COVER SHEET

1	8	0	3

SEC Registration Number

ABS-CBN CORPORATION (formerly ABS-CBN BROADCASTING CORPORATION)

(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)

Rolando P. Valdueza

(Contact Person)

415-2272

(Company Telephone Number)

1	2		3	1

Month *Day*

(Fiscal Year)

20-IS

(Form Type)

0	6		2	1

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

6,062

Total No. of Stockholders

₱12. 8 billion

Domestic

$1 million

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

ABS-CBN

<u>**NOTICE OF ANNUAL STOCKHOLDERS' MEETING**</u>

To: **All Stockholders of**
ABS-CBN Corporation

Please take notice that the Annual Meeting of Stockholders of **ABS-CBN Corporation** will be held on Thursday, June 21, 2012 at 8:00 a.m. at the Dolphy Theater, ABS-CBN Broadcast Center, Sgt. Esguerra Ave. corner Mo. Ignacia St., Diliman, Quezon City, to discuss the following:

A G E N D A

1. Call to Order
2. Proof of Service of Notice
3. Certification of Presence of Quorum
4. Approval of the Minutes of the Annual Stockholders' Meeting held on June 16, 2011
5. Report of Management
6. Election of Directors for the Ensuing Year
7. Ratification of all acts of the Board of Directors, Executive committee and Management for the period covering January 1, 2011 through December 31, 2011 adopted in the ordinary course of business
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

For purposes of the meeting, only stockholders of record as of April 25, 2012 are entitled to attend and vote in the said meeting.

Should you be unable to attend the meeting in person, you may appoint a Proxy by executing the appropriate form. **MANAGEMENT IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND MANAGEMENT A PROXY**. For validation, however, please return your proxies to the undersigned at Ground Floor Benpres Bldg., Meralco Ave. corner Exchange Rd., Ortigas Center, Pasig City not later than June 3, 2012.

For your convenience in registering your attendance, please have some form of identification such as a passport, driver's license or voter's I.D.

By order of the Board of Directors:

MANUEL L.M. TORRES
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b)
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

[ ] Preliminary Information Statement

[/] Definitive Information Statement

2. Name of registrant as specified in its charter:

ABS-CBN CORPORATION

3. Province, Country or other jurisdiction of incorporation or organization

QUEZON CITY, PHILIPPINES

4. SEC Identification Number: 1803

5. BIR Tax Identification Number: 301-000-406-761V

6. Address of Principal Office

ABS-CBN Broadcast Center
Sgt. Esguerra Avenue corner Mother Ignacia Street
Quezon City 1103 Philippines

7. Registrant's telephone no. and area code: (632) 924-41-01 up to 22 /
(632) 415-22-72

8. Date, time and place of the meeting of security holders

Date	:	June 21, 2012
Time	:	8:00 A.M.
Place	:	Dolphy Theater, ABS-CBN Broadcast Center Sgt. Esguerra Avenue corner Mother Ignacia St., Quezon City 1103 Philippines

9. Approximate date of which the Information Statement is first to be sent or given to security holders

May 30, 2012

10. Securities registered pursuant to Sections 8 & 12 of the Code or Section 4 and 8 of the Revised Securities Act:

a. Authorized Capital Stock Php1,500,000,000 (Php1.00 par value)

b. Number of Shares Outstanding as of March 31, 2012

Common Shares 779,584,602 shares

c. Amount of Debt Outstanding as of March 31, 2012

Short Term & Long Term Debt (current & noncurrent) Php12.8 billion

11. Are any or all of these securities listed on the Philippine Stock Exchange?

Yes [/] No [ ]

The Company's common shares have been listed on the Philippine Stock Exchange since 1992.

- 0 -

ABS-CBN CORPORATION
INFORMATION STATEMENT

This information statement is dated May 23, 2012 and is being furnished to stockholders of record of ABS-CBN Corporation ("ABS-CBN" or the "Company") as of April 25, 2012 in connection with the Annual Stockholders' Meeting.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

==

A. GENERAL INFORMATION

- **Date, time and place of meeting of security holders**

Date - June 21, 2012, Thursday
Time - 8:00 A.M.
Place - Dolphy Theater, ABS-CBN Broadcast Center, Quezon City

Principal Office - ABS-CBN Broadcast Center, Sgt. Esguerra Ave.,
cor. Mo. Ignacia St., Quezon City, Metro Manila

- **Approximate date of which the Information Statement is first to be sent to security holders**

May 30, 2012

- **Right of Appraisal**

A stockholder has a right to dissent and demand payment of the fair value of his share: (i) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares or of authorizing preferences over the outstanding shares or of extending or shortening the term of corporate existence; (ii) in case any sale, lease, mortgage or disposition of all or substantially all the corporate property or assets; and (iii) in case of merger or consolidation.

The appraisal right may be exercised by a stockholder who has voted against the proposed corporate action, by making a written demand on the Company within 30 days after the date on which the vote was taken for the payment of the fair market value of his shares.

There are no matters or proposed corporate actions which may give rise to a possible exercise by security holders of their appraisal rights under Title X of the Corporation Code of the Philippines.

- **Interest of Certain Persons in Matters to be acted upon**

(a) No Director or Executive Officer of the Company has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon.

(b) No Director has informed the Company of his opposition to any action to be taken by the registrant at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

(a) The Company has 779,584,602 common shares subscribed and outstanding as of April 30, 2012. Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

(b) All stockholders of record as of April 25, 2012 are entitled to notice of and to vote at the Company's Stockholders' Meeting.

(c) With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected or he may accumulate said shares and give one candidate as many votes as the number of directors to be elected or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the total number of shares owned by him multiplied by the whole number of directors to be elected.

(d) Security ownership of certain Record and Beneficial Owners and Management:

Security Ownership of Certain Records and Beneficial Owners as of April 30, 2012:

Title Of class	Name and Address of Record Owner	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Per cent Owned
Common	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc. (*Manuel M. Lopez, Chairman, is authorized to vote on behalf of Lopez, Inc.*)	Filipino	446,231,607	57.24%
Common	PCD Nominee Corporation G/F Makati Stock Exchange Bldg., Ayala Ave., Makati City (*PCD Nominee Corporation is not related to the Company)*	ABS-CBN Holdings Corp. (*Manuel M. Lopez, Chairman, is authorized to vote on behalf of ABS-CBN Holdings Corp.)*	Filipino	312,480,820	40.08%

Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the families of Eugenio Lopez, Jr., Oscar M. Lopez, Presentacion L. Psinakis and Manuel M. Lopez. It has issued convertible notes covering the shares in the Company registered and beneficially owned by it in favor of Benpres Holdings Corporation.

The Board of Directors of Lopez, Inc. has the power to decide how Lopez Inc.'s shares in ABS-CBN Corporation are to be voted.

ABS-CBN Holdings Corporation is a participant of PCD. The 271,986,700 shares beneficially owned by ABS-CBN Holdings Corporation form part of the 312,480,820 shares registered in the name of PCD. ABS-CBN Holdings Corporation is owned 50% by Lopez, Inc. and 50% by Oscar M. Lopez, Manuel M. Lopez, Presentacion L. Psinakis, and Eugenio Lopez III. The shares in the Company registered and beneficially owned by it are covered by Philippine Depositary Receipts (PDRs) which gives the holder thereof the right to delivery or sale of the underlying share. The PDRs are listed with the Philippine Stock Exchange.

The Board of Directors of ABS-CBN Holdings Corporation has the power to decide how ABS-CBN Holdings Corporation's shares in ABS-CBN Corporation are to be voted.

ABS-CBN Holdings Corporation is a participant of PCD. The 271,986,700 shares beneficially owned by ABS-CBN Holdings Corporation form part of the 311,892,372 shares registered in the name of PCD. ABS-CBN Holdings Corporation is owned 50% by Lopez, Inc. and 50% by Oscar M. Lopez, Manuel M. Lopez, Presentacion L. Psinakis, and Eugenio Lopez III. The shares in the Company registered and beneficially owned by it are covered by Philippine Depositary Receipts (PDRs) which gives the holder thereof the right to delivery or sale of the underlying share. The PDRs are listed with the Philippine Stock Exchange. The Board of Directors of ABS-CBN Holdings Corporation has the power to decide how ABS-CBN Holdings Corporation's shares in the Company are to be voted. As of April 30, 2011, there are no other participants under PCD account who owns more than 5% of the voting securities

As of April 30, 2012, the Company's directors and senior officers owned an aggregate of 1,557,051 shares of the Company, equivalent to 0.1997% of the Company's total issued and outstanding capital stock.

Title of Class	Stockholder Name and Position	Nature of Beneficial Ownership	Citizenship	Number of Shares Held	Percent Held
Common	Eugenio Lopez III *Chairman and Chief Executive Officer*	Direct	Filipino	651,191	0.0835%
Common	Augusto Almeda-Lopez *Vice-Chairman*	Indirect	Filipino	249,833	0.0320%
Common	Oscar M. Lopez *Director*	Direct	Filipino	63,605	0.0082%
Common	Presentacion L. Psinakis *Director*	Direct	Filipino	1,988	0.0003%
Common	Ma. Rosario Santos-Concio *Director, President and Chief Operating Officer*	Direct	Filipino	1	0.0000%
Common	Manuel M. Lopez *Director*	Direct	Filipino	146,186	0.0188%
Common	Federico R. Lopez *Director*	Direct	Filipino	1	0.0000%
Common	Salvador G. Tirona *Director*	Direct	Filipino	2	0.0000%
Common	Federico M. Garcia *Director*	Direct	Filipino	269,517	0.0346%
Common	Vicente Mendoza *Independent Director*	Direct	Filipino	1	0.0000%
Common	Javier J.Calero *Independent Director*	Direct	Filipino	1	0.0000%
Common	Rolando P. Valdueza *Chief Finance Officer*	Direct	Filipino	48,500	0.0062%
Common	Ma. Socorro V. Vidanes *Head, Channel 2 Mega Manila Management*	Direct	Filipino	10,000	0.0013%
Common	Mario Carlo P. Nepomuceno *Chief Human Resources and Organization and Development Learning Officer*	Direct	Filipino	35,351	0.0045%
Common	Vivian Tin *Chief Research and Business Analysis Officer*	Direct	Filipino	8,600	0.0011%
Common	Raul Pedro G. Bulaong *Managing Director, ABS-CBN Technical Production Operations*	Direct	Filipino	15	0.0000%
Common	Leonardo P. Katigbak *Head, Special Projects and Licensing*	Direct	Filipino	52,000	0.0067%
Common	Louis Benedict O. Bennett *Head, Regional Network Group*	Direct	Filipino	600	0.0001%

Common	Martin L. Lopez	Direct	Filipino	19,659	0.0025%
	Security Ownership of Directors and Management			1,557,051	0.1997%

None of the members of the Company's directors and management owns 2.0% or more of the outstanding capital stock of the Company.

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

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

Directors and Executive Officers as of April 30, 2012

Board of Directors

The following are expected to be nominated as members of the Board of Directors for the ensuing year during the Company's Annual Stockholders' Meeting on June 21, 2012:

Eugenio L. Lopez III
Augusto Almeda-Lopez
Ma. Rosario Santos-Concio
Oscar M. Lopez
Presentacion L. Psinakis
Federico R. Lopez
Manuel M. Lopez
Salvador G. Tirona
Federico M. Garcia
Justice Vicente V. Mendoza (*Independent Director*)
Javier J. Calero (*Independent Director*)

All of the above nominees are incumbent directors. They were formally nominated by a shareholder of the Company, Lopez Inc., through its Chairman, Mr. Oscar M. Lopez. The nominees will serve as directors of the Company for one year from date of election.

The Company has adopted the SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and compliance therewith has been made.

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 assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. It is composed of Eugenio Lopez III as Chairman, and Ma. Rosario Santos-Concio, Justice Vicente V. Mendoza and Javier J. Calero as Committee Members.

The following directors have held their current positions in their respective companies for more than 5 years unless otherwise indicated. Below is a summary of the nominees' qualifications:

Eugenio L. Lopez III, Filipino, age 60
Chairman of the Board of Directors and Chief Executive Officer
Mr. Lopez III was elected Chairman of the Company's Board of Directors in 1997 when his father, the late Eugenio "Geny" Lopez, Jr., turned over the reins of the company to the younger Mr. Lopez, who had been President since 1993 and Director since 1986. He joined the Company in 1986 as Finance Director before he became General Manager in 1988. Mr. Lopez III also serves as Vice Chairman of Bayan Telecommunications, Director of Sky Vision Corporation, and Director/Treasurer of Lopez Holdings Corporation. He was recently elected as a Director of First Gen Corporation. He is also the Chairman and CEO of the Lopez Communications Group (CommGroup), the management committee that Mr. Lopez III formed in 1997 to oversee the development and implementation of convergence projects for ABS-CBN, together with BayanTel and SkyCable. Mr. Lopez III graduated with a Bachelor of Arts degree in Political Science from Bowdoin College. He has a Masters degree in Business Administration from Harvard Business School. Mr. Lopez III is a recipient of various Philippine broadcasting industry awards.

Augusto Almeda-Lopez, Filipino, age 84
Vice-Chairman
Mr. Almeda-Lopez joined ABS-CBN in 1962. He has served as Vice Chairman of the Company since 1989. Mr. Almeda-Lopez is also the Vice-Chairman of First Philippine Holdings Corporation. He also serves as the Chairman of ACRIS Corporation and ADTEL, Inc. while he serves as a Director of various companies in the telecommunications, manufacturing, and service industries, namely First Philippine Industrial Corporation, First Gen Renewables Inc., First Electro Dynamics Corporation, Philippine Electric Corporation, Bayan Telecommunications Inc., and Sky Vision Corporation. He is an alumnus of De La Salle College and Ateneo de Manila, is a graduate of the University of the Philippines College of Law class 1952 and he finished an Advanced Management Program course at Harvard University in 1969.

Ma. Rosario Santos-Concio, Filipino, age 57
Board Member, President and Chief Operating Officer
Ms. Santos-Concio was Head of Channel 2 Mega Manila Management prior to her appointment as President and Chief Operating Officer where she brought greater synergy between Marketing, Sales, and Production. She was also in charge of achieving profit margins, nationwide ratings, annual programming strategy and customer development targets of the Company. She is also known as an award-winning actress and an accomplished film and TV producer. Onscreen, Ms. Santos-Concio hosts ABS-CBN Channel 2's longest-running drama anthology *Maalaala Mo Kaya*. As President and COO, she leads the Executive Committee and all subsidiary and division heads report to her. Ms. Santos-Concio began her career in the Company as a Television Production Consultant in 1987 after working as a line producer for BanCom, Audiovision, Vanguard Films, Regal Films and Vision Exponents. She also worked as a Film Production Manager for the Experimental Cinema of the Philippines. Ms. Santos-Concio was hailed as Best Actress in the 1978 Asian Film Festival in Sydney, Australia for her work in the film, *Itim,* and is the recipient of many cinema and broadcast industry-related awards over the years. Ms. Santos-Concio graduated cum laude from St. Paul's College in Manila with a Communications Arts degree. Ms. Santos-Concio also completed the Advanced Management Program at Harvard Business School in 2007.

Oscar M. Lopez, Filipino, age 82
Board Member
Mr. Oscar M. Lopez has served as Director of ABS-CBN since 1966. He also serves as Chairman Emeritus and Chief Strategic Officer of the First Philippine Holdings Corporation (FPHC), and Chairman Emeritus of Lopez Holdings Corporation , First Gen and Energy Development Corporation. He is Chairman of First Philippine Industrial Park and First Sumiden Circuits, Inc. He is also Vice Chairman of Rockwell Land. Mr. Lopez has led FPHC's efforts in other businesses aside from energy and power, including toll road construction, industrial park and real estate development, and electronics manufacturing. Mr. Lopez has a Masters degree in Public Administration from the Littauer School of Public Administration in Harvard University (1955), the institution where he also earned his Bachelor of Arts degree, cum laude in 1951.

Presentacion L. Psinakis, Filipino, age 77
Board Member
Ms. Psinakis has served as a Director of the Company since 1988. Ms. Psinakis is the founder and President of Griffin Sierra Travel, Inc. She is a member of the Board of Trustees of the Eugenio Lopez Foundation, Inc. and also serves as director of the following companies: Lopez Inc., Benpres Insurance Agency, ADTEL Inc., and Philippine Commercial Capital Inc. She took a Bachelor of Arts course in St. Scholastica's College.

Federico R. Lopez, Filipino, age 51
Board Member
Mr. Lopez is a Director of the Company since 1999. He is Chairman and Chief Executive Officer of First Philippine Holdings Corporation. He is also the Chairman and Chief Executive Officer of First Gen and Energy Development Corporation. Mr. Lopez is the Chairman of First Philec, First Balflour, First Philippine Solar Corporation, and First Philippine Industrial Corporation. He is a member of the boards of First Philippine Holdings Corporation, Energy Development Corporation, First Private Power Corporation, and Bauang Private Power Corporation. He also serves as director, President and Chief Executive Officer of FG Luzon, FG Bukidnon Power Corporation, First Gen Hydro Power Corporation, First Gen Geothermal Power Corporation, First Gen Visayas Hydro Power Corporation, First Gen Mindanao Hydro Power Corporation, First Gen Energy Solutions Inc., First Gen Northern Energy Corporation, First Gen Premiere Energy Corporation, Red Vulcan, Prime Terracota, First Gen Visayas Energy Inc., First Gen Prime Energy Corporation, FGHC, FGPC, FGP, AlliedGen, Unified Holdings Corporation, FNPC, FGLand, and FGPipeline. He is also President of First Philippine Conservation Inc. Mr. Lopez graduated from the University of Pennsylvania with a Bachelor of Arts degree in Economics and International Relations, cum laude in 1983.

Manuel M. Lopez, age 69
Board Member
Mr. Lopez is the Chairman and Chief Executive Officer of Lopez Holdings Corporation. He is a holder of a Bachelor of Science degree in Business Administration and attended the Program for Management Development at the Harvard Business School. He is the chairman of Meralco , Rockwell Land*,* Bayan Telecommunications , SkyCable and INDRA Philippines. He is the Vice Chairman of FPHC and is a director of among others, of Lopez, Inc. He was Chief Executive Officer of Meralco from July 2001 to June 2010. Mr. Lopez is the Philippine Ambassador to Japan. He attended the two-day Briefing on Corporate Good Governance Risk Management of the Knowledge Institute of SGV & Co. Mr. Manuel M. Lopez, replaced Mr. Manuel L. Lopez, Jr. effective effective July 28, 2010.

Salvador G. Tirona, age 57
Board Member
Mr. Tirona is the President and Chief Operating Officer of Lopez Holdings Corporation. He initially joined as the company's Chief Finance Officer (CFO) in September 2005 and held this position until his appointment in his current position in 2010. He was formerly a director and the CFO of Bayan. In 2003, he played a critical and strategic role as CFO of Maynilad Water Services, Inc., particularly in implementing its rehabilitation plan. He holds a Bachelor degree in Economics from the University of Ateneo de Manila and a Master of Business Administration from the same university. He attended the five-day Professional Directors' Program of the Institute of Corporate Directors. Mr. Tirona replaced Mr. Angel Ong effective July 28, 2010.

Federico M. Garcia, Filipino, age 67
Board Member
Mr. Garcia was President of ABS-CBN from 1998 to 2003. Prior to his appointment as President, Mr. Garcia was Executive Vice President and General Manager of ABS-CBN. 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.

Justice Vicente V. Mendoza, Filipino, age 79
Independent Director
Justice Mendoza was an Associate Justice of the Supreme Court from 1994 to 2002. He was also an Associate Justice of the Court of Appeals from 1980 to 1993 and its Presiding Justice in 1994. He was an Assistant Solicitor General from 1973 to 1980. He also taught political review and gave bar review classes at the University of the Philippines College of Law from 1978 to 1993. He graduated from the U.P.College of Law in 1957 and was admitted to the Philippine Bar in 1958. He was conferred an LL. M. degree by Yale Law School in 1971 and was a visiting scholar at the Harvard Law School in the fall term in 1976. He has authored several law books and has written several articles published in law journals.

Javier J. Calero, Filipino, age 75
Independent Director
Mr. Calero is the Chairman of the Full Circle , a public relations company. He has been with the said company since June 2004. He has also been senior adviser for the International Foundation for Elections Systems since 1999. He was chairman of Zenith Optemedia , a member of the Publicis Group of Companies from November 2003 to 2005. He was connected with J. Walter Thompson Company from 1958 to 2000 and became its Chairman and Chief Executive Officer in 1992. He is a fellow of the Australian Institute of Company Directors and the Institute of Corporate Directors. He is currently a director of Philam Asset Management, Inc. He obtained his Bachelor of Science degree in Commerce from De La Salle College in 1960. He attended the Harvard Business School Advance Management Program and is a candidate for a Masters of Business Economics Degree from the Center of Research and Communications.

Independent Directors of the Board

The Company's Independent Directors, Justice Vicente V. Mendoza and Mr. Javier J. Calero have at least one (1) share of the stock of the Company in their respective names, are college graduates and possess integrity, probity and assiduousness. They are persons who, apart from their fees as directors of the Company, 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, Justice Mendoza and Mr. Calero: (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; and (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. Justice Mendoza, and Mr. Calero do not possess any of the disqualifications enumerated under Section II (5) of the Code of Corporate Governance and Section II (D) of SEC Memorandum Circular No. 16, Series of 2002.

Members of the Executive Committee

The following officers are likewise expected to be nominated for re-election at the Organizational Meeting of the Board of Directors following the Annual Stockholders' Meeting on June 21, 2012:

Rolando P. Valdueza, Filipino, age 52
Chief Finance Officer
Mr. Valdueza was appointed Chief Finance Officer in 2008. Prior to his appointment as CFO, he was Head of the Regional Network Group (RNG) of ABS-CBN since 2001. As Head of RNG, he made a mark by establishing focus on ratings and revenues. He also institutionalized specific strategies to further strengthen local programming and ABS-CBN affinity with the local communities and improved operating efficiencies. Before joining the Company in 1988 as Budget Officer, he was an auditor with SGV & Co. and was Finance Manager at the National Marine Corporation. He also served as Sky Cable Regional Director for Visayas and Mindanao and later became Managing Director of Pilipino Cable Corporation. Mr. Valdueza took up BS Accounting at University of the East and graduated *magna cum laude* in 1981.

Ma. Socorro V. Vidanes, Filipino, age 50
Head, Channel 2 Mega Manila Management
Prior to her appointment as Head of Channel 2 Mega Manila in 2009, Ms. Vidanes held the position of Managing Director for ABS-CBN TV Production from 2001 to 2008. She was responsible for the conceptualization, production and management of all TV Entertainment programs on ABS-CBN Channel 2. She has been with ABS-CBN since 1986, starting as an Associate Producer and has since then been involved in the production of all types of programs – talk shows, variety, reality, game, comedy and drama. Ms. Vidanes obtained her degree of Bachelor of Arts in Communication Arts from the Ateneo de Manila University.

Florida C. Tan, Filipino, age 52
Managing Director, ABS-CBN TV Entertainment Production
Ms. Tan was appointed Managing Director of ABS-CBN TV Entertainment Production in 2009. She is responsible for the operations of all business units under TV Entertainment Production. Prior to her appointment, Ms. Tan was Head of TV Entertainment Production Development and Control of ABS-CBN. Ms. Tan is a respected television veteran, with over 25 years of television production experience. She began her career as a Production Assistant in 1982 for IBC Channel 13. Since then, she has handled various television production functions – associate producer, writer, floor director, executive producer, director, production chief – for Channel 13, GMA 7 and SBN 21. She joined ABS-CBN in 1993 as an executive producer. Ms. Tan graduated *cum laude* with a degree in Broadcast Communications from the University of the Philippines in Diliman where she also taught TV Production and Writing from 1984 to 1988.

Jose Agustin C. Benitez, Jr., Filipino, age 53
Head, Channel 2 Sales
Mr. Benitez joined the Company in 2006 as the Company's Head of Channel 2 Sales. He is tasked with establishing strategic long-term partnerships with agencies and advertiser clients by helping them build their businesses and, at the same time, bring in revenues to the Company. He provides sales solutions to clients from a broad range of traditional and non-traditional media products. He was formerly Sales Head of ABC Channel 5 and of GMA Channel 7, and was instrumental in developing the Sales Units of both companies. He was one of the first Sales Heads who was able to use his media/advertising background to successfully blend "science" with the selling skills of both teams. Before becoming involved in Broadcast Sales, Mr. Benitez was formerly Media Director and Vice President of Ace Saatchi and Saatchi, where he provided leadership to a media department that handled diverse clients such as San Miguel Corporation, Procter & Gamble Distributing Philippines Inc., Nestle Philippines Inc., Johnson & Johnson Philippines Inc., and Jollibee Foods Corporation. Here he won for the agency the first-ever Agency of Record (AOR) assignment of P&G. He was also formerly President and CEO of Zenith Optimedia, Nestle's independent media agency, and President and CEO of Optimum Media, where he was mainly responsible for winning the Smart AOR business. This Smart win triggered a streak of 14 consecutive new business wins, helping the agency become a formidable force in the industry in a span of 3 months.

