

Registered number: 4757516

ABS-CBN Europe Limited

**Report and financial statements
for the year ended 31 December 2015**



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ABS-CBN Europe Limited

**Company Information
for the Year Ended 31 December 2015**

DIRECTORS:

R L Lopez
L C Bariuan

COMPANY SECRETARY:

L C Bariuan

REGISTERED NUMBER:

4757516

REGISTERED OFFICE:

117 Earls Court Road
London
SW59RL

AUDITORS:

Ernst & Young LLP
1 More London Place
London
SE1 2AF

ABS-CBN Europe Limited

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for the Year Ended 31 December 2015**

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ABS-CBN Europe Limited
Strategic Report
for the Year Ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015.

Principal Activity

The principal activity of the Company in the year under review was that of the provision of pay television services.

Business Review

During the year the Company transitioned from previously extant UK GAAP to FRS 101 - Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard. There were no material recognition or measurement differences arising on the adoption of FRS 101. Details of the transition are included in note 18 to these financial statements.

The Company's financial performance during the year was as follows:

	2015 £	2014 £	Change %
Turnover	5,295,167	4,804,846	10%
Total operating profit	467,257	67,191	595%
Profit after tax	461,508	60,806	659%
Total equity	3,081,498	2,255,106	37%

Turnover increased by 10% during the year which was caused by the net effect of increase in gate receipts mostly from events and theatrical exhibition and decrease in airtime and subscription revenue. The Company launched its four-pillar event series during the year that showcased world-class Filipino talent in Europe and helped boost turnover. The Company also started to partner with mainstream cinemas in order to screen Filipino movies across Europe.

Meanwhile, subscription revenue is lower in 2015 by 6% compared to the 2014 balance due to the decline in direct-to-home satellite subscribers. In late 2014, the Company initiated a migration of the subscribers' viewing platforms from satellite to internet-based viewing in territories where broadband penetration is high. Despite the corresponding increase in the Company's total subscriber count versus prior year, the Company's average revenue per subscriber decreased. To address the continuing prominent problem of piracy wherein Filipinos abroad get to watch ABS-CBN TV programs and movies for free, the Company repackaged and aggressively sold its online content platform, www.tfc.tv. Various studies reveal that the number of people engaging in copyright infringement and incidences of online piracy have been growing dramatically year-on-year. It is for these reasons that the Company continue to pursue cases against pirates and to work on shutting down illegal sites.

Airtime revenue for the year ended 31 December 2015, on the other hand, is lower by 71% from its 2014 balance as the potential mainstream corporate clients target other media platforms not necessarily into niche marketing, coupled by the continuing threats in the EU's economy and security which continues to affect the financial capacity of the Overseas Filipino Workers (OFW) in the region.

As a result of the foregoing activities, the Company generated operating profits for the year ended 31 December 2015 amounting to £467,257.

ABS-CBN Europe Limited
Strategic Report (continued)
for the Year Ended 31 December 2015

Principal risks and uncertainties

The Company has established a risk and financial management framework whose primary objective is to protect the Company from events that hinder the achievement of its performance objectives.

The objective aims to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Exposure to Price, Credit, Liquidity and Cash Flow Risk

Price risk. Price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. The Company's investments which they do not intend to sell in the short-term are not exposed to price risk.

Credit risk. Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimizing such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the Company's debtors are shown in Note 11 to the financial statements.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company aims to mitigate liquidity risk by managing cash generation by its operations and by applying cash collection targets. The Company maintains its internally generated funds and prudently manages proceeds obtained from revenue.

Cash flow risk. Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability such as future interest payments on a variability rate debt. The Company determines that they have no exposure to cash flow risks.

Existence of Branches in Europe

The Company has two offices in Europe particularly in London, United Kingdom (UK) and Milan, Italy. The branches are established to undertake activities including the following:

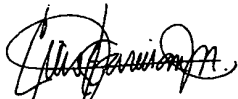
- a) Sale, marketing, and distribution of cable and digital satellite television service, and all other platforms or means now known or hereinafter discovered, wherein "The Filipino Channel" bundle, or any channel therein, may be distributed;
- b) Sale, marketing, and distribution of internet protocol television (IPTV) service;
- c) Advertising sale for "The Filipino Channel" bundle, and all channels therein;
- d) Production of events, including those intended to promote "The Filipino Channel" and all channels therein (e.g. concerts, movie premieres);
- e) Sale, marketing, and distribution of Philippine-based retail products (e.g. clothing and compact disks).

