gain on sale of ₱2,056 million (see Note 28).

In 2022, additional transmitter equipment and land amounting to ₱184 million and ₱225 million, respectively, were classified as noncurrent assets held for sale (see Note 10). The sale is expected to be completed within a year from the reporting date. In February 2023, the Group sold its, land with a cost of ₱2 million for ₱62 million (see Note 38).

Noncurrent assets held for sale are included as part of "Content Production and Distribution" business segment (see Note 5).

32. **Commitments**

Deal Memorandum with DirecTV
On June 1, 2005, the Parent Company and ABS-CBN International entered in to a 25-year Deal Memorandum (Memorandum) with DirecTV in which the Parent Company granted DirecTV the exclusive right via satellite, internet protocol technology and satellite master antenna television system or similar system, to display, exhibit, perform and distribute certain programs of the Parent Company that are listed in the Memorandum. ABS-CBN International may engage in any marketing plan mutually agreed by both parties. All costs under any mutually agreed marketing plans shall be shared equally between DirecTV and ABS-CBN International.

As provided in the Memorandum, all rights, title and interest in and to the content, discrete programs or channels not granted to DirecTV are expressly reserved by the Parent Company. All programming decisions with respect to the programs shall be in the Parent Company's commercially reasonable discretion, including the substitution or withdrawal of any scheduled programs, provided that the Parent Company agrees that the programs will consist substantially of the same content and genre provided for in the Memorandum.

The Memorandum also provides that subscription revenues, computed as the current and stand-alone retail price per month for a subscription to The Filipino Channel multiplied by the average number of subscribers, shall be divided equally between DirecTV and ABS-CBN International.

ABS-CBN International's subscription revenue earned from subscribers that have migrated to DirecTV amounted to ₱285 million, ₱270 million and ₱386 million in 2022, 2021 and 2020, respectively.

Purchase Commitments
Sky Cable has commitments with various program suppliers for a period of 1 to 5 years. Channel license fees are based on fixed and variable rates. Estimated fees for the next four years are as follows:

Year	Amount*
Within one year	₱280,924
After one year but not more than five years	58,371

**Includes variable fees based on the number of active subscribers as at December 31, 2022.*

Lease Commitments
As Lessor. The Parent Company has entered into commercial property leases on its building, consisting of the Parent Company's surplus office buildings. These non-cancelable leases have remaining non-cancelable lease terms of 3 to 5 years. All leases include a clause to enable upward revision of the rental charge on a predetermined rate.

Future minimum rental receivable under non-cancelable operating leases are as follows:

	2022	2021
Within one year	**₱2,714**	₱5,424
After one year but not more than five years	**1,160**	3,874
	₱3,874	₱9,298

As Lessee. The Parent Company and subsidiaries lease office facilities, space, equipment and IRU granted by various telecommunication companies. These lease agreements include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The following are the amounts recognized in the Group's consolidated statement of income in 2022 and 2021:

	2022	2021
Depreciation expense of right-of-use asset	**₱270,996**	₱215,156
Interest expense on lease liability	**43,685**	37,717
Expenses relating to short-term leases (included under "Facilities-related expense" in cost of services)	**65,052**	66,190
Expenses relating to short-term leases (included under "Facilities-related expense" in general and administrative expenses)	**43,797**	16,138
Total amount recognized in the statement of comprehensive income	**₱423,530**	₱335,201

The rollforward analysis of right-of-use asset in 2022 and 2021 follows:

	2022	2021
Cost:		
Balance at beginning of year	**₱2,406,769**	₱2,445,768
Additions	**254,590**	17,520
Disposals	**(43,903)**	(58,041)
Translation adjustments	**1,151**	1,522
Balance at end of year	**2,618,607**	2,406,769
Accumulated Depreciation:		
Balance at beginning of year	**772,583**	643,217
Additions	**270,996**	215,156
Disposals	**(12,381)**	(58,041)
Reclassification	**57,616**	–
Translation adjustments	**867**	(27,749)
Balance at end of year	**1,089,681**	772,583
	₱1,528,926	₱1,591,458

The rollforward analysis of lease liability in 2022 and 2021 follows:

	2022	2021
Balance at beginning of year	**₱633,399**	₱946,322
Additions	**254,590**	10,177
Interest expense	**43,685**	37,717
Interest paid	**(43,685)**	(37,717)
Termination	**–**	(43,180)

(Forward)

	2022	2021
Payments	**(₱226,503)**	(₱284,948)
Translation adjustments	**3,187**	5,028
Balance at end of year	**664,673**	633,399
Less current portion	**213,864**	172,727
	₱450,809	₱460,672

33. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise cash and cash equivalents, short-term investments, investments in equity securities and club shares and interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The BOD reviews and agrees on the policies for managing each of these risks and they are summarized below.

<u>Cash Flow Interest Rate Risk</u>
The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

To manage this mix in a cost-efficient manner, it is the Group's policy to enter into interest rate swaps whenever the need arises. As at December 31, 2022 and 2021, there are no freestanding derivative contracts.

Interest on financial instruments classified as floating rate is repriced at intervals of three months. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.

<u>Foreign Currency Risk</u>
It is the Group's policy to enter into cross currency swaps whenever the need arises to manage foreign currency risk and eliminate the variability of cash flows due to changes in the fair value of the foreign-currency denominated debt with maturity of more than one year.

As at December 31, 2022 and 2021, there are no freestanding derivative contracts and the Group's long-term loan obligations are generally in Philippine currency.

The Group, however, has transactional currency exposures. Such exposure arises when the transaction is denominated in currencies other than the functional currency of the operating unit or the counterparty.

The following tables show the Group's significant foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as at December 31, 2022 and 2021:

	Original Currency														
	USD	EUR	JPY	CAD	GBP	AUD	AED	Swiss Franc (CHF)	Norway Kroner (NOK)	Denmark Kroner (DKK)	Sweden Kroner (SEK)	Saudi Arabia Riyal (SAR)	Taiwan Dollar (TWD)	Israeli New Shekel (ILS)	Peso Equivalent
December 31, 2022															
Financial assets:															
Cash and cash equivalents	**14,987**	**369**	**10,169**	**572**	**152**	**241**	**2,939**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**949,653**
Trade and other receivables	**283,827**	**175**	**9,967**	**7,019**	**3,820**	**1,084**	**156**	**19**	**–**	**–**	**–**	**56**	**–**	**–**	**16,431,708**
	298,814	**544**	**20,136**	**7,591**	**3,972**	**1,325**	**3,095**	**19**	**–**	**–**	**–**	**56**	**–**	**–**	**17,381,361**
Financial liabilities:															
Trade and other payables	**398,279**	**2,982**	**14,315**	**3,381**	**597**	**557**	**2,657**	**17**	**–**	**–**	**60**	**202**	**172**	**–**	**22,635,533**
Obligations for program rights	**471**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26,243**
	398,750	**2,982**	**14,315**	**3,381**	**597**	**557**	**2,657**	**17**	**–**	**–**	**60**	**202**	**172**	**–**	**22,661,776**
Net foreign currency-denominated financial assets (liabilities)	**(99,936)**	**(2,438)**	**5,821**	**4,210**	**3,375**	**768**	**438**	**2**	**–**	**–**	**(60)**	**(146)**	**(172)**	**–**	**(5,280,415)**
December 31, 2021															
Financial assets:															
Cash and cash equivalents	54,704	1,199	21,093	1,032	307	1,873	567	–	270	–	75	2		58	3,011,810
Trade and other receivables	239,423	212	295	9,948	950	722	63	–	90	–	110	83	36	3	12,719,753
	294,127	1,411	21,388	10,980	1,257	2,595	630	–	360	–	185	85	36	61	15,731,563
Financial liabilities:															
Trade and other payables	347,384	1,418	14,619	153	2,449	491	2,309	–	53	–	170	215	12	3	18,034,645
Obligations for program rights	1,121	–	–	–	–	–	–	–	–	–	–	–	–	–	57,168
	348,505	1,418	14,619	153	2,449	491	2,309	–	253	–	170	215	12	3	18,091,813
Net foreign currency-denominated financial assets (liabilities)	(54,378)	(7)	6,769	10,827	(1,192)	2,104	(1,679)	–	307	–	15	(130)	24	58	(2,360,250)

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the Group used the following exchange rates:

Currency	**2022**	2021
USD	**₱55.76**	₱51.00
EUR	**59.53**	57.99
JPY	**0.42**	.44
CAD	**41.24**	40.35
GBP	**67.42**	69.02
AUD	**37.80**	37.04
AED	**15.28**	13.87
NOK	**5.67**	5.78
SEK	**5.36**	5.63
SAR	**14.93**	13.58
TWD	**1.82**	1.84
ILS	**15.79**	16.46

The following tables demonstrate the sensitivity of the Group's income before income tax to a reasonably possible change in foreign exchange rates, with all other variables held constant. There is no impact on the Group's equity other than those already affecting the net income.

	2022		2021	
	Increase (Decrease) in ₱ to Foreign Currency Exchange Rate	**Effect on Income Before Income Tax**	Increase (Decrease) in ₱ to Foreign Currency Exchange Rate	Effect on Income Before Income Tax
USD	**1.1%**	**₱101,345**	0.8%	₱43,681
	-0.4%	**(38,544)**	-0.3%	(15,970)
EUR	**0.9%**	**119**	0.7%	959
	-0.7%	**(92)**	-0.8%	(1,126)
JPY	**0.9%**	**22**	0.6%	18
	-1.4%	**(35)**	-1.0%	(30)
CAD	**0.89%**	**1,553**	1.0%	4,500
	-0.7%	**(1,242)**	-0.4%	(1,898)
GBP	**0.7%**	**1,579**	1.1%	(812)
	-0.9%	**(2,039)**	-0.6%	426
AUD	**1.2%**	**430**	0.9%	776
	-1.0%	**(367)**	-0.8%	(682)
AED	**1.1%**	**254**	0.8%	(78)
	-0.4%	**(86)**	-0.3%	32
NOK	**1.2%**	**–**	1.1%	19
	-1.3%	**–**	-0.8%	(14)
SEK	**0.8%**	**(2)**	0.8%	1
	-1.2%	**4**	-1.1%	(1)
SAR	**1.1%**	**(25)**	0.8%	(15)
	-0.4%	**8**	-0.4%	6
ILS	**1.0%**	**–**	1.2%	11
	-1.3%	**–**	-0.4%	(4)

The change in currency rate is based on the Group's best estimate of expected change considering historical trends and experiences. Positive change in currency rate reflects a weaker peso against foreign currency.

The Group computes for the percentages of changes in exchange rates for the foreign currency-denominated accounts by comparing the year-end closing rates or existing foreign currency exchange rates with the forward foreign currency exchange rates two months before and after financial reporting date. The Group assumes the trend for the six months period to be its exposure on foreign currency fluctuations.

Credit Risk

The Group is exposed to credit risk from its operational and financing activities. On the Group's credit risk arising from operating activities, the Group only extends credit with recognized and accredited third parties. The Group implements a pay before broadcast policy to new customers. In addition, receivable balances are monitored on an ongoing basis. Such determination takes into consideration the age of the receivable and the current solvency of the individual accounts.

The Group holds deposits in connection with its subscription contracts amounting to ₱168 million and ₱273 million as at December 31, 2022 and 2021, respectively (see Note 21). There is no requirement for collateral over the Group's other trade receivables since the Group trades only with recognized and accredited counterparties, thus, maximum exposure to credit risk is equal to the carrying value of the financial instruments.

With regard to the Group's financing activities, as a general rule, the Group transacts these activities with counterparties that have a long credit history in the market and outstanding relationship with the Group. The policy of the Group is to have the BOD accredit these banks and/or financial institutions before any of these financing activities take place.

With respect to credit risk arising from the financial assets of the Group, exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Credit Risk Exposures. The table below shows the maximum exposure to on- and off-balance sheet credit risk exposures of the Group, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques as at December 31:

	2022	2021
Financial assets at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	**₱1,885,731**	₱2,488,075
Short-term investments	**11,055**	10,818
Trade and other receivables - net	**4,684,574**	5,151,725
Deposits	**269,767**	307,891
	₱6,851,127	₱7,985,509

Credit Quality per Class of Financial Asset. The credit quality of financial assets is being managed by the Group using internal credit ratings. The following tables show the credit quality by class of financial assets based on the Group's credit rating system as at December 31, 2022 and 2021:

	December 31, 2022					
	Neither Past Due nor Impaired			Past Due but		
	High	**Moderate**	**Low**	**not Impaired**	**Impaired**	**Total**
Financial assets at amortized cost:						
Cash and cash equivalents:						
Cash in banks	**₱1,645,805**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,645,805**
Cash equivalents	**239,926**	**–**	**–**	**–**	**–**	**239,926**
Short-term investments	**11,055**	**–**	**–**	**–**	**–**	**11,055**
Trade receivables:						
Airtime	**986,044**	**379,965**	**27,012**	**1,244,395**	**339,601**	**2,977,017**
Subscriptions	**245,233**	**3,789**	**86,582**	**413,641**	**1,576,404**	**2,325,649**
Others	**85,362**	**10,335**	**3,816**	**421,957**	**283,505**	**804,975**
Nontrade receivables	**206,251**	**92,431**	**75,549**	**166,049**	**607,424**	**1,147,704**
Due from related parties	**–**	**–**	**–**	**236,163**	**67,374**	**303,537**
Deposits	**269,767**	**–**	**–**	**–**	**–**	**269,767**
	₱3,689,443	**₱486,520**	**₱192,959**	**₱2,482,205**	**₱2,874,308**	**₱9,725,435**

	December 31, 2021					
	Neither Past Due nor Impaired			Past Due but		
	High	Moderate	Low	not Impaired	Impaired	Total
Financial assets at amortized cost:						
Cash and cash equivalents:						
Cash in banks	₱1,862,877	₱–	₱–	₱–	₱–	₱1,862,877
Cash equivalents	625,198	–	–	–	–	625,198
Short-term investments	10,818	–	–	–	–	10,818
Trade receivables:						
Airtime	917,148	292,082	24,759	1,414,681	153,298	2,801,968
Subscriptions	172,197	3,008	85,944	411,973	1,427,949	2,101,071
Others	18,373	–	8,726	584,810	501,638	1,113,547
Nontrade receivables	196,922	105,117	85,919	585,798	476,904	1,450,660
Due from related parties	–	–	–	244,268	2,052	246,320
Deposits	307,891	–	–	–	–	307,891
	₱4,111,424	₱400,207	₱205,348	₱3,241,530	₱2,561,841	₱10,520,350

The credit quality of the financial assets was determined as follows:

- High Credit Quality

  This includes deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers, as at financial reporting date, accounts of good paying customers, with good credit standing and with no history of account treatment for a defined period. This also includes claims from Elite subscribers, advance payers, airtime and channel lease with advance payment arrangements, related parties with offsetting arrangement and existing employees.

- Moderate Credit Quality

  For receivables, this covers accounts of standard paying customers, those whose payments are within the credit term, and new customers for which sufficient credit history has not been established. This also includes claims from Superior subscribers, airtime and channel lease and related parties without offsetting arrangement.

- Low Credit Quality

  For receivables, this covers accounts of slow paying customers and those whose payments are received upon demand at financial reporting date. This also includes claims from Special subscribers.

Trade Receivables
These represent amounts collectible from advertising agencies, advertisers or trade customers arising from the sale of airtime, subscription, services and/or goods in the ordinary course of business.

Airtime. This account refers to revenue generated from the sale of time or time block within the on-air broadcast hours on television and radio.

Subscriptions. This account refers to revenue generated from regular subscriber's fees for either: (1) access to programs aired through DTH and cable television systems, or (2) direct sale of publications to subscribers.

Others. This account refers to other revenue generated from the sale of goods and services.

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

	December 31, 2022					
	Days Past Due					
	Current	**<30 Days**	**30-60 days**	**61-90 days**	**Credit impaired**	**Total**
			(In Thousands)			
Expected credit loss	**3-20%**	**16-38%**	**46-61%**	**100%**	**100%**	
Estimated total gross carrying amount at default	**₱2,175,746**	**₱576,290**	**₱115,654**	**₱83,147**	**₱3,141,202**	**₱6,092,039**
Expected credit loss	**669,493**	**187,536**	**44,386**	**41,527**	**1,256,568**	**2,199,510**
	₱1,506,253	**₱388,754**	**₱71,268**	**₱41,620**	**₱1,459,666**	**₱3,892,529**

	December 31, 2021					
	Days Past Due					
	Current	<30 Days	30-60 days	61-90 days	Credit impaired	Total
			(In Thousands)			
Expected credit loss	3-11%	16-24%	46-49%	100%	100%	
Estimated total gross carrying amount at default	₱2,148,798	₱569,152	₱114,222	₱82,117	₱3,102,297	₱6,016,586
Expected credit loss	575,659	161,252	38,165	35,707	1,255,084	2,065,867
	₱1,573,139	₱407,900	₱76,057	₱46,410	₱1,847,213	₱3,950,719

Nontrade Receivables
These represent claims, arising from sources other than the sale of airtime, subscriptions, services and goods in the ordinary course of business, that are reasonably expected to be realized in cash.

The following tables show the aging analysis of past due but not impaired receivables per class that the Group held as at December 31, 2022 and 2021. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

	December 31, 2022					
		Past Due but not Impaired				
	Neither Past Due nor Impaired	**Less than 30 days**	**30 Days and Over**	**Impaired**	**Allowance**	**Total**
Trade receivables:						
Airtime	**₱1,581,810**	**₱223,938**	**₱1,020,457**	**₱339,601**	**(₱339,601)**	**₱2,826,205**
Subscriptions	**335,604**	**32,359**	**221,456**	**1,576,404**	**(1,576,404)**	**589,419**
Others	**99,513**	**38,056**	**136,238**	**283,505**	**(283,505)**	**273,807**
Nontrade receivables	**374,231**	**12,374**	**307,053**	**607,424**	**(607,424)**	**693,658**
Due from related parties	**301,485**	**–**	**–**	**67,374**	**(67,374)**	**301,485**
	₱ 2,692,643	**₱306,727**	**₱ 1,685,204**	**₱2,874,308**	**(₱2,874,308)**	**₱ 4,684,574**

	December 31, 2021					
	Neither Past Due nor Impaired	Past Due but not Impaired: Less than 30 days	30 Days and Over	Impaired	Allowance	Total
Trade receivables:						
Airtime	₱1,233,989	₱276,752	₱949,139	₱342,088	(₱342,088)	₱2,459,880
Subscriptions	261,150	31,526	380,444	1,427,951	(1,427,951)	673,120
Others	27,099	26,531	764,089	295,828	(295,828)	817,719
Nontrade receivables	385,583	16,992	554,163	493,922	(493,922)	956,738
Due from related parties	–	–	244,268	2,052	(2,052)	244,268
	₱1,907,821	₱351,801	₱2,892,103	₱2,561,841	(₱2,561,841)	₱5,151,725

Liquidity Risk

The Group seeks to manage its funds through cash planning on a weekly basis. This undertaking specifically considers the maturity of both the financial investments and financial assets and projected operational disbursements. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. As a general rule, cash balance should not go below roughly two months of operational exigencies amidst occasional fluctuation of cash inflows.

It is the Group's objective to maintain a balance between continuity of funding and flexibility through the use of bank credit and investment facilities. As such, the Group continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities such as the ₱6 billion bond issuance in 2014 and refinancing of loans from 2016 to 2019. Currently, the debt maturity profile of the Group ranges from 0.251.5 to 7 years. Also, the Group places funds in the money market only when there are surpluses from the Group's requirements. Placements are strictly made based on cash planning assumptions and as much as possible, covers only a short period of time.

As of December 31, 2021, the Parent Company has obtained consent and approval from the existing lenders to waive the provisions of the loan agreement requiring the financial covenants up to December 31, 2022. Discussions on how the Group addressed this and the related liquidity risk are in Notes 3 and 18. The tables below summarize the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments.

	December 31, 2022					
	Within One Year	**1 year but less than 2 years**	**2 years but less than 3 years**	**3 years to 4 years**	**More than Four Years**	**Total**
Cash and cash equivalents	**₱1,936,852**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,936,852**
Short-term investment	**11,055**	**–**	**–**	**–**	**–**	**11,055**
Trade receivables:						
Airtime	**2,826,205**	**–**	**–**	**–**	**–**	**2,826,205**
Subscription	**589,419**	**–**	**–**	**–**	**–**	**589,419**
Others	**273,806**	**–**	**–**	**–**	**–**	**273,806**
Nontrade receivables	**693,659**	**–**	**–**	**–**	**–**	**693,659**
Due from related parties	**301,485**	**–**	**–**	**–**	**–**	**301,485**
	6,632,481	**–**	**–**	**–**	**–**	**6,632,481**
Trade and other payables*	**8,983,829**	**–**	**–**	**–**	**–**	**8,983,829**
Obligations for program rights	**119,168**	**45,053**	**–**	**–**	**–**	**164,221**
Lease liabilities	**218,978**	**201,445**	**152,065**	**103,327**	**–**	**675,815**
Interest-bearing loans and borrowings	**2,391,107**	**2,756,348**	**6,834,188**	**4,917,047**	**2,830,781**	**19,729,471**
Customers' deposits	**1,335,372**	**61,154**	**91,116**	**108,841**	**–**	**1,596,483**
	13,048,454	**3,064,000**	**7,077,369**	**5,129,215**	**2,830,781**	**31,149,819**
Net	**(₱6,415,973)**	**(₱3,064,000)**	**(₱7,077,369)**	**(₱5,129,215)**	**(₱2,830,781)**	**(₱24,517,338)**

**Excluding customers' deposits, accrued taxes and other payables to government agencies.*

	December 31, 2021					
	Within One Year	1 year but less than 2 years	2 years but less than 3 years	3 years to 4 years	More than Four Years	Total
Cash and cash equivalents	₱2,539,978	₱–	₱–	₱–	₱–	₱2,539,978
Short-term investment	10,818	–	–	–	–	10,818
Trade receivables:						
Airtime	2,459,880	–	–	–	–	2,459,880
Subscription	673,120	–	–	–	–	673,120
Others	817,719	–	–	–	–	817,719
Nontrade receivables	956,738	–	–	–	–	956,738
Due from related parties	244,268	–	–	–	–	244,268
	7,702,521	–	–	–	–	7,702,521
Trade and other payables*	9,970,499	–	–	–	–	9,970,499
Obligations for program rights	131,120	159,084	–	–	–	290,204
Lease liabilities	173,646	155,127	153,352	154,788	2,527	639,440
Interest-bearing loans and borrowings	1,021,972	686,606	1,922,399	6,876,966	9,858,989	20,366,932
Customers' deposits	2,189	61,154	91,116	108,841	–	263,300
	11,299,426	1,061,971	2,166,867	7,140,595	9,861,516	31,530,375
Net	(₱3,596,905)	(₱1,061,971)	(₱2,166,867)	(₱7,140,595)	(₱9,861,516)	(₱23,827,854)

**Excluding customers' deposits, accrued taxes and other payables to government agencies.*

Capital Management

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

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios and strong credit ratings while viably supporting its business to maximize shareholder value. No changes were made in capital management objectives, policies or processes in 2022, 2021 and 2020.

The Group's approach focuses on efficiently allocating internally generated cash for operational requirements and investments to grow the existing business.

The Parent Company has obtained consent and approval from the existing lenders to waive the provisions of the loan agreement requiring the financial covenants for all quarters in the years ended December 31, 2022 and 2021 (see Note 18).

2022 Financial Ratios	Required	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Loan Agreement					
Debt to equity	Less than or equal to 2.50	**3.60**	**3.60**	**3.62**	**3.16**
Debt service coverage ratio	Greater than or equal to 1.20	**2.54**	**4.43**	**3.19**	**2.27**

2021 Financial Ratios	Required	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Loan Agreement					
Debt to equity	Less than or equal to 2.50	2.68	3.01	3.18	3.43
Debt service coverage ratio	Greater than or equal to 1.20	(2.87)	(3.01)	(1.17)	1.08

The following table shows the financial ratios that Sky Cable is required to maintain in accordance with the Fixed Rate Corporate Notes Facility Agreement for the loans:

Financial ratios	Required
Total liabilities to equity	Maintain at all times not exceeding 2:1
Debt service coverage ratio	Maintain at least 1.5 times

As at December 31, 2022 and 2021, Sky Cable is in compliance with the provisions and all of the financial ratios required by its creditors in the agreement.

34. Financial Assets and Financial Liabilities

The following tables set forth the carrying amounts and estimated fair values of consolidated financial assets and liabilities recognized as at December 31, 2022 and 2021. There are no material unrecognized financial assets and liabilities as at December 31, 2022 and 2021.

	December 31, 2022				
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
Financial assets at amortized cost:					
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**₱269,767**	**₱260,406**	**₱–**	**₱–**	**₱260,406**
Financial assets at FVOCI	**44,357**	**44,357**	**–**	**44,357**	**–**
	314,124	**304,763**	**–**	**44,357**	**260,406**
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	**₱16,017,185**	**₱17,138,275**	**₱–**	**₱–**	**₱17,138,275**
Obligations for program rights	**164,221**	**164,221**	**–**	**164,221**	**–**
Convertible note	**188,019**	**218,585**	**–**	**–**	**218,585**
Customers' deposits (included as part of "Other noncurrent liabilities")	**168,148**	**156,098**	**–**	**–**	**156,098**
	₱16,537,573	**₱17,677,179**	**₱–**	**₱164,221**	**₱17,512,958**

	December 31, 2021				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Financial assets at amortized cost:					
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	₱307,891	₱298,530	₱–	₱–	₱298,530
Financial assets at FVOCI	41,658	41,658	–	41,658	–
	349,549	340,188	–	41,658	298,530
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	20,255,857	21,500,414	–	–	21,500,414
Obligations for program rights	283,851	290,204	–	290,204	–
Convertible note	172,693	192,753	–	–	192,753
Customers' deposits (included as part of "Other noncurrent liabilities")	272,580	241,735	–	–	241,735
	₱20,984,981	₱22,225,106	₱–	₱290,204	₱21,934,902

<u>Fair Value of Financial Instruments</u>

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

Cash and Cash Equivalents, Short-term Investments, Trade and Other Receivables and Trade and Other Payables. Due to the short-term nature of transactions, the fair values of these instruments approximate the carrying amounts as at financial reporting date.