Raul Pedro G. Bulaong, Filipino, age 47
Managing Director, Technical Production Operations
Mr. Bulaong heads the Technical Operations Division of ABS-CBN. His responsibility covers production, post-production, animation, distribution, Analog and Digital Transmission, and Media Asset Management. Before joining ABS-CBN, he was part of the team that managed RoadRunner Network, a post-production facility for TV Commercials and Films. Mr. Bulaong graduated from the University of the Philippines with a Bachelor's Degree in Mass Communication majoring in Broadcasting. He is a Famas Hall of Fame Awardee for winning 5 technical awards for Film Visual Effects.

Peter A. Musngi, Filipino, age 59
Managing Director, Manila Radio and Sports
The official voice-over announcer of ABS-CBN, Mr. Musngi started his media career as a staff announcer for DZYK-FM. He worked as a disc jockey in various radio stations for more than 15 years. He became station manager of DZMM and DWRR from 1988 to 1994; assistant vice president for Manila Radio from 1994 to 1997; vice president at SkyCable from 1997 to 1998; and assistant vice president for ABS-CBN Sports from 1998 to 2002. He was became Head of Manila Radio and Sports division in 2002. He also became Managing Director of ABS-CBN News Channel from 2004 to 2005. For almost 2 decades, he has been a commercial voice-over announcer, audiovisual presentation narrator and movie trailer announcer and hosted the multi-awarded entrepreneurial programs *Radyo Negosyo* on DZMM-AM radio and *Kumikitang Kabuhayan* on ABS-CBN Channel 2. Mr. Musngi graduated with a Business Administration degree from University of the East. He passed the CPA board exams in 1973. He finished his MBA at the Ateneo de Manila University.

Louis Benedict O. Bennett, Filipino, age 46
Head, Regional Network Group
Mr. Bennett was appointed Head of the Regional Network Group (RNG) in 2009. Under his leadership, the Luzon and Visayas Clusters transformed into profitable business units of the division and ratings in these areas continue to dominate the competition. During his successful tenure in RNG Radio, Mr. Bennett realized breakthroughs in ratings wherein most of our AM and FM stations became No. 1 or No. 2.

Mario Carlo P. Nepomuceno, Filipino, age 53
Chief Human Resources and Organizational Development and Learning Officer
Mr. Nepomuceno's career spans close to 30 years in the field of human resources and organizational development with stints in brand management and sales. Mr. Nepomuceno has worked in a broad range of industries with both local and global organizations, either as a consultant or employee. He has had exposure to the banking, fast moving consumer goods, transportation, data, telecoms, cable, and BPO industries, among others. Outside the private sector, he has serviced clients in the government and non-government sectors as well. Mr. Nepomuceno is a graduate of the Ateneo de Manila University with a bachelor's degree in Psychology.

Vivian Y. Tin, Filipino, age 50
Chief Research and Business Analysis Officer
Ms. Tin heads the Research & Business Analysis Division of ABS-CBN. Her division provides consumer and market insights and information to support strategic and tactical business decisions for ABS-CBN and all its subsidiaries. Corporate Planning and Investor Relations are also part of Vivian's responsibilities. Ms. Tin has had extensive experience in market research, particularly in media measurement and customized research. She began her career at Trends-MBL, where she rose to become Associate Research Director in 1992. After her stint in Trends-MBL, she moved on to ACNielsen Philippines where she became Director of Customized Research that handled top local and multinational companies in home care, personal care, pharmaceutical, food, dining and financial services. Prior to joining ABS-CBN, Ms. Tin was formerly Executive Director of Nielsen Media Research, the media research division of ACNielsen Philippines. She was a director of AdBoard in 2005 and 2006 and was the President of the Marketing & Opinion Research Society of the Philippines (MORES) in 2004 and 2005. She graduated *magna cum laude* with a Bachelor of Arts degree in Political Science and had her graduate studies on Applied Statistics, both at the

University of the Philippines. Ms. Tin also completed the Advanced Management Program at Harvard Business School in 2010

Atty. Maximilian T. Uy, Filipino, age 48
Chief Legal Counsel
Atty. Uy earned his Bachelor of Laws degree from the University of the Philippines, after having graduated from the College of Business Administration from the same university. He practiced law after passing the 1990 Bar Exams and eventually specialized in litigation and intellectual property law. He joined ABS-CBN in February 2000 and has held his present position since July 2006.

Ramon R. Osorio, Filipino, age 59
Head, Corporate Communications
Mr. Osorio is an active advertising and PR practitioner, advocacy stalwart, marketing communications educator and journalist. He has worked with J. Walter Thompson, Ace Saatchi, DYR Alcantara and Campaigns, Inc. Prior to joining ABS-CBN, he has spent 18 years in Campaigns Advocacy & PR, Inc. (CAPRI), the social marketing and below-the-line arm of Campaigns and Grey, as its President. Mr. Osorio chaired the communication arts department of the University of Santo Tomas for 17 years and was the 2002 Agora Awardee for Outstanding Achievement in Marketing Education and The Outstanding Tomasian Alumni (TOTAL) Awardee for media. Mr. Osorio writes a weekly column in The Philippine Star, entitled *Commonness*, which tackles and analyzes current events that impact on the Philippine business and life. In the 2002 and 2005 Catholic Mass Media Awards, *Commonness* won as Best Business column. Mr. Osorio got his academic grounding at the University of Santo Tomas and the MBA program of the Ateneo de Manila Graduate School of Business. He likewise observed and trained at Johns Hopkins University in Maryland; Center for Advertising Services in New York City; Academy for Educational Development (AED), George Washington University, APCO and Porter Novelli, all in Washington DC. He was the president of the International Association of Business Communicators (IABC), Philippine Chapter in 2003 and 2004, and is currently the IABC Regional Director for Asia-Pacific.

Robert G. Labayen, Filipino, age 51
Head, Creative Communication Management
Mr. Labayen spent 22 years in advertising prior to joining ABS-CBN in 2004. He started as a copywriter and rose to the rank of Managing Partner and Executive Creative Director. He also served the advertising industry as President of the Creative Guild of the Philippines. He has always wanted to use his talents to champion the Filipino spirit that's why he joined ABS-CBN in 2004. Today, his Division articulates the ABS-CBN vision of service to the Filipino through their work in promoting our company image and our entertainment, news, sports and advocacy programs.

Leonardo P. Katigbak, Filipino, age 48
Head, Special Projects and Licensing
Former Studio 23 Managing Director, Mr. Katigbak was appointed Head of ABS-CBN's Special Projects and Licensing in 2008. He is tasked to oversee proper management implementation of assigned key projects and corporate strategies that have direct impact in advancing the company's total business imperatives. In addition to this, he will also have oversight on the Licensing Division. Mr. Katigbak has been with the company since 1987, starting out as writer, editor, director and producer before moving to the corporate side of the business in 1992. He began the ABS-CBN Archives and concurrently worked in ABS-CBN Acquisitions prior to his assignment in Studio 23 as Head of Programming and Acquisitions.

Luis Paolo M. Pineda, Filipino, age 40
Head, Business Development
Mr. Pineda was appointed Head of Business Development in 2009. He joined ABS-CBN Interactive in 2000 as Business Development Manager for www.pinoycentral.com where he was able to establish strong partnerships and identified potential joint ventures with companies in the same industry. His work eventually included coordination with all ABS-CBN media platforms, conceptualization, execution, and evaluation of mobile applications. He was promoted to Director in 2002 and Assistant Vice President in 2004 as he began to provide strategic direction for his business unit. In 2005, he took on the role of overall head for the company’s mobile and

online business while practically co-managing its video-streaming operations. His appointment to oversee the gaming business followed in August of 2005 and in December 2005, he was officially designated as Managing Director for ABS-CBN Interactive. Mr. Pineda has significantly contributed to the growth and success of the business unit, driving the group to reach its targets without fail year-on-year. Mr. Pineda is an alumnus of the Ateneo de Manila University and completed an executive management course in Kellogg University.

Antonio S. Ventosa, Filipino, age 50
Managing Director, Cable Channels and Print Media Group and Concurrent Officer-in-Charge, Studio 23
Mr. Ventosa joined the Company in 2006 as Head of Corporate Marketing. He was appointed in 2009 as Managing Director of ABS-CBN's Cable Channels and Print Media Group. He brings with him several years of experience in marketing, having spent more than 2 decades honing his skills in understanding and driving strategic marketing communications considerations that build leadership brands. He was an account director at Dentsu Young and Rubicam Malaysia for Colgate Palmolive Singapore and Malaysia, and regional account director at Leo Burnett in Singapore for McDonald's Asia before returning to the Philippines in 1994. He was, at one time, the chairman and the president of the Association of Accredited Advertising Agencies of the Philippines or 4A's, and a board director of AdBoard. He is the founding chairman of the Araw Values Awards, and was the director-in-charge of the first 4A's Advertising Summit in 2002. Prior to joining the Company, he was managing director of Leo Burnett Manila, where he has worked extensively to expand the agency's capability as a holistic communications organization that provide clients with the most effective communication and brand building programs. He was also responsible for directing the total marketing communications programs for clients whose brands are now leaders in their category. He was also concurrent President of Arc Worldwide Philippines, the newly established marketing services company aligned with Leo Burnett. Mr. Ventosa graduated with a marketing degree from De La Salle University and was honored in 2004 by his alma mater as one of its alumni achievers for having made a significant contribution in the field of advertising.

Ma. Lourdes N. Santos, Filipino, age 55
Managing Director, ABS-CBN Film Productions Inc. and Star Records, Inc.
Ms. Santos holds more than 2 decades of experience in the local film industry having started as a production assistant for Vanguard Films in 1982. She went on to become head of the movie division of Gryk Ortaleza, Inc., an entertainment company, then a line producer for Regal Films in 1986 and the general manager of Vision Films in 1989. She joined the company as executive producer for its drama programs. In 1995, she became the Managing Director of ABS-CBN Film Productions, Inc. Concurrent with her current position as ABS-CBN Film Production, Inc.'s Managing Director. Ms. Santos was appointed Senior Vice-President of the Television Drama Division for the Company's Entertainment Group in 2003. In 2006, she was likewise assigned to handle Star Records, Inc. Ms. Santos graduated *cum laude* in BS Hotel and Restaurant Management at the University of Santo Tomas.

Rafael L. Lopez, Filipino, age 55
Chief Operating Officer, ABS-CBN Global Limited
Mr. Lopez assumed the position of Senior Vice President and Chief Operating Officer of ABS-CBN Global Limited in 2004. He concurrently serves as the Managing Director of ABS-CBN International in North America and has held this position since 1998. He started as the Information Technology Head of ABS-CBN International in North America in 1994. Prior to this, he spent 12 years working as a systems analyst for Bell Atlantic. He graduated from the San Francisco State University with a Bachelor of Arts degree in Music. He also obtained a degree in computer programming from Control Data Institute and completed the Stanford Business Executive Program for Executives in 2002.

Nelson Edison M. Aguiflor, Filipino, age 50
Head, ABS-CBN Global Manila Operations
Mr. Aguiflor was appointed ABS-CBN Global Manila Operations Head in 2008. He has strategic responsibility for its management and operations. He brings with him 17 years of television experience from the ABS-CBN family. From segment producer/writer in Channel 2 in 1991, he was invited to join SkyCable as Production Supervisor in 1992 and later served as Creative Director for both Programming and Marketing. In 1996, Edson returned to television

as part of the group that would launch Studio 23. He has a Bachelor of Science Degree in Commerce Major in Accounting from the University of Santo Tomas.

Carlo Katigbak, Filipino, age 42
Managing Director, SkyCable
As Managing Director, Mr. Katigbak is spearheading the expansion of SkyCable's business from being a national leader in the pay TV industry, to becoming a key provider for broadband and communication services. He began his career as a financial analyst with First Pacific Capital Corp. in 1992. He joined SkyCable in 1994 as Corporate Finance Manager and has held various positions in Corporate Planning, Provincial Operations and Finance. In 1998, he served as the first Managing Director of Pilipino Cable Corporation which was a result of the merger between Sky Cable's provincial systems and Sun Cable. He was then assigned to ABS-CBN Interactive as Managing Director in 1999. ABS-CBN Interactive pioneered various digitals services such as mobile downloads, interactive TV, online advertising and online video-on-demand. He returned to SkyCable as Managing Director in 2005. Mr. Katigbak has a Bachelor of Science in Management Engineering from the Ateneo de Manila University. Mr Katigbak also completed the Advanced Management Program at Harvard Business School in 2009.

Consuelo Nolasco-Lopez, Filipino, age 39
Managing Director, ABS-CBN Interactive
Ms. Lopez was Head of International Business prior to her appointment as Managing Director of ABS-CBN Interactive in 2009. She oversaw the expansion of ABS-CBN's internationally-recognized online video-on-demand service, TFCNow, and delivered impressive revenue growth during her tenure. She also spearheaded various online and mobile ventures of the Company, including the development and implementation of pioneering mobile services in the Philippines and abroad, and the launch of local music content through international online distribution channels. Prior to joining ABS-CBN Interactive, Ms. Lopez handled Business Development, Finance, and Corporate Planning duties for SkyCable. Ms. Lopez graduated with a degree in Economics and French Studies from Mills College in Oakland, California, USA.

Ma. Rosario S. Bartolome, Filipino, age 41
Head, ABS-CBN Corporate Marketing
Ms. Bartolome will provide overall leadership in marketing the Company's channels, programs and campaigns to advertisers and media agencies. Ms. Bartolome brings with her more than 17 years of experience in integrated communications planning and media marketing. She is recognized locally and internationally for her innovative and cutting edge media solutions that have shaped the Philippine media landscape. Prior to joining ABS-CBN, she was the Managing Director of Carat Philippines and was Vice President of Universal McCann Philippines. Ms. Bartolome graduated from the Ateneo de Manila University with a degree in Communication Arts.

Ma. Regina "Ging" E. Reyes, Filipino ,age 49
Head, 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 Corporation. She has over 20 years of solid experience as a broadcast journalist. She joined ABS-CBN in 1986 as a Production Assistant, rose from the ranks to become Executive Producer and Head Writer of the award-winning "The World Tonight" and other special events, and eventually, Director for News Production. Prior to her appointment as Head of News and Current Affairs, Reyes was ABS-CBN'S North America News Bureau Chief from 2002 to 2010. A premier news personality in the Filipino community in the US, Reyes expanded the news operations of ABS-CBN in the US and Canada, contributing to the global content needs of ABS-CBN. In 2007, she was named by the Filipina Women's Network as one of the 100 Most Influential Filipino Women in the U.S.

Mark L. Lopez, Filipino, age 39
Chief Information Officer
As Chief Information Officer, Mr. Lopez heads and exercises governance on all IT functions and activities which includes IT infrastructure and media systems management, IT standards and strategies, long-term technology and strategic technical services. Before his appointment, he was Vice President and Chief Information Officer of Manila Electric Company (Meralco), where he managed all ICT related assets of the Company covering all its computer,

information system and telecommunication related resources. Concurrently, he is the President and CEO of e-Meralco Ventures, Inc. (eMVI), a wholly owned subsidiary of Meralco engaged in the Telecommunications and Broadband business. He is a graduate of Menlo College in California with a degree in Business Administration. He completed Executive MBA Program from the Asian Institute of Management.

Rafael L. Camus, Filipino, age 50
Head, Corporate Planning
Mr. Camus joined the company in May, 2003 at the subsidiary ABS CBN Interactive. In March, 2009 he moved to the Parent Company. As head of Corporate Planning, he leads the company in developing corporate strategic plans and monitors the implementation of short, medium, long term corporate goals and objectives. Prior to joining ABS-CBN, he was with Globe Telecom for three years. Mr. Camus obtained his MBA degree from the Wharton School at the University of Pennsylvania, in Philadelphia, Pennsylvania, USA.

Evelyn Raymundo, Filipino, age 49
Head, Program Acquisitions, International Sales and Dsitribution and DTT Channels
Ms. Raymundo joined the company in 1988. As Head of Program Acquisitions, International Sales and Distribution and DTT Channels, she is in-charge of bringing in international programs that will suit the Philippine market. She also handles the distribution of our local content to the global market. Ms. Raymundo **is** an experienced media practitioner who helped shape the primetime programming of ABS-CBN through her pioneering work as an executive in Free TV and Cable TV industry for over two decades.

Higino Dungo, Filipino, age 51
Head, CommGroup Internal Audit
Mr. Dungo joined ABS-CBN in July 2008. As head of Internal Audit, he leads the Division in providing an independent and objective assessment and appraisal of the effectiveness of the Internal Control System throughout the organization through risk based operational, financial, compliance and consulting audit services. Prior to joining the Company, he worked with Meralco for 20 years. Mr. Dungo is a Certified Public Accountant, an Accredited Quality Assurance Reviewer and a Certified Internal Auditor, a global designation for internal auditors.

Family Relationships

Mr. Oscar M. Lopez is the brother of Mrs. Presentacion L. Psinakis and Manuel M. Lopez. He is the uncle of Mr. Eugenio L. Lopez III and the father of Mr. Federico R. Lopez. Mr. Eugenio L. Lopez III and Mr. Federico R. Lopez are first cousins.

Involvement of Directors and Officers in Certain Legal Proceedings

For the past 5 years up to May 22, 2012, 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 5 years up to May 22,2012, 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, person nominated to become a director, executive officer, or control person.

For the past 5 years up to May 22,2012, 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 type of business, securities, commodities, or banking activities.

For the past 5 years up to May 22, 2012, 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 director, person nominated to become a director, executive officer, or control person has violated a securities or commodities law.

Relationships and Related Transactions

For a detailed discussion of ABS-CBN's related party transactions, see Notes 4 and 22 of the accompanying notes to the Company's audited consolidated financial statements.

Except for transactions discussed in Notes 4 and 22 of the accompanying notes to the Company's audited consolidated financial statements, there had been no material transactions during the past 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 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 direct or indirect material interest.

Furthermore, there had been no material transactions during the past 2 years, nor is any material transaction presently proposed, between the Company and parties that fall outside the definition of "related parties" under 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 57.24% of the voting stock of the Company as of December 31, 2011. Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the families of Eugenio Lopez, Jr., Oscar M. Lopez, Presentacion L. Psinakis and Manuel M. Lopez. It has issued convertible notes covering the shares in the Company registered and beneficially owned by it in favor of Benpres 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 security holders of the Company because of a disagreement with the Company on matters relating to the Company's operations, policies and practices.

Compensation of Directors and Executive Officers

Information as to the aggregate compensation paid or accrued during the last 2 fiscal years and to be paid in the ensuing fiscal year to the Company's chief executive and 5 other most highly compensated executive officers follow:

SUMMARY COMPENSATION TABLE Annual Compensation				
Name	Year	Salary (P)	Bonus (P)	Other Annual Compensation
Chief executive and	2012E	118,060,353		
most highly compensated	2011	107,327,456	126,059,719	0
executive officers (in alphabetical order):	2010	97,796,157	45,890,188	0
Eugenio L.Lopez III (CEO)				
Ma. Rosario N. Santos-Concio				
Roldeo Theodore T. Endrinal				
Rolando P. Valdueza				
Ma. Socorro V. Vidanes				
All managers and up	2012E	1,097,907,913		
as a group unnamed	2011	1,035,762,181	451,831,190	0
	2010	586,466,472	154,973,985	0

The members of the Board of Directors each receive per diems amounting to P5,000.00 for their attendance to board meetings. There are no other arrangements for compensation either by way of payments for committee participation or consulting contracts.

No action is to be taken with respect to any bonus, profit sharing, pension/retirement plan, granting of extension of any option, warrant or right to purchase any securities to be given to the Company's directors and executive officers

Dividends

The declaration and payment of dividends are subject to certain conditions under the Company's existing long term loan agreements with various banks and other lenders (see Note 19 of the accompanying notes to the Company's audited consolidated financial statements). Under said loan agreements, the Company may declare and pay dividends provided: (a) all payments (including pre-payments) due on said loan and premiums on insurance of assets are current and updated; (b) all financial covenants set forth therein are satisfied; (c) certain financial ratios are met and such payment will not result in the violation of the required financial ratios under the loan agreements; (d) no event of default as provided in the loan agreements shall exist or occur as a result of such payment; and (e) the total amount of the cash dividends does not exceed 50% of the Company's net income after taxes for the fiscal year preceding the declaration.

Stock Dividend (Per Share)

No stock dividend since 1996

Cash Dividend (Per Share)

Amount (in Pesos)	Declaration Date	Record Date	Payment Date
Php0.60	March 28, 2001	April 25, 2001	May 25, 2001
Php0.64	July 21, 2004	July 24, 2004	August 10, 2004

Php0.45	March 28, 2007	April 20, 2007	May 15, 2007
Php0.825	March 26, 2008	April 30, 2008	May 27, 2008
Php0.90	March 25, 2009	May 5, 2009	May 29, 2009
Php1.11	March 11, 2010	March 31, 2010	April 29, 2010
Php2.10	March 4, 2011	March 25, 2011	April 19, 2011
Php0.80	March 30, 2012	April 25, 2012	May 22, 2012

The declaration and payment of dividends are subject to certain conditions under the Company's existing long term loan agreements with various banks and other lenders. Under said loan agreements, the Company may declare and pay dividends provided: (a) all payments (including pre-payments) due on said loan and premiums on insurance of assets are current and updated; (b) all financial covenants set forth therein are satisfied; (c) certain financial ratios are met and such payment will not result in the violation of the required financial ratios under the loan agreements; (d) no event of default as provided in the loan agreements shall exist or occur as a result of such payment; and (e) the total amount of the cash dividends does not exceed 50% of the Company's net income after taxes for the fiscal year preceding the declaration.

There were no recent sales of securities by the Company.

Market for Issuer's Common Equity and Related Stockholder Matters

The Company's common shares have been listed on the Philippine Stock Exchange (PSE) since 1992. Its Philippine Depositary Receipts (PDRs) were listed in 1999. Common shares may be exchanged for PDRs and vice versa. The common shares (PSE: ABS) closed at Php33.70 while the PDRs (PSE: ABSP) closed at Php34.60 on , May 21, 2012.

High and Low Share Prices quoted on the PSE

	ABS		ABSP	
	High	Low	High	Low
2012				
First Quarter	37.75	30.00	38.30	29.90
2011				
First Quarter	47.50	40.50	47.90	44.00
Second Quarter	42.50	38.90	44.00	41.50
Third Quarter	40.50	28.60	44.00	34.50
Fourth Quarter				
2010	High	Low	High	Low
First Quarter	30.00	25.50	31.00	26.00
Second Quarter	38.50	29.00	40.50	28.50
Third Quarter	56.00	36.50	56.00	40.50
Fourth Quarter	56.00	43.50	56.00	45.00

The number of shareholders of record as of December 31, 2011 was 6,062. Common shares outstanding as of December 31, 2011 were 779,584,602. The number of shareholders of record as of April 30, 2012 was 6,016. Common shares outstanding as of April 30,2012 were 779,584,602.

The last traded prices as of May 21, 2012 of ABS and ABSP were P33.70 and P34.60, respectively.

Top 20 Stockholders as of April 30, 2012

As of April 30, 2012, the Top 20 stockholders of ABS-CBN own an aggregate of 764,614,417 or 98.09% of outstanding common shares.

Rank	Name	Citizenship	Record / Beneficial	No. of Shares	Percentage
1	Lopez, Inc.	Filipino	Record	446,231,607	57.24%
2	PCD Nominee Corporation (Filipino)	Filipino	Record	312,533,192	40.09%
3	Ching Tiong Keng	Filipino	Record	859,500	0.11%
4	Abs-Cbn Foundation, Inc.	Filipino	Record	780,995	0.10%
5	Eugenio Lopez III	Filipino	Record	651,190	0.08%
6	Creme Investment Corporation	Filipino	Record	417,486	0.05%
7	Fg Holdings	Filipino	Record	386,270	0.05%
8	Charlotte C. Cheng	Filipino	Record	340,000	0.04%
9	Cynthia D. Ching	Filipino	Record	337,500	0.04%
10	Phil. Communication Satellite Corporation	Filipino	Record	325,500	0.04%
11	Tiong Keng Ching	Filipino	Record	252,000	0.03%
12	ACRIS Corporation	Filipino	Record	247,346	0.03%
13	Federico M. Garcia	Filipino	Record	226,207	0.03%
14	La Suerte Cigar & Cigarette Factory	Filipino	Record	205,000	0.03%
15	Alberto G. Mendoza &/Or Jeanie Mendoza	Filipino	Record	168,250	0.02%
16	Mimi Chua	Filipino	Record	162,390	0.02%
17	Manuel M. Lopez	Filipino	Record	146,186	0.02%
18	Majograjo Dev. Corporation	Filipino	Record	140,700	0.02%
19	Antonino T. Aquino &/Or Evelina S. Aquino	Filipino	Record	129,470	0.02%
20	Leoncio N. Chungunco Jr.	Filipino	Record	126,000	0.02%
	Sub-total Top 20 Stockholders			764,666,789	98.09%
	Others			14,917,813	1.91%
	Total Stockholders			779,584,602	100.00%

Employee Stock Option Plan

The Company had an employee stock option plan (ESOP) which covered 1,403,500 shares at 95% of offer price during the initial public offering. Collections were made in 48 semi-monthly installments without interest through payroll deductions. Shares offered under the Plan have been fully paid and issued since 1995.