ABS-CBN Europe Limited

**Strategic Report (continued)
for the Year Ended 31 December 2015**

Statutory audited financial statements for the two branches are not compulsory since they are only a branch. The Company only needs to submit an original certificate that, its head office in the UK has submitted its statutory accounts (wherein the branches are consolidated) at Companies House.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'L C Bariuan', is written over a horizontal line.

L C Bariuan – Director
Date

ABS-CBN Europe Limited
Directors' report
for the Year Ended 31 December 2015

The directors present their report for the year ended 31 December 2015.

Directors

The directors of the Company during the year were as follows:

R L Lopez
A K V Rodriguez (resigned 30 June 2016)
L C Bariuan (effective 28 September 2016)

Directors' Indemnity

The Company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Such qualifying third party indemnity provisions for the benefit of the company's directors remain in force at the date of this report.

Dividends

The Directors have not approved any dividends for the year ended 31 December 2015 (2014: nil).

Future Developments

The Company intends to continue to develop its existing activities and seek opportunities to increase profitability.

Financial Instruments

The Company's principal financial assets and liabilities comprise of cash, trade debtors and trade creditors which arise directly from its operations.

Financial instruments give rise to price, credit, liquidity and cash flow risk. Information on how these risks arise is set out in the Strategic Report, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on pages 1 to 3.

The Company has considerable financial resources together with the financial support from ABS-CBN Global Limited, its Parent Company. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the annual report and accounts.

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statement in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

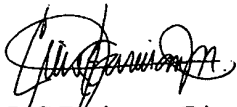
A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at one of its general meeting.

Statement as to Disclosure of Information to Auditors

Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware of; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

ON BEHALF OF THE BOARD:



L.C Bariuan – Director

Date

Independent Auditor's Report to the Members of ABS-CBN Europe Limited

We have audited the financial statements of ABS-CBN Europe Limited (the Company) for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related Notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101, *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion to the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standard for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101, *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the Matter Prescribed by the Companies Act 2006

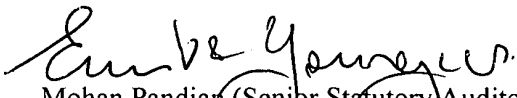
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditor's Report to the Members of
ABS-CBN Europe Limited (continued)**

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Mohan Pandian (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date **30 SEP 2016**

ABS-CBN Europe Limited

**Statement of Comprehensive Income
for the Year Ended 31 December 2015**

	Notes	2015 £	2014 £
TURNOVER	3	5,295,167	4,804,846
Cost of sales and services		1,581,459	2,242,023
GROSS PROFIT		3,713,708	2,562,823
Administrative expenses		3,271,398	2,518,631
		442,310	44,192
Other operating income		24,946	22,999
OPERATING PROFIT	4	467,256	67,191
Interest receivable and similar income		220	481
		467,476	67,672
Interest payable and similar charges	7	(5,924)	(6,866)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		461,552	60,806
Tax on ordinary activities	8	44	–
PROFIT FOR THE FINANCIAL YEAR		461,508	60,806
OTHER COMPREHENSIVE INCOME			
Items that can be reclassified to profit or loss -			
Exchange difference in retranslation of foreign branch		364,884	148,921
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		826,392	209,727

The notes form part of these financial statements

ABS-CBN Europe Limited

**Statement of Changes in Equity
for the year ended 31 December 2015**

	Called up Share Capital (Note 15) £	Share Premium (Note 16) £	Movement on Foreign Exchange (Note 16) £	Deficit (Note 16) £	Total Equity £
At 1 January 2014	5,050,000	6,283,499	(1,451,045)	(7,837,075)	2,045,379
Profit for the financial year	–	–	–	60,806	60,806
Other comprehensive income	–	–	148,921	–	148,921
Total comprehensive income	–	–	148,921	60,806	209,727
At 31 December 2014	5,050,000	6,283,499	(1,302,124)	(7,776,269)	2,255,106
Profit for the financial year	–	–	–	461,508	461,508
Other comprehensive income	–	–	364,884	–	364,884
Total comprehensive income	–	–	364,884	461,508	826,392
At 31 December 2015	5,050,000	6,283,499	(937,240)	(7,314,761)	3,081,498