Deposits. Fair value of these instruments is computed by discounting future cash flows using the risk-free interest rates for similar type of instruments adjusted for credit risk.

Financial assets at FVOCI. The fair values of publicly-traded instruments were determined by reference to market bid quotes as at financial reporting date while fair value of golf club shares have been determined by reference to the price of most recent transaction at the end of reporting period. The fair values of the non-listed equity investments have been estimated using a discounted cashflow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments.

Interest-bearing Loans and Borrowings. Fair value was computed based on the following:

	Fair Value Assumptions
Term loans	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. The interest rates used to discount the future cash flows have ranged from 3.9% to 6.5% in 2022 and 3.1% to 4.4% in 2021.

Obligations for Program 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.

Convertible Note. In 2022 and 2021, fair value was computed based on the discounted value of future cash flows using the applicable BVAL rate plus 1% credit spread, respectively.

Customers' Deposits. The fair values were calculated by discounting the expected future cash flows using the applicable BVAL rates ranging from 5.9% to 6.5% in 2022 and prevailing BVAL rates plus applicable credit spread ranging 2.7% to 4.2% in 2021.

There were no transfers between levels in the fair value hierarchy as at December 31, 2022 and 2021.

Offsetting of Financial Assets and Financial Liabilities

There is no offsetting of financial assets and financial liabilities as at December 31, 2022 and 2021.

35. EPS Computations

Basic EPS amounts are calculated by dividing the net income (loss) for the period attributable to common shareholders by the weighted average number of common shares outstanding (net of PDRs) during the period.

The following table presents information necessary to calculate EPS:

	Years Ended December 31		
	2022	2021	2020
Net loss attributable to equity holders of the Parent Company	**(₱2,459,841)**	(₱5,638,992)	(₱13,456,161)
Dividends on preferred shares	**(4,000)**	(4,000)	(4,000)
(a) Net loss attributable to common equity holders of the Parent Company	**(₱2,463,841)**	(₱5,642,992)	(₱13,460,161)
(b) Weighted average number of shares outstanding:			
At beginning and end of year	**853,412,671**	822,972,436	822,972,436
Basic/diluted EPS (a/b)	**(₱2.887)**	(₱6.857)	(₱16.356)

The Group has no dilutive potential common shares outstanding, therefore basic EPS is the same as diluted EPS.

36. Note to Consolidated Statements of Cash Flows

	Years Ended December 31		
	2022	2021	2020
Noncash investing activities:			
Acquisitions of program rights on account	**₱–**	₱–	₱161,038
Additions to ROU	**254,590**	17,520	1,296,641

Changes in liabilities arising from financing activities:

	January 1, 2022	**Net cash flows**	**Noncash changes**	**December 31, 2022**
Term loans	**₱20,255,857**	**(₱2,548,036)**	**₱16,037,681**	**₱33,745,502**
Lease liabilities	**633,399**	**(226,503)**	**257,777**	**664,673**
Interest payable (Note 17)	**262,445**	**(949,248)**	**1,086,560**	**399,757**
Dividends payable (Note 17)	**44,481**	**–**	**–**	**44,481**
Deposits for future subscription (Note 17)	**1,360,416**	**–**	**(72,995)**	**1,287,421**
Total liabilities from financing activities	**₱22,556,598**	**(₱3,723,787)**	**₱17,309,023**	**₱ 36,141,834**

	January 1, 2021	Net cash flows	Noncash changes	December 31, 2021
Term loans	₱21,487,254	(₱1,261,535)	₱30,138	₱20,255,857
Lease liabilities	946,322	(284,948)	(27,975)	633,399
Interest payable (Note 17)	239,139	(1,116,002)	1,139,308	262,445
Dividends payable (Note 17)	44,481	–	–	44,481
Deposits for future subscription (Note 17)	1,360,416	–	–	1,360,416
Total liabilities from financing activities	₱24,077,612	(₱2,662,485)	₱1,141,471	₱22,556,598

	January 1, 2020	Net cash flows	Noncash changes	December 31, 2020
Term loans	₱26,026,599	(₱4,560,130)	₱20,785	₱21,487,254
Lease liabilities	1,083,366	(255,131)	118,087	946,322
Interest payable (Note 17)	281,622	(1,205,551)	1,163,068	239,139
Dividends payable (Note 17)	304,192	–	(259,711)	44,481
Deposits for future subscription (Note 17)	1,351,614	–	8,802	1,360,416
Total liabilities from financing activities	₱29,047,393	(₱6,020,812)	₱1,051,031	₱24,077,612

Noncash changes include effect of accrual of dividends and interests, amortization of debt issue costs and the accretion of interest on finance leases.

37. Contingent Liabilities and Other Matters

a. In relation to the consolidation of Sky Cable and Home Cable in 2004, a competitor television broadcasting company (complainant) filed a case before the NTC for unlawful merger and unlawful cross-ownership and common control and operations of telecommunications companies and cable companies with a prayer for cease-and-desist order. As at March 14, 2023, the hearing of this case is ongoing before the NTC. Management believes that the case filed by the complainant is without legal basis and would not have a material impact on the consolidated financial statements.

b. The Group is also subject to periodic examinations by tax authorities and has other legal cases in the ordinary course of business, which are pending in courts or under protest. In consultation with its legal counsel, management believes that the outcome of these examinations and cases are not material to affect the Group's financial position and financial performance.

   Disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

38. Events After Reporting Period

On January 26, 2023, the Board approved the Asset Purchase Agreement with MediaQuest Holdings, Inc. for the sale of transmitters, antenna towers and two parcels of land in thirteen (13) tower sites. The purchase price will be subject to appraisal with a floor price of ₱400 million and a ceiling of ₱700 million. An initial payment of ₱216 million has been received.

In February 2023, the Group also completed the sale of certain land properties in Lucena, Quezon City for ₱62 million.

These assets are recognized as Noncurrent Assets Held for Sale as of December 31, 2022 (see Note 31).

SGV
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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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Sgt. Esguerra Ave. corner Mother Ignacia Street
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of ABS-CBN Corporation and its 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 14, 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 Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose 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.

Djole S. Garcia

Djole S. Garcia
Partner
CPA Certificate No. 0097907
Tax Identification No. 201-960-347
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Partner Accreditation No. 97907-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-102-2021, September 16, 2021 to September 15, 2024
PTR No. 9564626, January 3, 2023, Makati City

March 14, 2023

ABS-CBN CORPORATION AND SUBSIDIARIES
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B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
ABS-CBN Corporation
ABS-CBN Broadcast Center
Sgt. Esguerra Ave. corner Mother Ignacia Street
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of ABS-CBN Corporation and its 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 14, 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 (PFRSs) 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 PFRSs. 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.

Djole S. Garcia
Partner
CPA Certificate No. 0097907
Tax Identification No. 201-960-347
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Partner Accreditation No. 97907-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-102-2021, September 16, 2021 to September 15, 2024
PTR No. 9564626, January 3, 2023, Makati City

March 14, 2023

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2022

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & accrued
Loans and Receivables :				
(Amounts in Thousands)				
Cash and Cash Equivalents				
Cash on hand and in banks		₱ 1,696,926	₱ 1,696,926	₱
Cash equivalents		239,926	239,926	
Short-term investments		11,055	11,055	
Income received & accrued				3,403
Subtotal		***1,947,907***	***1,947,907***	***3,403***
Trade and other receivables (excluding advances to suppliers)				
Airtime		2,977,016	2,977,016	-
Subscriptions		2,325,649	2,325,649	-
Others		803,976	803,976	-
Advances to employees and talents		168,153	168,153	-
Due from related parties (see Note 23)		303,537	303,537	-
Others		979,551	979,551	-
Allowance for doubtful accounts		(2,874,308)	(2,874,308)	-
Subtotal		***4,683,574***	***4,683,574***	**-**
Deposits		321,946	321,946	-
Financial Assets at Fair Value through Other Comprehensive Income		44,357	44,357	-
		₱	₱	₱
Total	-	₱ **6,997,785**	₱ **6,997,785**	₱ **3,403**

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
December 31, 2022

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Not current	Balance at end of period
			Amounts collected	Amounts written off			

NONE

Note: Receivables from officers and employees are within the ordinary course of business.

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule C.1 Amounts Receivable from Related Parties which are eliminated during Consolidation of Financial Statements
December 31, 2022

DEDUCTIONS						
Name and Designation of debtor	**Balance at beginning of period**	**Additions**	**Amounts Collected**	**Amounts Written Off**	**Current**	**Balance at end of Period**
(Amounts in Thousands)						
ABS-CBN CORPORATION	₱ 15,237,555	₱ 4,064,051,166	₱ (4,064,478,208)	₱ -	₱ 14,810,513	₱ **14,810,513**
ABS-CBN FILM PRODUCTIONS, INC.	395,763	231,927,661	(231,731,866)	-	591,558	**591,558**
ABS-CBN GLOBAL CARGO CORPORATION	14	-	-	-	14	**14**
ABS-CBN GLOBAL LTD.	4,805,108	488,937,922	(488,449,170)	-	5,293,860	**5,293,860**
ABS-CBN INTEGRATED AND STRATEGIC PROPERTY HOLDINGS. INC.	19,860	141,877,624	(141,892,903)	-	4,581	**4,581**
ABS-CBN SHARED SERVICE CENTER PTE. LTD. - ROHQ	455,930	1,759,955,089	(1,759,834,402)	-	576,617	**576,617**
ABS-CBN STUDIOS, INC.	91	70,506,352	(70,506,443)	-	-	**-**
ABS-CBN THEME PARKS AND RESORTS HOLDINGS, INC.	25,299	(11,704)	-	-	13,595	**13,595**
ABS-CBN THEMED EXPERIENCES, INC.	177	-	-	-	177	**177**
CREATIVE PROGRAMS, INC.	548,223	407,586,694	(407,540,280)	-	594,637	**594,637**
ICONNECT CONVERGENCE, INC.	159,386	242,828,881	(242,733,208)	-	255,059	**255,059**
ROSETTA HOLDINGS CORPORATION	-	554,144,057	(554,067,374)	-	76,683	**76,683**
SAPIENTIS HOLDINGS CORPORATION	218,718	-	-	-	218,718	**218,718**
SARIMANOK NEWS NETWORK, INC.	487,063	817,801,035	(817,710,324)	-	577,774	**577,774**
SKY CABLE CORPORATION	173,558	336,812,362	(336,858,270)	-	127,650	**127,650**
SKY VISION CORPORATION	97,080	(7,894)	-	-	89,186	**89,186**
THE BIG DIPPER DIGITAL CONTENT & DESIGN, INC.	3,536,450	226,279,158	(225,227,068)	-	4,588,540	**4,588,540**
TV FOOD CHEFS, INC.	568	52	-	-	620	**620**
	₱ 26,160,843	**₱ 9,342,688,455**	**₱ (9,341,029,516)**	**₱ -**	**₱ 27,819,782**	**₱ 27,819,782**

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3

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule C.2 Amounts Payable from Related Parties which are eliminated during Consolidation of Financial Statements
December 31, 2022

		DEDUCTIONS					
Name and Designation of creditor	**Balance at beginning of period**	**Additions**	**Amounts Paid**	**Amounts Written Off**	**Current**	**Non Current**	**Balance at end of Period**
(Amounts in Thousands)							
ABS STUDIOS, INC.	₱ (1,083,643)	₱ (926,555)	₱ 1,000,684	₱ -	₱ (1,009,514)	₱ -	₱ **(1,009,514)**
ABS-CBN CENTER FOR COMMUNICATION ARTS, INC	(8,793)	-	-	-	(8,793)	-	**(8,793)**
ABS-CBN CORPORATION	(8,998,069)	(5,530,315,359)	5,528,982,407	-	(10,331,021)	-	**(10,331,021)**
ABS-CBN FILM PRODUCTIONS, INC.	(69,238)	(153,140,922)	153,111,953	-	(98,207)	-	**(98,207)**
ABS-CBN GLOBAL CARGO CORPORATION	(2,374)	-	-	-	(2,374)	-	**(2,374)**
ABS-CBN GLOBAL LTD.	(212,138)	(1,066,614,043)	1,066,108,391	-	(717,790)	-	**(717,790)**
ABS-CBN INTEGRATED AND STRATEGIC PROPERTY HOLDINGS. INC.	(17,687)	(120,294,964)	120,294,840	-	(17,811)	-	**(17,811)**
ABS-CBN SHARED SERVICE CENTER PTE. LTD. - ROHQ	(2,761)	(556,061,666)	556,061,616	-	(2,811)	-	**(2,811)**
ABS-CBN THEME PARKS AND RESORTS HOLDINGS, INC.	(1,420,415)	(157,876)	20,000	-	(1,558,291)	-	**(1,558,291)**
ABS-CBN THEMED EXPERIENCES, INC.	(328,285)	85	-	-	(328,200)	-	**(328,200)**
CAPTAN SERVICES	(45,191)	(3,947)	-	-	(49,138)	-	**(49,138)**
CINESCREEN, INC.	(55,679)	(1,783)	-	-	(57,462)	-	**(57,462)**
CREATIVE PROGRAMS, INC.	(430,212)	(462,216,133)	462,248,348	-	(397,997)	-	**(397,997)**
ICONNECT CONVERGENCE, INC.	(113,903)	(704,838,316)	704,784,582	-	(167,637)	-	**(167,637)**
PANAY MARINE, LTD.	(862,251)	(64,710)	-	-	(926,961)	-	**(926,961)**
PROFESSIONAL SERVICES FOR TELEVISION & RADIO, INC.	(5,016)	-	-	-	(5,016)	-	**(5,016)**
ROSETTA HOLDINGS CORPORATION	(2,011,374)	(198,851,591)	199,372,565	-	(1,490,400)	-	**(1,490,400)**
SAPIENTIS HOLDINGS CORPORATION	(5,855,377)	(2,303)	-	-	(5,857,680)	-	**(5,857,680)**
SARIMANOK NEWS NETWORK, INC.	(20,710)	(438,181,717)	438,181,141	-	(21,286)	-	**(21,286)**
SKY CABLE CORPORATION	(484,333)	(5,240,437,601)	5,240,218,591	-	(703,343)	-	**(703,343)**
SKY VISION CORPORATION	(62,882)	-	-	-	(62,882)	-	**(62,882)**
THE BIG DIPPER DIGITAL CONTENT & DESIGN, INC.	(177,081)	(219,172,155)	219,091,921	-	(257,315)	-	**(257,315)**
THE CHOSEN BUN, INC.	(40,314)	-	-	-	(40,314)	-	**(40,314)**
TV FOOD CHEFS, INC.	(6,340)	(886)	1,000	-	(6,226)	-	**(6,226)**
	₱ (22,314,066)	₱ (14,691,282,443)	₱ 14,689,478,040	₱ -	₱ (24,118,469)	₱ -	₱ **(24,118,469)**

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule D. Intangible Assets - Other Assets
December 31, 2022

Description	Beginning balance	Additions at cost	Deductions			Ending balance
			Charged to Cost and Expenses	Charged to other accounts (Disposal)	Other changes additions (deductions)	
(Amounts in Thousands)						
Goodwill	₱ 4,743,970	₱ -	₱ -	₱ -	₱ 23,509	₱ 4,767,479
Program Rights	2,116,565	25,265	(686,344)	(22,666)	-	1,432,820
Movie In- Process and Filmed Entertainment	991,223	58,144	(4,987)	(12,075)	-	1,032,305
Story, Video and Publication and Record Master	110,676	1,716	(4,363)	-	-	108,028
Trademarks	1,111,784	-	(74,119)	-	-	1,037,665
Customer Relationships	439,819	-	(86,175)	-	-	353,645
Cable Channels - CPI	232,827	-	(40,602)	-	-	192,225
Production and Distribution Business - Middle East	3,002	-	-	-	(223)	2,779
Business Process Re-engineering	396,682	149,118	-	-	-	545,800
IP Block	37,807	-	-	-	-	37,807
Total	**₱ 10,184,353**	**₱ 234,243**	**₱ (896,590)**	**₱ (34,741)**	**₱ 23,286**	**₱ 9,510,552**

Note: Charge to other accounts and other changes represent effect of business combination

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule E. Long-Term Debt
December 31, 2022

Title of Issue and type of obligation	Amount of authorized 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
(Amounts in Thousands)			
Sky Cable	₱ 4,596,818	₱ 735,453	₱ 3,861,365
Parent Company	13,131,499	975,679	12,155,820
Term Loans : Loan Agreement	17,728,317	1,711,132	16,017,185
Total	**₱ 17,728,317**	**₱ 1,711,132**	**₱ 16,017,185**

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule F. Indebtedness to Related Parties
December 31, 2022

Name of Related Parties	Balance at beginning of period	Balance at end of period

NOT APPLICABLE

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule G. 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 statement is filed	Nature of guarantee

NONE

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule H. Capital Stock
December 31, 2022

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet 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 Shares -₱1.0 Par value	1,300,000,000	899,806,671	-	765,556,433	11,056,878	123,193,360
Preferred Shares - ₱0.2 Par value	1,000,000,000	1,000,000,000	-	987,130,246	234,911	12,634,843

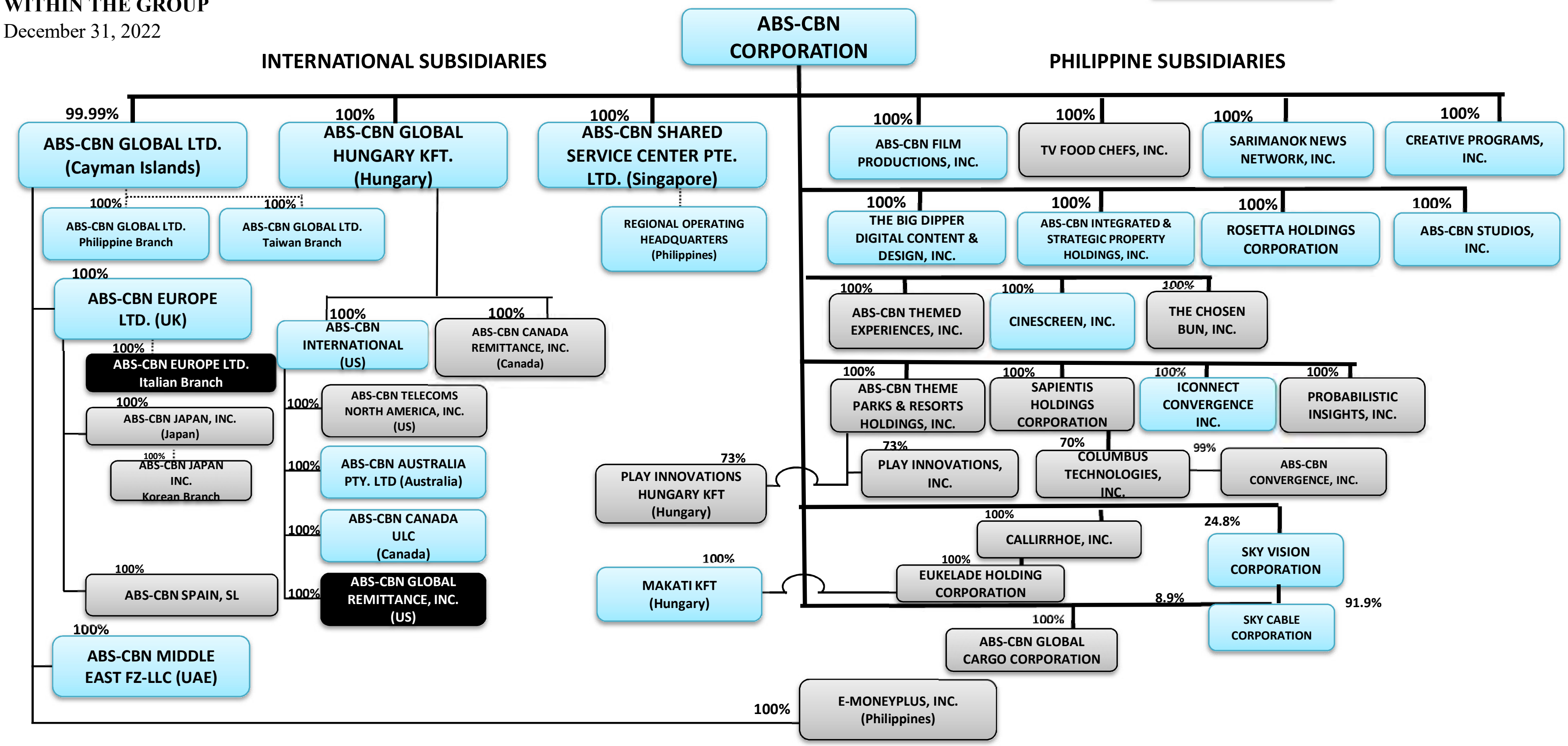
** Net of Philippine depository receipts*

ABS-CBN CORPORATION
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2022
Amounts in Thousands

		2022
Unappropriated retained earnings, beginning		(1,651,443)
Adjustment:		
Remeasurement loss on defined benefit plan from previous years		
Deferred tax assets, beginning		
Treasury shares		(544,268)
Retained earnings, beginning, as adjusted to amount available for dividend declaration, beginning		(2,195,711)
Add: Net loss actually realized during the year		(2,205,563)
Net income during the year closed to retained earnings		
Add (deduct):		
Unrealized foreign exchange gain - net of effects of cash and cash equivalents		-
Movement of recognized deferred tax assets for the year		-
Net loss actually realized during the year		(2,205,563)
less: dividend declared during the year		-
Retained earnings available for dividend declaration, end	₱	**(4,401,274)**

ABS-CBN CORPORATION AND SUBSIDIARIES
III. MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
December 31, 2022

Non-operational
Closed in 2022



ABS-CBN CORPORATION AND SUBSIDIARIES
Financial Ratios
December 31, 2022

RATIOS	FORMULA	12/31/2022 In Php ('000s)	12/31/2021 In Php ('000s)	31-Dec-22	31-Dec-21
Current ratio	Current Assets	12,322,222	13,940,212	0.82	0.94
	Current Liabilities	14,987,300	14,846,628		
Net Debt-to-equity ratio	Interest-bearing loans and borrowings less Cash and Cash equivalent	15,791,465	17,715,879	1.38	1.46
	Total Stockholders' Equity	11,422,404	12,094,067		
Asset-to-equity ratio	Total Assets	49,953,557	53,400,903	4.37	4.42
	Total Stockholders' Equity	11,422,404	12,094,067		
Interest rate coverage ratio	EBIT	(1,187,384)	(4,074,971)	-1.06	-3.49
	Interest Expense	1,122,382	1,167,705		
Return on Equity	Net Income	-2,635,948	(5,670,383)	-23.08%	-46.89%
	Total Stockholders' Equity	11,422,404	12,094,067		
Return on Assets	Net Income	-2,635,948	(5,670,383)	-5.28%	-10.62%
	Total Assets	49,953,557	53,400,903		
Profitability ratios					
Gross Profit Margin	Gross Profit	3,576,982	2,741,718	18.63%	15.38%
	Net Revenue	19,196,916	17,825,204		
Net Income Margin	Net Income	-2,635,948	(5,670,383)	-13.73%	-31.81%
	Net Revenue	19,196,916	17,825,204		

ABS-CBN CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ABS-CBN Corporation** 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 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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

Martin L. Lopez
Chairman of the Board

Carlo L. Katigbak
President and Chief Executive Officer

Ricardo B. Tan, Jr.
Group Chief Financial Officer

Signed this 14 day of March, 2023

ABS-CBN Broadcast Center, Sgt. E.A. Esguerra Avenue Cor. Mother Ignacia Street, Quezon City, Philippines
Tel. Nos.: (632) 924-4101, (632) 415-2272

SUBSCRBED AND SWORN to me before this 14 day of MAR 2023, 2023. Affiants exhibiting to me their Passports, as follows:

NAMES	PASSPORT NO.	DATE OF EXPIRY	PLACE OF ISSUE
Martin L. Lopez	P9450479A	11/6/2028	DFA, Manila
Carlo L. Katigbak	P5367822B	7/27/2030	DFA, Manila
Ricardo B. Tan, Jr.	P7898714B	10/17/2031	DFA, Manila

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Page No.: 12
Book No.: II
Series of: 2023

JHMBonifacio

JOHN ALBERT M. BONIFACIO
NOTARY PUBLIC
FOR AND IN THE CITY OF PASIG AND SAN JUAN
AND IN THE MUNICIPALITY OF PATEROS
UNTIL DECEMBER 31, 2023
PTR NO. 0173108; 01/06/2023; PASIG CITY
IBP NO. 260961; 01/05/2023 RIZAL (RSM)
MCLE COMPLIANCE NO. VII-0018257; 4/14/2025
ROLL NO. 73150/APPOINTMENT NO. 80 (2022-2023)
21/F Robinsons-Equitable Tower, 4 ADB Ave. cor. Poveda St.
1605 Ortigas Center, Pasig City

ABS-CBN CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **ABS-CBN Corporation** 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 and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the 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 **ABS-CBN Corporation,** 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 Internal 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 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) **ABS-CBN Corporation** 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.