On March 29, 2000, the Board of Directors approved another ESOP covering 6,080,306 shares. In 2002, all the shares acquired by the Company covering this ESOP, were exercised by the employees. As of December 31, 2010, there are no more outstanding ESOP.

Independent Public Accountants

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

The Company has engaged SGV & Co., with Mr. Aldrin M. Cerrado as the engagement partner, for the audit of the Company's books in 2010 and 2011. The Company has complied with SRC Rule 68, paragraph 3(b)(iv) re: five (5)year rotation requirement for the external auditor.

SGV & Co. is being recommended for re-election at the scheduled Annual Stockholders' Meeting on June 21, 2012.

Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The aggregate fees billed to ABS-CBN and its subsidiaries for each of the last 2 fiscal years for professional services rendered by the external auditor are as follows:

	2011	2010
Audit Fees	**23,647,605**	21,877,605
Non-Audit Fees	**12,255,862**	4,891,764

The audit committee's approval policies and procedures for the above services from SGV & Co., the external auditors are discussed in Section 7 of the Company's Manual of Corporate Governance filed with the Commission on September 2, 2002. The audit committee pre-approves all audit and non-audit services as these are proposed or endorsed before these services are performed by our independent auditor. The audit committee is composed of Javier J. Calero, Salvador G. Tirona and Justice Vicente V. Mendoza.

Corporate Governance

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

The principles for corporate governance of ABS-CBN are contained in its Articles of Incorporation, By-laws, as amended, its Manual of Corporate Governance in compliance with SEC Memorandum Circular 2, Series of 2002 with a copy of the manual submitted to the Securities and Exchange Commission ("SEC") in the same year.

As an organization, ABS-CBN reaffirms its mission of being in the service of the Filipino, and espouses that there is no dichotomy between doing good business and practicing the right values. Through values cascading within 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.

ABS-CBN's commitment to adhere to best corporate governance practices was recognized for three consecutive years on May 26, 2011, May 27, 2010 and April 22, 2009 by the Institute of Corporate Directors ("ICD") by naming the Company as one of the highest-scoring companies to garner a score of 90% or higher in the 2010, 2009 and 2008 Corporate Governance Scorecard, a survey of corporate governance practices among 172 publicly-listed companies in the country. ICD further cited that the awarded companies were at par with corporate governance practices of companies in more advanced economies.

The ICD conducted the survey in partnership with the Philippine Stock Exchange ("PSE"), the SEC, and the Ateneo School of Law. They judged publicly-listed companies based on a questionnaire that measured corporate governance practices which include shareholder rights, treatment of shareholders, the role of stakeholders, disclosure policies and transparency, and board responsibility. The SEC mandated the participation of publicly-listed companies in the survey.

The Mission of the ABS-CBN 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 Corporation is managed in such a way to ensure this result while adhering to the laws and rules of jurisdictions in which it operates, observing the highest standards of corporate governance and observing high ethical norms. The Board establishes the overall goals, strategies and policies of the Company. The Board strives to regularly monitor the effectiveness of management's decisions and the execution of the strategies. In addition to fulfilling its obligations for increased stockholder value, the Board has responsibility to the Company's customers, employees, suppliers and the community.

The Board of Directors

The Board consists of 11 members, elected by shareholders during the last Annual Stockholders' Meeting. For the year 2011, these directors are Eugenio Lopez III, Chairman and Chief Executive Officer; Augusto Almeda Lopez, Vice Chairman; Maria Rosario Santos-Concio, Oscar M. Lopez, Presentacion L. Psinakis, Federico R. Lopez, Federico M. Garcia, Salvador G. Tirona, Manuel M. Lopez, Justice Vicente Mendoza, and Javier Calero. In compliance with the SEC's requirement to have independent directors with no material relationship with the Company comprising at least 20% of the Board, two independent directors — Mr. Calero, and Justice Mendoza — were elected. These directors are independent of management, and free from any relationship that may interfere with their judgment.

Selection of Directors

The Board itself is responsible, in fact as well as procedure, for screening its own members and in recommending them for election by the stockholders. The Chairman and Chief Executive Officer has direct input in the screening process. The final approval for the nominees as directors is determined by the full Board. In case of vacancies in the Board between annual stockholder meetings, the Board may elect directors to serve until the next annual meeting.

Mix of Directors

There is a mix of executive, non-executive and independent directors on the Board. Senior management executives other than the Chairman and Chief Executive Officer and the Chief Operating Officer attend Board meetings on a regular basis even though they are not members of the Board. On matters of corporate governance, while the Board assumes decisions will be made by the independent directors, input in any policy formulation and discussion from directors who are employees is welcome and expected unless the issue involves an actual conflict of interest with such directors.

Criteria for Independence for Independent Directors

The Board assesses the independence of each director and of each 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, a independent directors (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 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 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 arms length and are immaterial; and (vii) do not own more than 2% of the shares of the Company and/or its related companies or any of its substantial shareholders. Mr. Calero and Justice Mendoza do not possess any of the disqualifications enumerated under Section II (5) of the Code of Corporate Governance and Section II (D) of SEC Memorandum Circular No. 16, Series of 2002.

Board Performance

The Board regularly meets monthly, as much as possible, to review the performance of the Company and its subsidiaries, approve any pertinent plans, budgets, and financial statements, set guidelines for management, and discuss any various matters requiring Board attention and approval. Any member of the Board may ask management to give special reports and analysis on certain issues.

From January 1, 2011 to December 31, 2011, the Board had 11 regular meetings.

Board Attendance to Meetings in 2011

	Total No. of Board Meetings	No. of Board Meetings Attended	Percentage of Attendance	Attended Annual Stockholders' Meeting? (Y/N)
Eugenio L. Lopez III	11	11	100%	Y
Ma. Rosario Santos-Concio	11	9	82%	Y
Oscar M. Lopez	11	10	91%	Y
Augusto Almeda Lopez	11	9	82%	Y
Presentacion L. Psinakis	10	10	100%	Y
Manuel M. Lopez	11	2	18%	N
Federico R. Lopez	11	6	55%	N
Federico M. Garcia	11	9	82%	N
Salvador Tirona	11	11	100%	Y
Justice Vicente V. Mendoza[1]	6	6	100%	Y
Javier J. Calero[2]	6	6	100%	Y
Justice Jose C. Vitug[3]	5	4	80%	
Pedro N. Dy-Liacco[4]	5	2	40%	

[1] *Elected June 16, 2011*

[2] *Elected June 16, 2011*

[3] *Resigned June 16,2011*

[4] *Resigned June 16, 2011*

Compensation of Directors

Members of the Board each receive per diems amounting to Php5,000.00 for their attendance to Board meetings. There are no other arrangements for remuneration either by way of payments for committee participation or consulting contracts.

Board Committees

There are seven Board committees that have been established to address any issues requiring the directors' attention.

The **Programming Committee** deliberates on the programming issues and strategies of the network, and is primarily a business strategy committee. It is composed of Federico M. Garcia, Ma. Rosario Santos-Concio and Javier J. Calero.

The **Compensation Committee** reviews any recommendations on incentive schemes and issuance of stock options to employees. It is composed of Augusto Almeda Lopez, Justice Vicente V. Mendoza and Federico R. Lopez.

The **Succession Planning Committee** ensures that there is a pipeline to key positions in the organization, and that there are ready replacements for any key positions that are suddenly vacated. It oversees the replacement planning table of the organization, and identifies successors and gaps in succession, as well as any measures needed to fill such gaps. It is composed of Salvador G. Tirona, Justice Vicente V. Mendoza and Augusto Almeda Lopez.

The **Compensation Committee for the Chairman and the Chief Executive Officer** is composed of Augusto Almeda Lopez, Federico M. Garcia, and Justice Vicente M. Mendoza.

The **Audit Committee** reviews the financial reports and risks, examines internal control systems, oversees the audit process as well as the company's compliance with laws, and evaluates the company's business conduct. It is composed of Javier J. Calero, Salvador G. Tirona and Justice Vicente V. Mendoza.

In March 2010, the Board approved the creation of two new committees to improve corporate governance: a Risk Management Committee and a Nomination and Election Committee.

To highlight the importance of risk management among the Company's strategic priorities, the Board of Directors created the **Risk Management Committee** to oversee 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. It is composed of Salvador G. Tirona, Federico M. Garcia, and Justice Vicente V. Mendoza.

The **Nomination and Election Committee** will review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. It is composed of Eugenio Lopez III, Ma. Rosario Santos-Concio, Justice Vicente V. Mendoza and Javier J. Calero.

Audit

Internal Audit

The Internal Audit Division provides independent assurance and advisory services to the Company's Board of Directors through its Audit Committee by evaluating the adequacy, effectiveness and efficiency of the Company's internal control system, developing necessary recommendations for its improvement, and establishing an effective follow-up system on related implementation. The Group, which is composed of certified public accountants, three certified internal auditors and a certified information systems auditor, report to the Audit Committee.

Regular audits of the Company and its Subsidiaries are conducted based on a 3-year audit cycle and an annual audit plan approved by the Audit Committee. Special audits are also undertaken as necessary.

In 2011, the Internal Audit Division presented to the Audit Committee audit status updates, highlights and presentations on completed and on-going audit activities in accordance with the Audit Committee-approved internal audit plan.

The Internal Audit division also worked closely with the Company's Investor Relations and Corporate Planning group in preparing the Company’s responses to the 2008 ,2009 and 2010 Corporate Governance Scorecard for publicly listed companies where the company got high citations as earlier cited.

Audit Committee Report for 2011

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

- The integrity of the Company’s financial statements, the efficiency of financial reporting process, management of financial risks, and soundness of internal control environment;
- The independence and adequacy of internal audit functions and processes;
- The qualifications and fees of the Company’s independent external auditors, their annual review of the Company’s financial statements and their independence in conducting other audit services; and,
- The Company’s legal and regulatory compliance.

The roles and responsibilities of the Audit Committee are embodied in an Audit Committee Charter, as approved by the Board of Directors.

In compliance with its Charter, the Audit Committee confirms for 2011 that:

- An independent Director chairs the Audit Committee;
- Quarterly meetings were held attended to by the members of the Committee;
- The Audit Committee has discussed and approved the overall scope and audit plans of the Internal Audit including the manpower resources and competencies necessary to carry out the audit as planned;
- The Audit Committee has reviewed the reports of the internal auditors and ensured, through discussion with management and the internal auditors, that all the necessary corrective and relevant actions have been taken and implemented;

- The Audit Committee has reviewed and discussed the audited annual financial statements of the Company and its subsidiaries with the management, internal auditors and external auditors within the context:

  - that management is responsible for the Company's financial statements and the related statements of financial condition and results of operations; and,

  - that 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.

Compliance Officer

The Company has appointed a Compliance Officer who is tasked to ensure the Company's observance of corporate governance best practices and provide recommendations to the Board for continuous improvement towards full compliance and adoption of global best practices. The Compliance Officer also issues an annual certification on the compliance of the Board with the Company's Corporate Governance Manual. The Compliance Officer is Mr. Paul Michael V. Villanueva, Jr. The Company submitted to the SEC a certification of the Board's compliance with the Company's Corporate Governance Manual last January 25, 2012.

Code of Conduct

The Company also has a Code of Conduct. The Code defines the behaviors that are acceptable or not acceptable within the organization. It details the offenses versus the company's or the person's property, the schedule of penalties for each offense according to its gravity, and the grievance process, and defines the roles of the different people involved in disciplinary action. The Code covers all directors, employees, consultants, product and service providers, and anyone who acts in the name of ABS-CBN.

Assisting in the dissemination and implementation of 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 the idea of good and ethical conduct is the upholding of common corporate and individual values, which are disseminated through a process of values cascading.

Risk Management

ABS-CBN's Board of Directors and management are mindful of the potential impact of various risks to 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 Audit Committee of the Board of Directors provided oversight on Enterprise Risk Management. In 2010 this responsibility was assumed by the newly created Risk Management Committee At the same time the Board of Directors of the Company approved the appointment of Mr. Johnny Sy as Chief Risk Management Officer, reporting directly to the Board of Directors, concurrent with his responsibilities as Head, Digital Consumer Devices. As Chief Risk Management Officer, he will provide the overall leadership, vision and direction for enterprise risk management by establishing and implementing an integrated risk management framework to cover all aspects of risks across the Company's organization, and improve the Company's risk management readiness.

The Company's corporate strategy formulation and business decision-making processes always take into account potential risks and the steps and costs necessary to minimize, if not eliminate, such risks. As part of its stewardship responsibility and commitment to deliver optimum value to its stakeholders, ABS-CBN ensures that it has the proper control systems in place, and to the extent possible, adopted global best practices, to identify and assess, analyze and mitigate market, operating, financial, regulatory, community, reputational, and other risks.

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 and includes information such as revenues, operating and net income, assets and liabilities, capital expenditures and depreciation and amortization expenses.

Dealings in Securities

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 five trading days, in compliance with the PSE's requirement for such disclosure.

Shareholder and Investor Relations

ABS-CBN fully respects shareholder rights and complies with regulatory and legal requirements that enforce and ensure that 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, among others. ABS-CBN is compliant in submitting timely structured and non-structured reports and disclosure filing required by the SEC and the PSE.

To complement these disclosures, ABS-CBN's Investor Relations group also holds regular analyst and press briefings coincident with its quarterly and annual report submissions that further explain, elaborate on and contextualize the Company's operating performance and financial condition and results. ABS-CBN's Chief Finance Officer, Head of Treasury and Compliance, and its Head of Investor Relations are always present at these investor, analyst and press briefings to address any questions that may be raised concerning the Company's operating and financial results.

In addition, ABS-CBN's Chief Finance Officer, Head of Treasury and Compliance, and its Head of Investor Relations, meet with representatives of institutional investors and investment funds upon request and at various investor conferences throughout the year for more intimate and detailed discussions about 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 in a timely and transparent manner.

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.

ABS-CBN's Investor Relations website may be found on *http://ir.abs-cbn.com*

Material Events

A. Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

On September 18, 2007, the Company successfully signed a syndicated loan for ₱854 million with the previous lenders of the Sky Cable, namely, United Coconut Planters Bank, Bank of the Philippine Islands, Mega International Commercial Bank Co., Ltd., Olga Vendivel and Wise Capital Investment & Trust Company, Inc. with BDO – EPCI, Inc. acting as the facility agent. The loan is unsecured and unsubordinated with a fixed coupon of 2% with a final maturity of September 18, 2014.

The ₱854 million syndicated loan facility contain provisions regarding the maintenance of certain financial ratios and limiting, among others, the incurrence of additional debt, 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, creation of liens and effecting mergers. As of March 31, 2012 and December 31, 2011, the Company is in compliance with the provisions of the ₱854 million syndicated loan facility.

The Parent Company's obligation under these facilities is jointly and severally guaranteed by its principal subsidiaries.

On February 21, 2008, ABS CBN and the remaining third party creditors of Sky Cable approved the 2nd amendment of the Sky Cable Debt under a Facility Agreement. The amendment included the rescheduling of the principal amortization to commence in December 2011 with final maturity in September 2016.

On October 29, 2010, the Company successfully signed a syndicated loan for ₱10 billion with Allied Banking Corporation, Allied Savings Bank, Banco de Oro Unibank, Inc., Banco de Oro Unibank, Inc.- Trust and Investment Group, Bank of the Philippine Islands, Insular Life Assurance Company Ltd., Philippine National Bank, PNB Life Insurance, Inc., Security Bank Corporation (collectively, the "Lenders"), BPI Capital Corporation (the "Lead Arranger"), BDO Capital & Investment Corporation and Security Bank Corporation (collectively, the "Arrangers") and PNB Capital & Investment Corporation and Insular Life Assurance Company Ltd. (collectively the "Co-Arranger"). Bank of the Philippine Islands - Asset Management and Trust Group shall serve as the loan's facility agent. The loan is intended 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 PDSTF plus 0.65% per annum for the fixed rate portion. The loan is amortizing with a final maturity of November 9, 2017. The loan is pre-payable subject to a break cost.

On November 9, 2010, the Company availed from the Loan Agreement the amount of ₱6,906 million to prepay existing debt facilities, namely, the SCA facility, the BDO facility, the ₱800 Million Syndicated Loan facility and the Combined facility agreements.

On October 26, 2010, Sky Cable, a subsidiary, availed a ₱1 billion syndicated loan new loan from Banco De Oro, Union Bank of the Philippines and Robinsons Bank. The loan is intended to refinance the loan under the DRA.

The loan is unsecured and unsubordinated with interest at 5-year PDST-F plus 1% per annum. The loan is amortizing with a final maturity of October 26, 2015. It has an interest rate step up feature in case the loan is extended for another 2 years.

The agreement also requires a certain restrictions with respects to the maintenance of financial ratios. As of March 31, 2012 the Company is in compliance with the provisions of this facility.

On March 11, 2011, the Company availed the remaining amount ₱3,094 million from the Loan Agreement for working capital purposes.

The loan agreement contains provision regarding the maintenance of certain financial ratios and limiting, among others, the payment of dividends, the 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. As of March 31, 2012, the Company is in compliance with the provisions of this facility.

B. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

For 2012, ABS-CBN expects to invest approximately ₱4.9 billion for capital expenditure and acquisition of film and program rights. This funding requirement will be financed through internally generated funds.

C. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

ABS-CBN's financial performance depends largely on the ability to sell airtime for advertising. The Company's business may be affected by the general condition of the economy of the Philippines.

D. Any event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The Company's existing long term loan agreements with various banks and other lenders executed in various dates and periods contain customary events of default which may trigger material financial obligations on the part of the Company, such as, non-payment of financial obligations, breach of material provisions and covenants, cancellation of the Company's key licenses, insolvency, cessation of business, expropriation, issuance of final judgment against the Company involving a significant amount, material adverse change in the operations and structure of the Company.

The Company has contingent liabilities with respect to claims filed by third parties. The events that transpired last February 4, 2006, which resulted in the death of 71 people and injury to about 1,000 others led the Company to shoulder the burial expenses of the dead and medical expenses of the injured, which did not result in any direct or contingent financial obligation that is material to the Company. The Company has settled all of the funeral and medical expenses of the victims of the tragedy. Given the income flows and net asset base of the Company, said expenses do not constitute a material financial obligation of the Company, as the Company remains in sound financial position to meet its obligations.

As of March 31, 2012, the claims in connection with the events of February 4, 2006 are still pending and remain contingent liabilities. While the funeral and medical expenses have all been shouldered by the Company, there still exist claims for compensation for the deaths and injuries upon evaluation of these claims, the amount of which have not been declared and cannot be determined with certainty at this time. Management is nevertheless of the opinion that should there be any adverse judgment based on these claims, this will not materially affect the Company's financial position and results of operations.

In relation to the consolidation of Sky Cable and Home Cable in 2004, a competitor television broadcasting company (complainant) filed a case before the National Telecommunications Commission (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 of March 31, 2012, the hearing of this case is ongoing before the NTC. It is the opinion of Sky Vision's legal counsels that the case filed by the complainant is without legal basis and would not have a material impact to the financial statements.

E. Any significant elements of income or loss that did not arise from the issuer's continuing operations.

As of March 31, 2012, there are no significant elements of income that did not arise from the Company's continuing operations.

F. Any seasonal aspects that had a material effect on the financial condition or financial performance.

There were no seasonal aspects that had a material effect on the financial condition or financial performance for the interim period.

G. Any material events that were unusual because of their nature, size or incidents affecting assets, liabilities, equity, net income, or cash flows.

On May 20, 2008, the Lopez Group and the PLDT Group agreed on valuation for Sky Cable effective March 15, 2008. Based on this final valuation of Sky Cable, the Note amounting to ₱1,581 million, accrued interest on the Note from June 30, 2004 to June 30, 2006 amounting to ₱459 million and ABS CBN's advances to Sky Cable amounting to ₱459 million can be converted into 269,645,828 Sky Cable shares, representing 65.3% effective interest in Sky Cable. Consequently, for financial reporting purposes, effective March 15, 2008, Sky Cable was considered as a subsidiary of the Parent Company with a 65.3% effective interest.

On February 19, 2009, the BOD of ABS-CBN approved the conversion of ₱1,798 million loan and ₱900 million advances to PDRs with underlying 278,588,814 Sky Cable shares at conversion price of ₱9.69 a share. The conversion will be considered as acquisition of non-controlling interest. Upon conversion of the foregoing loan and advances, the effective interest of ABS-CBN will increase from 65.3% to 79.3%.

On March 2, 2009, by virtue of a separate Assignment Agreement, ABS-CBN assigned the ₱1,798 million loan to Sky Vision. As a consideration for the assignment, Sky Vision agreed to issue ABS-CBN PDRs which shall be convertible into Sky Cable shares. The terms of the agreement are similar to the Assignment Agreement discussed in Note 3. Effective March 2, 2009, the effective interest of ABS-CBN in Sky Cable increased from 65.3% to 79.3%. In 2011, the PDRs of Sky Vision were issued to the Parent Company.

On September 9, 2010 the Company purchased from Legaspi Capital Holdings Corporation and Beacon Diversified Holdings, Inc. an aggregate 5.8 million shares of common stock in Sky Cable Corporation for ₱ 56 million.

On October 4, 2010, the Company, as the assignee, and Unilink Communications Corporation and The Philippine Home Cable Holdings, Inc., collectively as the assignors, signed deeds of conditional sale for the purchase of an aggregate of 53.3 million shares of common stock in Sky Cable Corporation with the purchase price of ₱516 million payable in installments.

On December 15, 2010, the Company assigned all its rights to these shares to Sky Vision Inc. for the same value.

On January 13, 2011 Lopez, Inc. executed a Contract to Sell with the Company where Lopez, Inc. agreed to sell all its rights to the 8.9 million shares of common stock it beneficially owns in Sky Cable Corporation for

₱87 million. As of March 30, 2011, the company assigned all these shares to Sky Vision Inc. for the same value.

On February 14, 2011, ABS-CBN, Lopez, Inc, Lopez Holdings, Sky Vision, Sky Cable, STT Communications Ltd. (STTC) and Sampaquita Communications Pte. Ltd. (Sampaquita, a subsidiary of STTC), 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.

For financial reporting purposes, as of March 30, 2011, the effective economic interest of ABS-CBN decreased from 79.3% to 47.1%. Consequently, ABS-CBN derecognized the assets, including the goodwill, and liabilities of Sky Cable and noncontrolling interest in Sky Cable. Gain on the sale of investments amounting to ₱1,147 million (including gain on fair value of retained interest of ₱323 million) was recognized in the 2011 consolidated statement of income (see Note 28).

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.

H. Any material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

On 11 May 2012, an Asset Purchase Agreement was executed by and between Destiny Cable Inc. (“DCI”) and Sky Cable Corporation, a subsidiary of the Parent Company, wherein the parties agreed that DCI shall sell, transfer and convey to Sky Cable all of DCI’s assets used in its business of constructing, maintaining and operating community antennae television systems for public and commercial purposes, at a purchase price of 2.4 billion.

On the same date, an Asset Purchase Agreement was also executed by and between Solid Broadband Corporation (“SBC”) and Sky Cable, wherein the parties agreed that SBC shall sell, transfer and convey to SKY all of SBC’s assets used in its business of operating commercial telecommunications facilities, coastal stations for ships-at-sea, aeronautical stations for aircraft in flight, television and broadcasting stations, and other telecommunications services, at a purchase price of ₱1 billion.

Finally, an Asset Purchase Agreement was also executed by and between Uni-Cable TV, Inc. (“UNI”) and Sky Cable, wherein the parties agreed that SBC shall sell, transfer and convey to SKY all of UNI’s assets used in its business of operating a cable antenna television system in Mandaue and Lapu Lapu City, Province of Cebu, including, but not limited to, a Satellite TV system, cable TV Headend station, repeaters, booster, and other related equipment, at a purchase price of ₱94 million.

Sky Cable shall use both equity and borrowed funds to finance the purchase of the foregoing assets of DCI, SBC and UNI. The purchased assets are intended to be used in the expansion of SKY’s cable television and broadband business.

On April 10, 2012, Pilipino Cable Corporation, a subsidiary of Sky Cable, successfully signed an omnibus notes facility and security agreement with Banco de Oro in the amount of ₱800 million. The facility is intended to refinance its exsiting loan with Banco de Oro in the amount ₱500 million and the balance for working capital purposes.

The loan is unsecured with interest rate using the BSP overnight borrowing rate of 4.0% multiplied by 97/100. The loan is amortizing with a final maturity of April 1, 2019.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Authorization or Issuance of Securities Other than for Exchange

No action is to be taken with respect to the authorization or issuance of securities.

Modification or Exchange of Securities

No action is to be taken with respect to the modification or exchange of the Company's securities.