The notes form part of these financial statements

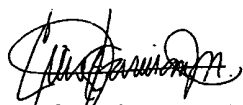
ABS-CBN Europe Limited

**Balance Sheet
31 December 2015**

	Notes	2015 £	2014 £
FIXED ASSETS			
Tangible fixed assets	9	102,380	119,928
Investments	10	1,335,946	1,335,946
		1,438,326	1,455,874
CURRENT ASSETS			
Stocks		50,701	129,879
Trade and other debtors	11	6,025,333	5,475,121
Cash		1,810,864	1,775,257
		7,886,898	7,380,257
CREDITORS: amounts falling due within one year			
Trade and other creditors	12	6,243,726	6,581,025
NET CURRENT ASSETS		1,643,172	799,232
NET ASSETS		3,081,498	2,255,106
CAPITAL AND RESERVES			
Called up share capital	15	5,050,000	5,050,000
Share premium		6,283,499	6,283,499
Movement on foreign exchange	16	(937,240)	(1,302,124)
Deficit	16	(7,314,761)	(7,776,269)
TOTAL EQUITY		3,081,498	2,255,106

The notes form part of these financial statements

The financial statements were approved by the Board of Directors on 29 September 2016 and were signed on its behalf by:



L C Bariuan – Director

ABS-CBN Europe Limited

Notes to the Financial Statements at 31 December 2015

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of ABS-CBN Europe Limited (the Company) for the year ended 31 December 2015 were authorised for issue by the board of directors on 29 September 2016 and the balance sheet was signed on the board's behalf by L C Bariuan. ABS-CBN Europe Limited is incorporated in England.

These financial statements were prepared in accordance with Financial Reporting Standard 101 (FRS 101), *Reduced Disclosure Framework* and in accordance with applicable accounting standards. The Company's financial statements are presented in Sterling and all values are rounded to the nearest pounds (£), except when otherwise indicated.

The financial statements contain information about ABS-CBN Europe Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of ABS-CBN Global Limited. The Company's ultimate parent undertaking is Lopez, Inc., a company registered in the Philippines.

The largest and smallest group of undertakings for which group accounts are drawn up is that headed by Lopez Inc., a company registered in the Philippines. Copies of the accounts of Lopez Inc. are publicly available and can be obtained from their official company website: <http://lopez-holdings.ph/>.

The principal accounting policies adopted by the Company are set out in Note 2.

2. Accounting Policies

Basis of Preparation

The Company transitioned from previously extant UK GAAP to FRS 101 for all periods presented. There are no adjustments as a result of the transition to FRS 101.

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

During the year the Company met its working capital requirements through continued financial support from its parent, ABS-CBN Global Limited.

The parent has agreed to continue to provide such financial support so as to allow ABS-CBN Europe Limited to meet its liabilities as they fall due and to carry on its business without any significant curtailment of operations during the period of 12 months from the date of these financial statements. Therefore, the directors believe it is appropriate to prepare the accounts on a going concern basis.

Disclosure exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard and the Company's immediate parent undertaking, ABS-CBN Global Limited, was notified of and did not object to the use of disclosure exemptions:

- a) the requirements of IFRS 7, *Financial Instruments: Disclosures*
- b) the requirements of paragraphs 91 - 99 of IFRS 13, *Fair Value Measurements*

ABS-CBN Europe Limited

Notes to the Financial Statements at 31 December 2015

- c) the requirements of paragraphs 10(d), 10(f), 40(a), 111 and 134-136 of IAS 1, *Presentation of Financial Statements*
- d) the requirement in paragraph 38 of IAS 1, *Presentation of Financial Statements* to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16, *Property, Plant and Equipment*
- e) the requirements of IAS 7, *Statement of Cash Flows*
- f) the requirements of paragraphs 30 and 31 of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* in relation to standards not yet effective
- g) the requirements of paragraph 17 and 18A of IAS 24, *Related Party Disclosures*
- h) the requirements of IAS 24, *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- i) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36, *Impairment of Assets*.

Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported in the financial estimates and related notes. However, the nature of estimation means that actual outcome could differ from those estimates.