Martin L. Lopez
Chairman of the Board

Carlo L. Katigbak
President and Chief Executive Officer

Ricardo B. Tan, Jr.
Group Chief Financial Officer

Signed this 14 day of March, 2023

SUBSCRBED AND SWORN to me before this 1 4 MAR 2023 day of ___________, 2023. Affiants exhibiting to me their Passports, as follows:

NAMES	PASSPORT NO.	DATE OF EXPIRY	PLACE OF ISSUE
Martin L. Lopez	P9450479A	11/6/2028	DFA, Manila
Carlo L. Katigbak	P5367822B	7/27/2030	DFA, Manila
Ricardo B. Tan, Jr.	P7898714B	10/17/2031	DFA, Manila

Doc. No. : 871
Page No.: 12
Book No.: II
Series of: 2023

JOHN ALBERT M. BONIFACIO
NOTARY PUBLIC
FOR AND IN THE CITY OF PASIG AND SAN JUAN
AND IN THE MUNICIPALITY OF PATEROS
UNTIL DECEMBER 31, 2023
PTR NO. 0173108; 01/06/2023; PASIG CITY
IBP NO. 260961; 01/05/2023; RIZAL (RSM)
MCLE COMPLIANCE NO. VII-0018257; 4/14/2025
ROLL NO 73150/APPOINTMENT NO. 80 (2022-2023)
21/F Robinsons-Equitable Tower, 4 ADB Ave. cor. Poveda St.
1605 Ortigas Center, Pasig City

Gleana Priscila T. Garzon

From:	eafs@bir.gov.ph
Sent:	Wednesday, March 22, 2023 11:39 AM
To:	Tax Accounting
Cc:	Tax Accounting
Subject:	Your BIR AFS eSubmission uploads were received

Hi ABS-CBN CORPORATION,

Valid files

- EAFS000406761ITRTY122022.pdf
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Transaction Code: **AFS-0-78D5578A02PXWVQQZNWTSVSRN0QR3MZ3MW**
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C O V E R S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	8	0	3

C O M P A N Y N A M E

ABS-CBN CORPORATION

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

ABS-CBN Broadcasting Centre, Sgt. Esguerra Avenue corner Mother Ignacia Street, Quezon City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS	CRMD	NA

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
IR@abs-cbn.com	(632) 3415 - 2272	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
5,330	June 25	December 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
Ricardo B. Tan	Rick_Tan@abs-cbn.com	(632) 3415 - 2272	–

CONTACT PERSON's ADDRESS

ABS-CBN Broadcasting Centre, Sgt. Esguerra Avenue corner Mother Ignacia Street, 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
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
ABS-CBN Corporation
ABS-CBN Broadcasting Centre Sgt. Esguerra Avenue
corner Mother Ignacia Street Quezon City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the accompanying Parent Company financial statements of ABS-CBN Corporation (the "Parent Company"), which comprise the Parent Company statements of financial position as at December 31, 2022 and 2021, and the Parent Company statements of income, 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 Parent 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Parent Company incurred net losses of ₱2.5 billion and ₱6.2 billion for the years ended December 31, 2022 and 2021, respectively. The Parent Company's current liabilities exceeded its current assets by ₱5.5 billion and ₱3.6 billion as of December 31, 2022 and 2021, respectively. These conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent 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 Parent 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 Parent 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 Parent Company to cease to continue as a going concern.

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 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 parent company financial statements. Such information is the responsibility of the management of the Parent Company. The information has been subjected to the auditing procedures applied in our audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Djole S. Garcia.

SYCIP GORRES VELAYO & CO.

Djole S. Garcia

Djole S. Garcia
Partner
CPA Certificate No. 0097907
Tax Identification No. 201-960-347
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 97907-SEC (Group A)
Valid to cover audit of 2022 to 2026 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. 08-001998-102-2021, September 16, 2021, valid until September 15, 2024
PTR No. 9564626, January 3, 2023, Makati City

March 14, 2023

ABS-CBN CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash (Note 4)	**₱144,009**	₱158,142
Trade and other receivables (Notes 5 and 19)	**7,843,885**	8,784,013
Inventories (Note 6)	**266,120**	371,068
Program rights (Note 11)	**376,310**	536,821
Other current assets (Note 7)	**1,497,067**	1,926,990
	10,127,391	11,777,034
Noncurrent Assets Held for Sale (Note 27)	**185,832**	173,490
Total Current Assets	**10,313,223**	11,950,524
Noncurrent Assets		
Investments in and advances to subsidiaries, joint ventures and associates (Notes 8 and 19)	**14,020,396**	14,095,650
Property and equipment (Note 9)	**5,546,813**	6,793,748
Program rights - net of current portion (Note 11)	**1,246,830**	1,602,159
Financial assets at fair value through other comprehensive income (FVOCI) (Note 12)	**40,454**	37,754
Other noncurrent assets (Note 13)	**1,716,819**	1,734,589
Total Noncurrent Assets	**22,571,312**	24,263,900
TOTAL ASSETS	**₱32,884,535**	₱36,214,424
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 14, 19 and 26)	**₱11,812,139**	₱10,323,987
Contract liabilities (Note 15)	**2,929,001**	3,100,779
Lease liabilities (Note 28)	**11,244**	13,609
Obligations for program rights (Note 17)	**129,523**	124,389
Interest-bearing loans and borrowings (Note 16)	**975,679**	1,942,037
Total Current Liabilities	**15,857,586**	15,504,801
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Note 16)	**12,155,820**	13,686,306
Lease liabilities - net of current portion (Note 28)	**14,562**	23,697
Deferred tax liabilities (Note 25)	**214,148**	214,148
Obligation for program rights - net of current portion (Note 17)	**45,053**	159,084
Accrued pension obligation and other employee benefits (Note 26)	**3,745,652**	4,286,471
Total Noncurrent Liabilities	**16,175,235**	18,369,706
Total Liabilities	**32,032,821**	33,874,507

(*Forward*)

	December 31	
	2022	2021
Equity (Note 18)		
Capital stock	**₱1,099,807**	₱1,072,124
Additional paid-in capital	**4,165,967**	4,482,565
Fair value reserves on financial assets at FVOCI (Note 12)	**78,990**	75,390
Share-based payment	**(264)**	–
Retained earnings	**(3,948,618)**	(1,651,443)
Treasury shares and Philippine depository receipts (PDRs) convertible to common shares	**(544,168)**	(1,638,719)
Total Equity	**851,714**	2,339,917
TOTAL LIABILITIES AND EQUITY	**₱32,884,535**	₱36,214,424

See accompanying Notes to Parent Company Financial Statements.

ABS-CBN CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(Amounts in Thousands)

	Years Ended December 31	
	2022	2021
REVENUE (Notes 19 and 20)	**₱7,756,910**	₱6,199,513
PRODUCTION COSTS (Notes 9, 11, 19, 21, 26 and 27)	**(7,434,794)**	(7,194,619)
COST OF SALES (Notes 6 and 22)	**(114,423)**	(40,577)
COST OF SERVICES (Note 22)	**(7,279)**	(13,846)
GROSS PROFIT (LOSS)	**200,414**	(1,049,529)
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9, 19, 23, 26 and 27)	**(4,489,787)**	(4,470,421)
FINANCE COSTS (Notes 16 and 24)	**(847,200)**	(940,050)
INTEREST INCOME (Notes 4, 19 and 24)	**47,814**	61,400
IMPAIRMENT LOSSES (Notes 5, 8, 9 and 13)	**(106,069)**	(135,344)
FOREIGN EXCHANGE LOSS - Net	**(1,095,942)**	(639,783)
OTHER INCOME - Net (Notes 19, 24 and 27)	**3,790,926**	689,977
LOSS BEFORE INCOME TAX	**(2,499,844)**	(6,483,750)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)	**31,944**	(234,494)
NET LOSS	**(₱2,531,788)**	(₱6,249,256)

See accompanying Notes to Parent Company Financial Statements.

ABS-CBN CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31	
	2022	2021
NET LOSS	**(₱2,531,788)**	(₱6,249,256)
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gain (loss) on defined benefit plan - net of tax (Note 26)	**228,513**	(67,031)
Fair value gain on financial assets at FVOCI - net of tax (Note 12)	**9,700**	5,025
	238,213	(62,006)
TOTAL COMPREHENSIVE LOSS	**(₱2,293,575)**	(₱6,311,262)

See accompanying Notes to Parent Company Financial Statements.

ABS-CBN CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Thousands)

	Capital Stock (Note 18)		Additional Paid-in	Share-based	Fair Value Reserves on Financial Assets At FVOCI	Remeasurement Loss on Defined Benefit Plan - Net	Retained Earnings (Note 18)		Treasury Shares and PDRs Convertible to Common Shares	Total
	Common	Preferred	Capital	Payment	(Note 12)	(Note 26)	Appropriated	Unappropriated	(Note 18)	
At January 1, 2022	**₱872,124**	**₱200,000**	**₱4,482,565**	**₱–**	**₱75,390**	**₱–**	**₱–**	**(₱1,651,443)**	**(₱1,638,719)**	**₱2,339,917**
Net loss	–	–	–	–	–	–	–	**(2,531,788)**	–	**(2,531,788)**
Other comprehensive income	–	–	–	–	**9,700**	**228,513**	–	–	–	**238,213**
Total comprehensive income (loss)	–	–	–	–	**9,700**	**228,513**	–	**(2,531,788)**	–	**(2,293,575)**
Remeasurement loss on defined benefit plan transferred to retained earnings	–	–	–	–	–	**(228,513)**	–	**228,513**	–	–
Sale of treasury shares (Note 18)	–	–	**(594,551)**	–	–	–	–	–	**1,094,551**	**500,000**
Transfer of fair value reserves on financial assets at FVOCI	–	–	–	–	**(6,100)**	–	–	**6,100**	–	–
Others (Note 18)	**27,683**	–	**277,953**	**(264)**	–	–	–	–	–	**305,372**
At December 31, 2022	**₱899,807**	**₱200,000**	**₱4,165,967**	**(₱264)**	**₱78,990**	**₱–**	**₱–**	**(₱3,948,618)**	**(₱544,168)**	**₱851,714**
At January 1, 2021	₱872,124	₱200,000	₱4,482,565	₱–	₱71,712	₱–	₱16,200,000	(₱11,536,503)	(₱1,638,719)	₱8,651,179
Net loss	–	–	–	–	–	–	–	(6,249,256)	–	(6,249,256)
Other comprehensive income (loss)	–	–	–	–	5,025	(67,031)	–	–	–	(62,006)
Total comprehensive income (loss)	–	–	–	–	5,025	(67,031)	–	(6,249,256)	–	(6,311,262)
Remeasurement loss on defined benefit plan transferred to retained earnings	–	–	–	–	–	67,031	–	(67,031)	–	–
Transfer of fair value reserves on financial assets at FVOCI	–	–	–	–	(1,347)	–	–	1,347	–	–
Reversal of appropriation of retained earnings	–	–	–	–	–	–	(16,200,000)	16,200,000	–	–
At December 31, 2021	₱872,124	₱200,000	₱4,482,565	₱–	₱75,390	₱–	₱–	(₱1,651,443)	(₱1,638,719)	₱2,339,917

See accompanying Notes to Parent Company Financial Statements.

ABS-CBN CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱2,499,844)**	(₱6,483,750)
Adjustments for:		
Depreciation and amortization (Notes 9, 21 and 23)	**895,611**	1,121,671
Interest expense (Note 24)	**829,067**	924,382
Amortization of program rights (Notes 11 and 21)	**562,631**	786,421
Unrealized foreign exchange gain	**1,118,653**	(687,612)
Gain on sale of property and equipment (Notes 9 and 24)	**(461,744)**	(184,418)
Impairment losses (Notes 5, 8, 9 and 13)	**106,069**	135,344
Gain on sale of noncurrent assets held for sale (Note 27)	**(2,055,578)**	–
Interest income (Note 24)	**(47,814)**	(61,400)
Loss on extinguishment of program rights (Notes 11 and 21)	–	80,019
Movements in accrued pension obligation and other employee benefits (Note 26)	**(334,548)**	57,629
Amortization of debt issue costs (Note 24)	**15,935**	12,874
Dividend income (Note 24)	–	(7,245)
Working capital adjustments:		
Decrease (increase) in:		
Trade and other receivables	**(154,475)**	1,590,749
Other current assets	**202,759**	(162,757)
Inventories	**104,948**	108,311
Increase (decrease) in:		
Trade and other payables	**1,835,362**	3,608,492
Obligation for program rights (Note 17)	**(121,002)**	(318,414)
Contract liabilities (Note 15)	**(171,778)**	43,725
Cash generated from (used in) operations	**(175,748)**	564,021
Income tax paid	**(278,287)**	(25,729)
Net cash provided by (used in) operating activities	**(454,035)**	538,292
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Program rights (Notes 11)	**(46,791)**	(197,669)
Property and equipment (Note 9)	**(77,584)**	(58,970)
Decrease (increase) in:		
Other noncurrent assets (Note 13)	**5,838**	(12,997)
Interest received	**47,461**	61,195
Proceeds from sale of:		
Property and equipment and noncurrent assets held for sale (Notes 9 and 27)	**2,915,126**	415,681
Sale of investment (Note 12)	**7,000**	2,375
Dividends received	**–**	7,245
Net cash provided by investing activities	**2,851,050**	216,860

(*Forward*)

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Sale of treasury stocks (Note 18)	**₱500,000**	₱–
Payments of:		
Interest	**(852,146)**	(919,381)
Long-term debt (Note 16)	**(2,512,779)**	(442,088)
Principal portion of lease liabilities (Note 28)	**(13,463)**	(18,907)
Increase in restricted cash	**473,509**	75,103
Net cash used in financing activities	**(2,404,879)**	(1,305,273)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(6,269)**	5,247
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(14,133)**	(544,874)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**158,142**	703,016
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱144,009**	₱158,142

See accompanying Notes to Parent Company Financial Statements.

1. **Corporate Information, Status of Operations and Authorization for Issuance of the Parent Company Financial Statements**

ABS-CBN Corporation ("ABS-CBN" or "the Company") was incorporated in the Philippines on July 11, 1946. On July 27, 1994, the Philippine Securities and Exchange Commission (SEC) approved the extension of the corporate term of the Company for another 50 years. The Company's core business is television and radio broadcasting. 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 latest franchise renewal was approved on March 30, 1995 for a period of 25 years. The Company was 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 until May 4, 2020. On July 10, 2020, the House Committee on Legislative Franchises (regular and ex-officio members) voted to adopt a resolution denying the franchise application of the Company (the "Resolution").

The Company incurred net losses of ₱2.5 billion, ₱6.2 billion for the years ended December 31, 2022 and 2021, respectively. The Company's current liabilities exceeded its current assets by ₱5.5 billion and ₱3.6 billion as of December 31, 2022 and 2021, respectively. Moreover, the Company is required to maintain certain financial ratios and the effectivity of the standstill provision in the Company's Omnibus Intercreditor and Security Agreement with its lenders will expire on June 30, 2023 (the "Long Stop Date") (refer to Note 16). These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

The Company continues to explore and pursue other business relationships with local and foreign entities to ensure the maximum exposure and monetization of its content assets. To continue to be of service to "The Filipino People", the Company launched its Kapamilya Channel on cable TV, and subsequently, its digital streaming channel "Kapamilya Online Live" on August 2020. The Company also partnered with broadcasting companies for a wider reach by providing content. On October 2020, the Company secured a content supply agreement with Zoe Broadcasting that allowed ABS-CBN's programs to be shown on Channel A2Z. In January 2021, some ABS-CBN shows also began airing on select time slots on TV5. Other partnerships include content supply agreements on Pinoy Interactive Entertainment (PIE) channel with Kroma Entertainment and BEAM. These initiatives generated advertising revenue amounting to ₱5.5 billion in 2022.

In addition, the Company also began ramping up content sales and licensing of its contents to both domestic and international clients – a roster that includes TV5, GMA Network, AMBS, Netflix, Viu, iQiyi, WeTV, where the Company distributed over 381 titles to various territories in Asia, Africa, Middle East and Europe as well as over-the-top platforms generating ₱1.2 billion in revenue in 2022.

Management assessed that the Company will be able to maintain its positive cash position and settle its liabilities as they fall due within the next 12 months through management's plans on future actions as discussed in Note 3.

Lopez Inc., a Philippine entity, has 56% economic interest in the Company, with 79% voting rights. Lopez, Inc. is the ultimate Parent Company.

The common shares of ABS-CBN were listed beginning July 8, 1992 and have been traded in the Philippine Stock Exchange (PSE) since then.

The registered office address of the Company is ABS-CBN Broadcasting Centre, Sgt. Esguerra Avenue corner Mother Ignacia Street, Quezon City.

The accompanying Parent Company's financial statements were approved and authorized for issuance by the Board of Directors (BOD) on March 14, 2023.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis, except for investments in equity shares and club shares which have been measured at fair value. The parent company financial statements are presented in Philippine peso, which is the functional and presentation currency of the Company. All values are rounded to the nearest thousands, except for number of shares, per share amounts and when otherwise indicated.

The Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements presented in accordance with Philippine Financial Reporting Standards (PFRSs). The consolidated financial statements of the Company are filed with and may be obtained from the Philippine SEC.

Statement of Compliance

The Company financial statements were prepared in compliance with PFRSs.

Changes in Accounting Policies and Disclosures

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the Parent Company financial statements, unless otherwise indicated. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- 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 Company adopted the amendments beginning January 1, 2022. These amendments have no impact on the Company's financial statements.

- Amendments to PAS 16, *Property, Plant and Equipment*

  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 Company adopted the amendments beginning January 1, 2022. These amendments have no impact on the Company's financial statements.

- 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 Company adopted the amendments beginning January 1, 2022. These amendments have no impact on the Company's financial statements.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the Company's financial statements, based on the Company's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the Company acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - 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.

  - 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.

The Company adopted the amendments beginning January 1, 2022. These amendments have no impact on the Company's financial statements.

Foreign Currency-denominated Transactions
Transactions in foreign currencies are initially recorded in the functional currency exchange rate ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing exchange rate at financial reporting date.

All differences are taken to the parent company statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Fair Value Measurement
The Company measures financial instruments at fair value at each financial reporting date.

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 to the Company.

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

A fair value measurement of a nonfinancial 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 re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every financial reporting date.

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.

Financial Statements Classification
The Company presents assets and liabilities in the parent company statements of financial position based on current/noncurrent classification.

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

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 the dates of acquisitions and that are subject to an insignificant risk of change in value.

Financial Instruments
Date of Recognition. Financial instruments are recognized in the parent company statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting. Derivatives are recognized on trade date accounting.

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 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 fair value through profit or loss, 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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) and financial assets at FVPL.

a. *Financial Assets at Amortized Cost (Debt Instruments).* This category is the most relevant to the Company. 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 solely payments of principal and interest on the principal amount outstanding.

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

   This category includes the Company's cash, trade and other receivables and deposits (included under "Other noncurrent assets" account).

b. *Financial Assets at FVOCI (Debt Instruments).* The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

   - the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
   - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

   For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the parent company statement of income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

   The Company has no debt instruments at FVOCI as at December 31, 2022 and 2021.

c. *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 fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

   Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of 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 its listed and non-listed equity investments and investments in club shares under this category.

d. *Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

   Financial assets at FVPL are carried in the parent company statement of financial position at fair value with net changes in fair value recognized in the parent company statement of income.

   This category includes derivative instruments.

   The Company has not designated any financial assets at FVPL as at December 31, 2022 and 2021.

Embedded Derivatives. A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristic and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded with a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

The Company has no embedded derivatives as at December 31, 2022 and 2021.

Derecognition. 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.

Modification. The Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Company considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Company considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "solely payment for principal and interest"

The Company also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Company considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Impairment. The Company recognizes an expected credit loss (ECL) 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 effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, the Company applies a general approach in calculating ECLs. The Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash and cash equivalents since initial recognition.

For trade and other receivables and contract assets, 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.

The Company considers a financial asset in default when contractual payments are generally 60 to 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 when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

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

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

The Company's financial liabilities are trade and other payables, interest-bearing loans and borrowings, obligations for program rights and lease liabilities.

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

a. *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 income. Financial liabilities designated upon initial recognition at fair value through profit or loss 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.

b. *Financial Liabilities at Amortized Cost.* This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

   Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included under "Finance costs" account in the parent company statement of income.

   Classified under this category are trade and other payables, interest-bearing loans and borrowings, obligations for program rights and lease liabilities.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statement of income.

Exchange or modification

The Company considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Company recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

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 Financial Instruments
Financial assets and financial liabilities are offset with the net amount reported in the parent company statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method. NRV of inventories that are for sale is the selling price in the ordinary course of business, less the cost of marketing and distribution. NRV of inventories not held for sale is the current replacement cost.

Other Current Assets
Restricted Cash. Restricted cash pertains to funds intended for debt repayment and is not available for any disbursement transactions other than its specified purpose.

Creditable Withholding Taxes (CWT). CWT represents the amount withheld by the Company's customers in relation to its revenues. These are recognized upon collection of the related billings and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

Advances to Suppliers. Advances to suppliers represent advanced payments on goods to be received or services to be incurred in connection with the Company's operations and are generally applied to acquisition of inventories and fixed assets and availment of services and others within the next financial year.

Preproduction Expenses. Preproduction expenses represent costs incurred 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 upon airing of the related program or episodes. Costs related to previously taped episodes determined not to be aired are charged to expense.

Prepayments. Prepayments are carried at cost and are amortized on a straight line basis over the period of expected usage, which is equal to or less than 12 months or within the normal operating cycle.

Investments in Subsidiaries, Joint Ventures and Associates

Investments in subsidiaries (entities over which the Company has control), joint ventures (entities over which the Company has joint control) and associates (entities over which the Company has significant influence and which are neither subsidiaries nor joint ventures) are accounted for under the cost method of accounting in the parent company financial statements. The investments are carried in the parent company statements of financial position at cost, less any impairment in value. The Company recognizes income from the investments only to the extent that the Company receives distributions from accumulated profits of the subsidiaries, joint ventures and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

Noncurrent Assets Held for Sale

Noncurrent assets is classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Property and Equipment
Property and equipment, except land, are carried at cost (including capitalized interest), excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Land is stated at cost, which includes initial purchase price and other cost directly attributable in bringing such asset to its working condition, less any impairment in value.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

The Company's policy is to classify right-of-use assets as part of property and equipment. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, 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 their estimated useful life and lease term. Right-of-use assets are subject to impairment.

Depreciation and amortization are computed on a straight-line method over the following useful lives of property and equipment:

Asset Type	Number of Years
Land improvements	5 to 10
Right-of-use assets	5 to 9
Buildings and improvements	10 to 40
Towers, transmission, television, radio, movie and auxiliary equipment	5 to 20
Other equipment	3 to 10

The property and equipment's residual values, useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at each financial reporting date.

Construction in-progress represents equipment under installation and building under construction and is stated at cost, which includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and become available for operational use.

An item of property and equipment 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 the parent company statement of income in the year the asset is derecognized.

Investment Property

Investment property, which pertains to land held for capital appreciation, is measured at cost, including transaction costs, less any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met, and excludes day-to-day servicing of an investment property. Land is stated at cost, less any impairment in value.

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 carrying 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" account up to the date of change in use.

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

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit. The useful lives of intangible assets are assessed to be either finite or indefinite. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at each financial reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization of intangible assets with finite lives is recognized in the parent company statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if an indication of impairment exists either individually or at the cash-generating unit level. Such intangibles are not amortized. Intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Amortization of program rights is computed on a straight-line method over the following methods:

<table>
<tr><th>Category</th><th>Current Policy</th></tr>
<tr><td>Specific run with specific terms</td><td rowspan="3">For fixed term program and film rights, amortized on a straight-line basis over the license term as indicated in the contract, regardless if program and film right is aired or not.</td></tr>
<tr><td>Multiple runs with specific terms</td></tr>
<tr><td>Multiple runs with indefinite start date of license term</td></tr>
<tr><td>Perpetual rights</td><td>For perpetuity program and film rights, amortized on a straight-line basis at the beginning of the term as indicated in the contract, regardless if the program and film right is aired or not, and shall run over a period of 15 years from the start of amortization.</td></tr>
</table>

Tax Credits
Tax credits from government airtime sales availed under Presidential Decree (PD) No. 1362 are recognized in the books upon actual airing of government commercials and advertisements. These are included under "Other noncurrent assets" account in the parent company statement of financial position.

Impairment of Nonfinancial Assets
The Company assesses at each financial reporting date whether there is an indication that property and equipment, investment property, program rights, tax credits and investments in subsidiaries, joint ventures and associates may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value, less cost to sell and its 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 groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss 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. The 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 the parent company statement of income. After such a reversal, the depreciation and amortization 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.

Paid-in Capital
The Company has issued par value capital stock that is classified as equity. Incremental costs directly attributable to the issuance of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

When the Company issues its par value shares, the proceeds shall be credited to the "Capital stock" account in the parent company financial statements to the extent of the par value, with any excess being reflected as "Additional paid-in capital" in the parent company statement of financial position.

Where the Company purchases its capital stock and PDRs issued by ABS-CBN Holdings that are convertible to the Company's common shares (recorded as "Treasury shares and PDRs convertible to common shares" account in the parent company statement of financial position), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity.

Share-based Payment Transactions
Employees and talents (including directors) of the Company receive remuneration in the form of share-based payment transactions from the Company and Lopez Holdings Corporation (Lopez Holdings), a commonly-controlled entity, whereby eligible participants render services as consideration for equity instruments (equity-settled transactions). Selected key employees of the Company, also receive remuneration in the form of share-based payment transactions, whereby the Company incurs a liability to pay cash (cash-settled transactions) to the employees in consideration for their services rendered.

Equity-settled Transactions. The cost of equity-settled transactions received from Lopez Holdings is measured by reference to the fair value of the stock options at the date the option is granted. The fair value is determined using the Black-Scholes-Merton Option Pricing Model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares subjected of Lopez Holdings ("market conditions") and non-vesting conditions, if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in "Share-based payment plan" account in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period).

The cumulative expense recognized for equity-settled transactions at each financial reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest at that date. The current income or expense charges in "Personnel expenses", under "General and administrative expenses" account in the parent company statement of income, represent the movement in cumulative expense recognized as of financial reporting date.

No expense is recognized for awards that do not ultimately vest.

When the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled with payment, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. There is no reversal of cost already charged after vesting of equity-settled transactions, only transfers between components of equity.

Cash-settled Transactions. The cost of liability from the cash-settled transactions for notional shares allocated to selected key employees is measured by reference to the market price of the Company's share as at financial reporting date. At each financial reporting date between the grant date and settlement, the liability recognized is the fair value of the award at that date multiplied by the expired portion of the vesting period. All changes in the liability are recognized in profit or loss for the period.

Retained Earnings (Deficit)
Retained earnings consists of appropriated and unappropriated balances. Appropriated retained earnings are restricted for specific purposes and/or not available for dividend declaration. Unappropriated retained earnings (deficit) are not restricted and include the cumulative balance of net income or loss, any dividend distributions, prior period adjustments and any changes in accounting policy. Deficit is not an asset but is a deduction from equity.