Financial and Other Information

The Management Discussion and Analysis of the Financial Condition and Results of Operation for the last three fiscal years required under Part IV(c) of Rule 48 are attached hereto as Annex A. Also included in Annex A are description of the Company's business activities, subsidiaries, information on market price of securities and dividend, material legal proceedings, corporate governance and recent material events.

The Statement of Management's Responsibility for Financial Statements as of December 31, 2010 as well as the Audited Financial Statements prepared in accordance with SRC rule 68, as amended, and Rule 68.1 are attached hereto as Annex B.

Merges, Consolidations, Acquisitions and Similar Matters

No action relating to an acquisition, business combination or other reorganization, is being presented to the stockholders.

Acquisition or Disposition of Property

No action is to be taken with respect to the acquisition or disposition of any property.

Restatement of Accounts

No action is to be taken with respect to the restatement of any asset, capital or surplus account of the Company.

D. OTHER MATTERS

Action with Respect to Reports

(a) Approval of the Annual Report of Management and the Audited Financial Statements for the year ending December 31, 2011
(b) Approval of the Minutes of the Annual Meeting of the Stockholders held on June 16, 2011, covering the following matters:

i) Annual Report of Officers;
ii) Approval of Annual report and Audited Financial Statements for the Year Ended December 31, 2010;

iii) Election of the Members of the Board of Directors, including the Independent Directors;
iv) Ratification and approval of all acts and resolution of the Board of Directors for the fiscal year 2010;
v) Appointment of External Auditors; and
vi) Amendment of the Article I of the Articles of Incorporation changing the corporate name of the Company to ABS-CBN Corporation which more aptly reflect the corporate brand of ABS-CBN, which is beyond a traditional broadcasting business.

Matters Not Required to be Submitted

No action is to be taken with respect to any matter that is not required to be submitted to a vote of security holders.

Other Proposed Actions

a) Ratification of all acts of the Board of Directors, Executive Committee and Management for the period covering January 1, 2011 through December 31, 2011 adopted in the ordinary course of business, such as:

   i) Approval of investments;
   ii) Treasury matters related to opening of accounts and bank transactions;
   iii) Appointment of signatories and amendment thereof

b) Election of the Member of the Board of Directors, including the Independent Directors, for the ensuing calendar year;

c) Appointment of External Auditor

Voting Procedures

(a) Vote Required: Motions in general require the affirmative vote of a majority of the shares of the Company's common stock present and/or represented and entitled to vote. However, certain proposed actions may require the vote of at least a majority or at least two thirds of the outstanding capital stock of the Company. The vote required for the amendment of the Amended By-laws is at least a majority of the outstanding capital stock of the Company. The manner of voting is non-cumulative, except as to the election of directors.

(b) The approval of stockholders representing not less than majority of the outstanding capital stock of the Corporation is required for the amendment of the Amended By-laws.

(c) Method: Straight and cumulative voting. For the amendment of the Amended By-laws, voting shall be straight voting. In the election of directors, the top eleven nominees with the most number of votes will be elected as directors. If the number of nominees does not exceed the number of directors to be elected, all the shares present or represented at the meeting will be cast in favor of the nominees. If the number of nominees exceeds the number of directors to be elected, voting will be done by ballots. On the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may accumulate such shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

(d) The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at any meeting of the stockholders, in the presence of the Company's external auditor.

Upon the written request of a stockholder, the Company undertakes to furnish said stockholder with a copy of the Company's annual report on SEC Form 17-A free of charge. Any written request for a copy of the annual report shall be addressed to the following:

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

Attention: **Rolando P. Valdueza**
Chief Finance Officer

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on May 23, 2012.

ABS-CBN CORPORATION

By: ______________________
MANUEL L.M. TORRES
Corporate Secretary

ANNEX A

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2012

For the quarter ended March 31, 2012, ABS-CBN Corporation ("ABS-CBN" or the "Company") generated consolidated revenues of P7.1 billion from advertising and consumer sales, P556 million or 8% higher year-on-year. Advertising revenues contributed 59% of total consolidated revenues while consumer sales made up the balance of 41%.

Total operating and other expense in the first quarter of 2012 was at P6.1 billion, or a 27% increase year-on-year.

The company generated a net income of P306 million for the first quarter of 2012, down by 69% compared with P976 million in the same period last year. Removing the effects of the one-time gain from the sale of Sky Cable PDRs recognized in the first quarter of 2011 amounting to P674 million, net income increased by 1%.

Reported EBITDA reached P1.4 billion for the first quarter of 2012, or a 35% decline year-on-year. Stripping the one-time gain in the first quarter of 2011, EBITDA was up 1% year-on-year.

The table below summarizes the key performance indicators for the period as discussed above.

Key Performance Indicators (Amounts in million Pesos)	**1Q12**	**1Q11**	**Variance**	
			Amount	**%**
Consolidated Revenues	**7,149**	**6,593**	**556**	**8**
Consolidated Advertising Revenues	4,186	4,011	175	4
Consolidated Consumer Sales	2,963	2,582	381	15
Operating and Other Expenses	**6,075**	**4,776**	**1,299**	**27**
Net Income	**306**	**976**	**(670)**	**(69)**
EBITDA	**1,362**	**2,098**	**(736)**	**(35)**

Consolidated Revenues

For the three months ended March 31, 2012, ABS-CBN generated consolidated revenues of P7.1 billion from advertising revenues and consumer sales, P556 million or 8% higher year-on-year.

The contribution of consumer sales to total revenues is higher at 41% from 39% a year ago.

Consolidated Revenues (Amounts in million Pesos)	**1Q12**	**1Q11**	**Variance**	
			Amount	**%**
Consolidated Advertising Revenues	4,186	4,011	175	4
Consumer Sales				
Sale of Services	2,863	2,470	393	16
Sale of Goods	100	112	(12)	(11)
Consolidated Consumer Sales	2,963	2,582	381	15
Consolidated Revenues	**7,149**	**6,593**	**556**	**8**

Advertising Revenues

Consolidated advertising revenues across all platforms and subsidiaries increased by 4% to P4.2 billion.

ABS-CBN maintained its national audience share and ratings leadership with prime-time audience share averaging 42% in the first quarter of 2012, with a 12 percentage point lead over GMA's, based on the Kantar National TV Ratings.

For the first three months of 2012, 17 of the company's shows were in the Top 20, with the following occupying the Top 10 slots: *Walang Hanggan, Ikaw ay Pag-ibig, Budoy, My Binondo Girl, Dahil sa Pag-ibig, Eboy,Maalaala Mo Kaya…, TV Patrol (Weekday), Nasaan Ka Elisa, Wansapanataym, Junior Master Chef Pinoy Edition (Saturday) and Rated K Handa Na Ba Kayo?*

Consumer Sales

Consumer sales for the first quarter of 2012 amounted to almost P3.0 billion, or a 15% increase year-on-year. The increase is largely attributable to Sky Cable's growth in revenues which grew by 12%. The increase in sales of other subsidiaries is partly attributable to the growth in sales of ABS-CBN Film Productions in the first quarter of 2012.

Consumer Sales (Amounts in million Pesos)	**1Q12**	**1Q11**	**Variance**	
			Amount	**%**
ABS-CBN Global	1,194	1,159	35	3
Sky Cable	1,152	1,031	121	12
Other subsidiaries	617	392	225	58
Consolidated Consumer Sales	**2,963**	**2,582**	**381**	**15**

Sky Cable's consolidated revenues for the year from cable TV and broadband services grew 12% year-on-year, driven by a 9% growth in postpaid revenues and a 31% growth in broadband revenues. Broadband service subscriptions increased 20% year-on-year, while subscriptions to Sky Cable's post-paid TV offering grew by 10%.

ABS-CBN Global's revenues increased year-on-year by 3% in peso terms or 5% in US dollar terms. The lower rate of increase in peso terms was due to a 2% or P0.91 appreciation of the Philippine peso exchange rate against the US dollar, from P43.79 in 2011 to P42.88 in 2012.

ABS-CBN Global's overall viewer count was an estimated 2.5 million at the end of March 2012, 3% more compared to the previous year. Double digit growth in subscribers continued to be experienced in Canada, and single digit growth in all other territories except Japan and Europe where subscribers declined.

ABS-CBN Film Productions, Inc. released 5 films in the first three months of 2012. Three of them–*Enteng ng Ina Mo, Segunda Mano and Unofficially Yours*–topped P100 million in box office receipts, earning blockbuster status by local standards.

Operating and Other Expenses

Total operating and other expenses in the first quarter of 2012 was at P6.1 billion, or a 27% increase year-on-year. Removing the effects of the one-time gain on the sale of Sky Cable PDRs which was an Other Income item in the first quarter of 2011, operating and other expenses would have increased by only 10%.

Total Operating and Other Expenses (Amounts in million Pesos)	**1Q12**	**1Q11**	**Variance**	
			Amount	**%**
Production Costs	2,477	2,257	220	10
Cost of Sales and Services	1,781	1,587	194	12
General and Administrative Expenses	1,825	1,587	238	15
Other Expenses (Income)	(8)	(655)	647	99
Consolidated Total Operating and Other Expenses	**6,075**	**4,776**	**1,299**	**27**

Production Costs

Total production costs rose by P220 million or 10% to P2.5 billion in the first quarter of 2012 compared with the same period in 2011. Cash production costs went up by P200 million or 11% year-on-year, mostly from increases from talent fee adjustments, and from new programs that brought talent fees, equipment rentals and service fees, and other expenses substantially higher.

Production Costs (Amounts in million Pesos)	**1Q12**	**1Q11**	**Variance**	
			Amount	**%**
Personnel Expenses and Talent Fees	1,252	1,073	179	17
Facilities-Related Expenses	559	525	34	6
Other Program Expenses	278	291	(13)	(5)
Sub-total: Cash Production Costs	**2,089**	**1,889**	**200**	**11**
Non-Cash Production Costs	388	368	20	5
Consolidated Production Costs	**2,477**	**2,257**	**220**	**10**

Non-cash production costs went up by 6% to P388 million, due to higher depreciation costs and amortization of program rights.

Cost of Sales and Services

Cost of sales and services increased by 12% or P195 million to P1.8 billion.

ABS-CBN Global's cost of sales and services increased 7% due to higher marketing expenses. Sky Cable's cost of sales and services also grew by 10% year-on-year although slower than its 12% growth in gross revenue. The increase in cost of sales and services of other subsidiaries is partly attributable to the increase in costs of ABS-CBN Films.

Cost of Sales and Services (Amounts in million Pesos)	**1Q12**	**1Q11**	**Variance**	
			Amount	**%**
ABS-CBN Global	552	516	36	7
Sky Cable	783	709	74	10
Other Subsidiaries	446	362	84	23
Consolidated Cost of Sales and Services	**1,781**	**1,587**	**194**	**12**

General and Administrative Expenses

Total General and Administrative Expenses (GAEX) posted a 15% or P238 million year-on-year increase to P1.8 billion.

General and Administrative Expenses (Amounts in million Pesos)	**1Q12**	**1Q11**	**Variance**	
			Amount	**%**
Personnel Expenses	956	808	148	18
Contracted Services	186	183	3	1
Facilities-Related Expenses	185	114	71	61
Depreciation and amortization	166	156	10	7
Provision for Doubtful Accounts	39	46	(7)	(14)
Other Expenses	293	280	13	5
Consolidated GAEX	**1,825**	**1,587**	**238**	**15**

Cash GAEX went up by 16% or P228 million to P1.7 billion, of which more than half is accounted for by personnel expenses.

Net Income

The company generated a net income of P306 million for the first quarter of 2012, down by 69% compared with P976 million in the same period last year. Removing the effects of the one-time gain from the sale of Sky Cable PDRs recognized in the first quarter of 2011 amounting to P674 million, net income would have been up by 1%.

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the three months ended March 31, 2012 was at P1.4 billion, or a 35% decline year-on-year. Stripping the one-time gain in 2011, EBITDA increased by 1% year-on-year.

Capital Expenditures

Capital expenditures and program rights acquisitions for the first quarter of 2012 amounted to P1.1 billion, P190 million or 22% higher than last year's P875 million.

Balance Sheet Accounts

As at March 31, 2012, total consolidated assets stood at P46.4 billion, P1.6 billion or 4% higher than total assets of P44.8 billion as at December 31, 2011.

Cash and cash equivalents of P8.0 billion is P588 million or 7% lower than the December 31, 2011 balance.

Consolidated trade and other receivables stood at P8.3 billion, P171 million or 2% higher than as at the end of 2011.

Days sales outstanding of 76 days is 7 days less than the 83 days as at December 31, 2011. Trade accounts receivables amounting to P6.0 billion is P466 million or 8% higher than the P5.6 billion trade accounts receivables at the end of 2011.

Total interest-bearing loans was almost flat at P12.5 billion.

Shareholders' equity stood at P20.5 billion, 1% higher compared with the Shareholder's equity at the end of 2011.

The company's net debt-to-equity ratio was higher at 0.22x compared with 0.19x at the end of 2011.

The company's debt ratios remain well within the limits prescribed under its loan covenants.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2011

For the year ended December 31, 2011, ABS-CBN Corporation ("ABS-CBN" or the "Company") generated consolidated revenues of P28.2 billion from advertising and consumer sales, P4.1 billion or 13% lower year-on-year. Minus the revenues of P3.1 billion from political advocacies and political advertisements in 2010, consolidated revenues decreased by 4% year-on-year. Advertising revenues contributed 62% of total consolidated revenues while consumer sales made up the balance of 38%.

Total operating and other expense in 2011 was at P22.3 billion, or a 5% decline year-on-year.

Reported net income was at P2.4 billion in 2011, inclusive of the P1.1 billion gain in sale of Sky Cable Philippine Depositary Receipts (PDRs), a 24% decline year-on-year. Removing the effects of this one-time gain in 2011 and P3.1 billion revenues generated from political advocacies and political advertisements in 2010, net income would still be down by 21% year-on-year.

Reported EBITDA reached P6.8 billion for the full year 2011, or a 21% decline year-on-year. Stripping the one-time gain in 2011 and discarding the P3.1 billion revenues generated from political advocacies and political advertisements in 2010, EBITDA would still be down by 14% year-on-year.

The table below summarizes the key performance indicators for the period as discussed above.

Key Performance Indicators (Amounts in million Pesos)	**2011**	**2010**	**Variance**	
			Amount	**%**
Consolidated Revenues	**28,200**	**32,291**	**(4,091)**	**(13)**
Consolidated Advertising Revenues	17,578	21,739	(4,161)	(19)
Consolidated Consumer Sales	10,622	10,552	70	1
Operating and Other Expenses	**22,252**	**23,515**	**(1,263)**	**(5)**
Net Income	**2,420**	**3,178**	**(758)**	**(24)**
EBITDA	**6,837**	**8,642**	**(1,805)**	**(21)**

Consolidated Revenues

For 2011, ABS-CBN generated consolidated revenues of P28.2 billion from advertising revenues and consumer sales, P4.1 billion or 13% lower year-on-year. Minus the revenues of P3.1 billion from political advocacies and political advertisements in 2010, consolidated revenues would have decreased by 4% year-on-year.

The contribution of consumer sales to total revenues is higher at 38% from 33% a year ago.

Consolidated Revenues (Amounts in million Pesos)	**2011**	**2010**	**Variance**	
			Amount	**%**
Consolidated Advertising Revenues	17,578	21,739	(4,161)	(19)
Consumer Sales				
Sale of Services	10,165	10,073	92	1
Sale of Goods	457	479	(22)	(5)
Consolidated Consumer Sales	10,622	10,552	70	1
Consolidated Revenues	**28,200**	**32,291**	**(4,091)**	**(13)**
Political Advocacies/Political Advertisements	-	3,060	(3,060)	(100)
Consolidated Revenues Net of Political Advocacies/ Political Advertisements	**28,200**	**29,231**	**(1,031)**	**(4)**

Advertising Revenues

Consolidated advertising revenues across all platforms and subsidiaries declined by 19% to P17.6 billion. However, minus the revenues of P3.1 billion from political advocacies and political advertisement in 2010, advertising revenues decreased by 6% year-on-year. This decrease is attributable to a slowdown of advertising spending by corporates.

ABS-CBN maintained its national audience share and ratings leadership with prime-time audience share averaging 43% in 2011, with a 13 percentage point lead over GMA's, based on the Kantar National TV Ratings.

For the full year 2011, twenty one of the company's shows were in the Top 20, with the following occupying the Top 18 slots: *Emil Cruz Jr.'s Mara Clara, 100 Days to Heaven, PabloS. Gomez's Mutya, Minsan Lang Kita Iibigin, Ikaw ay Pag-ibig, Budoy, Maalaala Mo Kaya..., Noah, Pilipinas Got Talent (Sun), TV Patrol, Guns and Roses, Pilipinas Got Talent (Sat), My Binondo Girl, Imortal, Rated K Handa Na Ba Kayo?,Junior Master Chef Pinoy Edition (Sat), Wansapanataym, Nasaan Ka Elisa?, and Maria La Del Barrio*

Consumer Sales

Consumer sales for the year 2011 amounted to P10.6 billion, or a 1% increase year-on-year. The increase is largely attributable to Sky Cable's growth in revenues. The increase is also partly due to the increase in sales of other subsidiaries mainly ABS-CBN Film Productions, which grew 18% in 2011.

Consumer Sales (Amounts in million Pesos)	**2011**	**2010**	**Variance**	
			Amount	**%**
ABS-CBN Global	4,836	5,266	(430)	(8)
Sky Cable	4,331	3,930	401	10
Other subsidiaries	1,455	1,356	99	7
Consolidated Consumer Sales	**10,622**	**10,552**	**70**	**1**

Sky Cable's consolidated revenues for the year from cable TV and broadband services grew 10% year-on-year, driven by a 7% growth in postpaid revenues and a 24% growth in broadband revenues. Broadband service subscriptions increased 18% year-on-year, while subscriptions to Sky Cable's post-paid TV offering grew by 8%.

ABS-CBN Global's revenues declined year-on-year by 8% in peso terms or 4% in US dollar terms. The stronger decline in peso terms was due to a 4% or P1.80 appreciation of the Philippine peso exchange rate against the US dollar, from P45.10 in 2010 down to P43.30 in 2011.

ABS-CBN Global's overall viewer count was an estimated 2.45 million at the end of 2011, almost flat compared to the previous year. Double digit growth continued to be experienced in Canada, and single digit growth in Asia-Pacific and Australia. However, there was a decline in subscriber count in North America, Middle East, Europe and Japan.

ABS-CBN Film Productions, Inc. released 16 films in 2011, 4 films more than in 2010. Six of them–*Ang Tanging Ina Mo Last Na To, Dalaw, Catch Me I'm In Love , In The Name of Love , No Other Woman and Praybeyt Benjamin*–topped P100 million in box office receipts, earning blockbuster status by local standards. *No Other Woman* , a co-production with Viva Films, grossed P282 million. *Praybeyt Benjamin,* also a co-production with Viva Films, grossed P342 million.

Operating and Other Expenses

Total operating and other expense in 2011 was at P22.3 billion, or a 5% decline year-on-year.

Total Operating and Other Expenses (Amounts in million Pesos)	**2011**	**2010**	**Variance**	
			Amount	**%**
Production Costs	9,835	7,865	1,970	25
Cost of Sales and Services	6,700	7,070	(370)	(5)
General and Administrative Expenses	7,091	8,192	(1,101)	(13)
Other Expenses (Income)	(1,374)	388	(1,762)	(454)
Consolidated Total Operating and Other Expenses	**22,252**	**23,515**	**(1,263)**	**(5)**

Production Costs
Total production costs rose by almost P2.0 billion or 25% to P9.8 billion. Cash production costs went up by P1.6 billion or 25% year-on-year, mostly from increases from talent fee adjustments, and from new programs that brought talent fees, equipment rentals and service fees, and other expenses substantially higher.

Production Costs (Amounts in million Pesos)	**2011**	**2010**	**Variance**	
			Amount	**%**
Personnel Expenses and Talent Fees	4,370	3,513	857	24
Facilities-Related Expenses	2,164	1,683	481	29
Other Program Expenses	1,527	1,272	255	20
Sub-total: Cash Production Costs	**8,061**	**6,468**	**1,593**	**25**
Non-Cash Production Costs	1,774	1,397	377	27
Consolidated Production Costs	**9,835**	**7,865**	**1,970**	**25**

Non-cash production costs went up by 27% to P1.8 billion, due to higher depreciation costs and amortization of program rights.

Cost of Sales and Services

Cost of sales and services declined by 5% or P370 million to P6.7 billion.

ABS-CBN Global's cost of sales declined 15% in peso terms declining faster than the 8% year-on-year reduction in its sale of goods and services. Sky Cable's cost of sales meanwhile, grew by 8% year-on-year, slower than its 10% growth in gross revenue.

Cost of Sales and Services	**2011**	**2010**	**Variance**	
(Amounts in million Pesos)			**Amount**	**%**
ABS-CBN Global	2,274	2,680	(406)	(15)
Sky Cable	3,003	2,786	217	8
Other Subsidiaries	1,423	1,604	(181)	(11)
Consolidated Cost of Sales and Services	**6,700**	**7,070**	**(370)**	**(5)**

General and Administrative Expenses

Total General and Administrative Expenses (GAEX) posted a 13% or P1.1 billion year-on-year decline to P7.1 billion.

General and Administrative Expenses	**2011**	**2010**	**Variance**	
(Amounts in million Pesos)			**Amount**	**%**
Personnel Expenses	3,627	4,471	(844)	(19)
Contracted Services	790	782	8	1
Facilities-Related Expenses	515	536	(21)	(4)
Depreciation and amortization	614	696	(82)	(12)
Provision for Doubtful Accounts	255	420	(165)	(39)
Other Expenses	1,290	1,287	3	-
Consolidated GAEX	**7,091**	**8,192**	**(1,101)**	**(13)**

Cash GAEX went down by P1.0 billion to P6.5 billion, of which more than half is accounted for by personnel expenses.

Net Income

The company generated a net income of P2.4 billion for the year 2011, inclusive of the P1.1 billion gain in sale of Sky Cable PDRs, a 24% decline year-on-year. Removing the effects of this one-time gain in 2011 and P3.1 billion revenues generated from political advocacies and political advertisement in 2010, net income would still be down by 21% year-on-year.

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the year was at P6.8 billion, or a 21% decline year-on-year. Stripping the one-time gain in 2011 and removing the P3.1 billion revenues generated from political advocacies and political advertisement in 2010, EBITDA would still be down by 14% year-on-year.

Capital Expenditures

Capital expenditures and program rights acquisitions for 2011 amounted to P4.2 billion, P521 million or 14% higher year-on-year. These are all programmed expenditures to increase the company's capacity to produce additional shows.

Balance Sheet Accounts

As at December 31, 2011, total consolidated assets stood at P44.8 billion, P5.8 billion or 15% higher than total assets of P39.0 billion as at December 31, 2010.

Cash and cash equivalents of P8.6 billion is P2.8 billion or 48% higher than the December 31, 2010 balance.

Consolidated trade and other receivables stood at P8.1 billion, P880 million or 12% higher than as at the end of 2010.

Days sales outstanding of 83 days is 20 days more than the 63 days as at December 31, 2010, as trade accounts receivables amounting to P6.4 billion is P827 million or 15% higher than the P5.6 billion trade accounts receivables at the end of 2010.

The corresponding increase in receivables and accretion of DSO are well anticipated with the removal of discount schemes on prompt payment.

Total interest-bearing loans went up by P2.9 billion or 30% to P12.5 billion compared with P9.6 billion at the end of last year.

Shareholders' equity stood at P20.3 billion, P2.6 billion or 15% higher than the P17.7 billion shareholders' equity at the end of December 2010.

The company's net debt-to-equity ratio improved at 0.19x compared with the ratio at the end of last year of 0.22x.

The company's debt ratios remain well within the limits prescribed under its loan covenants.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR 2010

ABS-CBN Corporation ("ABS-CBN" or the "Company") generated unprecedented profits of P3.2 billion in 2010, almost double the net income of P1.7 billion recorded in 2009 primarily from the surge of political ads in the first half of the year and later sustained by the growth momentum in recurring advertising revenues in the second half of the year.

Consolidated revenues for the year reached an exceptional level of P32.2 billion, posting a 30% growth from a year ago. Advertising revenues accounted for 68% of consolidated revenues, while consumer sales accounted for the remaining 32%. Net of revenues from political advertisements and political advocacies, the contribution share of consumer sales would be at 36%.

Total expenses in 2010 grew by P3.8 billion or 20% year-on-year to P23.4 billion, stemming from higher production costs brought about by increased original programming that better suits our viewers changing needs.

Reported EBITDA hit a record high of P8.6 billion, 33% or P2.1 billion higher than reported EBITDA in 2009.

Net income for 2010 jumped 87% to P3.2 billion, P1.5 billion higher than the reported net income a year ago.

Consolidated Revenues

For the year ending December 31, 2010, ABS-CBN generated consolidated revenues of P32.2 billion, P7.3 billion or 30% higher than a year ago.