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 financial statements.

Operating Leases. The evaluation whether an arrangement contains a lease is based on its substance. An arrangement is, or contains a lease when the fulfillment of the arrangement depends on specific asset or assets and the arrangement conveys the right to use the asset.

The Company has entered into operating lease arrangements as a lessee. Due to the length of the lease period, management has determined that all significant risks and benefits of ownership of these properties which the Company leases under operating lease arrangements remains with the lessor.

Taxation. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in Note 8.

Determination of Functional Currency. Management has determined that its functional currency is Sterling. Sterling is the currency of the primary economic environment in which the Company operates and is also the primary currency that mainly influences the sale of services as well as the costs of providing such services.

Estimating Allowance for Doubtful Accounts. The Company reviews its receivables, including unbilled receivables, at each financial reporting date to assess whether an allowance for impairment should be recorded in the statement of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance. Further details are contained in Note 11.

ABS-CBN Europe Limited

Notes to the Financial Statements at 31 December 2015

The Company evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Company uses judgement, based on available facts and circumstances, and a review of the factors that affect the collectability of the accounts including, but not limited to, the age and status of the receivables, collection experience and past loss experience. The review is made by management on a continuing basis to identify accounts to be provided with allowance.

Impairment of Investments. The Company assesses impairment on investment in its subsidiaries whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; 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. Impairment loss is recorded if the enterprise value 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' senior management covering a five-year period. Further details are contained in Note 10.

Significant Accounting Policies

Foreign currency translation

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rates when the transactions were entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Assets and liabilities of foreign operations are translated to the presentation currency using the exchange rate at balance sheet date. Income statement accounts are translated using the monthly weighted average rate. All foreign exchange differences are taken to the statement of comprehensive income in the year in which they arise, with the exception of differences on the retranslation of overseas branches which are taken directly to reserves.

Tangible Fixed Assets

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes cost directly attributable to making the asset capable of operating as intended.

ABS-CBN Europe Limited

Notes to the Financial Statements at 31 December 2015

Depreciation and amortization are computed on a straight-line method over the useful lives of property and equipment. The useful lives of the Company's property and equipment are estimated as follows:

Asset type	
Improvements to property	Over 5 years
Office furniture and fixtures	Over 3 years
Motor vehicles	Over 5 years
Computer equipment	Over 5 years

The carrying values of property and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required, these are made prospectively.

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 is included in the statement of comprehensive income in the year of derecognition.

Investments

Investment in subsidiaries are held at historical cost less any applicable provision for impairment.

Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that tangible fixed assets and investments 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 in order to determine the extent of the impairment loss. 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. Impairment losses are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognized for the asset or cash generating unit in prior years. A reversal of impairment loss is recognized immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Purchases or sale 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.

Initial Recognition of Financial Instruments. All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for securities at fair value through profit or loss (FVPL).

ABS-CBN Europe Limited

Notes to the Financial Statements at 31 December 2015

Classification of Financial Instruments. The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial instruments. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the instruments were acquired and whether they are quoted in an active market. Management determines the classification of its investment at initial recognition and, where allowed and appropriate, re-evaluates this classification of its investment at every financial reporting date.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Other Financial Liabilities. Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) 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 right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities. A financial liability is generally derecognized when the contract that gives rise to it is settled, sold, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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 statement of comprehensive income.

ABS-CBN Europe Limited

Notes to the Financial Statements at 31 December 2015

Offsetting Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the balance sheet 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.

Impairment of Financial Assets

The Company assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognized in the statement of comprehensive income.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Trade and other Debtors. For trade debtors carried at amortized cost, the Company first assesses whether an objective evidence of impairment exists for financial assets that are individually significant. If there is an objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that an impairment loss on trade and other debtors carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Impaired debts are derecognized when they are assessed as uncollectible.

The carrying amount of the asset is reduced either directly or through use of an allowance account and the amount of loss is recognized in the parent company statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later

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recovered, the recovery is recognized in the statement of comprehensive income. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations without any deduction for transaction costs.

For certain financial instruments which are not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all cost incurred in bringing each product to its present location and condition.

Net realizable value is based on estimated selling price less any further costs expected to be incurred for marketing and distribution.

Cash

Cash in the balance sheet comprise cash at banks and on hand.