Deposit for future subscription
Deposit for future subscription accounts represents funds received by the Company which it records as such with a view to applying the same as payment for additional issuance of shares or increase in capital stock. Deposits for future subscription is reported as part of the statement of changes in equity and as a sperate item in the equity section of the statement of financial position, if the following criteria are met, otherwise, this is classified as non-current liability:

- the unissued authorized capital stock of the entity is insufficient to cover the number of shares indicated in the contract
- there is BOD's approval on the proposed increase in authorized capital stock (for which a deposit was received by the Company);
- there is stockholders' approval of said proposed increase; and
- the application for the approval of the proposed increase has been filed with the SEC on or before the financial reporting date

Revenue Recognition
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, excluding amounts collected on behalf of third parties. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

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 disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

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

Advertising revenue. Revenue is recognized at a point in time upon airing of the advertisements. The Company uses the cost per individual rating point (CPIRP) pricing scheme. The scheme provides that the advertising spots sold will be computed using a multiplier based on the actual rating point of the spot aired as provided by a third-party measurement company.

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

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

Industry rules allow ABS-CBN to sell up to 18 minutes of commercial spots per hour of television programming. These spots are sold mainly through advertising agencies which act as the buying agents of advertisers, and to a lesser extent, directly to advertisers.

Incentives, which include volume discounts for large quantities of telecast order, are recognized upon airing.

Payments received before broadcast (pay before broadcast) represent customer deposits, which are recognized as revenue upon airing of related advertisements. These are included in the parent company statement of financial position as part of “Contract liabilities”.

Online ads. Revenue from online advertisement (ad sales) is recognized at a point in time when advertisements are viewed/interacted with by target customers.

Subscription revenue. Subscription revenue is recognized over the subscription period in accordance with the terms of the subscription agreements.

Royalty income. Royalty income is recognized at a point in time upon rendering of service based on the terms of the agreement. It includes income from the Company’s share in fees from endorsements and other external services of its talents equivalent to 10% of gross receipts.

Ancillary rights. Ancillary rights pertain to income from TV or film rights which are recognized on the dates the films are permitted to be publicly shown.

Sale of goods. Sale of goods is recognized when delivery has taken place and control has been transferred. These are stated net of sales discounts.

Admission revenue. Admission revenue and ticket sales are recognized at a point in time when tickets are used or expired.

Other revenue. Other revenue, which includes short-messaging-system/text-based revenue, is recognized at a point in time upon delivery of content.

Other Income
Other income is recognized when the services are rendered or goods are delivered.

a. Dividends are recognized when the shareholders' right to receive payment is established.
b. Management fees are recognized based on the terms of the management agreement.
c. Rental income is recognized as income on a straight-line basis over the lease term.
d. Intercompany revenue is recognized when services have been rendered.
e. Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

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 incurs certain incremental costs to obtain a contract with a customer that would not have been incurred if the contract had not been entered into. These are recognized as incremental costs of obtaining a contract and are capitalized as an asset if the costs are expected to be recoverable. These costs are amortized on a systematic basis that is consistent with the Company's transfer of the related goods or services to the customer. The Company applies the practical expedient to immediately expense contract costs that are expected to be amortized within one year or less.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Capitalized contract costs are subject to an impairment assessment at the end of each reporting period. Impairment losses are recognized in profit or loss.

Cost and Expense Recognition
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distribution to equity participants. Costs and expenses other than those with specific policies are recognized in the parent company statement of income in the year these are incurred.

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. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

Company as a Lessee
The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liability. 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, mostly relating to equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Company as Lessor.
Leases where the Company does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

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

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the year, less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalizable rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during the year shall not exceed the amount of borrowing costs incurred during that year.

Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred in the year in which they occur.

Pension Costs and Other Employee Benefits

The Company has a funded defined benefit pension plan. The cost of providing benefits under the defined benefit plan is determined by using the projected unit credit actuarial valuation method.

Defined Benefit Pension 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.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as part of costs and expenses in the parent company statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time, which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit obligation or asset is recognized under costs and expenses in the parent company statement of income.

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

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.

Termination Benefit. Termination benefits are employee benefits provided in exchange for the termination of an employee's employment before the normal retirement date as a result of either an entity's decision or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement. Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. Liability for leaves expected to be settled beyond 12 months are recognized as part of the noncurrent portion of other employee benefits liability and measured at the present value of the benefit as at financial reporting date.

Taxes

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

Current tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of income.

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it 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 nor taxable profit.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in other subsidiaries and associates, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future 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 financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized in correlation to the underlying transaction either in OCI or directly in equity, and not in the parent company statement of income.

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

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 under “Trade and other payables” account 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 under “Other current assets” account in the parent company statement of financial position to the extent of the recoverable amount.

<u>Contingencies</u>

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

Events after Financial Reporting Date
Any event after financial reporting date that provides additional information about the Company's financial position at financial reporting date (adjusting events) are reflected in the parent company financial statements. Events after financial reporting date that are not adjusting events are disclosed in the notes to the parent company financial statements, when material.

Segment Reporting
For management purposes, ABS-CBN Corporation and Subsidiaries' (collectively referred to as the "Group") operating businesses are organized and managed separately into two (2) business activities Such business segments are the bases upon which the Group reports its operating segment information. The Group operates in three (3) geographical areas where it derives its revenue. The Company is involved in content production and distribution and only operates in the Philippines. Financial information on segment reporting is presented in Note 33.

Future Changes in Accounting Policies
The standards, amendments and interpretations that are issued, but not yet effective as at December 31, 2022 are disclosed in the next section. The Company intends to adopt these standards, if applicable, when these become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2023

- 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 amendments are not expected to have a material impact on the Company.

- 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. The amendments are not expected to have a material impact on the Company.

- 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.

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, 2024 and must be applied retrospectively.

- 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.

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.

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 continues to assess the impact of the new and amended accounting standards and interpretations effective subsequent to December 31, 2022 financial statements. Additional disclosures required by these amendments will be included in the parent company financial statements when these amendments are adopted.

3. Management's Use of Judgments, Estimates and Assumptions

The Company's financial statements are prepared under PFRSs require management to make judgments and estimates that affect amounts reported in the Company's financial statements and related notes. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the parent company financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are consistent with those applied in the most recent annual financial statements.

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

Going Concern Assessment
As discussed in Note 1, the Company incurred net losses of ₱2.5 billion, ₱6.2 billion for the years ended December 31, 2022 and 2021, respectively. The Company's current liabilities exceeded its current assets by ₱5.5 billion and ₱3.6 billion as of December 31, 2022 and 2021, respectively. Moreover, the Company is required to maintain certain financial ratios and the effectivity of the standstill provision in the Company's Omnibus Intercreditor and Security Agreement with its lenders will expire on June 30, 2023 (refer to Note 16). These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

To address the impact of the factors which indicate that there is a material uncertainty in the Company's ability to continue as a going concern:

1. The Company has and will continue to pursue partnerships with various reputable companies that will allow the Company to share its produced content nationwide.

2. The Company continues to operate in other businesses that do not require a legislative franchise, such as, international licensing and distribution, digital businesses, as well as, continue with the syndication of content through various streaming services.

3. The Company has adopted and continues to implement cost control measures and reducing general and administrative expenses or overhead, rationalizing capital expenditures, and streamlining its manpower requirements.

4. The Company continues to service its loan obligations with its creditor banks. The Company is in discussions with its lenders to address the effect of the expiry of the standstill, including, but not limited to, the waiver of financial ratios for 2023 and the Long Stop Date, possible options for the early settlement of the loan through sale of certain properties, and possible restructuring of the remaining loan balance.

5. The Company continues to explore and intends to pursue all available remedies and courses of action, and will comply with relevant legal, regulatory and contractual requirements, to be able to sustain its current and future business operations, which do not necessarily involve broadcast only.

After considering the responses of the Company to address these uncertainties, management assessed that the Company will be able to maintain its positive cash position and settle its liabilities as they fall due within 12 months from the end of the reporting period. Accordingly, the parent company financial statements are prepared on a going concern basis.

Recognition of Revenue from Contracts with Customers
The Company applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

a. *Principal versus Agent Consideration.* The Company enters into contracts with its customers. The Company determined that it controls the goods and services before they are transferred to customers, and it has the ability to direct their use. The following factors indicate that the Company controls the goods and services before they are being transferred to customers. Therefore, the Company determined that it is a principal in these contracts.

   - The Company is primarily responsible for fulfilling the promise to provide the specified goods and services.
   - The Company has inventory risk on the goods and services before these are transferred to the customer.
   - The Company has discretion in establishing the prices for the other party's goods or services and, therefore, the benefit that the Company can receive from those goods or services is not limited. It is incumbent upon the Company to establish the price of its services to be offered to its customers.
   - The Company's consideration in these contracts is the entire consideration billed to the service provider.

   Based on the foregoing, the Company is considered the principal in its contracts with its customers. It has the primary obligation to provide the services to them.

b. *Revenue Recognition.* The Company recognizes revenue over time or at a point in time depending on its evaluation of when the customer obtains control of the promised goods or services.

   For licensing, judgment is exercised in determining whether the Company can recognize revenue outright or over the license period. The Company recognizes revenue over the license period if all of the following criteria are met; otherwise, revenue is recognized outright:

   - the contract requires, or the customer reasonably expects, that the Company will undertake activities that significantly affect the intellectual property to which the customer has rights.
   - the rights granted by the license directly expose the customer to any positive or negative effects of the Company's activities.
   - those activities do not result in the transfer of a good or a service to the customer as those activities occur.

   Revenues from other revenue streams are recognized at a point in time when control over goods or services is transferred.

Determination of lease term of contracts with renewal and termination options - Company as a lessee
The Company has several lease contracts that include extension and termination options. The Company applies judgement 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 included the renewal period as part of the lease term for leases of office spaces and warehouses with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on operations if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed on the next page.

Allowance for ECL

a. *Definition of Default and Credit-Impaired Financial Assets.* Under PFRS 9, the Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

   - Quantitative Criteria. The borrower is generally more than 60 to 90 days past due on its contractual payments, which is consistent with the Company's definition of default.

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

     a. The borrower is experiencing financial difficulty or is insolvent;
     b. The borrower is in breach of financial covenant(s); or
     c. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

b. *Simplified Approach for Trade and Other Receivables.* The Company uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

   The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

   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 forecast economic conditions. 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.

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

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

   Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

   In light of COVID-19 pandemic, the Company reviewed the conduct of its impairment assessment and ECL methodology. The Company also reassessed the framework for macroeconomic overlay, incorporating pandemic scenarios to ensure that changes in economic conditions are captured in the ECL calculations.

Provision for ECL amounted to ₱76.0 million and ₱7.8 million in 2022 and 2021, respectively (see Note 5). Trade and other receivables, net of allowance for ECL, amounted to ₱7.8 billion and ₱8.9 billion as of December 31, 2022 and 2021, respectively (see Note 5). Allowance for ECL amounted to ₱10.2 billion and ₱10.1 billion as of December 31, 2022 and 2021, respectively (see Note 5).

Estimated Useful Lives of Property and Equipment and Program Rights
The useful life of each item of the Company's property and equipment and program rights is estimated based on the period over which the asset is expected to be available for use. Estimation for property and equipment is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets while for program rights, estimated life is based on the life of agreement covering such program rights. The estimated useful life of each asset is reviewed periodically and 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 these assets. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the aforementioned factors. The amounts and timing of recording the depreciation and amortization for any year, with regard to the property and equipment and program rights, would be affected by changes in these factors and circumstances. A reduction in the estimated useful life of any of the property and equipment or programs rights would increase the recorded expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of property and equipment and program rights in 2022 and 2021.

The carrying values of property and equipment (excluding land and land improvements and construction in-progress) and program rights with finite lives are as follows (see Notes 9 and 11):

	2022	2021
Property and equipment	**₱4,936,530**	₱5,926,505
Program rights	**1,623,140**	2,138,980

Amortization of Program Rights
The Company reviews its program rights inventory and plans for its usage across different platforms to maximize its benefits. The Company amortizes program rights based on usage or specific term.

Program rights amounted to ₱1.6 billion and ₱2.1 billion as of December 31, 2022 and 2021, respectively (see Note 11).

Impairment of Nonfinancial Assets
The Company assesses impairment on nonfinancial assets (enumerated in the following table other than inventories) 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 under-performance 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; and,
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The carrying values of nonfinancial assets that are subjected to impairment testing when impairment indicators are present are as follow (see Notes 8, 9, 10, 11 and 13):

	2022	2021
Investments in and advances to subsidiaries, joint ventures and associates	**₱14,020,396**	₱14,095,650
Property and equipment	**5,546,813**	6,793,748
Program rights	**1,623,140**	2,138,980
Tax credits	**48,810**	49,169

Investments in subsidiaries, joint ventures and associates which are carried at cost are tested for impairment if indicators of impairment exist. To test whether there is impairment, the recoverable amount and the carrying amount of the cash-generating unit were compared. Impairment loss is recorded if the recoverable amount is lower than the carrying amount. The recoverable amount of the cash-generating unit is its value-in-use. Value-in-use is determined using cash flow projections which were based on financial budgets approved by the subsidiaries and associates' senior management covering a five-year period.

In 2022, the Company recognized impairment loss amounting to ₱20 million relating to certain property and equipment (see Note 9) and ₱75 million relating to certain investments in and advances to subsidiaries and associates (see Note 8). In 2021, the Company recognized impairment loss amounting to ₱76 million relating to certain property and equipment (see Note 9), ₱47 million relating to certain investments in and advances to subsidiaries and associates (see Note 8) and ₱11.4 million to certain deposits and bonds (see Note 13).

Recoverability testing requires an estimation of the fair value of the cash-generating units to which certain non-financial assets are allocated. Certain non-financial assets have been allocated to one cash-generating unit which is also the operating entity. Estimating the recoverable amount of the cash-generating unit involves significant assumptions about the future results of the business such as revenue growth and gross margins in its cable and digital platform, advertising and syndication businesses, and discount rates which were applied to cash flow forecasts. The cash flow forecasts were based on financial budgets approved by senior management of the Company covering a five-year period.

The impairment on non-financial assets is determined by comparing: (a) the carrying amount of the cash-generating unit; and (b) the present value of the annual projected cash flows for five years and the present value of the terminal value computed under the discounted cash flow method.

As of December 31, 2022 and 2021, the recoverable amount of certain assets was determined using income approach based on discounted cash flow techniques where expected cash flow from the use of the assets were projected and discounted using the appropriate discount rate reflective of the market expectations. The recoverable amount is most sensitive to the inputs used in the valuation which are lease income growth rate and discount rate.

The key assumptions used, after consideration of the impact of COVID-19, in the impairment test of non-financial assets to which the recoverable amount is most sensitive to are follows:

a. Gross Revenue

   On the average, gross revenue of the Company over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the Company in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, advertising spending growth had a direct correlation with economic growth. Perpetuity growth rates of 4.8% in 2022 and 3.5% in 2021 were assumed at the end of the five-year forecast period.

b. Operating Expenses

   On the average, operating expenses were projected to increase at a single-digit growth rate and at a slower pace than revenue.

c. Gross Margins

   Increased efficiencies over the next five years are expected to result in margin improvements.

d. Discount Rate

   The discount rate used to arrive at the present value of future cash flows was the Company's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity.

   The discount rates applied to the cash flow projections range from 7.2% in 2022 and 7.9% in 2021.

Estimation of Net Realizable Values of Inventories
Net realizable values of inventories are assessed regularly based on the prevailing selling prices of inventories less the estimated cost necessary to sell. Increase in the net realizable value will increase the carrying amount of inventories but only to the extent of their original acquisition costs.

Merchandise inventories amounted to ₱266 million and ₱371 million as of December 31, 2022 and 2021, respectively. Inventory losses amounted to ₱83 million in 2021 (see Note 6).

Present Value of Pension Obligation and Other Employee Benefits
The cost of defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions such as discount rate and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates.

Further details about the assumptions used are provided in Note 26.

Employee leave entitlements that is expected to be settled within one year from reporting date is classified as a current liability in the parent company statement of financial position. Otherwise, this is classified as part of the noncurrent portion of other employee benefits liability. As of December 31, 2022 and 2021, the accrued pension obligation and other employee benefits of the Company amounted to ₱3.9 billion and ₱4.4 billion, respectively (see Note 26).

Recognition of Deferred Tax Assets
Management's assessment of the deferred tax assets to be recognized involves significant judgments and is based on assumptions regarding the entities' current performance, future plans for the business and tax planning strategies. Management exercised judgment on the financial forecast used in determining the forecasted taxable income of the entities, including the timing of reversal of future taxable and deductible temporary differences.

The Company did not recognize deferred tax assets amounting to ₱9.5 billion and ₱8.7 billion as at December 31, 2022 and 2021 as management believes that sufficient future taxable profit will not be available to allow these deferred tax assets to be utilized (see Note 25).

Provisions and Contingencies
The Company is currently involved in various legal proceedings and periodic examinations by tax authorities, which may result in taxation issues due to different interpretation and implementation of the relevant laws and regulations. Significant estimates and judgment are made by management regarding the outcome of these legal proceedings and tax examinations. The Company's estimate of the costs of the resolution of these claims has been developed in consultation with their external legal counsel and considering the correspondences with relevant tax authorities and any relevant historical and recent judgments issued by the court or tax authorities. Any change on these assumptions and the estimates may have a material impact on the parent company financial statements (see Note 31).

4. Cash

Cash in banks and on hand amounted to ₱144.0 million and ₱158.1 million as of December 31, 2022 and 2021, respectively.

Cash in banks earn interest at the respective bank deposit rates.

Interest earned from cash and cash equivalents amounted to ₱2.8 million and ₱1.0 million in 2022 and 2021, respectively (see Note 24).

5. Trade and Other Receivables

	2022	2021
Due from related parties (see Note 19)	**₱14,797,954**	₱15,216,768
Trade	**2,148,684**	2,119,506
Accounts receivable non-trade	**1,017,858**	1,003,210
Advances to officers and employees (see Note 19)	**79,169**	568,829
Accrued interest receivable	**568**	215
Other advances	**314**	176
	18,044,547	18,908,704
Less allowance for ECL	**10,200,662**	10,124,691
	₱7,843,885	₱8,784,013

Trade receivables are noninterest-bearing and are generally on 60 to 90-day term upon receipt of invoice by the customer.

Airtime receivables recorded as part of trade receivable include unbilled airtime arising from advertisements which have been aired during the year. Invoicing normally takes around 7 days from airing.

For terms and conditions relating to amounts due from related parties, refer to Note 19.

Advances to officers and employees are usually collected within one year.

Other trade receivables pertain to revenues generated from the sale of goods and services and interest arising from money market placements and usually collected within one year.

The aging analysis of the unbilled airtime receivables from date of airing follows:

	2022	2021
Less than 30 days	**₱78,002**	₱39,399
More than 30 days	**9,008**	903
	₱87,010	₱40,302

Allowance for ECL

Movements in the allowance for ECL are as follows:

	Trade	Nontrade	Due from related parties	Total
Balance at December 31, 2020	₱47,805	₱437,625	₱9,649,201	₱10,134,631
Provision for ECL (see Notes 19 and 23)	–	7,748	–	7,748
Write offs and others	(5,922)	(11,766)	–	(17,688)
Balance at December 31, 2021	**41,883**	**433,607**	**9,649,201**	**10,124,691**
Provision for ECL (see Notes 19 and 23)	**–**	**10,648**	**65,323**	**75,971**
Balance at December 31, 2022	**₱41,883**	**₱444,255**	**₱9,714,524**	**₱10,200,662**

6. Inventories

	2022	2021
At cost:		
Materials, supplies and spare parts	**₱18,747**	₱19,834
Office supplies	**1,648**	1,648
At net realizable value:		
Merchandise inventories	**245,725**	349,586
	₱266,120	₱371,068

Merchandise inventories consist mainly of set-top boxes and consumer products held for sale by the Company.

Cost of sales related to digital boxes amounted to ₱99.8 million and ₱18 million in 2022 and 2021, respectively. Total inventory costs, recognized under “Cost of sales and services”, amounted to ₱100 million and ₱18 million in 2022 and 2021, respectively (see Note 22).

The cost of inventories carried at net realizable value amounted to ₱921 million and ₱1,015 million as at December 31, 2022 and 2021, respectively. Allowance of inventory obsolescence amounted to ₱656 million and ₱655 million as of December 31, 2022 and 2021, respectively. Inventory losses amounted to ₱0.7 million and ₱83 million in 2022 and 2021, respectively (see Note 23).

The Company has no reversal of inventory write-downs in 2022 and 2021.

7. Other Current Assets

	2022	2021
Preproduction expenses	**₱252,263**	₱361,441
Restricted cash	**146,859**	620,368
Prepayments:		
Taxes	**895,864**	687,237
Rent	**14,392**	50
License fees	**11,599**	54,059
Insurance	**8,197**	11,443
Others	**83,670**	9,539
Advances to suppliers	**84,223**	182,853
	₱1,497,067	₱1,926,990

Restricted cash pertains to funds intended for debt repayment and is not available for any disbursement transactions other than its specified purpose (see Note 16).

Preproduction expenses pertain to costs of programs deferred such as but not limited to set, props, location rental, travel fare, equipment, facilities and manpower charges, other program expenses, which were incurred by the Company prior to airing of programs.

Advances to suppliers are generally applied against future billings within next year.

Other prepayments include advance payments for consultancy, registration, membership and subscription fees.

The Company reclassified certain accounts in 2021 to conform to the 2022 presentation. Deferred input VAT previously presented as net with Deferred output VAT under “Trade and other payables” were reclassified to "Other current assets". The impact on total current assets and total current liabilities as of December 31, 2021 is immaterial.

8. Investments in and Advances to Subsidiaries, Joint Ventures and Associates

	2022	2021
Investments in shares of stock:		
Subsidiaries	**₱12,250,047**	₱12,250,047
Joint ventures	**35,282**	110,536
Associates	**100,000**	100,000
	12,385,329	12,460,583
Deposits for future subscriptions (see Note 19)	**1,622,143**	1,622,143
Advances to subsidiaries (see Note 19)	**12,924**	12,924
	₱14,020,396	₱14,095,650

The movements of investments in subsidiaries, joint ventures and associates are as follows:

	2022	2021
Acquisition cost:		
Balance at beginning and end of year	**₱14,273,146**	₱14,273,146
Accumulated impairment losses:		
Balance at beginning of year	**1,812,563**	1,765,394
Impairment of investments in joint ventures	**75,254**	30,000
Impairment of investments in subsidiaries	**–**	17,169
Balance at end of year	**1,887,817**	1,812,563
	₱12,385,329	₱12,460,583

<u>Investments in Subsidiaries</u>

a. Subscription agreement between Sky Cable, Sky Vision Corporation (Sky Vision), Sampaquita Communications PTE LTD (Sampaquita) and the Company

On December 18, 2017, Sky Cable, Sky Vision, Sampaquita and the Company entered into a subscription agreement with the following salient provisions:

- The Company agreed to subscribe to 162,373,928 PDRs for ₱9.6853 per PDR from Sky Vision.
- Sky Cable agreed to offer 314,910,225 shares to its shareholders from an increase in capital stock. Sky Vision agreed to subscribe to 288,338,018 offered shares and the Company agreed to subscribe to 26,572,207 offered shares for ₱9.6853 per share.

The Company and Sampaquita agreed that the following aggregate economic interests shall be maintained:

- ABS-CBN, Lopez Holdings Corporation, Lopez, Inc. and Sky Vision shall have an aggregate economic interest of at least 59.4% of the total issued share capital of Sky Cable on a fully diluted basis; and

- Sampaquita shall have an aggregate economic interest of 40% of the total issued share capital of Sky Cable on a fully diluted basis.

On December 19, 2017, the Company and Sky Vision paid Sky Cable their respective subscription for shares. The Company and Sampaquita also paid Sky Vision their subscription for PDRs. The payment of Sampaquita of ₱1.2 billion is recorded as "Deposits for future subscription" under "Trade and Other Payables" account. As at March 14, 2023, the PDR instruments remain unissued.

On January 24, 2018, the increase in authorized capital stock of Sky Cable was approved by SEC. The deposit for future subscription amounting to ₱3,032.4 million was issued and reclassified to part of Sky Cable's "Capital stock" and "Additional paid-in capital". Consequently, the deposit for future subscription of the Company to Sky Cable was reclassed as part of the cost of investment amounting to ₱0.2 billion.

As of March 14, 2023, the remaining PDR instruments remains unissued.

b. In 2021, the Company recorded an additional impairment loss amounting to ₱17 million to fully impair its investment to TV Food Chefs, Inc. (TFCI) since TFCI has already closed down its food and beverage business.