Because of the extraordinary boost to advertising revenues by election-related advertising this year, the contribution of consumer sales to total revenues is consequently lower at 32%, from 43% a year ago.

Without revenues from political advertisements and political advocacies, the contribution share of consumer sales would be at 36%.

Consolidated Revenues (Amounts in million Pesos)	**Consolidated**			
	2010	**2009**	**Variance** **Amount**	**%**
Consolidated Advertising Revenues	**21,739**	**14,463**	**7,276**	**50**
Consumer Sales				
Sale of Services	9,967	9,865	102	1
Sale of Goods	479	521	(42)	(8)
Consolidated Consumer Sales	**10,446**	**10,386**	**60**	**1**
Consolidated Revenues	**32,185**	**24,849**	**7,336**	**30**
Political Advertisements/Political Advocacies	2,994	712	2,282	321
Consolidated Revenues Net of Political Advertisement / Political Advocacies	**29,195**	**24,137**	**5,058**	**21**

Advertising Revenues

Consolidated advertising revenues across all platforms and subsidiaries rose 50% or P7.3 in 2010 reaching P21.7 billion. This total includes approximately P3 billion of advertising revenues from political advertisements and political advocacies.

Without political advertisements and political advocacies, consolidated advertising revenues reached P18.7 billion, registering growth of 36% year-on-year or P5 billion. The increase is attributable to the surge in total advertising minutes sold this year and programmed rate increases that took effect in February.

Total advertising minutes sold by Channel 2 for twelve months leaped 43%, driven by strong growth in regular advertising minutes which likewise grew 35%. Regular advertising minutes during the year accounted for 95% of total minutes, while election-related advertisements in the first semester contributed 5%.

Underpinning the surge in advertising growth is the strong national program ratings and high audience shares.

ABS-CBN maintained its national audience share and ratings leadership with total-day audience share averaging 43% in 2010, with a lead of ten percentage points over GMA7's 37%, going by Kantar Media National TV Ratings' figures.

ABS-CBN's programs continued to dominate the Top 20 programs list. In 2010, ABS-CBN programs held over 15 of the top 20 slots for weekdays and weekends, enjoying ratings of as high as 39% .

Weekday and week-end entertainment programs launched or aired in 2010— *Agua Bendita, Dahil May Isang Ikaw, Habang May Buhay, Imortal, Kokey@Ako, Kung Tayo'y Magkakalayo, Mara Clara (remake), Noah, Pilipinas Got Talent, Tanging Yaman, Wansapanataym, Rosalka and the Agimat Series with Ang Mahiwagang Daigdig ni Elias Paniki, Pepeng Agimat, Tiagong Akyat and Tonyong Bayawak.*—kept the audience enthralled and enjoyed national program ratings prominence in their respective timeslots.

The high-rating entertainment shows were ably complemented by erstwhile but constantly relevant and evolving news and current affairs shows— *Bandila, Matanglawin, Rated K, TV Patrol, Umagang Kay Ganda,* to name a few. These programs have become a staple not only in the delivery of news but also a source of knowledge.

We endeared to a greater number of audiences as the nation turns its focus to the national elections last year. The documentaries, the sponsored debates with our pioneering efforts in the use of *Wireless Automatic Response System* or *WARS* and through *Boto Mo, iPatrol Mo: Ako Ang Simula* campaign of news and current affairs, kept the viewers informed and properly educated. These programs became a source of empowerment and made people more vigilant and protective of their respective votes.

Consumer Sales

Consumer Sales in 2010 amounted to more than P10 billion, posting a slight 1% increase or P60 million from a year ago, mainly from Sky Cable.

Consumer Sales (Amounts in million Pesos)	**Consolidated**			
	2010	**2009**	**Variance** **Amount**	**%**
ABS-CBN Global	5,160	5,266	(106)	(2)
Sky Cable	3,930	3,582	348	10
Other subsidiaries	1,356	1,538	(182)	(12)
Consolidated consumer sales	**10,446**	**10,386**	**60**	**1**

ABS-CBN Global's revenues rose by 3% year-on-year in US dollar terms. In peso terms, however, it declined by 2% as the appreciation of the peso stunted the growth. The Philippine peso's exchange rate to the US dollar has appreciated by 5% or P2.53, from an average of P47.63 in 2009 to P45.10 in 2010.

Strong double-digit subscriber growth in cable TV subscriptions hoisted the growth in ABS-CBN Global's overall viewer count as it increased by 2% year-on-year. With new cable distribution partnerships driving subscriber acquisition, overall subscriber count grew at a double-digit rate in Canada. In Australia, satellite TV subscriber generated a 10% growth as affordable and flexible plans continued to attract new direct-to-home subscribers.

Sky Cable's consolidated revenues from cable TV and broadband services grew 10% year-on-year, powered by a 64% increase in broadband service revenues. Broadband service subscriptions that carry higher ARPUs surged 36% year-on-year, while subscriptions to Sky Cable's post-paid cable TV offering grew by 5%.

Sky Cable pursued its thrust to enhance viewing experience for its customers with continued move towards digitization. Together with the introduction of a tiered pricing mechanism, penetration rates in cable TV viewing steadily improved.

In 2010, Sky Cable launched the Sky Broadband Ultra High Speed Internet connection subscription that offers speeds of up to 112 mbps. This offering greatly complemented the revolutionary online access to entertainment product- *iWantv,* which also originated in 2010.

ABS-CBN Film Productions, Inc., continued to produce and or co-produce compelling genres that are well received by the public. In 2010 the movie arm released a total of twelve movies with four of them – *I Love You, Goodbye, Miss You Like Crazy, Here Comes the Bride,* and *My Amnesia Girl*–exceeding P100 million in box office receipts and earning local blockbuster status.

Our consolidated net revenues in 2010—which are consolidated revenues minus revenue deductions—amounted to P27.8 billion, 26% or P5.7 billion higher than consolidated net revenues of P22.0 billion registered in 2009.

These revenue deductions consist of agency commissions, sales incentives and co-production partners' share of revenues, as prescribed under the new income statement presentation standards that took effect this year.

Expenses

Total expenses grew by P3.8 billion or 20% year-on-year to P23.4 billion, driven mostly by higher production costs and general and administrative expenses (GAEX).

Total Expenses	**Consolidated**			
(Amounts in million Pesos)	**2010**	**2009**	**Variance Amount**	**%**
Production Costs	7,865	6,287	1,578	25
Cost of Sales and Services	6,964	6,868	96	1
General and Administrative Expenses	8,192	6,224	1,968	32
Other expenses (income)	388	205	183	89
Total expenses	**23,409**	**19,584**	**3,825**	**20**

Production Costs

Total production costs in 2010 rose by P1.6 billion or 25% to P7.9 billion, as we strategically increased programming hours of in-house produced primetime dramas, afternoon programs, and variety shows to meet viewer needs and advertiser demand. Cash production costs went up by P1.5 billion or 31% year-on-year, mostly from increases in talent fees, and salaries and benefits of production personnel. New programs also raised equipment rentals and service fees, and other expenses for sets and set rentals, transportation and catering.

Production Costs (Amounts in million Pesos)	**Consolidated**			
	2010	**2009**	**Variance Amount**	**%**
Personnel expenses and talent fees	3,513	2,900	613	21
Facilities-related expenses	1,683	1,170	513	44
Other program expenses	1,272	875	397	45
Sub-total: Cash production costs	**6,468**	**4,945**	**1,523**	**31**
Non-cash production costs	1,398	1,342	56	4
Total production costs	**7,866**	**6,287**	**1, 579**	**25**

Non-cash production costs increased by 4% or P56 million to P1.4 billion, even as amortisation of program rights fell by P74 million. The decrease is offset by the increase in depreciation charges of P130 million or 16% to P920 million following the accretion in our capital expenditures.

Cost of Sales and Services

Cost of sales and services grew by only 1% or P96 million to almost P7.0 billion.

ABS-CBN Global's cost of sales rose at a faster rate of 4% than versus the 1% growth in its subscription and merchandising revenues in peso terms. In contrast, Sky Cable's cost of sales grew by 5% year-on-year even as its revenues accelerated at rate of 10%.

Cost of Sales and Services (Amounts in million Pesos)	**Consolidated**			
	2010	**2009**	**Variance Amount**	**%**
ABS-CBN Global	2,573	2,478	95	4
Sky Cable	2,786	2,645	141	5
Other subsidiaries	1,605	1,745	(140)	(8)
Cost of sales and services	**6,964**	**6, 868**	**96**	**1**

General and Administrative Expenses

Among all the major expense buckets, total General and Administrative Expenses (GAEX) rose the highest with a 32% or P2.1 billion year-on-year increase to P8.2 billion, inclusive of P1.3 billion one-time expenses for performance-based pay and non-recurring corporate initiatives.

Setting aside these one-time expenses, recurring consolidated GAEX amounts to P6.8 billion, and the corresponding year-on-year GAEX increase is only 10% for the period.

General and Administrative Expenses (Amounts in million Pesos)	**Consolidated**			
	2010	**2009**	**Variance Amount**	**%**
Personnel expenses	4,471	3,033	1,438	47
Contracted services	782	778	4	1
Facilities-related expenses	536	529	7	1
Depreciation	669	609	60	10
Provision for doubtful accounts	420	292	128	45
Other expenses	1,314	983	331	34
Consolidated GAEX	**8,192**	**6,224**	**1,968**	**32**

Cash GAEX went up by P1.9 billion to P7.5 billion, of which more than half is accounted for by personnel expenses for reasons explained and cited above.

The growth in the three major expense buckets is programmed and well within expectations and budget.

Net Income

With strong advertising revenue inflows and continuing financial discipline, the Company generated net income of P3.2 billion in 2010, 87% or nearly P1.5 billion more than last year, and increasing net profit margin this year by three percentage points to 10%.

EBITDA

Total reported EBITDA for the year ending December 31, 2010 reached P8.6 billion, a 33% or P2.1 billion increase from the P6.5 billion total reported EBITDA in the same year-ago period. This translates to an EBITDA margin of 27% versus 26% from a year ago.

Capital Expenditures

Capital expenditures and film and program rights acquisitions in 2010 amounted to P3.7 billion, P738 million or 25% higher than the level of spending in the same period last year.

Capital expenditures went up by P748 million or 32% to P3.1 billion, and film and program rights acquisitions declined by P10 million or 2% to P575 million due to lesser program acquisitions for our newer cable channels.

The Company fully utilised the capital expenditures and film rights acquisition budget as at year end.

Balance Sheet Accounts

As at December 31, 2010, total consolidated assets stood at P39.3 billion, P4.5 billion or 13% higher than total assets of P34.8 billion as at December 31, 2009.

Cash and cash equivalents of P5.8 billion is P2.5 billion or 74% higher than the December 31, 2009 balance.

Consolidated trade and other receivables stood at P7.2 billion, P1.5 billion or 27% higher than as at the end of 2009.

Days sales outstanding of 63 days is 7 days less than the 70 days as at December 31, 2009, with net trade accounts receivables amounting to P5.6 billion being P0.8 billion or 16% higher than the P4.8 billion trade accounts receivables at the end of 2009.

Total interest-bearing loans went up by P679 million or 8% to P9.6 billion compared with nearly P9.0 billion at the end of last year. The increase is due to the additional borrowing by both parent and Sky Cable for working capital purposes. The additional amount was availed simultaneous with the loan refinancing by both companies.

Shareholders' equity stood at P17.7 billion, P1.6 billion or 10% higher than the P16.2 billion shareholders' equity at the end of December 2009.

The company's net debt-to-equity ratio improved further to 0.22x as a result of higher cash and cash equivalents versus 0.35x at the end of last year.

The company's debt ratios remain well within the limits prescribed under its existing loan covenants as at December 31, 2010.

On October 29, 2010, the Company successfully signed a syndicated term loan for P10.0 billion. The loan is intended to refinance existing debt facilities totalling P6.6 billion and to 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 PDSTF plus 0.65% per annum for the fixed rate portion. The loan is amortizing with a final maturity of November 9, 2017.

This capital-raising exercise takes advantage of prevailing low interest rates and the Company's stronger financial performance in recent years to lower its cost of debt and fund its expansion requirements. Consequently, ABS-CBN's effective interest cost on all its interest-bearing debt will go down by about two percentage points, from which the Company expects to generate savings in annual interest expenses of over P90 million. Apart from the savings that will be generated, the new loan agreement also incorporates more relaxed covenants.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR 2009

Management is pleased to report that for the calendar year ended December 31, 2009, despite a weak first quarter and a six-month deferral of airtime rate increases to August 2009, as well as weakened household spending affecting many of its subscribers locally and in major economies overseas, ABS-CBN Broadcasting Corporation ("ABS-CBN" or the "Company") delivered consolidated revenues from advertising and consumer sales of P24.85 billion, posting an increase of P2.54 billion or 11% year-on-year inclusive of full-year gross revenue contribution from Sky Cable of P3.72 billion. Sky Cable contributed P3.58 billion in consumer sales and P137.90 million in airtime revenues.

Consolidated revenues in the fourth quarter of 2009 increased by P758.77 million or 13% year-on-year to P6.51 billion.

Consolidated Revenues (Amounts in million Pesos)	**Consolidated**			
	2009	**2008**	**Variance Amount**	**%**
Advertising revenues	14,325	13,419	906	7
Consumer Sales				
Sale of Services	6,283	5,702	581	10
Sale of Goods	521	513	8	2
Revenues before Sky Cable	**21,129**	**19,634**	1,495	8
Add: Sky Cable revenues	3,721	2,673	1,048	39
Consolidated revenues	**24,850**	**22,307**	2,543	11

Our fast-growing consumer sales businesses continued to raise their contribution to total revenues, reaching 42% of consolidated revenues in 2009 with double-digit growth in the subscription businesses of ABS-CBN Global and in the contribution of Sky Cable.

A tight control of operating expenses and prudent financial management resulted in core net income reaching P1.79 billion in 2009, 37% or P481 million higher than the P1.31 billion posted in 2008.

Net income attributable to shareholders for 2009 went up by 23% year-on-year or P318.93 million, to P1.70 billion, from 2008's net income attributable to shareholders of P1.38 billion, after an P85.25 million accounting adjustment required under Philippine Financial Reporting Standard 3.

Earnings before interest, taxes, depreciation and amortization (EBITDA) reached P6.51 billion, yielding an EBITDA margin of 26% for 2009, and is 7% or P405.65 million better than 2008 EBITDA of P6.11 billion.

Revenues

Advertising Revenues

In January 2009, global recession worries prompted major advertisers to reduce their annual advertising budgets and request for a six-month rate increase moratorium, which we granted in consideration of long-standing business relationships. Despite a weak start to the year, we invested on further improving our content.

ABS-CBN sustained its dominance in local television with heart-warming and inspiring dramas, light and amusing comedy shows, and engaging reality programs in the afternoons and on primetime, such as the *Precious Hearts Romances* drama mini-series*, Kambal sa Uma, May Bukas Pa*, *Tayong Dalawa*, *Katorse, Showbiz News Ngayon, Banana Split* and *Pinoy Big Brother Double Up,* along with the long-running daily noontime show *Wowowee* and Sunday musical variety program *ASAP*.

This high-quality entertainment fare was complemented by relevant weekday and weekend news and current affairs programs that armed viewers with information and knowledge to face the day's challenges and concerns -- *Umagang Kay Ganda*, *TV Patrol World, Bandila*, *Matanglawin* and *Rated K!*, among others. Our special coverages and documentaries of issues and events of national importance on our media platforms did more than just deliver relevant news and information.

Through the *Boto Mo, iPatrol Mo: Ako Ang Simula* campaign launched in June 2009, the voting public, the youth especially, are empowered to vigilantly protect their right to register and vote, to be properly educated about the election process and adequately informed of their choices, and to protect their ballot in 2010. Volunteer *Boto Patrollers*, now numbering more than 60,000, can communicate their stories and submit their content through online and mobile media.

We enabled the nation to mourn together as well as to relive and celebrate the spirit of unity with our special coverage of the wake and funeral cortege of former President Corazon Aquino in August 2009. From late September through early October, the multi-platform special coverage of typhoons *Ondoy* and *Pepeng* on our television and radio network, the internet and on mobile, kept the public informed and connected throughout the harrowing ordeal, and enabled us to harness and channel the generosity and volunteerism of fellow Filipinos and corporations toward affected families and communities through ABS-CBN Foundation's *Sagip Kapamilya*.

With such compelling and engaging content, the first nine of the Top 10 and fourteen of the Top 20 programs in 2009 were from ABS-CBN.

ABS-CBN solidified its national leadership position based on Taylor Nelson Sofres National Philippines Television Audience Measurement, which started in February 2009. Audience shares for the period February to December 2009 averaged 49% in primetime (6pm to 11pm) and 45% for total day (6am to 12mn), leading our nearest competitor with comfortable margins of 14 and 11 percentage points in primetime and total day, respectively. In December 2009, ABS-CBN posted a 50% primetime audience share and 48% for total day, a 16 and 17 percentage point lead over our nearest competitor.

Backed by strong afternoon and primetime program ratings and audience shares, we were able to implement rate increases in August as recession concerns eased, with some advertisers even increasing their spending with ABS-CBN beyond their commitments. The combined airtime revenues of Channel 2, Manila Radio and the Regional Network Group grew by P471.97 million or 16% year-on-year to P3.51 billion in the fourth quarter.

Consolidated advertising revenues grew by P951.97 million or 7% year-on-year to P14.46 billion, with 92% coming from Channel 2, Manila Radio and the Regional Network Group.

Advertising Revenues (Amounts in million Pesos)	Consolidated			
	2009	2008	Variance Amount	%
Parent airtime revenues	13,312	12,466	846	7
Other platforms	1,013	953	60	6
Advertising revenues before Sky Cable	**14,325**	**13,419**	**906**	**7**
Add: Sky Cable airtime revenues	138	92	46	50
Consolidated Advertising Revenues	**14,463**	**13,511**	**952**	**7**

Consumer Sales

Consumer sales in the fourth quarter of 2009 rose by P354.47 million or 15% to P2.72 billion. Our fast-growing consumer sales businesses continued to increase their contribution to total revenues in 2009, reaching 42% of consolidated revenues in 2009 with double-digit growth in the subscription businesses of ABS-CBN Global and in the contribution of Sky Cable.

Consumer sales in 2009 rose by P1.59 billion to P10.39 billion, an 18% rise over 2008 consumer sales of P8.80 billion. ABS-CBN Global's contribution share to total consumer sales amounted to 51%, while Sky Cable's contribution share increased to 34% with its full-year contribution, from 29% in 2008 with only three quarters of consumer sales contribution.

Despite weak economic conditions and depressed consumer spending in major economies worldwide, overall viewer count increased by 15% to an estimated 2.16 million worldwide by year-end. Driven by strong double-digit subscriber growth in the United States, the Middle East, Australia, Canada and the Asia-Pacific, ABS-CBN Global's subscription and other service revenues grew 8% year-on-year in US dollar terms as it delivered 19% growth in sale of services in the fourth quarter of 2009. In peso terms, ABS-CBN Global's subscription and service revenues increased by 16% for the full year and by 29% in the fourth quarter of 2009.

ABS-CBN Film Productions, Inc. released nine films in 2009 and maintained its leadership in local film production. Four films surpassed P100 million in gross box office receipts, the local industry's benchmark for a blockbuster hit -- *Ang Tanging Ina 'Nyong Lahat*, *You Changed My Life*, *Best Friends Forever*, and *In My Life*.

The sale of consumer products such as magazines, and audio and video CDs and DVDs grew 2% in 2009 to P521.13 million with ABS-CBN Global accounting for 42% of total.

Consumer Sales (Amounts in million Pesos)	Consolidated			
	2009	2008	Variance Amount	%
ABS-CBN Global	5,266	4,568	698	15
Other subsidiaries	1,538	1,647	(109)	(7)
Consumer sales before Sky Cable	**6,804**	**6,215**	**589**	**9**
Add: Sky Cable consumer sales	3,583	2,581	1,002	39
Consolidated consumer sales	**10,387**	**8,796**	**1,591**	**18**

Sky Cable's full-year contribution of P3.58 billion in subscription and other service revenues is P1.00 billion or 39% more than its three-quarter revenue contribution of P2.58 billion in 2008.

Sky Cable expanded its product portfolio with the launch of *Sky Broadband*, the fastest residential broadband service with speeds of up to 12 Mbps, and *Sky Voice*, the most affordable international voice-calling service, to further enhance its product portfolio while complementing its post-paid and pre-paid cable TV services. To address the cable entertainment needs of a broader segment of the market, Sky Cable introduced its low-priced post-paid cable TV package at only P280 a month -- *Sky Cable Select*. Through digitization and the roll-out of the Digibox, Sky Cable is able to offer its subscribers the option to add more channels on an *a la carte* basis. Sky Cable also offered the country's first pre-paid cable TV packages and the first HD cable TV content with *Sky Cable HD*.

Expenses

Total expenses grew by P2.52 billion or 13% year-on-year to P22.40 billion, driven mostly by higher costs of sales and services and general and administrative expenses (GAEX), with an additional quarter of expenses from Sky Cable.

Total expenses, prior to Sky Cable's consolidation, rose by P1.38 billion or 8% to P18.99 billion in 2009, mostly from increases in cost of sales and services, other expenses, and from general and administrative expenses particularly, personnel expenses and contracted services. The increase in personnel expenses are due to CBA-related increases, structural pay adjustments to keep compensation packages competitive, and performance pay.

Total Expenses	**Consolidated**			
(Amounts in million Pesos)	**2009**	**2008**	**Variance**	
			Amount	**%**
Production Costs	6,287	6,154	133	2
General and Administrative Expenses	5,595	4,874	722	15
Cost of Sales and Services	4,099	3,729	370	10
Revenue deductions	2,819	2,676	143	5
Other expenses (income)	188	174	14	8
Expenses before Sky Cable	**18,989**	**17,606**	**1,383**	**8**
Add: Sky Cable expenses	3,415	2,283	1,132	50
Total expenses	**22,404**	**19,889**	**2,515**	**13**

Sky Cable's full-year expense contribution of P3.42 billion is P1.13 billion or 50% more than its P2.28 billion expense contribution over three quarters in 2008, coming from higher cost of sales in line with subscription revenue growth, as it expanded its pre-paid cable TV and broadband services business.

Production Costs

Total production costs in 2009 rose by only P133.04 million or 2% to P6.29 billion.

The addition of locally-produced comedy, drama, and entertainment news programs in the afternoon and primetime blocks resulted in personnel expenses and talent fees increasing by P191.94 million or only 7% year-on-year to P2.90 billion, from P2.71 billion in 2008. Facilities-related expenses likewise increased by only 7% year-on-year to P1.17 billion.

Efforts to contain cost increases by limiting the number of taping days brought other program expenses lower by P79.38 million or 8% year-on-year to P875.44 million, benefiting from production process improvements and tighter control of production-related expenses.

Production Costs (Amounts in million Pesos)	**Consolidated**			
	2009	**2008**	**Variance Amount**	**%**
Personnel expenses and talent fees	2,900	2,708	192	7
Facilities-related expenses	1,170	1,092	78	7
Other program expenses	875	956	(81)	(8)
Sub-total: Cash production costs	**4,945**	**4,756**	**189**	**4**
Non-cash production costs	1,342	1,398	(56)	(4)
Consolidated production costs	**6,287**	**6,154**	**133**	**2**

Non-cash production costs are also 4% lower at P1.34 billion, due to lower amortization of program rights.

Cost of Sales and Services
Cost of sales and services before Sky Cable grew by only 10% or P369.88 million to P4.10 billion.

ABS-CBN Global's cost of sales rose by P233.30 million or 11% in peso terms, well below the growth of its sale of services and goods. In US dollar terms, cost of sales of ABS-CBN Global went up by only 4%, which is attributable to higher production and satellite transmission costs, offset by lower merchandise costs and termination costs for telecommunication services.

The 8% or P132.58 million increase in total cost of sales and services (cash and non-cash) of other subsidiaries to P1.75 billion -- lower than 2008's increase of 18% -- is largely attributable to reduced cable channels program rights amortization and facilities-related expenses.

Cost of Sales and Services (Amounts in million Pesos)	**Consolidated**			
	2009	**2008**	**Variance Amount**	**%**
ABS-CBN Global	2,338	2,105	233	11
Other subsidiaries	1,236	1,125	111	10
Sub-total: Cash cost of sales and services before Sky Cable	**3,574**	**3,230**	**344**	**11**
Non-cash cost of sales and services before Sky Cable	525	499	26	5
Cost of sales and services before Sky Cable	**4,099**	**3,729**	**370**	**10**
Add: Sky Cable cost of sales and services	2,645	1,969	676	34
Consolidated cost of sales and services	**6,744**	**5,698**	**1,046**	**18**

Total cost of sales and services reached P6.74 billion, an increase of P1.05 billion or 18% year-on-year with Sky Cable's P2.65 billion cost of sales and services included. Sky Cable's cost of sales and services contribution in 2009 is for the full year, and is 35% or P675.74 million higher than the P1.97 billion cost of sales and services for three quarters (2nd to 4th) in 2008.