Deferred tax

Deferred income tax is recognized on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred tax liability arises from initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilized.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realized or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognized in the income statement.

Revenue Recognition

Revenue is recognized to the extent that is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

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Subscription revenue is invoiced on either a monthly or an annual basis, with a complete month's revenue being recognised in the month in which the contract commenced. Revenue invoiced annually is deferred and amortised on a monthly basis.

On contracts to provide services where the Company has partially performed its contractual obligations, it recognises revenue to the extent that it has obtained the right to consideration through its performance.

Advertising revenue is recognised as income on the dates the advertisements are aired, net of agency commissions and incentives.

Sale of goods is recognised when delivery has taken place and transfer of risks and rewards has been completed.

Gate receipts are recognised when tickets are used or expired.

Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the period.

Operating Leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

3. Turnover

Turnover recognised in the income statement is analysed as follows:

	2015 £	2014 £
Rendering of services	4,362,545	3,407,995
Advertising revenue	114,082	297,796
Sale of goods	86,239	99,604
Others	732,301	999,451
	5,295,167	4,804,846

Others include sponsorship income from the Company's theatrical releases and for various events held in the United Kingdom.

An analysis of turnover by geographical market is given below:

	2015	2014
United Kingdom	90.00%	83.20%
Italy	10.00%	16.80%
	100.00%	100.00%

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4. Operating Profit

The operating profit is stated after charging the following:

	2015	2014
	£	£
Depreciation - owned assets	24,490	26,795
Auditors' remuneration – audit services	40,500	31,726
– tax services	2,465	6,487
Foreign exchange differences	103,999	90,949
Operating lease payments: Land and buildings	533,418	123,921
Directors' emoluments and other benefits etc.	48,594	91,721

5. Auditors' Remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2015	2014
	£	£
Audit of the financial statements	12,600	39,614
Tax compliance services	6,120	1,920
	18,720	41,534

6. Staff Costs

	2015	2014
	£	£
Wages and salaries	485,525	565,877
Social security costs	39,716	59,789
Other pension costs	3,646	49,650
	528,887	675,316

The average monthly number of employees during the year is composed of the following:

	2015	2014
	Number	Number
Management	1	1
Finance	1	1
Human resources and administration	1	1
Information technology	1	1
Marketing	1	0
Sales	2	4
Technical operation	1	1
News production	1	1
	9	10

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7. Interest Payable And Similar Charges

	2015	2014
	£	£
Bank service charges	5,924	6,866

8. Taxation

a. Tax charged in the statement of comprehensive income

	2015	2014
	£	£
Current tax:		
Tax on ordinary activities	44	–
Total current tax	44	–

b. Tax liability recognized in the balance sheet

	2015	2014
	£	£
Creditors:		
Trade and other creditors	44	–

c. Reconciliation of the total tax charge

The charge for the year can be reconciled to the profit per the income statement as follows:

	2015	2014
	£	£
Profit for the period	461,552	60,806
Tax on profit at standard UK rate of 20.00% (2014:22.00%)	92,310	12,161
Effect of:		
Amounts not recognized	(104,530)	–
Expenses not deductible for tax	12,264	5,568
Utilization of brought forward tax losses	–	(11,256)
Depreciation in excess of capital allowances	–	(6,473)
	44	–

d. Unrecognised tax losses

The Company has losses available for carry forward of approximately £6,476,000 and £6,952,004 in 2015 and 2014, respectively. No deferred tax asset has been recognised in respect of these losses as the criteria for recognizing that asset is not met.

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9. Tangible Fixed Assets

	Improvements to Property £	Office Furniture and Fixtures £	Motor Vehicles £	Computer Equipment £	Totals £
COST					
At 1 January 2015	129,382	84,807	14,466	461,103	689,758
Additions	–	–	–	20,284	20,284
Translation adjustment	(119)	(3,196)	–	(1,799)	(5,114)
At 31 December 2015	129,263	81,611	14,466	479,588	704,928
DEPRECIATION					
At 1 January 2015	(51,181)	(75,977)	(14,465)	(428,207)	(569,830)
Charge for year	(12,207)	–	–	(12,283)	(24,490)
Translation adjustment	88	(5,560)	–	(2,756)	(8,228)
At 31 December 2015	(63,300)	(81,537)	(14,465)	(443,246)	(602,548)
NET BOOK VALUE					
At 31 December 2015	65,963	74	1	36,342	102,380
At 31 December 2014	78,201	8,830	1	32,896	119,928