The following is a list of the subsidiaries as at December 31, 2022 and 2021:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest 2022	Effective Interest 2021
Content Production and Distribution					
Global:					
ABS-CBN Global Ltd. (ABS-CBN Global)[(a) (j)]	Cayman Islands	Holding company	United States dollar (USD)	**100.0**	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe)[(b)(c) (j) (dd)]	United Kingdom	Cable and satellite programming services	Great Britain pound (GBP)	**100.0**	100.0
ABS-CBN Japan, Inc. (ABS- CBN Japan)[(d) (j) (r)]	Japan	Cable and satellite programming services	Japanese yen (JPY)	**100.0**	100.0
ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East)[(b) (j)]	Dubai, UAE	Cable and satellite programming services	United Arab Emirates dirham (AED)	**100.0**	100.0
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary) [(j)]	Budapest, Hungary	Holding company	USD	**100.0**	100.0
Makati Kft. [(j)]	Budapest, Hungary	Holding company	USD	**100.0**	100.0
ABS-CBN International, Inc. (ABS-CBN International)[(j) (n)]	California, USA	Cable and satellite programming services	USD	**100.0**	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia)[(j) (k)]	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	**100.0**	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada)[(j) (k)]	Canada	Cable and satellite programming services	Canadian dollar (CAD)	**100.0**	100.0
ABS-CBN Telecom North America, Inc.[(j) (k)]	California, USA	Telecommunications	USD	**100.0**	100.0
Films and Music:					
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	Philippine peso	**100.0**	100.0
Cinescreen, Inc. (Cinescreen) [(f)]	Philippines	Theater operator	Philippine peso	**100.0**	100.0
Narrowcast					
Creative Programs, Inc. (CPI) [(v)]	Philippines	Content development, publishing and programming services	Philippine peso	**100.0**	100.0
Others:					
ABS-CBN Europe Remittance Inc.[(d) (j) (y) (cc)]	United Kingdom	Services - money remittance	GBP	**100.0**	100.0
E-Money Plus, Inc.[(b)]	Philippines	Services - money remittance	Philippine peso	**100.0**	100.0

(*Forward*)

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				2022	2021
ABS-CBN Global Remittance Inc.[j][k][y]	California, USA	Services - money remittance	USD	**100.0**	100.0
ABS-CBN Canada Remittance Inc.[j][n][y]	Canada	Services - money remittance	CAD	**100.0**	100.0
ABS-CBN Center for Communication Arts, Inc.[e]	Philippines	Educational/training	Philippine peso	**100.0**	100.0
ABS-CBN Global Cargo Corporation[t]	Philippines	Non-vessel operations common carrier	Philippine peso	**100.0**	100.0
ABS-CBN Integrated and Strategic Property Holdings, Inc.	Philippines	Real estate	Philippine peso	**100.0**	100.0
ABS-CBN Shared Service Center PTE. Ltd.[j][m]	Singapore	Services - support	Singapore dollar (SGD)	**100.0**	100.0
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine peso	**100.0**	100.0
Grassfed Corporation	Philippines	Services - livestock	Philippine peso	**100.0**	100.0
Probabilistic Insights, Inc. [aa]	Philippines	Services - support	Philippine peso	**100.0**	100.0
Rosetta Holdings Corporation (RHC)	Philippines	Holding company	Philippine peso	**100.0**	100.0
Callirrhoe, Inc.	Philippines	Holding company	Philippine peso	**100.0**	100.0
Eukelade Holding Corporation	Philippines	Holding company	Philippine peso	**100.0**	100.0
Sarimanok News Network, Inc.	Philippines	Content development and programming services	Philippine peso	**100.0**	100.0
The Big Dipper Digital Content & Design, Inc. (Big Dipper)	Philippines	Digital film archiving and central library, content licensing and transmission	Philippine peso	**100.0**	100.0
The Chosen Bun, Inc. (Chosen Bun)[z]	Philippines	Services - restaurant and food	Philippine peso	**100.0**	100.0
TV Food Chefs, Inc. [bb]	Philippines	Services - restaurant and food	Philippine peso	**100.0**	100.0
iConnect Convergence, Inc.	Philippines	Service - call center	Philippine peso	**100.0**	100.0
ABS-CBN Studios, Inc.	Philippines	Production facility	Philippine peso	**100.0**	100.0
Medianow Strategies, Inc. (Medianow) [x]	Philippines	Marketing, sales and advertising	Philippine peso	**79.7**	79.7
Sapientis Holdings Corporation (Sapientis)	Philippines	Holding company	Philippine peso	**100.0**	100.0
Columbus Technologies, Inc. (CTI)[q]	Philippines	Holding company	Philippine peso	**70.0**	70.0
ABS-CBN Convergence, Inc, (ABS-C)[q]	Philippines	Telecommunication	Philippine peso	**69.3**	69.3
ABS-CBN Theme Parks and Resorts Holdings, Inc. (ABS-CBN Theme Parks)	Philippines	Holding company	Philippine peso	**100.0**	100.0
ABS-CBN Themed Experiences, Inc. (ABS-CBN Themed Experiences) [u][bb]	Philippines	Management of locations	Philippine peso	**100.0**	100.0
Play Innovations, Inc. (PII)[g][bb]	Philippines	Theme park	Philippine peso	**73.0**	73.0
Play Innovations Hungary Kft. (Play Innovations)[j][g]	Budapest, Hungary	Theme park	USD	**73.0**	73.0
Cable and Broadband					
Sky Vision Corporation (Sky Vision) [w] (see Note 4)	Philippines	Holding Company	Philippine peso	**75.0**	75.0
Sky Cable Corporation (Sky Cable) [w] (see Note 4)	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Bisaya Cable Television Network, Inc.[h][i][w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Bright Moon Cable Networks, Inc.[h][w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Cavite Cable Corporation[h][w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Cepsil Consultancy and Management Corporation[h][w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Davao Cableworld Network, Inc.[h][o][w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
HM Cable Networks, Inc.[h][w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
HM CATV, Inc.[h][w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Hotel Interactive Systems, Inc.[h][w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Isla Cable TV, Inc.[h][w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Moonsat Cable Television, Inc.[h][o][w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Pilipino Cable Corporation (PCC)[h][w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Satellite Cable TV, Inc.[h][w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Sun Cable Holdings, Incorporated (SCHI)[h][w]	Philippines	Holding company	Philippine peso	**59.4**	59.4
Sun Cable Systems Davao, Inc.[h][i][w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Sunvision Cable, Inc.[h][w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Tarlac Cable Television Network, Inc.[h][w]	Philippines	Cable television services	Philippine peso	**59.4**	59.4
Telemondial Holdings, Inc.[h][i][w]	Philippines	Holding company	Philippine peso	**59.4**	59.4
JMY Advantage Corporation[h][w]	Philippines	Cable television services	Philippine peso	**56.4**	56.4
Cebu Cable Television, Inc.[h][o][p][w]	Philippines	Cable television services	Philippine peso	**57.4**	57.4

(*Forward*)

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest 2022	2021
Suburban Cable Network, Inc.[h] [w]	Philippines	Cable television services	Philippine peso	**54.9**	54.9
Pacific CATV, Inc. (Pacific)[h] [o] [w]	Philippines	Cable television services	Philippine peso	**58.0**	58.0
First Ilocandia CATV, Inc.[h] [o] [w]	Philippines	Cable television services	Philippine peso	**54.9**	54.9
Mactan CATV Network, Inc.[h] [o] [p] [w]	Philippines	Cable television services	Philippine peso	**56.6**	56.6
Discovery Mactan Cable, Inc.[h] [s] [w]	Philippines	Cable television services	Philippine peso	**41.6**	41.6
Home-Lipa Cable, Inc.[h] [s] [w]	Philippines	Cable television services	Philippine peso	**35.6**	35.6

[a] *With branches in the Philippines and Taiwan*
[b] *Through ABS-CBN Global*
[c] *With branches in Italy and Spain*
[d] *Subsidiary of ABS-CBN Europe*
[e] *Nonstock ownership interest*
[f] *On June 5, 2017, the SEC approved the incorporation of Cinescreen. Cinescreen was established primarily to own, acquire, establish, lease, maintain, operate, manage, control, promote, advertise, undertake and carry on the business of theatres, movie houses and places of public amusement and entertainment.*
[g] *Through ABS-CBN Theme Parks*
[h] *Through Sky Cable*
[i] *Subsidiary of SCHI*
[j] *Considered as foreign subsidiary*
[k] *Subsidiary of ABS-CBN International*
[l] *With a branch in Luxembourg*
[m] *With a regional operating headquarters in the Philippines*
[n] *Through ABS-CBN Hungary*
[o] *Subsidiary of PCC*
[p] *Through Pacific*
[q] *Through Sapientis*
[r] *With branch in Korea*
[s] *A subsidiary of Sky Cable where Sky Cable effectively owns more than 50% interest*
[t] *In liquidation*
[u] *On July 7, 2017, the SEC approved the incorporation of ABS-CBN Themed Experiences. ABS-CBN Themed Experiences was established primarily to design, build, develop, manage, operate and maintain theme and amusement parks, hotels, restaurants, coffee shops, refreshment parlors and other attractions and facilities.*
[v] *On September 18, 2018, the SEC approved the merger of CPI and ABS-CBN Publishing with the former being the surviving entity.*
[w] *In 2012, ABS-CBN acquired additional interest in Sky Vision increasing its economic interest to 24.8%. On the same year, Lopez, Inc . also executed a proxy in favor of ABS-CBN assigning its voting rights in Sky Vision. As a result, ABS-CBN has a voting interest of 75% in Sky Vision since 2012. Sky Vision is the holding company of Sky Cable, where ABS-CBN has an economic interest of 57.4% in 2014. In 2015, ABS-CBN purchased additional shares in Sky Vision increasing its economic interest on Sky Vision and Sky Cable to 75% and 59.4%, respectively.*
[x] *In 2014, CPI and Sky Cable entered into an agreement to form a joint venture company. Medianow, which was incorporated on August 22, 2014, is 78.7% effectively owned by the Company in 2014. As a result of the acquisition of additional interest in Sky Vision, economic interest on Medianow increased to 79.7% in 2015.*
[y] *On June 30, 2018, ABS-CBN Europe Remittance Inc., ABS-CBN Global Remittance Inc. and ABS-CBN Canada Remittance Inc. ceased operations.*
[z] *On March 12, 2019, the SEC approved the incorporation of Chosen Bun. Chose Bun was established primarily to raise, process, manufacture and package all kinds of food products; to establish, operate, manage and maintain restaurants, coffee shops, and refreshments parlors; to serve and cater foods, drinks, refreshments and other food or commodities.*
[aa] *On June 18, 2019, the SEC approved the incorporation of Probabilistic Insights, Inc. Probabilistic Insights, Inc. was established primarily to provide software products and data science services including but not limited to management consulting, marketing services such as direct marketing, database marketing, workshop facilitation and marketing training.*
[bb] *The Company decided to wind-down its food and beverage and experience operations in July 2021.*
[cc] *On December 21, 2021, ABS-CBN Europe Remittance Inc closed.*
[dd] *In April 2022 and July 2021, ABS-CBN Europe closed its branches in Italy and Spain, respectively.*

Investments in Associates and Joint Ventures
The following is a list of the associates and joint ventures as at December 31, 2022 and 2021:

		% of Ownership	
Entity	Principal Activities	**2022**	2021
Associates:			
Star Cinema Productions, Inc.	Services	**45.0**	45.0
The Flagship, Inc.	Services	**40.0**	40.0
Joint ventures:			
A CJ O Shopping Corporation	Home shopping	**50.0**	50.0
Daum Kakao Philippines Corporation	Services	**50.0**	50.0
ALA Sports Promotions International, Inc.	Boxing promotions	**44.0**	44.0

All the associates and joint ventures are incorporated and have principal place of business in the Philippines. The associates and joint ventures have no contingent liabilities or capital commitments as at December 31, 2022 and 2021.

Investment in Associates

a. Star Cinema Productions, Inc. (Star Cinema)

Investment in Star Cinema has been reduced to zero due to accumulated equity in net losses.

b. The Flagship, Inc. (Flagship)

In 2015, the Company entered into an agreement with individuals to form Flagship, a holding company with interests on entities engaged in the business of producing and co-producing motion pictures and providing visual effects and post-production services.

As at December 31, 2022, the carrying amount of investments in associate equals the carrying amount of investment in Flagship.

Investments in Joint Ventures

a. A CJ O Shopping Corporation (A CJ O)

The joint venture operates O Shopping Channel which broadcasts company-produced shopping programs 24/7 via Sky Cable and Destiny Cable. It also airs programs through ABS-CBN's Channel 2.

On June 25, 2020, the stockholders and BOD of the Company approved a plan of liquidation and cessation of operations effective December 31, 2020. In November 2020, the Company discontinued its operations to prevent further losses. The Company recognized impairment losses amounting to ₱35 million after considering the recoverable Company share from the liquidating joint venture. In 2022, ABS-CBN Corporation recognized impairment losses amounting to ₱45 million.

b. ALA Sports

The primary purpose of ALA Sports, which was incorporated in December 2013, is to organize, stage and promote boxing matches, and provide, distribute and market products and services that are otherwise connected to the operations of said business, in the Philippines and other territories.

Due to the circumstances brought by the pandemic, the Company recognized ₱30 million impairment loss on this investment in 2022.

c. Daum Kakao Philippines Corp. (Daum Kakao)

In 2015, the Company entered into a joint venture agreement with Kakao Corporation to form a joint venture corporation, Daum Kakao. The primary purpose of Daum Kakao, which was incorporated in February 2015, is to engage in and provide KakaoTalk services developed and/or customized for users in the Philippines for mobile devices, including marketing and sales promotions. The joint venture agreement also includes a put option in favor of the Company for the joint venture partner to purchase all of the Company's stocks in Daum Kakao within 60 days after the second year of Daum Kakao's registration.

The Philippine SEC has approved Daum Kakao's decrease in its capital stock from ₱900 million to ₱86 million on January 31, 2019. As of June 3, 2021, Daum Kakao has returned capital of ₱364 million to the joint venturers.

<u>Advances to Subsidiaries</u>
Advances to subsidiaries are intended for conversion into equity (see Note 19).

9. Property and Equipment

	December 31, 2022							
						Right-of-use assets		
	Land and Land Improvements	Building and Improvements	Towers, Transmission, Television, Radio, Movie and Auxiliary Equipment	Other Equipment	Construction in-Progress	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie and Auxiliary Equipment	Total
Cost								
Balance at beginning of year	**₱456,699**	**₱11,430,026**	**₱9,798,778**	**₱6,434,361**	**₱597,447**	**₱81,136**	**₱130,781**	**₱28,929,228**
Additions	**–**	**–**	**10,285**	**15,841**	**51,458**	**–**	**–**	**77,584**
Disposal and retirements	**(83,855)**	**(31,016)**	**(302,492)**	**(109,125)**	**–**	**–**	**–**	**(526,488)**
Reclassified as non-current assets held for sale (see Note 27)	**(2,182)**	**20,057**	**(447,566)**	**62,706**	**(236,427)**	**–**	**–**	**(603,412)**
Transfers to subsidiaries	**–**	**–**	**(3,348)**	**(1,810)**	**–**	**–**	**–**	**(5,158)**
Transfers from subsidiaries	**–**	**–**	**–**	**670**	**–**	**–**	**–**	**670**
Balance at end of year	**370,662**	**11,419,067**	**9,055,657**	**6,402,643**	**412,478**	**81,136**	**130,781**	**27,872,424**
Accumulated Depreciation Amortization and Impairment								
Balance at beginning of year	**42,251**	**7,920,694**	**8,513,443**	**5,335,877**	**144,653**	**59,080**	**119,484**	**22,135,482**
Depreciation and amortization (see Notes 21 and 23)	**106**	**236,175**	**298,013**	**347,744**	**–**	**7,726**	**5,847**	**895,611**
Impairment loss	**–**	**–**	**–**	**19,093**	**–**	**–**	**–**	**19,093**
Disposals and retirements	**(14,153)**	**(28,276)**	**(143,200)**	**(116,546)**	**–**	**–**	**–**	**(302,175)**
Reclassified as non-current assets held for sale (see Note 27)	**–**	**–**	**(417,579)**	**–**	**–**	**–**	**–**	**(417,579)**
Transfers to subsidiaries	**–**	**–**	**(3,348)**	**(1,473)**	**–**	**–**	**–**	**(4,821)**
Balance at end of year	**28,204**	**8,128,593**	**8,247,329**	**5,584,695**	**144,653**	**66,806**	**125,331**	**22,325,611**
Net Book Value	**₱342,458**	**₱3,290,474**	**₱808,328**	**₱817,948**	**₱267,825**	**₱14,330**	**₱5,450**	**₱5,546,813**

	December 31, 2021							
						Right-of-use assets		
	Land and Land Improvements	Building and Improvements	Towers, Transmission, Television, Radio, Movie and Auxiliary Equipment	Other Equipment	Construction in-Progress	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie and Auxiliary Equipment	Total
Cost								
Balance at beginning of year	₱510,070	₱11,425,834	₱9,703,671	₱6,502,771	₱1,183,766	₱70,959	₱130,781	₱29,527,852
Additions	–	–	8,780	14,879	35,310	10,177	–	69,146
Disposals and retirements	(54,148)	(71,936)	(13,365)	(464,694)	–	–	–	(604,143)
Reclassifications	777	76,128	163,319	381,405	(621,629)	–	–	–
Reclassified as non-current assets held for sale (see Note 27)	–	–	(63,627)	–	–	–	–	(63,627)
Balance at end of year	456,699	11,430,026	9,798,778	6,434,361	597,447	81,136	130,781	28,929,228
Accumulated Depreciation Amortization and Impairment								
Balance at beginning of year	42,549	7,710,720	8,146,690	5,204,670	68,839	43,989	119,484	21,336,941
Depreciation and amortization (see Notes 21 and 23)	23	257,981	404,790	443,786	–	15,091	–	1,121,671
Impairment loss	–	–	–	–	75,814	–	–	75,814
Disposals and retirements	(321)	(48,007)	(13,358)	(311,194)	–	–	–	(372,880)
Reclassifications	–	–	1,385	(1,385)	–	–	–	–
Reclassified as non-current assets held for sale (see Note 27)	–	–	(26,064)	–	–	–	–	(26,064)
Balance at end of year	42,251	7,920,694	8,513,443	5,335,877	144,653	59,080	119,484	22,135,482
Net Book Value	₱414,448	₱3,509,332	₱1,285,336	₱1,098,484	₱452,794	₱22,056	₱11,297	₱6,793,748

Construction in progress pertains to cost of building the production facilities which is expected to be completed in 2023 to 2024

To address the impact of the denial of the franchise application (as further discussed in Note 1), the Company has entered into an agreement with its existing lenders to provide for the creation of mortgage and security interest over certain assets of the Company. The carrying value of assets mortgaged to secure the long-term debt of the Company as at December 31, 2022 and 2021 amounted to ₱3,146 million and ₱3,422 million respectively.

The outstanding balance of unamortized borrowing costs capitalized as part of property and equipment amounted to ₱846 million and ₱874 million as of December 31, 2022 and 2021.

In 2022, the Company disposed various property and equipment items with a net book value amounting to ₱224 million for a total proceed of ₱686 million resulting to a gain on disposal amounting to ₱462 million lodged in "Other income". In 2021, the Company disposed various property and equipment items with a net book value amounting to ₱231 million for a total proceed of ₱415 million resulting to a gain on disposal amounting to ₱184 million lodged in "Other income".

The Company determined the consequences of the Resolution passed by the House Committee on Legislative Franchises denying its franchise application as impairment indicators on its nonfinancial assets. The Company recognized impairment losses amounting to ₱19 million and ₱76 million, relating to its property and equipment in 2022 and 2021, respectively.

In 2022, various equipment such as EDP equipment, video equipment and office equipment with a total carrying value of ₱0.7 million were transferred from subsidiaries to the Company. Also, in 2022, various equipment were transferred from the Company to subsidiaries which have a total carrying value of ₱0.3 million.

10. Investment Property

The Company owned a parcel of land for capital appreciation purposes costing ₱136 million. These properties are located in Scout Borromeo St. and Scout Bayoran St., Brgy. South Triangle, Diliman, Quezon City, and Sgt. Esguerra Avenue corners Scout Bayoran Street and Scout Borromeo Street, within Barangay South Triangle, Diliman, Quezon City.

In 2021, the investment property was approved by the Board of Directors to be sold to third parties. Accordingly, the investment property was reclassed as non-current assets held for sale as of December 31, 2021 (see Note 27).

11. Program Rights

	2022	2021
Balance at beginning of year	**₱2,138,980**	₱3,205,560
Additions	**46,791**	197,669
Disposal	**–**	(397,809)
Extinguishment	**–**	(80,019)
Amortization during the year (see Note 21)	**(562,631)**	(786,421)
Balance at end of year	**1,623,140**	2,138,980
Less current portion	**376,310**	536,821
Noncurrent portion	**₱1,246,830**	₱1,602,159

Program rights include the acquired rights of the Company to air foreign and local films or programs for a certain period of time. As of December 31, 2022, the remaining useful life of program rights ranges from one to 23 years.

In 2021, the Company cancelled its contract for certain program rights and recognized loss on extinguishment amounting to ₱80 million which is included in "Production costs" account in the income statement (see Note 21).

12. Financial Assets at Fair Value through Other Comprehensive Income

	2022	2021
Unquoted ordinary common and quoted club shares	**₱40,454**	₱37,754

Investment in quoted equity securities represents the Company's investment in Manila Electric Company common shares. Investments in quoted club shares mainly comprise of investments in Wack Wack Golf and Country Club, Manila Polo Club and others.

In 2022 and 2021, the Company sold various of its investment in equity securities. The fair value on the date of sale is ₱7 million and ₱2 million and the accumulated gain recognized in other comprehensive income of ₱6 million and ₱1 million was transferred to retained earnings for the years 2022 and 2021, respectively.

Quoted equity securities generated dividends amounting to ₱7.2 million in 2021 (nil in 2022) [refer to Note 24].

Movements in this account follows:

	2022	2021
Balances at beginning of year	**₱37,754**	₱35,104
Unrealized fair value gain	**9,700**	5,025
Sale of investment	**(7,000)**	(2,375)
	₱40,454	₱37,754

13. Other Noncurrent Assets

	2022	2021
Tax credits	**₱212,029**	₱212,029
Creditable withholding taxes	**1,541,269**	1,541,269
Deposits and bonds	**122,970**	124,409
Others	**3,770**	19,742
	1,880,038	1,897,449
Less allowance for tax credits	**(163,219)**	(162,860)
	₱1,716,819	₱1,734,589

Tax credits represent claims from the government arising from airing of government commercials, advertisements and cablecast services. 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 its broadcasting and cable equipment. The tax credits cannot be used to pay for any other tax obligation to the government. The Company expects to utilize these tax credits within the next 6 years until 2027.

On January 9, 2012, the Department of Finance issued a favorable ruling on the request of the Company to utilize the tax credits in the payment of duties and taxes on the importation of digital terrestrial television boxes, which will subsequently be distributed or made available to its customers and end-users.

The Company recognized impairment losses amounting to ₱11.4 million and ₱41.0 million relating to its deposits and bonds in 2022 and 2021, respectively.

Allowance for impairment of tax credits amounted to ₱163.2 million and ₱162.9 million as at December 31, 2022 and 2021.

14. Trade and Other Payables

	2022	2021
Trade	**₱258,412**	₱265,330
Due to related parties (see Note 19)	**8,499,241**	7,021,633
Accruals for:		
Production costs and other expenses	**987,300**	1,250,427
Employee benefits (see Note 26)	**547,846**	204,586
Taxes	**982,296**	859,440
Interest (see Note 16)	**136,034**	161,077
Dividends payable	**43,481**	43,481
Nontrade and other payables	**357,529**	518,013
	₱11,812,139	₱10,323,987

Trade payables are noninterest-bearing and are normally settled on 30 to 60-day term.

For terms and conditions of transactions relating to payable to related parties, refer to Note 19.

Accrued expenses are normally settled within the next financial year. Accrual for production costs and other expenses represents accruals for various expenses related to the production of programs and general and administrative expenses. Accrual for employee benefits includes current portion of pension obligation and accrual for vacation and sick leave.

Nontrade and other payables include statutory liabilities which are payable within the next financial year and deposits for equity subscription from eligible stock purchase plan participants.

The Company reclassified certain accounts in 2021 to conform to the 2022 presentation. Deferred input VAT previously presented as net with Deferred output VAT under “Trade and other payables” were reclassified to "Other current assets". Customer deposits previously presented under “Trade and other payables” were reclassified to "Contract liabilities". The impact on total current assets and total current liabilities as of December 31, 2021 is immaterial.

15. Contract Liabilities

	2022	2021
Customer’s deposit	**₱2,929,001**	₱3,100,779

Customer deposits refer to advanced payments from customers without outstanding contracts with the Company.

Out of the contract liabilities as at beginning of year, total revenue recognized amounted to ₱321 million and ₱31 million in 2022 and 2021, respectively.

In 2021, the Company received advance payments from Makati Kft., a related party, for the masterline production services. These advances will be recognized as revenue upon delivery of the service (see Note 19).

The Company reclassified customer deposits in 2021 to conform to the 2022 presentation. Customer deposits previously presented under “Trade and other payables” were reclassified to "Contract liabilities". The impact on total current liabilities as of December 31, 2021 is immaterial.

16. Interest-bearing Loans and Borrowings

The details of interest-bearing loans and borrowings of the Company are as follows:

	December 31, 2022			December 31, 2021		
	Current Portion	**Long-term Portion**	**Total**	Current Portion	Long-term Portion	Total
Loan agreements	**₱975,679**	**₱12,155,820**	**₱13,131,499**	₱1,942,037	₱13,686,306	₱15,628,343

(i) On October 29, 2010, the Company signed a syndicated loan for ₱10 billion with Allied Banking Corporation, Allied Savings Bank, Banco de Oro (BDO) Unibank, Inc., BDO Unibank, Inc. - Trust and Investment Group, Bank of the Philippine Islands (BPI), Insular Life Assurance Company Ltd., Philippine National Bank (PNB), PNB Life Insurance, Inc., Security Bank Corporation (Security Bank) (collectively, the “Lenders”), BPI Capital Corporation (the “Lead Arranger”), BDO Capital & Investment Corporation and Security Bank (collectively, the “Arrangers”) and PNB Capital & Investment Corporation and Insular Life Assurance Company Ltd. (collectively the “Co-Arranger”). BPI - Asset Management and Trust Group served as the loan’s facility agent. The loan was used to refinance existing indebtedness and fund working capital requirements.

The loan is unsecured and unsubordinated with interest at 3-month PDST-F plus 0.65% per annum for the floating rate portion and 7-year PDST-F plus 0.65% per annum for the fixed rate portion.

On November 9, 2010, the Company availed the amount of ₱6,906 million from the syndicated loan to prepay existing debt facilities, namely, the Senior Credit Agreement (SCA) facility, the BDO facility, the ₱800 million Syndicated Loan facility and the Combined facility agreements.

On March 11, 2011, the Company availed the remaining amount of ₱3,094 million from the syndicated loan for working capital purposes.

The syndicated loan contains provision regarding the maintenance of certain financial ratios and limiting, among others, the payment of dividends, making investments, the issuing or selling of the Company’s capital stock or some of its subsidiaries, the selling or exchange of assets, the creation of liens and the effecting of mergers.