General and Administrative Expenses

General and Administrative Expenses (GAEX) before Sky Cable posted a 15% or P721.58 million increase to P5.60 billion, mostly from increases in personnel expenses in free TV and radio operations, and from higher depreciation and an increase in contracted services fees of ABS-CBN Global. ABS-CBN Global's GAEX went up by 4% in peso terms but is down by 3% in US dollar terms.

Cash GAEX before Sky Cable of P4.87 billion for the full year is P623.86 million or 15% higher than in 2008, while non-cash GAEX of P724.48 million is P97.72 million, or also 15% higher than last year.

General and Administrative Expenses	**Consolidated**			
(Amounts in million Pesos)	**2009**	**2008**	**Variance**	
			Amount	**%**
Personnel expenses	2,762	2,213	549	25
Advertising and promotions	133	121	12	10
Facilities-related expenses	463	471	(8)	(2)
Contracted services	600	520	80	15
Taxes and licenses	177	187	(10)	(5)
Entertainment, amusement and recreation	90	100	(10)	(10)
Other expenses	645	634	11	2
Sub-total: Cash GAEX before Sky Cable	**4,870**	**4,246**	**624**	**15**
Non-cash GAEX before Sky Cable	725	628	97	15
GAEX before Sky Cable	**5,595**	**4,874**	**721**	**15**
Add: Sky Cable GAEX	754	698	56	8
Consolidated GAEX	**6,349**	**5,572**	**777**	**14**

Sky Cable's full-year contribution to total GAEX amounted to P753.91 million, of which P692.89 million are cash GAEX, while P61.02 million are non-cash. With Sky Cable's additional operating expenses, consolidated GAEX amounted to P6.35 billion, P776.40 million or 14% higher than in 2008.

Non-cash Expenses

Non-cash expenses rose slightly by 3% or P66.73 million, to P2.59 billion. Depreciation increased by 15% resulting from investments in production equipment and broadcast network infrastructure. Amortization went down by 12% or P142.12 million mainly as a result of reduced program acquisitions for cable channels.

Non-cash Expenses	**Consolidated**			
(Amounts in million Pesos)	**2009**	**2008**	**Variance**	
			Amount	**%**
Depreciation	1,558	1,349	209	15
Amortization	1,034	1,176	(142)	(12)
Non-cash expenses before Sky Cable	**2,592**	**2,525**	**67**	**3**
Add: Non-cash expenses of Sky Cable	745	562	183	33
Consolidated non-cash expenses	**3,337**	**3,087**	**250**	**8**

Net Income and EBITDA

Core net income reached P1.79 billion in 2009, 37% or P481 million higher than the P1.31 billion posted in 2008.

After deducting an P85.25 million accounting adjustment required under Philippine Financial Reporting Standard 3 (relating to the recognition of amortised intangible assets relating to the consolidation of Sky Cable in April 2008), net income attributable to shareholders for 2009 (after minority interest) is P1.70 billion, an improvement of 23% or P318.93 million over 2008's net income attributable to shareholders of P1.38 billion.

Earnings before interest, taxes, depreciation and amortization (EBITDA) reached P6.51 billion, 7% or P405.65 million better than 2008 EBITDA of P6.11 billion, and yielding an EBITDA margin of 26% for 2009.

Capital Expenditures

Capital expenditures and film and program rights acquisitions in 2009 amounted to P2.95 billion, just P33.23 million or 1% higher year-on-year.

Capital expenditures increased by P232.03 million or 11% year-on-year to P2.36 billion, for production equipment upgrades and replacement, broadcast network infrastructure upgrade and expansion, digital media asset archiving and management equipment, cable network conversion to digital signal delivery and broadband services expansion.

Film and program rights acquisitions went down by 25% or P198.80 million, to P584.82 million in 2009 mainly as a result of lower program acquisitions for cable channels.

Balance Sheet Accounts

As at December 31, 2009, total consolidated assets stood at P34.82 billion, P1.78 billion or 5% higher than year-end 2008 total assets of P33.04 billion. Cash and cash equivalents of P3.34 billion is P813.50 million or 32% higher than the year-end 2008 balance. Consolidated trade receivables stood at P5.72 billion, P679.39 million or 13% higher than as at the end of 2008. Days sales outstanding of 70 days, is just 1 day longer than the 69 days as at December 31, 2008, even as trade accounts receivables of P4.79 billion is P600.40 million or 14% higher than the P4.19 billion trade accounts receivables at the end of 2008.

Total interest-bearing loans increased by about P249.63 million or 3% to P8.96 billion versus P8.71 billion a year ago. Of this amount, P400.00 million are short term bank loans with about 5% annual interest, while P2.63 billion are amortising loans. The remainder of about P5.93 billion are bullet payment loans falling due between 2011 and 2014. In 2009, ABS-CBN borrowed P400.00 million for working capital needs and paid down P338.00 million of short-term bank loans, while Sky Cable borrowed P500.00 million of long-term funds for capital expenditures and paid down P212.31 million of their outstanding debt.

Shareholders' equity stood at P16.15 billion, P1.01 billion or 7% higher than the P15.15 billion shareholders' equity at the end of 2008. The company's net debt-to-equity ratio improved to 0.35x as a result of higher cash and cash equivalents versus 0.41x at the end of 2008. The company's debt and coverage ratios remain well within the limits prescribed under its loan covenants.

ABS-CBN Corporation

Sgt. Esguerra Avenue, Quezon City, Philippines

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 consolidated financial statements as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

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

Eugenio Lopez III
Chairman and Chief Executive Officer

Ma. Rosario Santos- Concio
President and Chief Operating Officer

Rolando P. Valdueza
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this ____ day APR 30 2012 ,20___ affiants exhibiting to me their Passports, as follows:

NAMES	PASSPORT NO.	DATE OF EXPIRY	PLACE OF ISSUE
Eugenio L. Lopez III	XX3010978	12 February 2014	DFA, Manila
Ma. Rosario Santos-Concio	XX3419776	05 April 2014	DFA, Manila
Rolando P.Valdueza	XX3288453	20 March 2014	DFA, Manila

JUDITH M. ZAMORA
Notary Public until 31 December 2013
Notary Public
9/F, ELJ Communications Center
Eugenio Lopez Drive, Quezon City
IBP Lifetime Roll No. 01712/01.07.2007/Manila IV
PTR No. 6089757/01.11.2012/Quezon City

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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
ABS-CBN Corporation

We have audited the accompanying consolidated financial statements of ABS-CBN Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ABS-CBN Corporation and Subsidiaries as at December 31, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Aldrin M. Cerrado

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PTR No. 3174586, January 2, 2012, Makati City

March 2, 2012

ABS-CBN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱8,635,053**	₱5,821,334
Trade and other receivables (Notes 7 and 22)	**8,128,166**	7,248,284
Inventories (Note 8)	**134,867**	152,527
Program rights and other intangible assets (Note 12)	**576,699**	770,493
Other current assets (Note 9)	**1,016,047**	589,252
Total Current Assets	**18,490,832**	14,581,890
Noncurrent Assets		
Property and equipment (Notes 10, 18 and 30)	**15,242,115**	15,195,293
Goodwill (Notes 4 and 16)	**3,749,496**	2,143,832
Program rights and other intangible assets - net of current portion (Note 12)	**3,595,881**	2,740,423
Available-for-sale investments (Note 13)	**264,892**	265,066
Investment properties (Notes 11 and 18)	**57,796**	58,912
Investments in associates (Note 14)	**41,084**	41,113
Deferred tax assets - net (Note 28)	**689,173**	961,391
Other noncurrent assets (Note 15)	**2,676,807**	2,970,930
Total Noncurrent Assets	**26,317,244**	24,376,960
	₱44,808,076	₱38,958,850

LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 4, 17 and 22)	**₱9,078,164**	₱9,303,464
Interest-bearing loans and borrowings (Notes 10, 11 and 18)	**663,101**	675,691
Obligations for program rights (Note 19)	**606,597**	607,365
Income tax payable	**171,086**	109,649
Total Current Liabilities	**10,518,948**	10,696,169
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 10, 11 and 18)	**11,848,780**	8,967,022
Accrued pension obligation (Note 29)	**889,308**	625,406
Deferred tax liabilities (Note 28)	**438,055**	442,681
Convertible note (Note 4)	**211,389**	–
Obligations for program rights - net of current portion (Note 19)	**97,808**	96,478
Other noncurrent liabilities (Notes 4, 20 and 22)	**468,130**	385,588
Total Noncurrent Liabilities	**13,953,470**	10,517,175
Total (Carried Forward)	**24,472,418**	21,213,344

	December 31	
	2011	2010
Total (Brought Forward)	**₱24,472,418**	₱21,213,344
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 21)	**779,583**	779,583
Additional paid-in capital	**725,276**	725,276
Cumulative translation adjustments	**(358,536)**	(313,752)
Unrealized gain on available-for-sale investments (Note 13)	**119,823**	110,005
Retained earnings (Note 21)	**18,232,540**	17,449,596
Philippine depository receipts convertible to common shares (Note 21)	**(1,164,146)**	(1,154,064)
	18,334,540	17,596,644
Noncontrolling Interests (Notes 4 and 16)	**2,001,118**	148,862
Total Equity	**20,335,658**	17,745,506
	₱44,808,076	₱38,958,850

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		
	2011	2010 (As restated - Note 2)	2009 (As restated - Note 2)
NET REVENUES			
Airtime (Notes 22 and 23)	**₱14,793,465**	₱17,695,929	₱11,994,723
Sale of services (Notes 22, 23 and 30)	**9,795,453**	9,684,850	9,693,610
Sale of goods (Note 23)	**457,658**	478,897	521,128
	25,046,576	27,859,676	22,209,461
PRODUCTION COSTS (Notes 10, 12, 22, 24, 29 and 30)	**(9,834,966)**	(7,865,277)	(6,286,787)
COST OF SERVICES (Notes 10, 12, 22, 25, 29 and 30)	**(6,425,499)**	(6,791,186)	(6,760,279)
COST OF SALES (Notes 10, 22, 25, 29 and 30)	**(274,526)**	(278,396)	(287,127)
GROSS PROFIT	**8,511,585**	12,924,817	8,875,268
General and administrative expenses (Notes 7, 10, 11, 12, 22, 26, 29 and 30)	**(7,091,456)**	(8,192,045)	(6,224,600)
Finance costs (Notes 18 and 27)	**(726,871)**	(1,042,849)	(912,911)
Interest income (Note 6)	**177,061**	106,738	93,291
Foreign exchange gain (loss) - net	**(43,508)**	218,231	90,119
Equity in net earnings (losses) of associates (Note 14)	**(29)**	142	(2,330)
Other income - net (Notes 4, 13, 18, 22, 27, 30 and 32)	**1,967,810**	329,887	524,604
INCOME BEFORE INCOME TAX	**2,794,592**	4,344,921	2,443,441
PROVISION FOR INCOME TAX (Note 28)	**287,429**	1,107,710	684,055
NET INCOME	**₱2,507,163**	₱3,237,211	₱1,759,386
Attributable to:			
Equity holders of the Parent Company (Note 33)	**₱2,420,072**	₱3,178,631	₱1,702,397
Noncontrolling interests	**87,091**	58,580	56,989
	₱2,507,163	₱3,237,211	₱1,759,386
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company (Note 33)	**₱3.207**	₱4.211	₱2.225

See accompanying Notes to Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2011	2010	2009
NET INCOME	**₱2,507,163**	₱3,237,211	₱1,759,386
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations	**(44,784)**	(177,150)	56,749
Unrealized fair value gain on available-for-sale investments (Note 13)	**9,818**	11,762	74,405
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(34,966)**	(165,388)	131,154
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱2,472,197**	₱3,071,823	₱1,890,540
Attributable to:			
Equity holders of the Parent Company	**₱2,385,106**	₱3,013,243	₱1,833,551
Noncontrolling interests	**87,091**	58,580	56,989
	₱2,472,197	₱3,071,823	₱1,890,540

See accompanying Notes to Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company								Noncontrolling Interests	Total Equity
					Retained Earnings					
	Capital Stock (Note 21)	Additional Paid-in Capital	Cumulative Translation Adjustments	Unrealized Gain on Available-for-Sale Investments (Note 13)	Appropriated (Note 21)	Unappropriated (Note 21)	Philippine Depository Receipts (PDRs) Convertible to Common Shares (Note 21)	Total		
At January 1, 2011	₱779,583	₱725,276	(₱313,752)	₱110,005	₱8,300,000	₱9,149,596	(₱1,154,064)	₱17,596,644	₱148,862	₱17,745,506
Net income	–	–	–	–	–	2,420,072	–	2,420,072	87,091	2,507,163
Other comprehensive income	–	–	(44,784)	9,818	–	–	–	(34,966)	–	(34,966)
Total comprehensive income	–	–	(44,784)	9,818	–	2,420,072	–	2,385,106	87,091	2,472,197
Cash dividends declared	–	–	–	–	–	(1,637,128)	–	(1,637,128)	–	(1,637,128)
Acquisitions of PDRs	–	–	–	–	–	–	(10,082)	(10,082)	–	(10,082)
Increase in noncontrolling interests	–	–	–	–	–	–	–	–	1,765,165	1,765,165
At December 31, 2011	₱779,583	₱725,276	(₱358,536)	₱119,823	₱8,300,000	₱9,932,540	(₱1,164,146)	₱18,334,540	₱2,001,118	₱20,335,658
At January 1, 2010	₱779,583	₱725,276	(₱136,602)	₱98,243	₱8,300,000	₱6,836,304	(₱553,724)	₱16,049,080	₱104,030	₱16,153,110
Net income	–	–	–	–	–	3,178,631	–	3,178,631	58,580	3,237,211
Other comprehensive income	–	–	(177,150)	11,762	–	–	–	(165,388)	–	(165,388)
Total comprehensive income	–	–	(177,150)	11,762	–	3,178,631	–	3,013,243	58,580	3,071,823
Cash dividends declared	–	–	–	–	–	(865,339)	–	(865,339)	–	(865,339)
Acquisitions of PDRs	–	–	–	–	–	–	(996,240)	(996,240)	–	(996,240)
Issuances of PDRs	–	–	–	–	–	–	395,900	395,900	–	395,900
Decrease in noncontrolling interests	–	–	–	–	–	–	–	–	(13,748)	(13,748)
At December 31, 2010	₱779,583	₱725,276	(₱313,752)	₱110,005	₱8,300,000	₱9,149,596	(₱1,154,064)	₱17,596,644	₱148,862	₱17,745,506
At January 1, 2009	₱779,583	₱725,276	(₱193,351)	₱23,838	₱8,300,000	₱5,821,334	(₱376,324)	₱15,080,356	₱67,046	₱15,147,402
Net income	–	–	–	–	–	1,702,397	–	1,702,397	56,989	1,759,386
Other comprehensive income	–	–	56,749	74,405	–	–	–	131,154	–	131,154
Total comprehensive income	–	–	56,749	74,405	–	1,702,397	–	1,833,551	56,989	1,890,540
Cash dividends declared	–	–	–	–	–	(687,427)	–	(687,427)	–	(687,427)
Acquisitions of PDRs	–	–	–	–	–	–	(178,523)	(178,523)	–	(178,523)
Issuances of PDRs	–	–	–	–	–	–	1,123	1,123	–	1,123
Decrease in noncontrolling interests (Note 4)	–	–	–	–	–	–	–	–	(20,005)	(20,005)
At December 31, 2009	₱779,583	₱725,276	(₱136,602)	₱98,243	₱8,300,000	₱6,836,304	(₱553,724)	₱16,049,080	₱104,030	₱16,153,110

See accompanying Notes to Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,794,592**	₱4,344,921	₱2,443,441
Adjustments for:			
Depreciation and amortization (Notes 10 and 11)	**2,588,969**	2,575,023	2,257,368
Gain on sale of investments (Note 27)	**(1,146,716)**	–	–
Amortization of:			
Program rights and other intangibles (Note 12)	**1,252,183**	1,020,372	1,286,179
Deferred charges (Note 15)	**56,271**	52,578	46,510
Debt issue costs (Note 27)	**16,969**	99,945	31,075
Interest expense (Note 27)	**698,461**	915,812	852,712
Provision for pension expense (Note 29)	**508,711**	351,525	135,919
Interest income (Note 6)	**(177,061)**	(106,738)	(93,291)
Gain on settlement of a liability (Note 27)	**(143,616)**	–	–
Net unrealized foreign exchange gain	**(43,021)**	(134,980)	(122,440)
Loss (gain) on sale of property and equipment	**(7,316)**	434	(1,399)
Equity in net losses (earnings) of associates	**29**	(142)	2,330
Mark-to-market loss on derivative instruments - net (Note 27)	**–**	–	1,233
Income before working capital changes	**6,398,455**	9,118,750	6,839,637
Provisions for:			
Doubtful accounts (Note 26)	**254,947**	420,236	292,472
Other employee benefits	**209,133**	329,780	123,213
Decline in value of inventory	**–**	32,092	5,406
Decrease (increase) in:			
Trade and other receivables	**(1,033,298)**	(1,912,612)	(987,447)
Other current assets	**(342,598)**	331,970	(368,742)
Increase (decrease) in:			
Trade and other payables	**(1,670,484)**	2,095,793	350,488
Obligations for program rights	**1,720**	(374,929)	(117,936)
Other noncurrent liabilities	**(372,484)**	(160,054)	(17,064)
Contribution to pension plan (Note 29)	**(78,894)**	(527,815)	(11,795)
Cash generated from operations	**3,366,497**	9,353,211	6,108,232
Income taxes paid	**(273,229)**	(1,706,641)	(637,769)
Net cash provided by operating activities	**3,093,268**	7,646,570	5,470,463
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Notes 10 and 34)	**(3,518,922)**	(3,109,010)	(2,361,435)
Program rights and other intangible assets (Notes 12 and 34)	**(933,863)**	(716,816)	(740,937)
Increase in noncontrolling interests (Note 4)	**1,765,165**	–	–
Proceeds from sale of investments, net of cash of subsidiary disposed (Note 4)	**1,037,283**	–	–
Acquisition of subsidiaries, net of cash acquired (Note 4)	**(352,858)**	782	–
Decrease (increase) in other noncurrent assets	**(408,350)**	330,889	(193,752)

(Forward)

	Years Ended December 31		
	2011	2010	2009
Proceeds from sale of:			
Property and equipment	**₱981,459**	₱96,680	₱89,484
Investment in bonds	**–**	–	21,342
Interest received	**217,377**	108,291	108,123
Net cash used in investing activities	**(1,212,709)**	(3,289,184)	(3,077,175)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term debt	**3,154,255**	7,670,083	900,000
Bank loans	**–**	532,000	400,000
Payments of:			
Dividends	**(1,541,807)**	(828,166)	(682,950)
Interest	**(610,532)**	(904,723)	(903,095)
Bank loans	**(132,000)**	(400,000)	(737,600)
Long-term debt	**(112,432)**	(7,269,106)	(259,769)
Obligations under finance lease	**(39,831)**	(104,146)	(119,880)
Acquisition of Philippine depository receipts (PDRs) (Note 21)	**(10,082)**	(996,240)	(178,523)
Settlement of derivatives (Note 32)	**–**	–	14,990
Issuances of:			
PDRs (Note 21)	**–**	395,900	1,123
Convertible note	**211,389**	–	–
Net cash provided by (used in) financing activities	**918,960**	(1,904,398)	(1,565,704)
EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**14,200**	30,595	(14,087)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,813,719**	2,483,583	813,497
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5,821,334**	3,337,751	2,524,254
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱8,635,053**	₱5,821,334	₱3,337,751

See accompanying Notes to Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands Unless Otherwise Specified)

1. Corporate Information

ABS-CBN Corporation ("ABS-CBN" or "Parent Company") is incorporated in the Philippines on July 11, 1946. The Parent Company's core business is television and radio broadcasting. Its subsidiaries and associates are involved in the following related businesses: cable and direct-to-home (DTH) television distribution and telecommunications services overseas, movie production, audio recording and distribution, video/audio post production, and film distribution. Other activities of the subsidiaries include merchandising, internet and mobile services and publishing.

The Parent Company is 57%-owned by Lopez, Inc., a Philippine entity, 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.

On June 17, 1994, the Board of Directors (BOD) approved the extension of the corporate term of the Parent Company for another 50 years from April 20, 1994. On July 27, 1994, the Philippine Securities and Exchange Commission (SEC) approved the said extension.

On August 16, 2010, the Philippine SEC approved the change in the Parent Company's corporate name from ABS-CBN Broadcasting Corporation to ABS-CBN Corporation.

The registered office address of the Parent Company is Mother Ignacia Street corner Sgt. Esguerra Avenue, Quezon City.

The accompanying consolidated financial statements were approved and authorized for issuance by the BOD on March 2, 2012.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements of ABS-CBN and all its subsidiaries (collectively referred to as "the Company") have been prepared on a historical cost basis, except for available-for-sale (AFS) investments that have been measured at fair value.

The consolidated financial statements are presented in Philippine peso, which is the functional and presentation currency of the Parent Company. 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 Company were prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and Philippine Interpretations that became effective during the year. Except as otherwise indicated, adoption of the new and amended PFRS and Philippine Interpretations has no impact on the Company's consolidated financial statements.

- PAS 24 (Amendment), *Related Party Disclosures* (effective for annual periods beginning on or after January 1, 2011)

  PAS 24 clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

- PAS 32 (Amendment), *Financial Instruments: Presentation - Classification of Rights Issues* (effective for annual periods beginning on or after February 1, 2010)

  The amendment alters the definition of a financial liability in PAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement* (effective for annual periods beginning on or after January 1, 2011, with retrospective application)

  The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The Company is not subject to minimum funding requirements in the Philippines.

Improvements to PFRS (Issued in 2010)

Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

- PFRS 3, *Business Combinations*: The measurement options available for non-controlling interest were amended. Only components of non-controlling interest that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

  The amendments to PFRS 3 are effective for annual periods beginning on or after 1 July 2011. The Company, however, adopted these as of January 1, 2011 and changed its accounting policy accordingly as the amendment was issued to eliminate unintended consequences that may arise from the adoption of PFRS 3.

- PFRS 7, *Financial Instruments - Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Company reflected the revised disclosure requirements in Notes 31 and 32.

- PAS 1, *Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The Company provided the analysis in the consolidated statement of changes in equity.

Other amendments resulting from the 2010 improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- PFRS 3, *Business Combinations* [contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008)]

- PFRS 3, *Business Combinations* (un-replaced and voluntarily replaced share-based payment awards)

- PAS 27, *Consolidated and Separate Financial Statements*

- PAS 34, *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Company:

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (determining the fair value of award credits)

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Change in Presentation of Consolidated Statement of Income. In 2011, the Company changed the presentation of outbound telecommunication revenues to gross amount before charges billed to the Company, where applicable, by other carriers. In doing so, interconnection costs are then presented as separate line item in the expenses section under “Cost of services” account. Prior to 2011, outbound telecommunication revenues are presented net of the share of other carriers. The Company made this change to present outbound telecommunication revenue on a gross basis to align the Company’s presentation of outbound telecommunication revenues with the predominant global practice in the telecommunications industry.

The Company accounted for the change retroactively and accordingly, restated the comparative consolidated statement of income. The change pertains to presentation only and it has no impact on the Company’s net income, cash flows and statement of financial position. Revenues increased by ₱105 million and ₱179 million for the years ended December 31, 2010 and 2009, respectively, with a corresponding increase in expenses for the same amount.

<u>Basis of Consolidation and Noncontrolling Interests</u>
The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries as of December 31 each year. Control is normally evidenced when the Parent Company owns, either directly or indirectly, more than 50% of the voting rights of an entity’s capital stock.