10. Fixed Asset Investments

	Shares in group undertakings £
COST	
At 1 January 2015	1,335,946
Additions	–
Exchange differences	–
At 31 December 2015	1,335,946
NET BOOK VALUE	
At 31 December 2015	1,335,946
At 31 December 2014	1,335,946

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The Company's investments at balance sheet date in the share capital of companies include the following:

ABS-CBN Japan Inc.

Country of incorporation: Japan

Nature of business: Provision of satellite services

	% holding	
Class of shares:		
Ordinary Japanese Yen	100.00	
		2015 £
Aggregate capital and reserves		<u>(1,490,924)</u>

ABS-CBN Europe Remittance Limited

Country of incorporation: United Kingdom

Nature of business: Remittance of money from United Kingdom to the Philippines

	% holding	
Class of shares:		
Ordinary Shares £1 each	100.00	
		2015 £
Aggregate capital and reserves		<u>(80,444)</u>

11. Trade and Other Debtors

	2015 £	2014 £
Trade debtors	1,007,754	1,209,844
Amounts owed by group undertakings	4,548,380	3,677,237
Other debtors	253,251	461,277
Prepayments and accrued income	99,857	89,193
VAT	116,091	37,570
	<u>6,025,333</u>	<u>5,475,121</u>

Amounts owed by group undertakings are unsecured, interest free and have no fixed repayment terms.

12. Trade and Other Creditors

	2015 £	2014 £
Trade creditors	109,444	39,216
Amounts owed to group undertakings	4,567,887	5,033,473
Social security and other taxes	8,334	8,570
Other creditors	903,916	832,716
Accrued expenses	654,101	667,050
	<u>6,243,682</u>	<u>6,581,025</u>

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Amounts owed to group undertakings are unsecured and have no fixed repayment terms.

13. Operating Lease Commitments

The Company has an existing commercial lease covering its office space. The operating lease was entered into in 2011 and has a term of 10 years. There are no restrictions placed upon the lessee by entering into this lease.

At 31 December 2015, the Company had minimum lease payments under non-cancellable operating lease as follows:

	2015 £	2014 £
Within one year	—	—
Between one and five years	—	—
After five years	45,807	50,713
	<u>45,807</u>	<u>50,713</u>

14. Pension Commitments

The Company operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £3,646 (2014: £49,650). Contributions totaling £27,531 (2014: £44,285) were payable to the fund at the balance sheet date.

15. Called Up Share Capital

Authorised, issued and fully paid:				
Number:	Class:	Nominal value:	2015	2014
5,050,000	Ordinary	£1	£5,050,000	£5,050,000

16. Reserves

Called up share capital

The balance on the called up share capital account represents the aggregate nominal value of all ordinary shares in issue.

Share Premium

The balance of the share premium account represents the proceeds received in excess of par value of the shares issued, less any incremental cost directly attributable to the issuance.

Movement on foreign exchange

The foreign currency translation reserve is used to record the currency fluctuations in relation to the translation of the foreign currency branches.

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Deficit

The balance held on this reserve is the accumulated losses of the Company.

17. Related Party Disclosures

During the year, recharges for license fees amounting to £961,907 were received from ABS-CBN Luxembourg. At year-end, £2,599,452 was payable to ABS-CBN Luxembourg, a 100% subsidiary of ABS-CBN Global Limited, which in turn is a 100% subsidiary of ABS-CBN Corporation.

The Company has taken advantage of the exemption provided by paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

18. Transition to FRS 101

For all periods up to and including the year ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in note 2.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6 – 33 of IFRS 1, *First time adoption of International Financial Reporting Standards*.

Exemptions applied

The Company did not apply the exemptions under IFRS 1 for first time adopters.

There were no material measurement or recognition adjustments on adoption of FRS 101.

19. Post Balance Sheet Event

On 27 April 2016, ABS-CBN Europe Remittance filed for an increase in capital stock for 150,000 shares with a nominal par value of £1. Subsequently, the Company subscribed all of these shares through conversion of its advances to the Company.