On June 29, 2012, the Company signed a Supplemental Agreement between and among the lenders of the ₱10 billion syndicated loan agreement to amend the financial ratios as follows:

a. Deletion of Maximum Total Debt-to-Annualized EBITDA;

b. Increase in threshold of the Debt Service Coverage Ratio (DSCR) from 1.1:1 to 1.2:1 in the years 2012, 2013 and 2014 and to 1.5:1 from 2015 until its final maturity in 2017; and

c. Utilization of the amount of projected capital expenditure and program rights based on approved capital expenditure and program rights acquisition budget in calculating the cash available for debt service instead of using the actual amount of capital expenditure and program rights actually paid in cash during the period.

On December 5, 2012, the Company signed a Second Supplemental Agreement between and among the lenders of the ₱10 billion syndicated loan to amend the definition of “Business.” The amendment expanded the definition to include “entertainment and amusement center development and management services and product sales and distribution services.” The expansion of the definition allowed the Company to invest in ABS-CBN Theme Parks, Play Innovations Hungary Kft and/or Play Innovations, Inc.

Under the same agreement, the majority lenders, likewise, permitted to extend a guarantee in favor of Play Innovations Hungary Kft and/or Play Innovations, Inc.

On January 30, 2014 and October 30, 2014, the BOD approved the refinancing of the fixed rate portions of the syndicated loan, which amounted to ₱4,850 million in principal. Thereafter, on February 28, 2014 and November 10, 2014, the Company entered into loan agreements with local banks for principal amounts of ₱1,650 million and ₱3,200 million, respectively. The loans are intended to refinance existing indebtedness and to fund working capital requirements.

The ₱1,650 million loan, which was availed from Security Bank, bears interest of 4.25% per annum and a term of four years. The ₱3,200 million loan, which was secured from BPI, bears interest of 3.88% per annum and a term of three years was also refinanced in May 2016. Transaction cost incurred in availing the 2014 loans amounted to ₱105 million.

On February 9, 2016, the Company entered into a loan agreement with Unionbank of the Philippines for principal amount of ₱4,750 million. The loan which refinanced the remaining portion of the syndicated loan, bears interest of 5.00% payable semi-annually with a term of ten years. Transaction cost incurred in availing the loan amounted to ₱24 million.

On May 13, 2016, the Company entered into a loan agreement with BPI to refinance the ₱3,200 million loan availed from BPI in 2014. The loan bears interest of 5.00% payable quarterly with a term of ten years. Transaction cost incurred in availing the loan amounted to ₱16 million.

On April 26, 2017, the Company entered into a loan agreement with Unionbank of the Philippines for a principal amount of ₱1,600 million for a term of 10 years. The loan, which was used to finance the settlement of the ₱1,650 million loan from Security Bank, bears interest of 4.25% per annum for first year, and 5.15% per annum for succeeding years until maturity. Transaction costs incurred in availing the loan amounted to ₱8 million.

(ii) On March 7, 2014, the Company secured a ₱1 billion loan from Philippine American Life and General Insurance Company to partially finance its capital expenditure and general working capital requirements. The loan has a term of ten years and a fixed interest rate of 5.40% per annum. Transaction cost incurred in availing the loan amounted to ₱5 million. This was prepaid in November 2019 resulting to a loss of ₱2.5 million.

(iii) On March 1, 2018, the Company entered into a loan with BPI for a principal amount of ₱6 billion to refinance maturing debt and general working capital requirements. The loan bears interest of 5.75% payable quarterly with a term of seven years.

(iv) On May 21, 2019, the Company entered into a loan with Unionbank for a principal amount of ₱5 billion to partially finance its capital expenditures and general working capital requirements. The loan has a term of ten years and a fixed rate of 6.74% per annum, payable quarterly.

(v) On various dates in 2020, the Company prepaid portions of its principal with BPI and Unionbank amounting to ₱1.8 billion and ₱2.2 billion, respectively.

(vi) On various dates in 2021, the Company prepaid portions of its principal with BPI and Unionbank amounting to ₱93.8 million and ₱114.4 million, respectively.

(vii) On various dates in 2022, the Company prepaid portions of its principal with BPI and Unionbank amounting to ₱1.0 billion and ₱1.3 billion, respectively.

Based on the Company's assessment, the modifications in the contractual cash flows as a result of the actual and expected prepayments of its principal are not substantial. The difference of the net present value of the revised cash flows and the carrying amount of the original loan is recognized in statement of income amounting to ₱5.1 million in 2022 and ₱23.1 million in 2021.

The loan agreements contain provisions regarding the maintenance of certain financial ratios and limiting, among others, the payment of dividends, making investments, the issuing or selling of the Company's capital stock or some of its subsidiaries, the selling or exchange of assets, the creation of liens and the effecting of mergers.

Part of the Company's existing loan covenant with its creditors require it to possess a valid government license/franchise to operate certain businesses. The non-renewal of the franchise therefore had an adverse impact on the Company's ability to comply with this loan provision (the "Franchise Expiration Default'). To address this, the Company entered into an agreement with its existing lenders in 2020 (the "Omnibus Security and Intercreditor Agreement") to provide for the creation of a mortgage and security interest over certain assets of the Company, the opening and maintenance of Debt Service Reserve Account, pre-payment of the ₱4.0 billion of its loans, and an amendment of existing loan agreements. The lenders agree that, upon satisfaction of the necessary conditions under the Omnibus Security and Intercreditor Agreement (the "Standstill Effective Date") and during the effectivity period (the "Standstill Period") of the standstill as specified in the Omnibus Security and Intercreditor Agreement, it shall not declare an event of default to the extent that it relates to the Franchise Expiration Default. The Standstill Period shall be from the Standstill Effective until the Long Stop Date (June 30, 2023). The Omnibus Security and Intercreditor Agreement provides for a certain condition to be met prior to the Long Stop Date. Non-occurrence of such condition as of the Long Stop Date shall cause the Standstill effectivity to cease and from and as of such date the lenders shall have the right to declare an event of default and exercise all or any of their rights and remedies as provided under the Omnibus Security and Intercreditor Agreement, including the enforcement of the security interest created under the Omnibus Security and Intercreditor Agreement.

On May 31, 2021, all the conditions specified under the Omnibus Security and Intercreditor Agreement were satisfied and accordingly, the Standstill Effective Date Notice was executed by all parties.

As of December 31, 2021, the Company received waivers from its creditor banks waiving the compliance with the relevant financial ratios for each of the quarters for the year ended December 31, 2021 and extends to each of the quarters in the year ended December 31, 2022. As a result of the receipt of these waivers as of December 31, 2021 for which the effect extends as of December 31, 2022 and for all quarters for the year then ended, the portion of the loans payable of the Company which are payable in 2024 onwards continue to be presented as non-current liabilities. As of March 14, 2023, the Company continues to be in discussions with its lenders to address the effect of the expiry of the Standstill, including, but not limited to, the waiver of financial ratios for 2023 and the Long Stop Date, possible options for the early settlement of the loan through sale of certain properties, and possible restructuring of the remaining loan balance.

The Omnibus Security and Intercreditor Agreement amended certain provisions of the loan agreements, which include, among others, the provision of collateral for the Company's loans and changes in the affirmative and negative covenants in relation to sale of assets. The disclosure on the assets pledged as collateral are in Note 9. It also required maintaining debt reserve service account for debt repayment amounting to ₱146.9 million and ₱620.4 million as of December 31, 2022 and 2021, respectively (see Note 7). The Company and its creditors executed Amendments to the Omnibus Security and Intercreditor Agreement in 2022 and 2021 to authorize the sale of the portions of the mortgaged assets, the proceeds of which were used to repay the loan. This has resulted in the decrease in outstanding loan amounting to ₱2.5 billion.

Unamortized debt issue cost, presented as a deduction from the Company's outstanding loan, amounted to ₱24 million and ₱45 million as at December 31, 2022 and 2021, respectively.

Breakdown of the Company's term loans as of December 31, 2022 and 2021 follows:

	2022	2021
Principal	**₱13,155,750**	₱15,673,574
Less unamortized transaction costs	**24,251**	45,231
	13,131,499	15,628,343
Less current portion	**975,679**	1,942,037
Noncurrent portion	**₱12,155,820**	₱13,686,306

Debt issue costs as of December 31, 2022 and 2021 are amortized over the term of the loans using the effective interest method as follows:

Year	**2022**	2021
Within one year	**₱10,256**	₱15,624
More than 1 year but less than 2 years	**9,689**	9,854
More than 2 years	**4,306**	19,753
	₱24,251	₱45,231

Amortization of debt issue costs for the years ended December 31, 2022 and 2021 amounted to ₱16 million and ₱12 million, respectively (see Note 24).

Repayments of loan based on nominal values are scheduled as follows:

Year	**2022**	2021
Within one year	**₱985,935**	₱1,957,661
More than 1 year but less than 2 years	**581,032**	233,921
More than 2 years	**11,588,784**	13,481,992
	₱13,155,751	₱15,673,574

17. Obligations for Program Rights

This account represents liabilities to foreign and local film suppliers for program rights purchased by the Company. The liabilities are noninterest-bearing and are payable in equal monthly, quarterly or semiannual installments over a period of one to four years. The amounts presented in the company statements of financial position represent the face amounts of the obligations, net of unamortized discounts, which represent the difference between the face amounts and the fair values of the obligations upon initial recognition.

The schedule of repayments as of December 31 is as follows:

	2022			2021		
	Gross Value	**Unamortized Discount**	**Carrying Value**	Gross Value	Unamortized Discount	Carrying Value
Within one year	**₱129,523**	**₱–**	**₱129,523**	₱130,742	₱6,353	₱124,389
More than one year to four years	**45,053**	**–**	**45,053**	159,084	–	159,084
	₱174,576	**₱–**	**₱174,576**	₱ 289,826	₱6,353	₱283,473

18. **Equity**

Capital Stock

Details of authorized and issued capital stock as of December 31, 2022 and 2021 are as follows:

2022

	Number of Shares	Amount
	(Amounts in Thousands, Except Number of Shares)	
Authorized -		
Common shares - ₱1.0 par value	**1,300,000,000**	**1,300,000,000**
Preferred shares - ₱0.2 par value	**1,000,000,000**	**200,000**
Issued -		
Common shares	**899,806,671**	**₱899,807**
Preferred shares	**1,000,000,000**	**200,000**

2021

	Number of Shares	Amount
	(Amounts in Thousands, Except Number of Shares)	
Authorized -		
Common shares - ₱1.0 par value	1,300,000,000	1,300,000,000
Preferred shares - ₱0.2 par value	1,000,000,000	200,000
Issued -		
Common shares	872,123,642	₱872,124
Preferred shares	1,000,000,000	200,000

Below is the Company's track record of the registration of securities:

Date of SEC Order Rendered Effective or Permit to Sell	Event	Authorized Capital Stock	Issued Shares	Issue Price
	Registered and Listed Shares (Original Shares)	₱200,000	111,327,200	₱1.00
March 31, 1992	Initial Public Offering (IPO) (Primary)	200,000	12,428,378	15.00
	Secondary*	200,000	18,510,517	15.00
	Employee Stock Option Plan*	200,000	1,403,500	15.00
June 16, 1993	40% stock dividends	200,000	49,502,074	1.00
August 18, 1994	50% stock dividends	500,000	86,620,368	1.00
July 25, 1995	100% stock dividends	1,500,000	259,861,104	1.00
July 2, 1996	50% stock dividends	1,500,000	259,861,104	1.00
January 7, 2014	Issuance	1,500,000	57,836,900	43.125
January 7, 2014	Issuance	1,500,000	34,702,140	43.225

**Included in the 111,327,200 shares existing at the time of the IPO*

The Company’s total number of common stockholders is 5,330 and 5,975 as at December 31, 2022 and 2021, respectively.

Preferred Shares. The account consists of 1 billion cumulative, voting, non-participating, redeemable and nonconvertible preferred shares with a par value of ₱0.20 per share. No preferred dividends were distributed since 2020. Total preferred dividends amounting to ₱12 million cumulative dividends to date.

The Company’s total number of preferred shareholders is 197 as at December 31, 2022 and 2021.

Share-based Payment Transactions

Lopez Holdings (LPZ) ESPP. Lopez Holdings, a commonly controlled entity, has an Employee Stock Purchase Plan (LPZ ESPP) that was approved by its BOD and stockholders on February 28, 2011. The terms of LPZ ESPP, include among others, a limit as to the number of shares a qualified regular employee, officer or qualified director of Lopez Holdings and Lopez, Inc. or a qualified officer of Lopez Holdings’ subsidiaries and associates, may purchase and the manner of payment based on equal semi-monthly installments over a period of two years through salary deductions. The stock options vest after two years from the grant date. All qualified participants are given until 10 years from grant date to exercise the stock options.

The primary terms of the grant are as follows:

Grant date	May 2011
Number of options granted allocable to the Company	21,974,257
Offer price per share	₱4.573
Option value per share	₱1.65

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes Option Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the option grants:

Expected volatility	42.6%
Weighted average share price	₱4.573
Risk-free interest rate	4.3%
Expected life of option	5 years
Dividend yield	2.5%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which likewise, may not necessarily be the actual outcome. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. No other features of options grant were incorporated into the measurement of the fair value of the options.

As of December 31, 2022 and 2021, total number of options exercisable under ESPP is nil.

On December 18, 2020, the Board of Directors approved the ABS-CBN Stock Purchase Plans and Stock Grant Plans. The ABS-CBN Stock Purchase Plan 1 (SPP1) was given to employees who agreed to a pay reduction from September 2020 until February 2021. The ABS-CBN Stock Purchase Plan 2 (SPP2) was given to employees who agreed to a pay reduction from March to December 2021. The subscription price is based on the 45-day preceding volume weighted average price as of May 31, 2021. The ABS-CBN Stock Grant Plans were given to employees who were promoted anytime between September 2020 to December 2021 and who did not receive any salary adjustment for the period. The stockholders unanimously approved the Employee Stock Purchase Plan and Executive Stock Purchase Plan on February 2, 2021, and the Securities and Exchange Commission (SEC) resolved that the issuance of said shares is exempt from the registration requirement, under Section 10.2 of the Securities and Regulation Code, on December 9, 2021. The Philippine Stock Exchange approved the listing 19,150,319 shares for the SPP1 & SPP2 on August 25, 2022, and 8,534,000 shares for Stock Grant on October 6, 2022.

In 2022, the Company has share-based payment amounting to ₱0.3 million

ABS-CBN Stock Purchase Plan and Executive Stock Purchase Plan (ABSP). From January 22, 2018 to February 9, 2018, the Company offered to eligible participants its ABSP Program where employees may subscribe to the Company’s shares up to a maximum of 5% of total authorized shares.

Participants eligible in the ABSP are non-managers, managers and up, board members and selected artists with at least one year of tenure. Non-managers may subscribe up to a maximum of 2,000 shares per participant while managers and artists may subscribe up to a maximum of shares equivalent to 2.5 months of their monthly salary or income. Members of the BOD may subscribe up to 100,000 shares. The subscription price for the first 2,000 shares will be at a 15% discount on the closing price as at the offer date or 45-day weighted closing prices, whichever is lower. There will be no discount on the subscription price for the shares subscribed in excess of 2,000 shares. The subscription price will be paid in five years (see Note 14).

On February 28, 2018, the Company accepted the total ABSP subscription from participants of 11,391,500 common shares. As of December 31, 2021 and 2020, remaining ABSP subscription from participants is at 3,300,177 common shares and 4,333,717 common shares, respectively.

The primary terms of the grant are as follows:

Grant date	February 28, 2018
Number of options granted	11,391,500
Offer price per share	₱29.50
Option value per share	₱2.22

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes Option Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the option grants:

Expected volatility	22.38%
Weighted average share price	₱29.50
Risk-free interest rate	4.71%
Expected life of option	5 years
Dividend yield	1.89%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which likewise, may not necessarily be the actual outcome. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. No other features of options grant were incorporated into the measurement of the fair value of the options.

As at December 31, 2022 and 2021, there are no exercisable shares under ABSP.

The ABSP does not have a dilutive effect because the average market price of the common shares during the period is less than the exercise price of the option.

Retained Earnings
The Company's loan agreement with its creditors limits the declaration of dividends up to 50% of the net income after tax for the immediately preceding financial year. This limitation has been in effect since 2004 resulting to an accumulation of unappropriated retained earnings (see Note 16).

On February 27, 2013, the Company's BOD approved the appropriation of retained earnings of ₱16,200 million, including the specific projects and timeline. The appropriated retained earnings is set aside for capital expenditures particularly for the purchase of the Company's property and equipment needed for business operations and expansion over a period of five years.

On May 27, 2021, the Company's BOD approved the release from appropriation, retained earnings of ₱16,200 million set aside for capital expenditures.

Treasury Shares and PDRs Convertible to Common Shares
Details of treasury shares and PDRs convertible to common shares as of December 31, 2022 and 2021 are as follows:

	Number of Shares			
	Treasury Shares	PDRs Convertible to Common Shares	Total	Amount
Balance at beginning of year	21,322,561	27,828,645	49,151,206	₱1,638,719
Sale of treasury shares	(21,322,561)	(11,507,379)	(32,829,940)	(1,094,551)
Balance at end of year	–	16,321,266	16,321,266	₱544,168

PDRs convertible to common shares represent ABS-CBN Holdings PDRs held by the Company which are convertible into ABS-CBN shares. Each PDR grants the holders, upon payment of the exercise price and subject to certain other conditions, the delivery of one ABS-CBN share or the sale of and delivery of the proceeds of such sale of one ABS-CBN share. The ABS-CBN shares are still subject to ownership restrictions on shares of corporations engaged in mass media and ABS-CBN may reject the transfer of shares to persons other than Philippine nationals. The PDRs were listed in the PSE on October 7, 1999 and may be exercised at any time from said date. Any cash dividends or other cash distributions in respect of the underlying ABS-CBN shares shall be applied by ABS-CBN Holdings, issuer of PDRs, towards payment of operating expenses and any amounts remaining shall be distributed pro-rata among outstanding PDR holders.

On January 20, 2022, the Board approved the sale of its treasury shares and PDRs held by ABS-CBN, to interested qualified institutional buyers. On January 21, 2022, a block sale of 21,322,561 ABS-CBN common shares and 11,507,379 PDRs was completed at a price of ₱15.23 for each common share and for each PDR. The purchaser for the common shares and PDRs was the Company's principal shareholder, Lopez, Inc. at a total purchase price of ₱500 million.

19. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or 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.

The Company's BOD has the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations. The BOD approves material related party transactions prior to entering into said transactions should it be determined that all related party transactions within the 12-month period meet the aggregate threshold for material related party transactions which is 10% of the Company's total assets based on its latest audited financial statements. Related party transactions that involve exclusive contracts regardless of amounts or provided by a related party servicing 30% or more of its business with the Company shall be reviewed and approved by a board-level Risk Management Committee.

<u>Transactions with Related Parties</u>

Significant transactions of the Company with its related parties are as follows:

	Nature	**2022**	2021
Subsidiaries:			
Services rendered for Makati KFT	Service revenue	**₱824,825**	₱413,357
Management fee	Management fee	**366,751**	320,094
Expenses and charges paid for by the Company which are reimbursed by the concerned related parties	Rent, utilities, other services and other intercompany charges	**100,619**	304,454
Expenses paid by the Company to Big Dipper	Service fees	**3,898**	132,343
Intercompany revenue	Rent and fleet charges	**131,058**	129,142
Loan to Play Innovations, Inc.	Loan and interest	**16**	29,070
Loan to Sky Cable	Loan and interest	**–**	29,787
Advances from Makati KFT	Advance payment for masterline production	**–**	1,971,942
Advances from Makati KFT	Advances from subsidiary	**–**	1,201,647
Entities under common control:			
Expenses and charges paid for by the Company which are reimbursed by the concerned related parties	Rent, utilities, other services and other intercompany charges	**5,083**	10,310
Expenses paid by the Company to Goldlink Securities and Investigation Services Incorporated (Goldlink) and other related parties	Service fees and utilities expenses	**226,709**	81,677
Loan to INAEC	Loan and interest	**–**	860

The related receivables from related parties, presented under "Trade and other receivables" account and payables to related parties, presented under "Trade and other payables" account in the company statements of financial position are as follows:

	Terms	**Conditions**	**2022**	2021
Due from related parties (see Note 5)				
Entities under common control:				
INAEC Aviation	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**₱50,255**	₱103,004
Rockwell Land Corp.	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**33,450**	4,432
First Philippine Holdings Corporation	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**4,893**	5,045
Goldlink	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**2,626**	2,897

(Forward)

	Terms	Conditions	2022	2021
Others	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**₱48,282**	₱1,540
Subsidiaries:				
CTI	30 days upon receipt of billings; noninterest-bearing	Unsecured, (impairment of ₱3,008,514 in 2022 and 2021)	**3,008,575**	3,008,544
Sapientis	30 days upon receipt of billings; noninterest-bearing	Unsecured, fully impaired in 2022 and 2021	**2,880,551**	2,880,551
ABS-C	30 days upon receipt of billings; noninterest-bearing	Unsecured, (impairment of ₱2,704,191 in 2022 and 2021)	**2,824,366**	2,814,705
RHC	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**1,497,482**	2,009,930
ABS-CBN Studios	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**1,098,798**	1,080,112
Play Innovations, Inc.	One to two years, interest-bearing	Unsecured, fully impaired	**700,000**	700,000
	30 days upon receipt of billings; noninterest-bearing	Unsecured, (impairment of ₱88,333 in 2022 and 2021)	**683,924**	700,541
ABS-CBN Themed Experiences	30 days upon receipt of billings; noninterest-bearing	Unsecured, (impairment of ₱263,961 in 2022 and 2021)	**321,288**	327,456
Sky Cable	Two years, interest-bearing	Unsecured, no impairment	**155,519**	270,000
Creative Programs, Inc.	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**187,914**	178,284
iConnect Convergence, Inc.	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**128,410**	96,956
Cinescreen	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**57,390**	55,563
Captain Services	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**49,138**	45,191
ABS-CBN Integrated	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**17,147**	17,004
ABS-CBN Shared Service Center PTE. Ltd.-SG	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**13,912**	12,658
ABS-CBN Global - Philippine Branch	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**867**	53,347
Others	30 days upon receipt of billings; noninterest-bearing	Unsecured, (impairment of ₱3,651 in 2022 and 2021)	**938,968**	730,527
Joint Ventures:				
ALA Sports	30 days upon receipt of billings; noninterest-bearing	Unsecured, (impairment of ₱55,490 in 2022)	**76,482**	78,569
A CJ O	30 days upon receipt of billings; noninterest-bearing	Unsecured, (impairment of ₱9,833 in 2022)	**13,553**	13,553
Daum Kakao	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**1,225**	985
Affiliates:				
Knowledge Channel Foundation, Inc.**	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**2,930**	2,873
Eugenio Lopez Foundation, Inc.**	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**9**	9
ABS-CBN Lingkod Kapamilya*	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	–	22,263
ABS-CBN Holdings	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**–**	229
			₱14,797,954	₱15,216,768

	Terms	Conditions	2022	2021
Due to related parties (see Note 14)				
Subsidiaries:				
The Big Dipper Digital Content	30 days upon receipt of billings; noninterest-bearing	Unsecured	**₱4,011,696**	₱3,364,316
ABS-CBN International	30 days upon receipt of billings; noninterest-bearing	Unsecured	**1,891,143**	1,147,843
Makati Kft.	30 days upon receipt of billings; noninterest-bearing	Unsecured	**449,390**	882,189
SNN	30 days upon receipt of billings; noninterest-bearing	Unsecured	**433,330**	370,567
ABS-CBN Shared Service Center PTE. Ltd. – Regional Operating Headquarters	30 days upon receipt of billings; noninterest-bearing	Unsecured	**416,009**	307,307
ABS-CBN Hungary	30 days upon receipt of billings; noninterest-bearing	Unsecured	**338,619**	304,731
ABS-CBN Films	30 days upon receipt of billings; noninterest-bearing	Unsecured	**239,450**	197,403
ABS-CBN Australia	30 days upon receipt of billings; noninterest-bearing	Unsecured	**139,410**	110,388
Others	30 days upon receipt of billings; noninterest-bearing	Unsecured	**566,352**	323,315
Others:				
Bayan Foundation**	30 days upon receipt of billings; noninterest-bearing	Unsecured	**6,231**	6,231
ABS-CBN Lingkod Kapamilya	30 days upon receipt of billings; noninterest-bearing	Unsecured	**860**	–
ABS-CBN Holdings	30 days upon receipt of billings; noninterest-bearing	Unsecured	**12**	–
Others	30 days upon receipt of billings; noninterest-bearing	Unsecured	**6,739**	7,343
Total			**₱8,499,241**	₱7,021,633

**Corporate social responsibility sector of ABS-CBN; with common officers and directors*
***Corporate social responsibility sector of Lopez Group*

Other transactions with related parties are as follow:

a. Advances to officers and employees amounted to ₱79 million and ₱568 million as of December 31, 2022 and 2021, respectively (see Note 5).

b. As of December 31, 2022 and 2021, deposits for future subscriptions in Sky Cable amounted to ₱1,830 million. As of December 31, 2022 and 2021, advances to Sky Cable and ABS-CBN Hungary intended for conversion into equity amounted to ₱13 million. These are recorded under “Investments in and advances to subsidiaries, joint ventures and associates” in the statements of financial position (see Note 8).

c. The Company’s loans granted to Play Innovations, Inc. amounted to ₱700 million as of December 31, 2022 and 2021. These loans have a term of one to two years with fixed interest rate of 4% per annum. Interest income amounted to ₱29.6 million and ₱30 million in 2022 and 2021, respectively (see Note 24).

d. On July 3, 2014, the Company granted a loan to Sky Cable amounting to ₱2 billion. The loan has a term of two years with fixed interest rate equivalent to 3.75% per annum. In 2016, the Company granted the term extension of the loan to two years with fixed interest rate equivalent to 3.875% per annum. Partial settlement of loan amounting to ₱1.5 billion was made on December 20, 2017. In 2019, the Company granted the term extension of the loan to 3 years with fixed interest rate equivalent to 4.06% per annum. On December 2, 2021, the parties agreed to change the interest rate to a fixed rate of 5.70% per annum until its maturity on September 2, 2022. The change in the interest rate did not result to a substantial modification.