Following is a list of the subsidiaries or companies, which ABS-CBN controls as of December 31, 2011, 2010 and 2009:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest		
				2011	2010	2009
ABS-CBN Global Ltd. (ABS-CBN Global) [(a) (j)]	Cayman Islands	Holding company	United States dollar (USD)	**100.0**	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	100.0
ABS-CBN Europe Remittance Inc. [(d) (j) (u)]	United Kingdom	Services - money remittance	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	100.0
ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East) [(b) (j)]	Dubai, UAE	Cable and satellite programming services	USD	**100.0**	100.0	100.0
ABS-CBN Middle East LLC [(b) (j)]	Dubai, UAE	Trading	USD	**100.0**	100.0	100.0
E-Money Plus, Inc. [(b)]	Philippines	Services - money remittance	Philippine peso	**100.0**	100.0	100.0
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary) [(j) (l)]	Budapest, Hungary	Holding company	USD	**100.0**	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	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	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada) [(j) (k)]	Canada	Cable and satellite programming services	Canadian dollar (CAD)	**100.0**	100.0	100.0
ABS-CBN Global Remittance Inc.[(j) (k)]	California, USA	Services - money remittance	USD	**100.0**	100.0	100.0
ABS-CBN Telecom North America, Inc. [(j) (k)]	California, USA	Telecommunications	USD	**100.0**	100.0	100.0
ABS-CBN Canada Remittance Inc. [(j) (n) (r)]	Canada	Services - money remittance	CAD	**100.0**	–	–
ABS-CBN Global Netherlands B.V. (ABS-CBN Netherlands) [(j) (n)]	Amsterdam, Netherlands	Intermediate holding and financing company	European monetary union (EUR)	**100.0**	100.0	100.0
ABS-CBN Center for Communication Arts, Inc. [(e)]	Philippines	Educational/training	Philippine peso	**100.0**	100.0	100.0
ABS-CBN Global Cargo Corporation	Philippines	Non-vessel operations common carrier	Philippine peso	**100.0**	100.0	100.0
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	Philippine peso	**100.0**	100.0	100.0
ABS-CBN Integrated and Strategic Property Holdings, Inc.	Philippines	Real estate	Philippine peso	**100.0**	100.0	100.0
ABS-CBN Interactive, Inc. (ABS-CBN Interactive)	Philippines	Services - interactive media	Philippine peso	**100.0**	100.0	100.0
ABS-CBN Multimedia, Inc. (ABS-CBN Multimedia) [(f)]	Philippines	Digital electronic content distribution	Philippine peso	**100.0**	100.0	100.0
ABS-CBN Publishing, Inc. (ABS-CBN Publishing)	Philippines	Print publishing	Philippine peso	**100.0**	100.0	100.0
Culinary Publications, Inc. [(g)]	Philippines	Print publishing	Philippine peso	**100.0**	100.0	100.0
ABS-CBN Shared Service Center PTE. Ltd. [(j) (m)]	Singapore	Services - support	Singapore dollar (SGD)	**100.0**	100.0	100.0
Creative Programs, Inc. (CPI)	Philippines	Content development and programming services	Philippine peso	**100.0**	100.0	100.0
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine peso	**100.0**	100.0	100.0
Roadrunner Network, Inc. (Roadrunner) (see Note 4)	Philippines	Services - post production	Philippine peso	**100.0**	98.9	98.9
Sapientis Holdings Corporation (Sapientis) (see Note 4)	Philippines	Holding company	Philippine peso	**100.0**	100.0	–
Columbus Technologies, Inc. (CTI) [(q)] (see Note 4)	Philippines	Holding company	Philippine peso	**70.0**	–	–
Multi-Media Telephony, Inc. (MTI) [(q) (s)] (see Note 4)	Philippines	Telecommunication	Philippine peso	**66.5**	–	–
Sarimanok News Network, Inc.	Philippines	Content development and programming services	Philippine peso	**100.0**	100.0	100.0
Star Recording, Inc.	Philippines	Audio and video production and distribution	Philippine peso	**100.0**	100.0	100.0

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest 2011	2010	2009
Star Songs, Inc.	Philippines	Music publishing	Philippine peso	**100.0**	100.0	100.0
Studio 23, Inc. (Studio 23)	Philippines	Content development and programming services	Philippine peso	**100.0**	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	100.0
TV Food Chefs, Inc.	Philippines	Services - restaurant and food	Philippine peso	**100.0**	100.0	100.0
Sky Cable Corporation (Sky Cable) (see Note 4)	Philippines	Cable television services	Philippine peso	**56.7**	79.3	79.3
Bisaya Cable Television Network, Inc. [(h) (i)]	Philippines	Cable television services	Philippine peso	**56.7**	79.3	79.3
Bright Moon Cable Networks, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	79.3	79.3
Cavite Cable Corporation [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	79.3	79.3
Cepsil Consultancy and Management Corporation [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	79.3	79.3
Davao Cableworld Network, Inc. [(h) (o) (t)]	Philippines	Cable television services	Philippine peso	**56.7**	47.6	47.6
HM Cable Networks, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	79.3	79.3
HM CATV, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	79.3	79.3
Hotel Interactive Systems, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	79.3	79.3
Isla Cable TV, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	79.3	79.3
Moonsat Cable Television, Inc. [(h) (o)]	Philippines	Cable television services	Philippine peso	**56.7**	79.3	79.3
Pilipino Cable Corporation (PCC) [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	79.3	79.3
Satellite Cable TV, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	79.3	79.3
Sun Cable Holdings, Incorporated (SCHI) [(h)]	Philippines	Holding company	Philippine peso	**56.7**	79.3	79.3
Sun Cable Systems Davao, Inc. [(h) (i)]	Philippines	Cable television services	Philippine peso	**56.7**	79.3	79.3
Sunvision Cable, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	79.3	79.3
Tarlac Cable Television Network, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	79.3	79.3
Telemondial Holdings, Inc. [(h) (i)]	Philippines	Holding company	Philippine peso	**56.7**	79.3	79.3
JMY Advantage Corporation [(h)]	Philippines	Cable television services	Philippine peso	**53.9**	75.3	75.3
Cebu Cable Television, Inc. [(h) (o) (p)]	Philippines	Cable television services	Philippine peso	**53.3**	74.5	50.8
Suburban Cable Network, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**52.4**	73.7	73.7
Pacific CATV, Inc. (Pacific) [(h) (o)]	Philippines	Cable television services	Philippine peso	**51.9**	72.2	72.2
First Ilocandia CATV, Inc. [(h) (o)]	Philippines	Cable television services	Philippine peso	**51.6**	72.2	72.2
Mactan CATV Network, Inc. [(h) (o) (p)]	Philippines	Cable television services	Philippine peso	**51.6**	72.2	72.2
Discovery Cable, Inc. [(h) (t)]	Philippines	Cable television services	Philippine peso	**39.7**	55.5	55.5
Home-Lipa Cable, Inc. [(h) (t)]	Philippines	Cable television services	Philippine peso	**34.0**	47.6	47.6

[(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)] Through ABS-CBN Interactive
[(g)] Through ABS-CBN Publishing
[(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)] Incorporated and started commercial operations in 2011
[(s)] Subsidiary of CTI
[(t)] A subsidiary of Sky Cable where Sky Cable effectively owns more than 50% interest
[(u)] Incorporated and started commercial operations in 2010

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intra-Company balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets and liabilities, are eliminated in full on consolidation. Unrealized gains and losses are eliminated unless costs cannot be recovered.

Consolidation of subsidiaries ceases when control is transferred out of the Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Noncontrolling interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the consolidated statement of income and within the equity section of the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company. This includes the equity interests in Sapientis and its subsidiaries and Sky Cable and its subsidiaries.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the 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 other comprehensive income to profit or loss or retained earnings, as appropriate.

Losses within a subsidiary are attributed to the noncontrolling interest even if that results in a deficit balance.

Prior to January 1, 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of noncontrolling interest was accounted for using the parent entity extension method, whereby, the difference between the fair value of the consideration and net book value of the share in the net assets acquired was presented as goodwill.

- Any losses applicable to the noncontrolling interest in a consolidated subsidiary in excess of the noncontrolling interest's equity in the subsidiary were charged against the noncontrolling interest to the extent that the noncontrolling interest has binding obligation to, and is able to, make good of the losses.

- Upon loss of control, the Company accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

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 costs incurred are expensed and included in administrative expenses.

When the Company 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.

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 accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. 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 cost of acquisition is less than the fair value of the net assets of the acquiree, the difference is recognized directly 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 Company accounts 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 Company'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.

Prior to January 1, 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations are accounted for using the purchase accounting method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The noncontrolling interest is measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages are accounted for as separate steps. Any additional acquired share of interest does not affect previously recognized goodwill.

When the Company acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Company had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

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 of 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 consolidated statement of comprehensive income and "Cumulative translation adjustments" 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 entity will be recognized in the consolidated statement of income.

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.

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.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the consolidated 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.

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). The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and AFS investments. 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 financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this classification at every financial reporting date.

Determination of Fair Value. The fair value of financial instruments traded in organized financial markets is determined by reference to quoted market bid prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs, that are active at the close of business at financial reporting date. When current bid and asking prices are not available, the price of the most recent transaction is used since it provides evidence of current fair value as long as there has not been significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Such techniques include using reference to similar instruments for which observable prices exist, discounted cash flows analyses, and other relevant valuation models.

Day 1 Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a Day 1 profit) 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 Company determines the appropriate method of recognizing the Day 1 profit amount.

Financial Assets and Liabilities at FVPL. Financial assets and liabilities at FVPL include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Derivatives are also classified under financial assets or liabilities at FVPL, unless they are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management at initial recognition as at FVPL if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;

- The assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance are evaluated on a fair value basis in accordance with a documented risk management strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis that it would not be separately recorded.

Financial assets or liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized directly in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income according to the terms of the contract, or when the right of payment has been established.

The Company has no financial assets and liabilities at FVPL as of December 31, 2011 and 2010.

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as at FVPL, designated as AFS financial asset or HTM investments. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment. Gains and losses are recognized in the consolidated statement income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

This category includes the Company's cash and cash equivalents, trade and other receivables and deposits (see Note 32).

HTM Investments. Quoted nonderivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM investments when the Company's management has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this category. After initial measurement, HTM investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process.

The Company has no HTM investments as of December 31, 2011 and 2010.

AFS Investments. AFS investments are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial measurement, AFS investments are measured at fair value, with unrealized gains or losses being recognized as other comprehensive income until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated statement of income. Unquoted equity instruments whose fair value cannot be reliably measured, are measured at cost.

AFS investments are included in current assets if management intends to sell these financial assets within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

The Company's AFS investments include investments in ordinary common shares (see Note 32).

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.

Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently 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 consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Expenditures incurred in connection with availments of long-term debt are deferred and amortized using effective interest method over the term of the loans. Debt issue costs are netted against the related long-term debt allocated correspondingly to the current and noncurrent portion.

Other financial liabilities are included in current liabilities if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent liabilities.

Classified under other financial liabilities are trade and other payables, interest-bearing loans and borrowings, obligations for program rights, due to a related party, convertible note and customers' deposits (included under "Other noncurrent liabilities" account) (see Note 32).

Embedded Derivatives

An embedded derivative is separated from the host contract and accounted for as derivative if all the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and (c) the hybrid or combined instrument is not measured at FVPL.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. When reported, the fair value changes are reported in profit or loss. Re-assessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Impairment of Financial Assets

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

Loans and Receivables. For loans and receivables carried at amortized cost, the Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, 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 there is an objective evidence that an impairment loss on loans and receivables 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).

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

A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Likewise, for other receivables, it was also established that accounts outstanding for less than a year should have no provision for impairment but accounts outstanding for over three years should have a 100% provision, which was arrived at after assessing individually significant balances. Provision for individually non-significant balances was made on a portfolio or group basis after performing the regular review of the age and status of the individual accounts and portfolio/group of accounts relative to historical collections, changes in payment terms and other factors that may affect ability to collect payments.

Assets Carried at Cost. If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument 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 discounted at the current market rate of return for a similar financial asset.

AFS Investments. In case of equity investments classified as AFS, an objective evidence of impairment includes a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from the other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have 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.

Where the Company has transferred its rights 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 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.

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 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using weighted 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. Unrealizable inventories are written off.

Preproduction Expenses

Preproduction expenses, included under "Other current assets" account in the consolidated statement of financial position, 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.

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 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.

Subscriber's initial installation costs, including materials, labor and overhead costs are capitalized as part of distribution equipment (included in the "Television, radio, movie and auxiliary equipment" account) and depreciated over a period no longer than the depreciation period of the distribution equipment. The costs of subsequent disconnection and reconnection are charged to current operations.

Unissued spare parts and supplies represent major spare parts that can be used only in connection with the distribution equipment. Unissued spare parts and supplies 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.

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	Number of Years
Land improvements	5 to 10
Buildings and improvements	10 to 40
Television, radio, movie and auxiliary equipment	10 to 15
Other equipment	3 to 10

The Company determined the depreciation and amortization for each significant part of an item of property and equipment.

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

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. 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. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. 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 at each financial year-end. 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 on 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 either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an 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.

A summary of the policies applied to the Company's acquired intangible assets is as follows:

Intangible Asset	**Useful Lives**	**Amortization Method Used**	**Impairment Testing/Recoverable Amount Testing**	**Current and Noncurrent Classification**
Program Rights	Finite (license term or economic life, whichever is shorter)	Amortized on the basis of program usage, except for program rights of CPI, which is amortized on a straight-line method over the license term or economic life, whichever is shorter. Episodic program rights are amortized based on the number of episodes and charged to expense upon airing of each episode. Expired program rights are fully amortized on the date of expiry. Unaired program rights with no definite expiration date are amortized after 5 years from acquisition date (i.e., equally over the next five years).	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the purchase price or license fee. Program rights are written off when no future economic benefits are expected to flow from the assets.	Based on the estimated year of usage except CPI, which is based on license term
Story, Music and Publication Rights	Finite (useful economic benefit)	Amortized on the basis of the useful economic life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Based on the estimated year of usage
Movie In-process	Finite	No amortization, recognized as expense upon showing	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
Video Rights and Record Master	Finite (six months or 10,000 copies sold of video discs and tapes, whichever comes first)	Amortized on the basis of number of copies sold	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Current
Customer Relationships (see Note 4)	Finite - 22 years	Amortized on a straight-line basis over the estimated customer service life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Noncurrent

Intangible Asset	Useful Lives	Amortization Method Used	Impairment Testing/Recoverable Amount Testing	Current and Noncurrent Classification
Cable Channels - CPI	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists	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 Company's initial estimates, the Company accelerates amortization of the cost	Noncurrent
Trademark (see Note 4)	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists	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 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 consolidated statement of income in the year of retirement or disposal.

Investments in Associates

The Company's investments in associates are accounted for under the equity method of accounting. An associate is an entity over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Under the equity method, investment in associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company'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 amortized. The consolidated statement of income reflects the share on the financial performance of an associate. When ABS-CBN's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, ABS-CBN's 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 Company 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 Company are identical and the associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances. Unrealized intercompany profits arising from the transactions with the associate are eliminated to the extent of the interest in the associate.

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 Company 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 and tax credits 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 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:

Goodwill, Cable Channels and Trademark. Goodwill, cable channels and trademarks 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, cable channels and trademark by assessing the recoverable amount of the cash-generating units, to which the goodwill, cable channels and trademarks 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, cable channels and trademark 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 Company performs its annual impairment test of goodwill, cable channels and trademark as of December 31 of each year.

Investments in Associates. After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investments in the associates. The Company determines at each financial reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the recoverable amount of investment in associate and the carrying value and recognizes the amount in the consolidated statement of income.

Customers' Deposits

Customers' deposits, included as part of "Other noncurrent liabilities" account in the consolidated statement of financial position, are initially recognized at fair value. The discount is recognized as deferred revenue and amortized over the estimated remaining term of the deposits using the effective interest method.

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 consolidated statement of financial position to the extent of the par value, with any excess being reflected as "Additional paid-in-capital" account in the consolidated statement of financial position.

Where the Company purchases its capital stock (recorded as "Philippine depository receipts 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.

Retained Earnings

Retained earnings includes profit attributable to the equity holders of the Parent Company and reduced by dividends on capital stock.

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

Dividends on Common Shares of the Parent Company

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

Revenue

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Airtime revenue is recognized as income on the dates the advertisements are aired, net of agency commissions, incentives and co-producers' share. The fair values of barter transactions from advertising time exchanged for program materials, merchandise or service are included in airtime revenue and the related accounts.

Payments received before broadcast (pay before broadcast) for customers without credit terms are initially recognized as liability and are included as part of "Deferred revenue" under "Trade and other payables" account in the consolidated statement of financial position. These are applied against receivable upon airing and recognition of related revenue. Pay before broadcast for customers with credit terms are credited directly to "Trade receivables" under "Trade and other receivables" account in the consolidated statement of financial position. A right of offset exists between the pay before broadcast balance and the regular trade receivables. These are recognized as income on the dates the advertisements are aired.

<u>Sale of Services</u>

a. Subscription fees are recognized as follows:

   DTH Subscribers and Cable Operators. Subscription fees are recognized under the accrual basis in accordance with the terms of the agreements.

   Share in DirecTV Subscription Revenue. Subscription revenue from subscribers of DirecTV who subscribe to the "The Filipino Channel" is recognized in accordance with the Deal Memorandum as discussed in Note 30.

   Subscription Revenue from TFC Now. Subscription revenue from online streaming services of Filipino-oriented content and programming is received in advance (included as "Deferred revenue" under "Trade and other payables" account in the consolidated statement of financial position) and is deferred and recognized as revenue over the period during which the service is performed.

   Cable Subscribers. Subscription fees are recognized under the accrual basis in accordance with the terms of the agreements. Subscription fees billed or collected in advance are deferred and shown as "Deferred revenue" under "Trade and other payables" account in the consolidated statement of financial position and recognized as revenue when service is rendered.

b. Telecommunications revenue is recognized when earned based on agreed rates with the other telecommunications carriers under existing correspondence and interconnection agreements. Telecommunication revenues where the Company is the primary obligor is recognized at gross amount including the share of the other carriers. Where the Company is the terminating carrier, revenue is recognized only to the extent of termination rates billed by the Company to the originating carrier.

   Income from prepaid phone cards are realized based on actual usage hours or expiration of the unused value of the card, whichever comes earlier. Income from prepaid card sales for which the related services have not been rendered as of financial reporting date, is presented as "Others" under "Trade and other payables" account in the consolidated statement of financial position.

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

d. Income from film exhibition is recognized, net of theater shares, on the dates the films are shown.

e. Income from TV rights and cable rights are recognized on the dates the films are permitted to be publicly shown as stipulated in the agreement.

f. Pay-per-view fees are recognized on the date the movies or special programs are viewed.

Sale of goods is recognized when delivery has taken place and transfer of risks and rewards has been completed. These are stated net of sales discounts, returns and allowances.

Income and related costs pertaining to installation of decoders and set-top boxes which has no stand alone value without the subscription revenue are aggregated and recognized ratably over the longer of subscription contract term or the estimated customer service life. These are presented as part of "Other noncurrent assets" account (under "Deferred charges") and "Trade and other payables" account (under "Deferred revenue"), respectively, in the consolidated statement of financial position.

Short-messaging-system/text-based revenue, sale of news materials and Company-produced programs included under "Sale of services" account in the consolidated statement of income are recognized upon delivery.

Royalty income, included as part of "Sale of services" account in the consolidated statement of income, is recognized 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.

Connection/reconnection/disconnection fees, included as part of "Other income" account in the consolidated statement of income, are recognized when the services are rendered.

Management fees, included as part of "Other income" account in the consolidated statement of income, are recognized based on the terms of the management agreement.

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

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

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

Agency Commissions, Incentives and Co-producers' Share

These represent deductions from gross airtime revenues (see Note 23).

Agency commissions are recognized at a standard rate of 15%.

Incentives include early payment and early placement discounts as well as commissions paid to the Company's account executives and cable operators. Early payment discount is recognized upon payment. Early placement discount, which represents discount given to agencies and advertisers as a result of early request for telecast order, is recognized upon airing.

Co-producers' share on revenues of specific programs is recognized upon airing.

Channel License Fees

Channel license fees included under "Cost of services" account in the consolidated statement of income are charged to operations in the year these fees are incurred.

Leases

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

Company as a Lessee. Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the consolidated statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term.

Company as a Lessor. Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

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.

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

Pension Costs

The Company's pension plans are funded (Parent Company and Sky Cable) 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. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and net of actuarial gains and losses not recognized, reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the 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 Company's contribution to the defined contribution pension plan is recognized as expense in the period incurred.

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

Creditable Withholding Taxes. Creditable withholding tax represents amounts withheld by the Company's customers and deducted from income tax payable. This is included as part of "Other current assets" account in the consolidated statement of financial position.

Deferred Tax. Deferred income 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 income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income 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 income 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 income 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 income 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 income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income 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 income tax to be recovered.

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

Deferred income 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, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Other current assets" account or "Trade and other payables" account, respectively, in the consolidated statement of financial position.

<u>Earnings Per Share (EPS) attributable to the Equity Holders of the Parent Company</u>
Basic EPS amounts are calculated by dividing the net income attributable to equity holders of the Parent Company for the year over the weighted average number of common shares outstanding 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 Company has no dilutive potential common shares outstanding, basic and diluted EPS are stated at the same amount.

<u>Contingencies</u>
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 Company'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 Company's operating businesses are organized and managed separately into three business activities. Such business segments are the bases upon which the Company reports its operating segment information. The Company operates in three geographical areas where it derives its revenue. Financial information on segment reporting is presented in Note 5.

Future Changes in Accounting Policies

The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

Effective in 2012

- PAS 12, *Income Taxes - Recovery of Underlying Assets* (effective for annual periods beginning on or after January 1, 2012)

  The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset.

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements* (effective for annual periods beginning on or after July 1, 2011)

  The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

Effective Subsequent to 2012

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after July 1, 2012)

  The amendments to PAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.

- PAS 19, *Employee Benefits* (Amendment) (effective for annual periods beginning on or after January 1, 2013)

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company is currently assessing the impact of the amendment to PAS 19.

- PAS 27, *Separate Financial Statements* (as revised in 2011) (effective for annual periods beginning on or after January 1, 2013)

  As a consequence of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011) (effective for annual periods beginning on or after January 1, 2013)

  As a consequence of the new PFRS 11, *Joint Arrangements*, and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

  This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

- PFRS 10, *Consolidated Financial Statements* (effective for annual periods beginning on or after January 1, 2013)

  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

- PFRS 11, *Joint Arrangements* (effective for annual periods beginning on or after January 1, 2013)

  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12, *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after January 1, 2013)

  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- PFRS 13, *Fair Value Measurement* (effective for annual periods beginning on or after January 1, 2013)

  PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on its financial position and performance.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after January 1, 2013)

  This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2014, with retrospective application)

  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Company, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The Company is currently assessing impact of the amendments to PAS 32.

- PFRS 9, *Financial Instruments: Classification and Measurement* (effective for annual periods beginning on or after January 1, 2015)

  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final revenue standard is issued by International Accounting Standards Board and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed.

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

The Company's consolidated financial statements prepared under PFRS 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.

<u>Judgments</u>
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 consolidated financial statements.

Determination of Functional Currency. The Parent Company and all other subsidiaries and associates, 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 and associates, 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 ABS-CBN Group's accounts.

Leases. The evaluation of 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 a specific asset or assets and the arrangement conveys the right to use the asset.

The Company has entered into lease arrangements as a lessor and as a lessee. Such contracts are accounted for as operating leases when the Company, as a lessee, has determined that the lessor retains substantial risks and benefits of ownership of these properties, and as a lessor, the Company retains substantially all the risks and benefits of ownership of the assets due to the following circumstances:

- the lease term is only for a limited number of years;
- lease is renewable but there is no purchase option at a significant discount as of date; and
- the lease payments represents solely compensation for use of asset rather than for purchase of the assets.

The Company has also entered into lease agreements covering certain property and equipment. Such contracts are accounted for as finance leases when the Company has determined that it bears substantially all the risks and benefits incidental to ownership of said properties due to the following:

- the lease term represents substantially the full economic life in years of the asset under lease;
- the lease is renewable and there is currently a purchase option at a significant discount which the Company is likely to exercise; and
- the lease payments represent amortization of the purchase price of the assets.

The carrying amount of property and equipment under finance lease amounted to ₱38 million and ₱85 million as of December 31, 2011 and 2010, respectively (see Note 10).

Financial Assets not Quoted in an Active Market. The Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Estimates and Assumptions

The key assumptions concerning 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.

Revenue Recognition. The Company's telecommunications revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenue and receivables. Revenue is stated at gross amount including the share of the other telecommunications carriers, but the definite amounts are determined subsequent to financial reporting date. Thus, the Company initially estimates the amounts based on history of sharing.

The difference between the amount initially recognized and actual settlement or actual billing is recognized in the next period. However, there is no assurance that such use of estimates will not result in material adjustments in future periods.

Fair Value of Financial Instruments. PFRS requires that certain financial assets and liabilities (including derivative instruments) be carried at fair value, which requires the use of accounting estimates. The fair values of financial instruments of short-term nature and those that are subjected to monthly repricing are estimated to approximate their carrying amounts. For certain financial instruments which are not quoted in an active market, fair values are assessed to be the present value of estimated future cash flows discounted at risk-free rates applicable to the financial instrument.

The fair values of financial assets and liabilities are set out in Note 32.

Allowance for Doubtful Accounts. The Company reviews its loans and receivables, including unbilled receivables, at each financial reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of income. In particular, judgment 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.

The Company evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Company uses judgment, based on available facts and circumstances, and a review of the factors that affect the collectibility 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. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated. In addition to specific allowance against individually significant receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on historical default experience, current economic trends, changes in customer payment terms and other factors that may affect the Company's ability to collect payments. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for doubtful accounts would increase the recorded operating expenses and decrease current assets.

The allowance is established by charges to income in the form of provision for doubtful accounts. Provision for doubtful accounts amounted to ₱255 million, ₱420 million and ₱292 million in 2011, 2010 and 2009, respectively (see Note 26). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱8,128 million and ₱7,248 million as of December 31, 2011 and 2010, respectively (see Note 7). Allowance for doubtful accounts amounted to ₱669 million and ₱628 million as of December 31, 2011 and 2010, respectively (see Note 7).