In 2021, Sky Cable made partial prepayments on the loan amounting to ₱275 million. The outstanding loan receivable is presented as part of "Due from related parties" under the "Trade and other receivables" account in 2022 and 2021. Interest income amounted to ₱14 million and ₱30 million in 2022 and 2021, respectively (see Note 24).

e. The Company has advances to ALA Sports amounting to ₱76 million and ₱79 million as at December 31, 2022 and 2021, respectively.

f. The Company fully provided for an allowance for ECL on its receivables with CTI, Sapientis, ABS-C, Play Innovations, Inc. and ABS-CBN Themed Experiences as a consequence, among others, of the denial by the House of Legislative Franchises of the Company's franchise application and the lapse of the franchise of ABS-C. As of December 31, 2022 and 2021, the allowance for ECL amounted to ₱9.6 billion.

g. Other transactions with related parties included cash advances for working capital requirements.

Terms and Conditions of Transactions with Related Parties

Except for transactions identified in the previous section as interest-bearing, outstanding balances at financial reporting date are unsecured, interest-free and settlement occurs in cash and are collectible or payable on demand. For the years ended December 31, 2022 and 2021, the Company recorded provision for ECL relating to amounts owed by related parties amounting to ₱9.6 billion. This assessment is undertaken at each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation and Benefits of Key Management Personnel of the Company

	2022	2021
Compensation (see Notes 21 and 23)	**₱467,960**	₱378,948
Pension costs (see Note 26)	**43,380**	35,128
	₱511,340	₱414,076

20. Revenues

The Company's disaggregated revenue information follows:

	2022	2021
Advertising revenue	**₱5,521,814**	₱4,422,346
Ancillary rights	**1,237,436**	748,761
Line production revenue	**754,722**	250,000
Royalty income	**102,018**	97,242
Sale of goods	**77,908**	9,831
Subscription revenue	**40,475**	594,248
Others	**22,537**	77,085
	₱7,756,910	₱6,199,513

Others include revenues earned from short-messaging-system and wardrobe rental.

Advertising revenue breakdown:

	2022	2021
Airtime revenue	**₱4,945,312**	₱3,751,961
Online ad sales	**993,778**	985,610
Digital consumer revenue	**3,115**	13,042
Sponsorship income	**179**	–
Revenue deductions	**(420,570)**	(328,267)
	₱5,521,814	₱4,422,346

21. **Production Costs**

	2022	2021
Personnel expenses (see Notes 19, 23 and 26)	**₱3,488,253**	₱2,906,636
Facilities related expenses	**1,177,347**	1,575,497
Amortization of program rights (see Note 11)	**562,631**	786,421
Depreciation and amortization (see Note 9)	**492,113**	651,138
Set requirements	**331,029**	220,404
Travel and transportation	**328,702**	311,177
Blocktime cost	**244,755**	153,094
Catering and food expenses	**131,628**	116,460
License fees and royalties expense	**92,610**	33,458
Prizes	**30,097**	40,548
Advertising and promotions	**5,018**	12,265
Loss on extinguishment of program rights	**–**	80,019
Other program expenses	**550,611**	307,502
	₱7,434,794	₱7,194,619

Personnel expenses include talent fees, salaries and other employee benefits.

Other program expenses include, but are not limited to, supplies, advertising and other expenses related to various programs during the year.

The Company incurred expenses of ₱341.8 million and ₱377.0 million relating to ongoing efforts to mitigate risks of COVID-19 to production personnel and financial assistance in 2022 and 2021, respectively.

22. **Cost of Sales and Services**

Cost of sales consists of the following:

	2022	2021
Inventory cost (see Note 6)	**₱99,802**	₱17,914
Others	**14,621**	22,663
	₱114,423	₱40,577

Other cost of sales pertains to packaging, re-kitting and other marketing and selling costs related to the inventories.

Cost of services pertain to synchronization rights amounting to ₱7.3 million and ₱13.85 million in 2022 and 2021, respectively.

23. General and Administrative Expenses

	2022	2021
Personnel expenses (see Notes 19 and 26)	**₱2,109,514**	₱1,870,282
Contracted services	**632,585**	494,539
Depreciation and amortization (see Note 9)	**403,498**	470,532
Facilities related expenses (see Note 28)	**349,096**	328,272
Taxes and licenses	**290,097**	274,378
Research and survey	**168,038**	237,023
Provision for doubtful accounts (see Note 5)	**75,971**	7,748
Advertising and promotions	**66,012**	113,512
Dues and subscriptions	**39,018**	40,335
Catering and food expense	**9,157**	342
Supplies expense	**7,123**	9,949
Donations and contributions	**4,594**	845
Provision for inventory losses (see Note 6)	**667**	83,132
Other expenses	**334,417**	539,532
	₱4,489,787	₱4,470,421

Other expenses consist mainly of supplies expense, catering and food expenses and transportation and travel expenses.

Personnel expenses, included under “Production costs” and “General and administrative expenses” accounts, in the statements of comprehensive income, consists of the following:

	2022	2021
Salaries and wages	**₱5,198,537**	₱3,366,442
Other employee benefits (see Note 26)	**7,566**	1,037,266
Pension and separation benefits (see Note 26)	**391,664**	373,210
	₱5,597,767	₱4,776,918

The Company incurred expenses of ₱44.3 million and ₱54.6 million relating to projects for COVID-19 prevention and “Pantawid Pag-ibig” in 2022 and 2021, respectively.

24. Other Income and Expenses

Finance Costs

	2022	2021
Interest expense (see Notes 16 and 28)	**₱829,067**	₱924,382
Amortization of debt issue costs (see Note 16)	**15,935**	12,874
Bank service charges	**2,198**	2,794
	₱847,200	₱940,050

The following are the sources of the Company's interest expense:

	2022	2021
Loan agreements (Note 16)	**₱827,104**	₱916,788
Lease liabilities (Note 28)	**1,963**	2,980
Others	**–**	4,614
	₱829,067	₱924,382

Interest Income

The following are the sources of the Company's interest income:

	2022	2021
Due from related parties (see Note 19)	**₱45,001**	₱59,717
Cash and cash equivalents (see Note 4)	**2,813**	1,038
Others (see Note 19)	**–**	645
	₱47,814	₱61,400

Other Income - net

	2022	2021
Gain on sale of noncurrent assets held for sale (see Note 27)	**₱2,055,578**	₱–
Gain on sale of property and equipment (see Note 9)	**461,744**	184,418
Management fees (see Note 19)	**366,751**	320,094
Licenses and rights	**261,367**	–
Intercompany revenue (see Note 19)	**131,058**	134,970
Leasing operation (see Notes 19 and 27)	**61,376**	20,412
Dividend income (see Note 19)	**–**	7,245
Others – net	**453,052**	22,838
	₱3,790,926	₱689,977

Others mainly pertain to sponsorship fees.

25. **Income Taxes**

The provision for (benefit from) income tax is as follows:

	2022	2021
Current	**₱31,944**	₱25,729
Deferred	–	(260,223)
	₱31,944	(₱234,494)

Significant components of deferred tax assets and liabilities are as follows:

	2022	2021
Deferred tax assets:		
NOLCO	**₱28,491**	₱35,613
Deferred tax liabilities:		
Capitalized interest, duties and taxes (net of accumulated depreciation)	**(170,337)**	(177,459)
Gain on acquisition and exchange of debt (net of accretion)	**(70,447)**	(70,447)
Right-of-use assets – net	**(1,855)**	(1,855)
	(₱214,148)	(₱214,148)

The deferred tax assets for the following deductible temporary differences have not been recognized because management believes that it is not probable that sufficient future taxable income will be available to allow such deferred tax assets to be realized.

	2022	2021
NOLCO	**₱16,939,344**	₱14,700,823
Allowance for ECL	**10,200,662**	10,124,691
Accrued pension obligation and other employee benefits	**4,554,473**	4,800,829
Customers' deposits	**2,770,565**	3,012,673
Unrealized foreign exchange loss – net	**1,242,058**	123,405
Allowance for inventory losses	**655,483**	655,483
Allowance for impairment losses on investments in subsidiaries and associates	**365,244**	365,244
Provision for probable losses	**201,328**	190,246
Marketing and advertising expenses	**173,145**	95,800
Allowance for impairment losses on property and equipment and other noncurrent assets	**164,385**	144,653
MCIT	**57,673**	34,111
Lease liabilities (net of right-of-use assets)	**6,034**	3,952
Unamortized debt issue costs	**1,011**	862
Others	**306,909**	306,909

MCIT incurred in 2019 amounting to ₱8 million expired in 2022. MCIT incurred in 2018 amounting to ₱164 million expired in 2021.

Details of MCIT that can be claimed as tax credit against future RCIT are as follows:

Year Incurred	Expiry Dates	Amount
2021	December 31, 2024	₱25,729
2022	December 31, 2025	31,944
		₱57,673

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.

The Company has incurred NOLCO in taxable years 2020 and 2021 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, while for the year 2022, NOLCO can be claimed as deduction for the next three (3) consecutive taxable years. The details are as follows:

Year Incurred	Availment Period	Amount
2020	2021 to 2025	₱11,899,297,489
2021	2022 to 2026	2,943,979,245
2022	2023 to 2025	1,947,497,632

Movement in the deferred tax liabilities follow:

	2022	2021
Balances at beginning of year	**(₱214,148)**	(₱474,371)
Deferred taxes recognized in profit or loss	**-**	260,223
Balances at end of year	**(₱214,148)**	(₱214,148)

The reconciliation of statutory tax rate to effective tax rate applied to income before income tax is as follows:

	2022	2021
Statutory tax rate	**25%**	25%
Effect of change in income tax rate	**0%**	1%
Additions to (reduction in) income tax from the tax effects of:		
Dividend income exempt from income tax	**0%**	0%
Interest income subjected to final tax	**0%**	0%
Nondeductible interest expense and others	**(26%)**	(22%)
Effective tax rate	**(1%)**	4%

26. **Pension and Other Employee Benefits**

This account consists of:

	2022	2021
Pension obligation	**₱2,858,394**	₱3,252,875
Other employee benefits	**1,008,626**	1,177,150
	₱3,867,020	₱4,430,025

	2022	2021
Current (Note 14)	**₱121,368**	₱143,553
Noncurrent	**3,745,652**	4,286,471
	₱3,867,020	₱4,430,024

a. Pension Plan

The Company has a funded, noncontributory and actuarially loans computed pension plan covering substantially all of its employees. The benefits are based on years of service and compensation during the last year of employment.

The following tables summarize the components of net pension expense recognized in the company statements of income and accrued pension obligation recognized in the company statements of financial position:

Net Pension Expense

	2022	2021
Current service cost	**₱253,307**	₱272,035
Net interest cost	**138,399**	101,175
Net pension expense	**₱391,706**	₱373,210

Accrued Pension Obligation

	2022	2021
Present value of obligation	**₱3,128,396**	₱3,678,676
Fair value of plan assets	**(270,006)**	(425,801)
Accrued pension obligation	**₱2,858,390**	₱3,252,875

Changes in the present value of the defined benefit obligation are as follow:

	2022	2021
Defined benefit obligation at beginning of the year	**₱3,678,676**	₱3,874,587
Current service cost	**253,307**	272,035
Actuarial loss (gain) due to:		
Changes in financial assumptions	**(222,410)**	(361,270)
Change in demographic assumptions	**(18,499)**	–
Experience adjustments	**(164,551)**	342,763
Interest cost	**159,604**	124,689
Benefits paid from retirement fund	**(557,731)**	(574,128)
Defined benefit obligation at end of year*	**₱3,128,396**	₱3,678,676

* *includes benefit payable to retrenched employees amounting to ₱614 and ₱301 million as of December 31, 2022 and 2021, respectively.*

Change in the fair value of plan assets are as follow:

	2022	2021
Fair value of plan assets at beginning of year	**₱425,801**	₱806,000
Interest income included in net interest cost	**21,205**	23,514
Actual return excluding amount included in net interest cost	**(177,000)**	(85,538)
Benefits paid from retirement fund	**–**	(318,175)
Fair value of plan assets at end of year	**₱270,006**	₱425,801

The Company does not expect to contribute to the retirement fund in 2022.

Changes in net pension liability are as follow:

	2022	2021
Balance at beginning of year	**₱3,252,875**	₱3,068,587
Pension expense	**391,706**	373,210
Remeasurement loss in OCI	**(228,460)**	67,031
Benefits paid	**(557,731)**	(255,953)
Net pension liability at end of year	**₱2,858,390**	₱3,252,875

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2022	2021
		(Percentage)
Short-term equity investment	**98.7**	99.2
Investment in fixed/floating rate treasury note	**1.3**	0.8
	100.00	100.0

The principal assumptions used in determining pension benefit obligation for the Company's plan are shown below:

	December 31	January 1	
	2022	2022	2021
Discount rate	**7.12%, 7.21%**	4.98%-5.03%	3.64%-3.75%
Future salary rate increases	**2.67%-6.4%**	2.67%-6.4%	2.67%-6.4%

The pension fund is actively managed by the retirement committee, composed of five members, four of whom are executive staff of the Company and beneficiaries of the plan.

The retirement committee of the beneficial trust fund uses an investment approach with the objective of maximizing the long-term expected return of plan assets. The plan's investment portfolio seeks to achieve regular income, long-term capital growth and consistent performance over its own portfolio benchmark. In order to attain this objective, the Trustee's mandate is to invest in a diversified portfolio of fixed income and equities. The investment portfolio consists of investment in equity and fixed income securities of 99 % and 1 % as of December 31, 2022, respectively, and 88% and 12% as of December 31, 2021, respectively.

On July 27, 2010, the retirement committee of the retirement fund approved the following:

a. Acquisition of ABS-CBN securities to fully fund the retirement fund deficiency;
b. Allow the acquisition of Lopez Holdings shares and shares of other listed companies;
c. Migrate to an investment management account arrangement in lieu of a "Trusteed" arrangement with BDO; and
d. Appoint an investment officer of the retirement plan.

The fair value of the plan assets allocation as at December 31, 2022 and 2021 are as follows:

	2022	2021
Fixed Income:		
Short-term	**₱3,480**	₱3,439
Equities:		
Investment in shares of stock and other securities of related parties	**266,526**	422,362
	₱270,006	₱425,801

Short-term Fixed Income. Short-term fixed income investment includes investments in short term UITF including money market funds and short-term funds in 2022 and 2021.

Medium and Long-term Fixed Income. Investments in medium and long-term fixed income include Philippine-peso denominated bonds, such as government securities, corporate bonds, notes and debt securities and equity investment in preferred shares.

Equities. These pertain to investments in shares of stock and other securities of related parties and other companies listed in the PSE.

Investments in Shares of Stock and Other Securities of Related Parties. These pertain to investments in ABS-CBN PDRs and common shares and Lopez Holdings and Rockwell Land common shares.

	December 31, 2022			
	Number of Shares	**Cost**	**Fair Value**	**Unrealized Los)**
ABS-CBN PDRs	**34,903,160**	**₱1,515,862**	**₱262,821**	**(₱1,253,041)**
ABS-CBN Common	**501,320**	**24,052**	**3,705**	**(20,347)**
	35,404,480	**₱1,539,914**	**₱266,526**	**(₱1,273,388)**

	December 31, 2021			
	Number of Shares	Cost	Fair Value	Unrealized Loss
ABS-CBN PDRs	34,903,160	₱1,515,862	₱416,045	(₱1,099,817)
ABS-CBN Common	501,320	24,052	6,317	(17,735)
	35,404,480	₱1,539,914	₱422,362	(₱1,117,552)

As of December 31, 2022 and 2021, the value of each ABS-CBN PDRs held by the retirement fund is at ₱7.53 and ₱11.92, respectively.

Total loss from investments in shares of stock and other securities of related parties amounted to ₱1,273 million and ₱1,118 million in 2022 and 2021, respectively.

b. Other Employee Benefits

Other employee benefits consist of accumulated employee vacation and sick leave entitlement.

	2022	2021
Current service cost	**₱42,157**	₱65,184
Net interest cost	**54,164**	40,690
Actuarial gain	**(168,676)**	(129,092)
Net benefit income	**(₱72,355)**	(₱23,218)

Changes in the present value of the defined benefit obligation are as follow:

	2022	2021
Defined benefit obligation at beginning of year	**₱1,177,150**	₱1,236,778
Current service cost	**42,157**	65,184
Interest cost	**54,164**	40,690
Actuarial gain	**(168,676)**	(129,092)
Benefits paid	**(96,168)**	(36,410)
Defined benefit obligation at end of year	**₱1,008,627**	₱1,177,150

The sensitivity analysis in the following table has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant.

	Increase (decrease) in defined benefit obligation	
	2022	2021
Discount rate:		
Increase by 1%	**(₱176,133)**	(₱232,285)
Decrease by 1%	**198,331**	265,122
Future salary increases:		
Increase by 1%	**212,107**	(280,009)
Decrease by 1%	**(191,288)**	249,628

The average duration of the defined benefit obligation at the end of the period is 8.5 to 11.87 years.

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

	2022	2021
Less than one year	**₱830,585**	₱761,723
More than one year to five years	**925,063**	1,274,050
More than five years to 10 years	**2,351,040**	2,018,946
More than 10 years to 15 years	**1,883,499**	2,007,395
More than 15 years to 20 years	**1,824,835**	1,873,057
More than 20 years	**2,220,553**	2,386,874

27. Noncurrent assets held for sale

In 2021, the Company classified certain transmitter equipment and land under investment properties amounting to ₱37 million and ₱136 million, respectively, as noncurrent assets held for sale (see Notes 9 and 10). These assets were sold in 2022 for a total amount of ₱2,229 million resulting in gain on sale of ₱2,056 million.

In 2022, additional transmitter equipment and land amounting to ₱184 million and ₱2 million were reclassified as noncurrent assets held for sale (see Note 9). The sale is expected to be completed within a year from the reporting date. In February 2023, the Company sold certain parcels of land for ₱62 million.

Noncurrent assets held for sale are included as part of "Content Production and Distribution" business segment (see Note 33).

28. Commitments

Operating Lease

As Lessee. The Company lease office facilities, transmitters, space and satellite equipment. These lease agreements include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and aligned with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The following are the amounts recognized in the Company's statement of income in 2022 and 2021:

	2022	2021
Depreciation expense of right-of-use asset	**₱13,573**	₱15,091
Interest expense on lease liability	**1,963**	2,980
Expenses relating to short-term leases (included under "Facilities-related expense" in production cost)	**59,593**	62,304
Expenses relating to short-term leases (included under "Facilities-related expense" in general and administrative expenses)	**21,444**	2,258
Total amount recognized in the statement of comprehensive income	**₱96,573**	₱82,633

Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The rollforward analysis of lease liability is as follows:

	2022	2021
Balance at beginning of year	**₱37,306**	₱43,056
Additions	**–**	10,177
Interest expense	**1,963**	2,980
Interest paid	**(1,963)**	(2,980)
Payments	**(11,500)**	(15,927)
Balance at end of year	**25,806**	37,306
Less current portion	**11,244**	13,609
	₱14,562	₱23,697

As Lessor. The Company has entered into commercial property leases on its building, consisting of the Company's surplus office buildings. These non-cancelable leases have remaining non-cancelable lease terms of 3 to 5 years. All leases include a clause to enable upward revision of the rental charge on a predetermined rate.

Future minimum rentals receivable under non-cancelable operating leases are as follow:

	2022	2021
Within one year	**₱10,254**	₱5,424
After one year but not more than five years	**7,523**	3,874
	₱17,777	₱9,298

29. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, financial assets at FVOCI and interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are foreign currency risk, credit risk and liquidity risk. The BOD reviews and agrees on the policies for managing each of these risks and they are summarized below:

Foreign Currency Risk

It is the Company's policy to enter into cross currency swaps whenever the need arises to manage foreign currency risk and eliminate the variability of cash flows due to changes in the fair value of the foreign-currency denominated debt with maturity of more than one year.

As of December 31, 2022 and 2021, there are no freestanding derivative contracts and all the Company's long-term loan obligations are generally in Philippine currency.

The Company, however, has transactional currency exposures. Such exposure arises when the transaction is denominated in currencies other than the functional currency of the operating unit or the counterparty.

The following tables show the Company's significant foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as of December 31, 2022 and 2021:

	2022				
	USD	**EUR**	**GBP**	**AUD**	**Philippine Peso Equivalent**
Financial assets:					
Cash and cash equivalents	**3,352**	**–**	**–**	**–**	**186,908**
Trade and other receivables	**5,875**	**163**	**77**	**1**	**342,523**
	9,227	**163**	**77**	**1**	**529,431**
Financial liabilities:					
Trade and other payables	**269,117**	**1,468**	**482**	**413**	**15,141,462**
Obligations for program rights	**446**	**–**	**–**	**–**	**24,869**
	269,563	**1,468**	**482**	**413**	**15,166,331**
Net foreign currency-denominated financial assets liabilities	**(260,336)**	**(1,305)**	**(405)**	**(412)**	**(14,636,900)**

	2021				
	USD	EUR	GBP	AUD	Philippine Peso Equivalent
Financial assets:					
Cash and cash equivalents	9,030	–	–	–	460,530
Trade and other receivables	9,193	163	77	1	483,647
	18,223	163	77	1	944,177
Financial liabilities:					
Trade and other payables	341,559	1,314	482	413	17,544,273
Obligations for program rights	770	–	–	–	39,270
	342,329	1,314	482	413	17,583,543
Net foreign currency-denominated financial assets liabilities	(324,106)	(1,151)	(405)	(412)	(16,639,366)

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the Company used the following exchange rates:

	Exchange Rates	
Currency	**2022**	2021
USD	**55.76**	51.00
EUR	**59.53**	57.99
GBP	**67.42**	69.02
AUD	**37.80**	37.04

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant, of the Company's income before income tax. There is no other impact on the Company's equity other than those already affecting net income.

	2022		2021	
	Increase (Decrease) in ₱ to Foreign Currency Exchange Rate	**Effect on Income Before Income Tax**	Increase (Decrease) in ₱ to Foreign Currency Exchange Rate	Effect on Income Before Income Tax
USD	**1.10%**	**(₱126,290)**	0.80%	(₱132,235)
	(0.40%)	**47,359**	(0.30%)	49,588
EUR	**0.90%**	**(536)**	0.70%	(467)
	(0.70%)	**612**	(0.80%)	534
GBP	**0.70%**	**(299)**	1.10%	(307)
	(0.90%)	**-**	(0.60%)	168
AUD	**1.20%**	**(132)**	0.90%	(137)
	(1.10%)	**117**	(0.80%)	122

The change in currency rate is based on the Company's best estimate of expected change considering historical trends and experiences. Positive change in currency rate reflects a weaker peso against foreign currency.

The Company computes for the percentages of changes in exchange rates for the foreign currency-denominated accounts by comparing the year-end closing rates or existing foreign currency exchange rates with the forward foreign currency exchange rates three months before and after financial reporting date. The Company assumes the trend for the six months period to be its exposure on foreign currency fluctuations.

Credit Risk

The Company is exposed to credit risk from operational and certain of its financing activities. On the Company's credit risk arising from operating activities, the Company only extends credit to recognized and accredited third parties. The Company implements a pay before broadcast policy to new customers. In addition, receivable balances are monitored on an ongoing basis. Such determination takes into consideration the age of the receivable and the current solvency of the individual accounts.

With regard to the Company's financing activities, as a general rule, the Company transacts these activities with counterparties that have a long credit history in the market and an outstanding relationship with the Company. The policy of the Company is to have the BOD accredit these banks and/or financial institutions before any of these financing activities take place.

With respect to credit risk arising from the financial assets of the Company, exposure to credit risk arises from default of the counterparty.

There is no requirement for collateral over trade receivables since the Company trades only with recognized and accredited counterparties.

The maximum exposure to credit risk is partly represented by the carrying amounts of the financial assets that are reported in the company statements of financial position.

Credit Risk Exposures. The table below shows the maximum exposure to on- and off-balance sheet credit risk exposures of the Company, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques as of December 31:

	2022	2021
Financial assets at amortized cost:		
Cash (excluding cash on hand)	**₱99,151**	₱112,712
Trade and other receivables (excluding advances subject to liquidation)	**17,571,032**	18,902,750
Deposits	**162,794**	117,752
	₱17,832,977	₱19,133,214

Credit Quality per Class of Financial Asset. The credit quality of financial assets is being managed by the Company using internal credit ratings. The tables below show the credit quality by class of financial assets based on the Company's credit rating system as of December 31:

	2022					
	Neither Past Due nor Impaired			Past Due but		
	High	Moderate	Low	not Impaired	Impaired	Total
Financial assets at amortized cost						
Cash:						
Cash in banks	**₱99,151**	**₱–**	**₱–**	**₱–**	**₱–**	**₱99,151**
Trade and other receivables:						
Trade receivables	**1,114,876**	**363,183**	**5,023**	**627,873**	**37,729**	**2,148,684**
Nontrade receivables*	**123,185**	**92,431**	**75,549**	**689,378**	**38,197**	**1,018,740**
Due from related parties	**–**	**5,083,430**	**–**	**–**	**9,714,524**	**14,797,954**
Deposits	**122,970**	**–**	**–**	**–**	**–**	**122,970**
Financial assets at FVOCI	**40,454**	**–**	**–**	**–**	**–**	**40,454**
	₱1,500,636	**₱5,539,044**	**₱80,572**	**₱1,317,251**	**₱9,790,450**	**₱18,227,953**

**Excluding advances subject to liquidation*

	2021					
	Neither Past Due nor Impaired			Past Due but		
	High	Moderate	Low	not Impaired	Impaired	Total
Financial assets at amortized cost:						
Cash:						
Cash in banks	₱112,712	₱–	₱–	₱–	₱–	₱112,712
Trade and other receivables:						
Trade receivables	846,390	275,986	4,858	950,389	41,883	2,119,506
Nontrade receivables*	140,093	99,163	85,919	807,694	433,607	1,566,476
Due from related parties	–	5,567,567	–	–	9,649,201	15,216,768
Deposits	117,752	–	–	–	–	117,752
Financial assets at FVOCI	37,754	–	–	–	–	37,754
	₱1,254,701	₱5,942,716	₱90,777	₱1,758,083	₱10,124,691	₱19,170,968

**Excluding advances subject to liquidation*

The credit quality of the financial assets was determined as follows:

- High Credit Quality

  This includes deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers, as of financial reporting date, accounts of good paying customers, with good credit standing and with no history of account treatment for a defined period.

- Moderate Credit Quality

  For receivables, this covers accounts of standard paying customers, those whose payments are within the credit term, and new customers for which sufficient credit history has not been established.

- Low Credit Quality

  For receivables, this covers accounts of slow paying customers and those whose payments are received upon demand at financial reporting date.

Trade Receivables
These represent amounts collectible from advertising agencies, advertisers or trade customers mainly arising from the sale of airtime business.

Nontrade Receivables
These represent claims, arising from sources other than the sale of airtime that are reasonably expected to be realized in cash.

The following table below shows the aging analysis of past due but not impaired receivables per class that the Company held as of December 31. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

	2022					
	Neither Past Due nor Impaired	**Past Due but not Impaired**				
		Less than 30 Days	**30 Days and Over**	**Impaired**	**Allowance**	**Total**
Trade receivables	**₱1,518,414**	**₱197,876**	**₱390,511**	**₱41,883**	**(₱41,883)**	**₱2,106,801**
Nontrade and other receivables*	**497,844**	**4,627**	**72,014**	**444,255**	**(444,255)**	**574,485**
Due from related parties	**–**	**5,083,430**	**–**	**9,714,524**	**(9,714,524)**	**5,083,430**
	₱2,016,258	**₱5,285,933**	**₱462,525**	**₱10,200,662**	**(₱10,200,662)**	**₱7,764,716**

**Excluding advances subject to liquidation*

	2021					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		Less than 30 Days	30 Days and Over	Impaired	Allowance	Total
Trade receivables	₱1,127,234	₱244,107	₱706,282	₱41,883	(₱41,883)	₱2,077,623
Nontrade and other receivables*	325,175	17,023	227,796	433,607	(433,607)	569,994
Due from related parties		5,567,567	–	9,649,201	(9,649,201)	5,567,567
	₱1,452,409	₱5,828,697	₱934,078	₱10,124,691	(₱10,124,691)	₱8,215,184

**Excluding advances subject to liquidation*

Set out below is the information about the credit risk exposure on the Company's trade, nontrade receivables and due from related parties using a provision matrix

As of December 31, 2022:

Trade receivables:

		Days Past Due				
	Current	**0-30 Days**	**31-60 Days**	**61-90 Days**	**Over 90 Days**	**Total**
Expected credit loss rate	**0.25%**	**1.26%**	**3.18%**	**5.78%**	**7.78%**	**18.25%**
Estimated total gross carrying amount at default	**₱1,483,082**	**₱197,876**	**₱33,980**	**₱56,839**	**₱376,907**	**₱2,148,684**
Expected credit loss	**3,708**	**2,493**	**1,081**	**3,285**	**31,316**	**41,883**
	₱1,479,374	**₱195,383**	**₱32,899**	**₱53,554**	**₱345,591**	**₱2,106,801**

*Nontrade receivables and due from related parties**

		Days Past Due				
	Current	**0-30 Days**	**31-60 Days**	**61-90 Days**	**Over 90 Days**	**Total**
Expected credit loss rate	**0.69%**	**1.56%**	**2.88%**	**5.20%**	**26.89%**	**37.22%**
Estimated total gross carrying amount at default	**290,282**	**4,627**	**88,983**	**15,440**	**15,416,480**	**15,816,694**
Expected credit loss	**2,003**	**72**	**2,563**	**803**	**10,153,338**	**10,158,779**
	₱288,279	**₱4,555**	**₱86,420**	**₱14,637**	**₱5,264,024**	**₱5,657,915**

**Excluding advances subject to liquidation*

As of December 31, 2021:

Trade receivables:

		Days Past Due				
	Current	0-30 Days	31-60 Days	61-90 Days	Over 90 Days	Total
Expected credit loss rate	0.32%	2.22%	5.79%	10.10%	7.71%	1.98%
Estimated total gross carrying amount at default	₱1,357,829	₱380,665	₱66,259	₱43,277	₱271,476	₱2,119,506
Expected credit loss	4,304	8,437	3,834	4,370	20,938	41,883
	₱1,353,525	₱372,228	₱62,424	₱38,908	₱250,539	₱2,077,623

*Nontrade receivables and due from related parties**

		Days Past Due				
	Current	0-30 Days	31-60 Days	61-90 Days	Over 90 Days	Total
Expected credit loss rate	1.01%	1.09%	1.94%	3.26%	62.68%	62.42%
Estimated total gross carrying amount at default	₱13,328	₱36,879	₱7,691	₱10,674	₱16,714,672	₱16,783,244
Expected credit loss	134	402	149	348	10,081,774	10,082,808
	₱13,194	₱36,477	₱7,542	₱10,325	₱6,632,897	₱6,700,436

**Excluding advances subject to liquidation*

Based on the cash flow projection, past due receivables are expected to be collected within 2022.

<u>Liquidity Risk</u>

The Company seeks to manage its funds through cash planning on a weekly basis. This undertaking specifically considers the maturity of both the financial investments and financial assets and projected operational disbursements. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. As a general rule, cash balance should not go below roughly two months of operational exigencies amidst occasional fluctuation of cash inflows.

It is the Company's objective to maintain a balance between continuity of funding and flexibility through the use of bank credit and investment facilities. As such, the Company continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities such as the ₱6 billion bond issuance in 2014 and refinancing of loans from 2016 to 2019. Currently, the debt maturity profile of the Company ranges from 0.25 to 7 years. Also, the Company places funds in the money market only when there are surpluses from the Company's requirements. Placements are strictly made based on cash planning assumptions and as much as possible, covers only a short period of time.

As of December 31, 2021, the Company has obtained consent and approval from the existing lenders to waive the provisions of the loan agreement requiring the financial covenants up to December 31, 2022. Discussion on how the Company addressed this and the related liquidity risk are in Notes 3 and 16.

The tables below summarize the maturity profile of the Company’s financial assets and liabilities based on contractual undiscounted payments:

	2022					
	Within One Year	**1 year but less than 2 years**	**2 years but less than 3 years**	**3 years to 4 years**	**More than Four Years**	**Total**
Cash	**₱99,151**	**₱–**	**₱–**	**₱–**	**₱–**	**₱99,151**
Trade receivables	**2,148,684**	–	–	–	–	**2,148,684**
Nontrade receivables	**1,018,740**	–	–	–	–	**1,018,740**
Due from related parties	**14,797,954**	–	–	–	–	**14,797,954**
	18,064,529	–	–	–	–	**18,064,529**
Trade and other payables*	**11,465,921**	–	–	–	–	**11,465,921**
Interest-bearing loans and borrowings**	**1,921,251**	**1,068,969**	**5,683,537**	**4,515,799**	**1,931,831**	**15,121,387**
Lease liabilities**	**11,244**	**10,254**	**7,523**	**7,754**	**3,289**	**40,064**
Obligations for program rights	**129,523**	**45,053**	–	–	–	**174,576**
	₱13,527,939	**₱1,124,276**	**₱5,691,060**	**₱4,523,553**	**₱1,935,120**	**₱26,801,425**

**Excluding customers’ deposits, accrued taxes and other payables to government agencies*
***Including interest*

	2021					
	Within One Year	1 year but less than 2 years	2 years but less than 3 years	3 years to 4 years	More than Four Years	Total
Cash and cash equivalents	₱158,142	₱–	₱–	₱–	₱–	₱158,142
Trade receivables	2,077,623	–	–	–	–	2,077,623
Nontrade receivables	1,132,869	–	–	–	–	1,132,869
Due from related parties	5,567,567	–	–	–	–	5,567,567
	8,936,201	–	–	–	–	₱8,936,201
Trade and other payables*	9,457,397	–	–	–	–	9,457,397
Interest-bearing loans and borrowings**	954,371	235,032	235,020	5,726,315	8,558,890	15,709,628
Lease liabilities**	13,462	12,972	9,042	6,806	–	42,282
Obligations for program rights	136,996	165,437	–	–	–	302,433
	₱10,562,226	₱413,441	₱244,062	₱5,733,121	₱8,558,890	₱25,511,740

**Excluding customers’ deposits, accrued taxes and other payables to government agencies*
***Including interest*

Capital Management

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

The primary objective of the Company’s capital management is to ensure that it maintains healthy capital ratios and strong credit ratings while viably supporting its business to maximize shareholder value. No changes were made in capital management objectives, policies or processes in 2022 and 2021.

The Company’s approach focuses on efficiently allocating internally generated cash for operational requirements and investments to grow the existing business.

The Company has obtained consent and approval from the existing lenders to waive the provision of the loan agreement requiring the financial covenants for all quarters in the years ended December 31, 2022 and 2021 (see Note 16).

2022 Financial Ratios	Required	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Loan Agreement					
Debt to equity	Less than or equal to 2.50	**3.60**	**3.60**	**3.62**	**3.16**
Debt service coverage ratio	Greater than or equal to 1.20	**2.54**	**4.43**	**3.19**	**2.27**

2021 Financial Ratios	Required	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Loan Agreement					
Debt to equity	Less than or equal to 2.50	2.68	3.01	3.18	3.43
Debt service coverage ratio	Greater than or equal to 1.10	(2.87)	(3.01)	(1.17)	1.08

30. Financial Assets and Financial Liabilities

The following tables set forth the carrying amounts and estimated fair values of Company's financial assets and liabilities recognized as of December 31, 2022 and 2021. There are no material unrecognized financial assets and liabilities as of December 31, 2022 and 2021.

			2022		
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Asset					
Financial assets at FVOCI	**₱40,454**	**₱40,454**	**₱–**	**₱40,454**	**₱–**
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	**₱13,131,499**	**₱13,155,750**	**₱–**	**₱–**	**₱13,155,750**
Contract liabilities	**2,929,001**	**2,929,001**	**–**	**–**	**2,929,001**
Obligations for program rights	**174,576**	**174,576**	**–**	**174,576**	**–**
	₱16,235,076	**₱16,259,327**	**₱–**	**₱174,576**	**₱16,084,751**

			2021		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Asset					
Financial assets at FVOCI	₱37,754	₱37,754	₱–	₱–	₱37,754
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	₱15,628,343	₱16,953,603	₱–	₱–	₱16,953,603
Contract liabilities	3,100,779	3,100,779	–	–	3,100,779
Obligations for program rights	283,473	289,826	–	289,826	–
	₱19,012,595	₱20,344,208	₱–	₱289,826	₱20,054,382

Fair Value of Financial Instruments

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

Cash and Cash Equivalents, Short-term Investments, Trade and Other Receivables and Trade and Other Payables. Due to the short-term nature of transactions, the fair values of these instruments approximate the carrying amounts as of financial reporting date.

Deposits. These were presented at cost since the timing and amounts of future cash flows cannot be reasonably and reliably estimated. As of December 31, 2022 and 2021, deposits amounted to ₱162.8 million and ₱145.6 million, respectively.

Financial assets at FVOCI. The fair values of publicly-traded instruments were determined by reference to market bid quotes as at financial reporting date. The fair values of the non-listed equity investments have been estimated using a discounted cash flow model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments.

Interest-bearing Loans and Borrowings. Fair value was computed based on the following:

	Fair Value Assumptions
Term loans	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. The interest rates used to discount the future cash flows have ranged from 3.9% to 6.5% in 2022 and 6.9% to 7.1% in 2021.

Obligations for Program 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.

There were no transfers between levels in the fair value hierarchy as of December 31, 2022 and 2021.

Offsetting of Financial Assets and Liabilities

There is no offsetting of financial assets and liabilities as of December 31, 2022 and 2021.

31. Notes to Parent Company Statements of Cash Flows

Noncash investing activities include acquisition of right-of-use assets from renewed lease contract amounting ₱10 million in 2021 (nil in 2022).

Changes in liabilities arising from financing activities:

	January 1, 2022	**Cash flows**	**Noncash changes**	**December 31, 2022**
Interest-bearing loans and borrowings	**₱15,628,343**	**(₱2,512,779)**	**₱15,935**	**₱13,131,499**
Accrued interest (see Note 14)	**161,077**	**(852,146)**	**827,103**	**136,034**
Dividends payable (see Note 14)	**43,481**	**–**	**–**	**43,481**
Lease liabilities	**37,306**	**(13,463)**	**1,963**	**25,806**
Total liabilities from financing activities	**₱15,870,207**	**(₱3,378,388)**	**₱845,001**	**₱13,336,820**

	January 1, 2021	Cash flows	Noncash changes	December 31, 2021
Interest-bearing loans and borrowings	₱16,033,608	(₱442,088)	₱36,823	₱15,628,343
Accrued interest (see Note 14)	159,055	(919,381)	921,403	161,077
Dividends payable (see Note 14)	43,481	–	–	43,481
Lease liabilities	43,056	(18,907)	13,157	37,306
Total liabilities from financing activities	₱16,279,200	(₱1,380,376)	₱971,383	₱15,870,207

Noncash changes include effect of accrual of dividends and interests and amortization of debt issue costs.

32. Contingent Liabilities and Other Matters

The Company is also subject to periodic examinations by tax authorities and has other legal cases in the ordinary course of business, which are pending in courts or under protest. In consultation with its legal counsel, management believes that the outcome of these examinations and cases are not material to affect the Company's financial position and financial performance.

Disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* only general descriptions were provided.

33. Operating Segment Information

The Company's identified reportable segments are consistent with the segment information presented in the Group's consolidated financial statements. The following segment information is consistent with the segments reported to the Executive Committee, which is the Group's Chief Operating Decision Maker (CODM). The Executive Committee monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss presented in the consolidated financial statements.

The segment information provided in the succeeding section are based on consolidated balances; adjustments are presented to reconcile the information with the balances reported in the Company's financial statements.

<u>Business Segments</u>
For management purposes, the Group is organized into two business activities – Content Production and Distribution and Cable and Broadband. This segmentation is the basis upon which the Group reports its primary segment information.

- Content production and distribution comprise entertainment, news and current affairs, global operations, film and music production, cable channels, publishing, content distribution through digital platforms, and live events and concerts. This consists of local and global content creation and distribution through television and radio broadcasting.

- Cable and Broadband includes cable television and broadband services in Metro Manila and in certain provincial areas in the Philippines.

<u>Geographical Segments</u>
The Group operates in three major geographical areas namely, the Philippines, United States and Other Countries. In the Philippines, its home country, the Group is involved in content production and distribution and pay TV. In the United States and in other locations (which include Middle East, Europe, Australia, Canada and Japan), the Group operates its cable and satellite operations to bring its produced content outside the Philippines.

The Company does not have revenue from transactions with a single external customer amounting to 10% or more of the Company's revenues.

Inter-segment Transactions

Segment revenue, segment expenses and operating 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.

The Executive Committee, the Company's chief operating decision maker, monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on consolidated net income for the year, earnings before interest, taxes and depreciation and amortization (EBITDA) and EBITDA margin. EBITDA margin pertains to EBITDA divided by gross revenues.

EBITDA and EBITDA margin are non-PFRSs measures.

The following table shows the reconciliation of the consolidated EBITDA to consolidated net income:

	Years Ended December 31	
	2022	2021
Consolidated EBITDA	**₱2,875,540**	₱552,637
Depreciation and amortization	**(3,121,496)**	(3,425,454)
Amortization of intangible assets**	**(891,602)**	(1,167,705)
Impairment loss	**(49,827)**	(1,000,713)
Finance costs*	**(1,122,382)**	(436,222)
Interest income	**12,740**	(201,441)
Provision for income tax	**(338,922)**	8,515
Consolidated net income	**(₱2,635,948)**	(₱5,670,383)

**Excluding bank service charges*
***Excluding amortization of movie in-process and filmed entertainment and story, video and publication and record master*

Business Segment Data

The following tables present revenue and income information and certain asset and liability information regarding business segments for the years ended December 31:

	Content Production and Distribution		Cable and Broadband		Reconciliations/Adjustments		Parent Company Balances	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Revenue								
External sales	**₱11,666,537**	₱9,808,028	**₱8,097,124**	₱8,482,817	**(₱11,583,327)**	(₱12,114,365)	**₱8,180,334**	₱6,176,480
Inter-segment sales	**2,308,509**	1,460,748	**–**	–	**(2,308,509)**	(1,431,678)	**–**	29,070
Revenue deductions	**(601,691)**	(465,641)	**–**	–	**178,267**	459,604	**(423,424)**	(6,037)
Total revenue	**₱13,373,355**	₱10,803,135	**₱8,097,124**	₱8,482,817	**(₱13,713,569)**	(₱13,086,439)	**₱7,756,910**	₱6,199,513
Results								
Operating results	**(₱4,274,471)**	(₱6,574,611)	**(₱498,387)**	₱194,403	**₱483,485**	₱860,258	**(₱4,289,373)**	(₱5,519,950)
Finance costs	**(921,946)**	(979,098)	**(284,099)**	(236,561)	**358,845**	275,609	**(847,200)**	(940,050)
Foreign exchange losses – net	**(371,944)**	(218,474)	**(114,735)**	(12,648)	**(609,263)**	(408,661)	**(1,095,942)**	(639,783)
Interest income	**50,410**	63,028	**7,004**	3,444	**(9,600)**	(5,072)	**47,814**	61,400
Impairment losses	**–**	201,441	**–**	–	**(106,069)**	(336,785)	**(106,069)**	(135,344)
Other income – net	**3,720,474**	890,170	**435,137**	390,090	**(364,685)**	(590,283)	**3,790,926**	689,977
Income tax	**(403,365)**	46,828	**64,443**	(483,050)	**306,978**	670,716	**(31,944)**	234,494
Net income	**(₱2,200,842)**	(₱6,570,716)	**(₱390,637)**	(₱144,322)	**₱59,691**	₱465,782	**(₱2,531,788)**	(₱6,249,256)
Assets and Liabilities								
Operating assets	**₱28,427,931**	₱29,785,835	**₱23,773,522**	₱23,850,193	**(₱33,337,314)**	(₱31,517,254)	**₱18,864,139**	₱22,118,774
Investments in associates and joint ventures	**16,954,997**	15,801,696	**–**	1,562	**(2,934,601)**	(1,707,608)	**14,020,396**	14,095,650
Deferred tax assets – net	**237,369**	539,178	**1,293,096**	558,772	**(1,530,465)**	(1,097,950)	–	–
Total assets	**₱45,620,297**	₱46,126,709	**₱25,066,618**	₱24,410,527	**(₱37,802,380)**	(₱34,322,812)	**₱32,884,535**	₱36,214,424
Operating liabilities	**₱14,308,115**	₱15,090,327	**₱7,058,608**	₱6,742,944	**(₱5,634,356)**	(₱6,939,340)	**₱15,732,367**	₱14,893,931
Contract liabilities	**1,384,982**	123,837	**370,029**	642,105	**1,173,990**	2,334,837	**2,929,001**	3,100,779
Interest-bearing loans and borrowings	**13,131,500**	15,628,343	**4,866,817**	4,897,514	**(4,866,818)**	(4,897,514)	**13,131,499**	15,628,343
Deferred tax liability	**481,758**	249,762	**-**	–	**(267,610)**	(35,614)	**214,148**	214,148
Lease liabilities	**571,544**	76,999	**601,911**	561,162	**(1,147,649)**	(600,855)	**25,806**	37,306
Total liabilities	**₱29,877,899**	₱31,169,268	**₱12,897,365**	₱12,843,725	**(₱10,742,443)**	(₱10,138,486)	**₱32,032,821**	₱33,874,507
Other Segment Information								
Capital expenditures:								
Property and equipment	**₱238,866**	₱404,892	**₱2,411,367**	₱3,132,446	**(₱2,572,649)**	(₱3,468,191)	**₱77,584**	₱69,147
Intangible assets	**85,125**	183,992	**149,118**	160,914	**(187,452)**	(147,237)	**46,791**	197,669
Depreciation and amortization	**2,615,070**	2,702,764	**2,107,020**	2,065,325	**(3,826,479)**	(2,859,998)	**895,611**	1,908,091
Noncash expenses other than depreciation and amortization	**199,956**	348,769	**344,302**	119,854	**(544,258)**	(455,749)	–	12,874

Geographical Segment Data

The following tables present revenue and expenditure and certain asset information regarding geographical segments for the years ended December 31:

	Philippines		United States		Others		Reconciliations/Adjustments		Parent Company Balances	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Revenue										
External sales	**₱15,623,560**	₱14,827,461	**₱3,043,631**	₱2,347,178	**₱1,096,470**	₱1,116,206	**(₱11,583,327)**	(₱12,114,365)	**₱8,180,334**	₱6,176,480
Inter-segment sales	**2,308,509**	1,460,748	**–**	–	**–**	–	**(2,308,509)**	(1,431,678)	**–**	29,070
Revenue deductions	**(601,691)**	(465,641)	**–**	–	**–**	–	**178,267**	459,604	**(423,424)**	(6,037)
Total revenue	**₱17,330,378**	₱15,822,568	**₱3,043,631**	₱2,347,178	**₱1,096,470**	₱1,116,206	**(₱13,713,569)**	(₱13,086,439)	**₱7,756,910**	₱6,199,513
Assets										
Operating assets	**₱40,860,912**	₱46,707,139	**₱2,281,998**	₱2,098,564	**₱8,621,432**	₱4,621,363	**(₱33,086,035)**	(₱31,481,782)	**₱18,678,307**	₱21,945,284
Non-current assets held for sale	**409,442**	173,490	**–**	–	**–**	–	**(223,610)**	–	**185,832**	173,490
Contract assets	**27,669**	35,472	**–**	–	**–**	–	**(27,669)**	(35,472)	**–**	–
Investments in associates and joint ventures	**16,954,997**	15,803,258	**–**	–	**–**	–	**(2,934,601)**	(1,707,608)	**14,020,396**	14,095,650
Deferred tax assets – net	**1,454,778**	939,361	**54,756**	144,789	**20,930**	13,800	**(1,530,464)**	(1,097,950)	**–**	–
Total assets	**₱59,707,798**	₱63,658,720	**₱2,336,754**	₱2,243,353	**₱8,642,362**	₱4,635,163	**(₱37,802,379)**	(₱34,322,812)	**₱32,884,535**	₱36,214,424
Liabilities										
Operating liabilities	**₱17,896,655**	₱17,855,687	**₱898,808**	₱942,048	**₱2,571,260**	₱3,035,536	**(₱5,634,356)**	(₱6,939,340)	**₱15,732,367**	₱14,893,931
Contract liabilities	**1,755,011**	765,942	**–**	–	**–**	–	**1,173,990**	2,334,837	**2,929,001**	3,100,779
Interest-bearing loans and borrowings	**17,998,317**	20,525,857	**–**	–	**–**	–	**(4,866,818)**	(4,897,514)	**13,131,499**	15,628,343
Deferred tax liability	**481,758**	249,762	**–**	–	**–**	–	**(267,610)**	(35,614)	**214,148**	214,148
Lease liabilities	**1,173,455**	632,608	**–**	3,497	**–**	2,056	**(1,147,649)**	(600,855)	**25,806**	37,306
Total liabilities	**₱39,305,196**	₱40,029,856	**₱898,808**	₱945,545	**₱2,571,260**	₱3,037,592	**(₱10,742,443)**	(₱10,138,486)	**₱32,032,821**	₱33,874,507
Other Segment Information										
Capital expenditures:										
Property and equipment	**₱2,644,090**	₱3,503,325	**₱4,951**	₱23,671	**₱1,192**	₱10,342	**(₱2,572,649)**	(₱3,468,191)	**₱77,584**	₱69,417
Intangible assets	**234,243**	344,906	**–**	–	**–**	–	**(187,452)**	(147,237)	**46,791**	197,669

34. **Events after Reporting Period**

On January 26, 2023, the Board approved the Asset Purchase Agreement with MediaQuest Holdings, Inc. for the sale of transmitters, antenna towers and two parcels of land in thirteen (13) tower sites. The purchase price will be subject to appraisal with a floor price of ₱400 million and a ceiling of ₱700 million. An initial payment of ₱216 million has been received.

In February 2023, the Company also completed the sale of certain land properties in Lucena, Quezon City for ₱62 million. These assets are recognized as Noncurrent Assets Held for Sale as of December 31, 2022(see Note 27).

35. **Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010**

Below is the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the Bureau of Internal Revenue (BIR) and is not a required part of the basic financial statements. All values are rounded to the nearest peso.

VAT

The Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

a. Net sales/receipts and output VAT declared in the Company's VAT returns in 2022

	Net Sales/Receipts	Output VAT
Taxable sales:		
Airtime revenue	₱5,389,438,264	₱646,732,592
Other revenue	4,059,021,834	487,082,620
	9,448,460,098	1,133,815,212
Zero-rated sales:		
Airtime revenue	110,548,927	
Other revenue	831,320,395	
	941,869,322	
	₱10,390,329,420	₱1,133,815,212

The Company's airtime revenue and other revenue are based on actual collections received, hence, may not be the same as the amount reported in the company's statement of income.

The Company has zero-rated sales pursuant to Section 108 (B) of the National Internal Revenue Code.

The net VAT paid in cash in 2022 amounted to ₱334 million.

b. Input VAT in 2022

Balance at January 1	₱12,908,676
Current year's domestic purchases/payments or importations for:	
Capital goods subject to amortization	
Services lodged under cost of goods sold	292,860,507
Services lodged under other accounts	268,081,051
Input VAT closed to/applied against Output VAT and other adjustments	(564,363,571)
Balance at December 31	₱9,486,663

Taxes and licenses

Taxes and licenses, local and national, include real estate taxes, licenses and permit fees in 2022.

Included in production costs and general and administrative expenses:	
Local business and franchise taxes	₱99,637,074
Licenses, registration fees and others	18,570,615
Fringe benefit taxes	82,639,310
Real estate taxes	32,876,702
Capital gains taxes	56,373,658
	₱290,097,359

Withholding taxes

Withholding taxes on compensation and benefits	₱698,779,494
Expanded withholding taxes	284,696,786
Final withholding taxes	48,521,169
	₱1,031,997,449

Tax Assessments

The Company has an ongoing tax assessment. The Company filed a protest against the tax assessment and submitted to the BIR reconciliation statements and supporting documents.

Tax Cases

The Company has no outstanding tax cases in any other court or bodies outside of the BIR as of December 31, 2022.