Net Realizable Value of Inventories. Inventories are carried at net realizable value whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account is reviewed on a regular basis to reflect the accurate valuation in the financial records. Inventory items identified to be obsolete and unusable are written off and charged as expense in the year such losses are identified.

Provision for decline in value of inventory amounted to ₱17 million, ₱32 million and ₱5 million in 2011, 2010 and 2009, respectively. Inventories amounted to ₱135 million and ₱153 million as of December 31, 2011 and 2010, respectively (see Note 8).

Estimated Useful Lives of Property and Equipment, Investment Properties and Intangible Assets. The useful life of each item of the Company'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. 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.

There were no changes in the estimated useful lives of property and equipment, investment properties and intangible assets during the year. The carrying values of property and equipment, investment properties and intangible assets with finite life are as follows (see Notes 10, 11 and 12):

	2011	2010
Property and equipment	**₱15,242,115**	₱15,195,293
Program rights	**2,463,419**	2,375,958
Customer relationships	**128,609**	471,391
Production and distribution business - Middle East	**92,458**	89,359
Movie in-process	**71,460**	97,621
Video rights and record master	**35,068**	9,250
Investment properties	**27,108**	28,224
Story, music and publication rights	**6,030**	7,369

Impairment of AFS Investments. The Company treats AFS investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where there is objective evidence that impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more of the original cost of investment, and "prolonged" as greater than 12 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.

As of December 31, 2011 and 2010, the carrying value of AFS investments amounted to ₱265 million (see Note 13). Provision for impairment loss on investment in stocks amounted to ₱54 million in 2010 (see Note 13).

Amortization of Program Rights. The Company estimates the amortization of program rights with finite lives based on the program usage, except for program rights of CPI, which is amortized on a straight-line method over the license term or economic life, whichever is shorter. Episodic program rights are amortized based on the number of episodes and charged to expense upon airing of each episode. Expired program rights are fully amortized on the date of expiry. Unaired program rights with no definite expiration date are amortized after five years from acquisition date.

As of December 31, 2011 and 2010, program rights amounted to ₱2,463 million and ₱2,376 million, respectively (see Note 12).

Asset Retirement Obligation. Determining asset retirement obligation requires estimation of the costs of dismantling installations and restoring leased properties to their original condition. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

Asset retirement obligation amounted to ₱1 million as of December 31, 2011 (see Note 20).

Impairment of Nonfinancial Assets. The Company assesses impairment on nonfinancial assets (enumerated in the table below) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; 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 assets that are subjected to impairment testing when impairment indicators are present are as follows (see Notes 9, 10, 11, 12, 14 and 15):

	2011	2010
Property and equipment	**₱15,242,115**	₱15,195,293
Program rights	**2,463,419**	2,375,958
Tax credits with tax credit certificates (TCCs)	**2,207,661**	2,354,332
Trademark	**915,568**	–
Preproduction expenses	**323,492**	257,249
Customer relationships	**128,609**	471,391
Production and distribution business - Middle East	**92,458**	89,359
Movie in-process	**71,460**	97,621
Investment properties	**57,796**	58,912
Investments in associates	**41,084**	41,113
Video rights and record master	**35,068**	9,250
Story, music and publication rights	**6,030**	7,369

Impairment of Goodwill, Cable Channels and Trademark. The Company performs impairment testing annually or more frequently when there are indications of impairment for goodwill and intangible assets with infinite lives. The Company has identified that cable channels of CPI and trademark have an infinite life. Impairment testing requires an estimation of the value in use of the cash-generating units to which goodwill, cable channels and trademark are allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating units and to make use of a suitable discount rate to calculate the present value of those future cash flows.

The impairment on the goodwill, cable channels and trademark 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 recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections which were based on financial budgets approved by senior management of the subsidiaries covering a five-year period. The key assumptions used in the impairment test of goodwill, cable channels and trademark 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. A 0-5% perpetuity growth rate was 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 rate applied to the cash flow projections were 11.60% and 12.55% in 2011 and 2010, respectively.

The carrying amount of goodwill amounted to ₱3,749 million and ₱2,144 million as of December 31, 2011 and 2010, respectively (see Note 16). The carrying amount of the cable channels amounted to ₱460 million as of December 31, 2011 and 2010 (see Note 12). The carrying amount of trademark amounted to ₱916 million as of December 31, 2011 (see Note 12).

Present Value of Pension Obligation. The cost of defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on plan assets, and future salary increases. Due to the long-term nature of these plans, such estimates are subject to uncertainty.

The expected rate of return on plan assets was based on average historical premium on plan assets. The assumed discount rates were determined using the market yields on Philippine bonds with terms consistent with the expected employee benefit payout as of financial reporting date (see Note 29).

As of December 31, 2011 and 2010, the pension obligation of the Company amounted to ₱889 million and ₱625 million, respectively (see Note 29). Unrecognized net actuarial loss amounted to ₱2,139 million and ₱852 million as of December 31, 2011 and 2010, respectively (see Note 29).

Recognition of Deferred Tax Assets. 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.

Recognized deferred tax assets amounted to ₱1,130 million and ₱1,349 million as of December 31, 2011 and 2010, respectively. Unrecognized deferred tax assets of subsidiaries amounted to ₱1,010 million and ₱477 million as of December 31, 2011 and 2010, respectively (see Note 28).

Contingencies. The Company is currently involved in various legal proceedings. The Company's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on its consolidated financial position and performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 35).

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4. **Business Combinations, Acquisitions, Re-organization and Disposals**

a. Conversion of Note and Advances

On June 30, 2004, Sky Cable ("Issuer") issued a convertible note ("the Note") to the Parent Company amounting to US$30.0 million (₱1,581 million).

The Note was subject to interest of 13.0% compounded annually and matured on June 30, 2006. The principal and accrued interest as of maturity date is mandatorily converted into common shares of the Issuer, based on the prevailing USD to Philippine peso exchange rate on maturity date, at a conversion price equivalent to a 20% discount of: (a) the market value of the shares, in the event of a public offering of the Issuer before maturity date; (b) the valuation of the shares by an independent third party appraiser that is a recognized banking firm, securities underwriter or one of the big three international accounting firms or their Philippine affiliate jointly appointed by Lopez, Inc. and Lopez Holdings Corporation (Lopez Holdings) (collectively referred to as Lopez Group) and Philippine Long Distance Telephone Company and Mediaquest Holdings, Inc. (collectively referred to as PLDT Group) pursuant to the Master Consolidation Agreement dated July 18, 2001, as amended or supplemented.

The Note does not specifically state that interest shall accrue after June 30, 2006 in the event that the Note is not converted for any reason. Thus, no interest was charged after June 30, 2006.

On May 20, 2008, the Lopez Group and the PLDT Group agreed on valuation for Sky Cable effective March 15, 2008. Based on this final valuation of Sky Cable, the Note amounting to ₱1,581 million, accrued interest on the Note from June 30, 2004 to June 30, 2006 amounting to ₱459 million and ABS-CBN's advances to Sky Cable amounting to ₱459 million can be converted into 269,645,828 Sky Cable shares, representing 65.3% effective interest in Sky Cable. Consequently, for financial reporting purposes, effective March 15, 2008, Sky Cable was considered as a subsidiary of the Parent Company with a 65.3% effective interest.

On December 23, 2008, the Parent Company, Sky Vision Corporation (Sky Vision) and Sky Cable entered into an Assignment Agreement, whereby the Parent Company assigned the Note, accrued interest receivable and advances to Sky Cable totaling to ₱2,499 million to Sky Vision in consideration of Philippine Depository Receipts (PDRs) convertible into underlying Sky Cable shares to be issued by Sky Vision upon approval by the Philippine SEC of the increase in the authorized capital stock of Sky Cable. Pursuant to this Assignment Agreement, Sky Vision is contractually bound to issue the PDRs to the Parent Company upon the issuance of the underlying Sky Cable shares to Sky Vision.

The PDRs will grant the Parent Company the right, upon payment of the exercise price and subject to certain other conditions, the delivery of Sky Cable shares or the sale of and delivery of the proceeds of such sale of Sky Cable shares. The PDRs may be exercised at any time by the Parent Company, thus, providing potential voting rights to the Parent Company. Any cash dividends or other cash distributions in respect of the underlying Sky Cable shares are received by Sky Vision. After deducting administrative expenses for the maintenance of the PDR structure, Sky Vision shall distribute the proceeds to the Parent Company.

While Sky Vision is the legal owner of the subscription to the 65.3% effective interest in Sky Cable, effectively, the Parent Company has the economic interest over the underlying shares by virtue of the PDRs. The voting rights remain with Sky Vision as legal owner but the Parent Company has economic benefits over the underlying Sky Cable shares. The Parent Company will have the voting rights upon exercise of the PDRs.

The conversion of the Note is considered as a business combination and accounted for using purchase method in 2008. Accordingly, the consideration of ₱2,499 million was allocated to the identifiable assets and liabilities based on the fair values at conversion date. Goodwill arising on the acquisition amounted to ₱1,328 million (see Note 16). There is no cash outflow on the acquisition.

The 269,645,828 Sky Cable shares were issued to Sky Vision in 2009. Sky Vision issued the 269,645,828 PDRs with underlying Sky Cable shares to ABS-CBN in 2011.

On February 19, 2009, the BOD of ABS-CBN approved the additional conversion of ₱1,798 million loan to Sky Cable and ₱900 million advances to Sky Vision to PDRs covering 278,588,814 Sky Cable shares at conversion price of ₱9.69 per share. The conversion was considered as acquisition of noncontrolling interest. Upon conversion of the foregoing loan and advances, the effective interest of ABS-CBN increased from 65.3% to 79.3%.

On March 2, 2009, by virtue of a separate Assignment Agreement, ABS-CBN assigned the ₱1,798 million loan to Sky Vision. As a consideration for the assignment, Sky Vision agreed to issue ABS-CBN PDRs which shall be convertible into Sky Cable shares. The terms of the agreement are similar to the Assignment Agreement discussed in the foregoing. The effective interest of ABS-CBN in Sky Cable increased from 65.3% to 79.3%.

The 278,588,814 Sky Cable shares were issued to Sky Vision in 2009. Sky Vision issued the 278,588,814 PDRs with underlying Sky Cable shares to ABS-CBN in 2011.

b. Acquisition of Noncontrolling Interest in PCC

On May 23, 2008, Sky Vision acquired the noncontrolling interest in PCC through the purchase of all the common shares in and convertible notes and advances of Sun Cable Holdings, Incorporated (SCHI) for a cash payment of ₱1,248 million and an assumption of the outstanding loan obligation of Telemondial Holdings, Inc. (THI) in the amount of ₱100 million. SCHI owns THI, which in turn owns the noncontrolling interest in PCC. On the same date, Sky Vision and Sky Cable agreed that such shares and debt shall be transferred to Sky Cable. Consequently, for financial reporting purposes, PCC became a wholly owned subsidiary of Sky Cable as of that date. On December 23, 2008, Sky Vision assigned all its common shares in SCHI to Sky Cable pursuant to this agreement. The difference between the fair value of the consideration transferred and liability assumed and the carrying value of the noncontrolling interest in PCC, amounting to ₱558 million, is recognized as goodwill (see Note 16).

c. Acquisition of Noncontrolling Interest in ABS-CBN International

In December 2009, the Parent Company acquired from Bayan Telecommunications, Inc. (Bayantel) its 2% interest in ABS-CBN International for US$6 million (₱277 million) which is payable over a period of three years beginning January 2010 until December 2012 or as maybe extended for a longer period as agreed by both parties. The parties also agreed that the Parent Company shall have the option to pay the consideration by way of the following products and services of the Parent Company which may be availed by Bayantel during the payment term:

- commercial advertising airtime for Bayantel's products and services;
- sponsorship in various ABS-CBN-produced programs and/or ABS-CBN-organized special events;
- co-branded marketing and promotional campaigns; and
- other media-related projects.

The excess of the consideration over the carrying value of the noncontrolling interest in ABS-CBN International amounting to US$4.9 million (₱217 million) was recognized as goodwill in the consolidated statements of financial position (see Note 16). In December 2009, the Parent Company assigned its 2% share in ABS-CBN International to ABS-CBN Global in exchange for additional common shares in ABS-CBN Global. Consequently, ABS-CBN Global became the 100% owner of ABS-CBN International. This assignment has no impact on the consolidated financial statements.

As of December 31 2010, payable arising from the transaction amounted to ₱250 million. The current portion amounting to ₱158 million was presented as part of "Due to related parties" in the "Trade and other payables" account (see Note 17) while the noncurrent portion amounting to ₱92 million was presented as part of "Due to a related party" in the "Other noncurrent liabilities" account (see Note 20).

In June 2011, ABS-CBN and Bayantel agreed that settlement of the liability shall be paid in the form of immediately available and unencumbered funds amounting to US$2.7 million. ABS-CBN paid the US$2.7 million (₱118 million) and recognized gain from settlement of the liability amounting to ₱144 million in 2011 (see Note 27).

d. Re-organization of ABS-CBN Global

On January 7, 2009, ABS-CBN Hungary was incorporated to be the holding company of certain international subsidiaries. On May 19, 2009 and June 19, 2009, ABS-CBN Hungary incorporated ABS-CBN Netherlands and established a branch in Luxembourg, respectively, which are intended to conduct the management of other business enterprises within the ABS-CBN Group.

In December 2009, ABS-CBN Global transferred its 100% ownership interest in ABS-CBN International to ABS-CBN Hungary in exchange for the issue of a US$81 million equity note and the assumption of an existing US$5 million note by ABS-CBN Hungary. Consequently, ABS-CBN Hungary became the new holding company for ABS-CBN International as of December 31, 2009. The re-organization has no impact on the consolidated financial statements.

e. Acquisition of Sapientis

On October 15, 2010, the Parent Company acquired from PCCI Equities, Inc. all its subscription rights over the 250,000 shares in Sapientis, with a par value of ₱1 per share, for ₱63 thousand.

The purchase price allocation which was determined provisionally in 2010 was finalized in 2011. There was no change in the fair value of identifiable assets and liabilities of Sapientis at acquisition date. The following are the fair values of the identifiable assets and liabilities of Sapientis at acquisition date and the corresponding carrying amounts immediately before the acquisition based on the final purchase price allocation:

	Fair Value Recognized on Acquisition	Carrying Value
Cash	₱845	₱845
Deposits for future stock subscriptions	130,657	130,657
Trade and other payables	(8,640)	(8,640)
Short-term loans	(132,000)	(132,000)
Net assets	(9,138)	(₱9,138)
Goodwill arising on acquisition (see Note 16)	9,201	
Consideration paid by cash	₱63	

Net cash flow on the acquisition are as follows:

Net cash acquired with the subsidiary	₱845
Cash paid	(63)
Net cash inflow	₱782

From acquisition date, Sapientis incurred net loss amounting to ₱2 million. If the combination had taken place at the beginning of 2010, the Company's consolidated net income would have been ₱3,229 million for the year ended December 31, 2010.

f. Acquisition and Assignment of Sky Cable Shares

On September 9, 2010, the Parent Company purchased from Legaspi Capital Holdings Corporation and Beacon Diversified Holdings, Inc. an aggregate of 5,772,869 Sky Cable shares for ₱56 million.

On October 4, 2010, the Parent Company, as the assignee, and Unilink Communications Corporation and The Philippine Home Cable Holdings, Inc., collectively as the assignors, signed deeds of conditional sale for the purchase of an aggregate of 53,251,835 Sky Cable shares for ₱516 million payable in installments.

On December 15, 2010, the Parent Company agreed to sell 59,024,704 Sky Cable shares to Sky Vision for ₱572 million, the same value that ABS-CBN has purchased the said Sky Cable shares.

On January 13, 2011, Lopez, Inc. executed a Contract to Sell with the Parent Company where Lopez, Inc. agreed to sell all its rights to the 8,944,544 Sky Cable shares it beneficially owns for ₱87 million. On March 30, 2011, the Parent Company agreed to sell all these shares to Sky Vision for the same value.

The acquisition and subsequent assignment of Sky Cable shares to Sky Vision had no financial impact to the consolidated financial statements in 2011 and 2010.

g. Sale of Sky Cable PDRs and Issuance of Convertible Note

On February 14, 2011, ABS-CBN, Lopez, Inc, Lopez Holdings, Sky Vision, Sky Cable, STT Communications Ltd. (STTC) and Sampaquita Communications Pte. Ltd. (Sampaquita, a subsidiary of STTC), 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.

For financial reporting purposes, as of March 30, 2011, the effective economic interest of ABS-CBN decreased from 79.3% to 47.1%. Consequently, ABS-CBN derecognized the assets, including the goodwill, and liabilities of Sky Cable and noncontrolling interest in Sky Cable. Gain on the sale of investments amounting to ₱1,147 million (including gain on fair value of retained interest of ₱323 million) was recognized in the 2011 consolidated statement of income (see Note 27).

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 to but not including the last day of such interest period.

The convertible note was accounted for under split accounting. The equity component of the convertible note was recognized as part of noncontrolling interests in the 2011 consolidated financial statements of ABS-CBN.

h. Acquisition of CTI and MTI

On December 29, 2011, the SEC approved the increase in authorized capital stock of CTI to accommodate the subscription of Sapientis. Sapientis aquired 70% interest in CTI through conversion of the deposits into common stock. The acquisition indirectly includes the acquisition of MTI, a 95%-owned subsidiary of CTI.

The Company elected to measure the noncontrolling interests in CTI at the proportionate share of its interest in CTI’s identifiable net assets.

The fair values of the identifiable assets and liabilities of CTI, including MTI, at acquisition date and the corresponding carrying amounts immediately before the acquisition were:

	Fair Value Recognized on Acquisition	Carrying Value
Cash and cash equivalents	₱49,122	₱49,122
Trade and other receivables	12,934	12,934
Inventories	2,324	2,324
Prepaid expenses and other current assets	143,729	143,729
Property and equipment	116,339	116,339
Other noncurrent assets	12,091	12,091
Trade and other current liabilities	(649,889)	(649,889)
Loan payable	(27,418)	(27,418)
Long-term debt	(362,233)	(362,233)
Asset retirement obligation	(1,215)	(1,215)
Deferred tax liability	(31,524)	(31,524)
Net liabilities	(735,740)	(₱735,740)
Noncontrolling interests (30.0% of fair value of net liabilities)	220,722	
Net liabilities acquired	(515,018)	
Goodwill arising on acquisition (see Note 16)	1,037,646	
Consideration paid by cash	₱522,628	

Net cash flow on the acquisition are as follows:

Net cash acquired with the subsidiary	₱49,122
Cash paid	(522,628)
Net cash outflow	(₱473,506)

The purchase price allocation has been determined provisionally pending completion of an independent valuation and as such, is still subject to change. The Company recognized the entire excess of the consideration paid over the provisional values of CTI's identifiable assets and liabilities as goodwill. None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value and gross amount of trade and other receivables amounted to ₱13 million. If the combination had taken place at the beginning of 2011, the Company's consolidated net income and revenue would have been ₱2,334 million and ₱25,050 million, respectively, for the year ended December 31, 2011.

i. Acquisition of Bayantel Wireless Land Line (WLL) Business and Related Assets

On December 7, 2011, the National Telecommunications Commission (NTC) approved the sale and transfer of Bayantel WLL Business and related assets to MTI. Prior to date of NTC's approval, Bayantel obtained the approval of its BOD and Rehabilitation Court to sell the WLL Business to MTI.

On January 27, 2012, Bayantel executed an asset purchase agreement with MTI. The agreement includes the transfer of the related Code Division Multiple Access (CDMA) telecommunications equipment needed to operate the WLL Business. The transfer also includes the required frequencies, licenses, interconnection trunks, subscribers and employees. In addition, MTI assumed the related outstanding liabilities to CDMA telecommunications equipment amounting to ₱866 million. On February 1, 2012, Bayantel successfully transferred all its rights, titles, interests and obligations related to the WLL Business to MTI.

The acquisition of Bayantel WLL Business and related assets will be accounted for as an acquisition of a business. Total purchase consideration amounting to ₱1,066 million will be paid in cash of ₱200 million and through assumption of Bayantel's outstanding liabilities amounting to ₱866 million. As of March 2, 2012, the initial accounting for the business combination is not yet complete.

j. Acquisition of Sky Cable PDRs

On March 31, 2011, Sky Vision agreed to issue 67,969,248 PDRs with underlying Sky Cable shares to ABS-CBN for ₱659 million. For financial reporting purposes, the economic interest of the Company increased from 47.1% to 56.7%.

The acquisition of PDRs with underlying Sky Cable shares is accounted for as a business combination using acquisition method. The Company elected to measure the noncontrolling interest in Sky Cable at the proportionate share of its interest in Sky Cable's identifiable net assets.

The fair values of the identifiable assets and liabilities of Sky Cable at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair Value Recognized on Acquisition	Carrying Value
Cash and cash equivalents	₱779,270	₱779,270
Trade and other receivables	2,047,695	2,047,695
Inventories	15,443	15,443
Other current assets	437,917	437,917
Property and equipment	4,469,987	4,355,649
Customer relationships (see Note 12)	133,148	–
Trademark (see Note 12)	915,568	–
Deferred tax asset	404,789	404,789
Other noncurrent assets	1,071,627	1,071,627
Goodwill	–	1,080,328
Trade and other current liabilities	(2,583,229)	(2,583,229)
Unearned revenue	(190,323)	(190,323)
Long-term debt	(1,440,338)	(1,489,843)
Income tax payable	(46,275)	(46,275)
Accrued pension obligation	(389,699)	(389,699)
Deferred tax liability	(363,768)	–
Other noncurrent liabilities	(328,241)	(328,241)
Net assets	4,933,571	₱5,165,108
Consideration transferred	658,622	
Noncontrolling interests (43.3% of fair value of net assets)	2,134,710	
Fair value of previously held interest	4,606,075	
	7,399,407	
Goodwill arising on acquisition (see Note 16)	₱2,465,836	

Net cash flow on the acquisition are as follows:

Net cash acquired with the subsidiary	₱779,270
Cash paid	(658,622)
Net cash inflow	₱120,648

The fair value and gross amount of trade and other receivables amounted to ₱2,048 million and ₱3,476 million, respectively. Trade and other receivables amounting to ₱1,428 million are doubtful of collection and were provided with full valuation allowance.

From the acquisition date, Sky Cable has contributed ₱132 million to the consolidated net income of the Company.

The goodwill of ₱2,466 million comprises the fair value of expected synergies arising from acquisition.

k. Acquisition of Noncontrolling Interests in Roadrunner

In December 2011, the Parent Company acquired the 1% interest in Roadrunner from the noncontrolling shareholders for ₱3 million. Consequently, Roadrunner became a wholly owned subsidiary of the Parent Company.

5. Segment Information

Segment information is prepared on the following bases:

Business Segments
For management purposes, the Company is organized into three business activities - broadcasting, cable and satellite, and other businesses. This segmentation is the basis upon which the Company reports its primary segment information.

- Broadcasting segment is principally the television and radio broadcasting activities which generates revenue from sale of national and regional advertising time.

- Cable and satellite business primarily develops and produces programs for cable television, including delivery of television programming outside the Philippines through its DTH satellite service, cable television channels and blocked time on television stations. The cable and satellite business includes cable television services of Sky Cable and its subsidiaries in Metro Manila and in certain provincial areas in the Philippines.

- Other businesses include movie production, consumer products and services.

Geographical Segments
Although the Company is organized into three business activities, it operates in three major geographical areas. In the Philippines, its home country, the Company is involved in broadcasting, cable operations and other businesses. In the United States and in other locations (which include Middle East, Europe, Australia, Canada and Japan), the Company operates its cable and satellite operations to bring television programming outside the Philippines.

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.

Management 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 Company's performance is evaluated based on consolidated net income for the year, core net income, earnings before interest, taxes and depreciation and amortization (EBITDA) and EBITDA margin. Net income for the year is measured consistent with consolidated net income attributable to equity holders of the Parent Company in the consolidated financial statements. EBITDA margin pertains to EBITDA divided by gross revenues.

Core net income for the year is measured as consolidated net income attributable to equity holders of the Parent Company before adjustments required under PFRS 3 which relate to the amortization of customer relationships and depreciation and amortization of fair value increase in property and equipment, gain on acquisition and exchange of debt and elimination of interest income pertaining to the accretion of receivable discount, net of related tax effect, arising from the acquisition of Sky Cable.

The following table shows the reconciliation of the core net income to consolidated net income attributable to equity holders of the Parent Company for the years ended December 31, 2011, 2010 and 2009:

	2011	2010	2009
Core net income	**₱2,468,884**	₱3,300,762	₱1,787,646
PFRS 3 adjustments:			
Depreciation and amortization	**(59,896)**	(153,287)	(153,287)
Amortization of customer relationships (see Note 12)	**(9,835)**	(21,186)	(45,836)
Gain on acquisition and exchange of debt	–	–	121,879
Interest income	–	–	(44,540)
Income tax effect	**20,919**	52,342	36,535
Consolidated net income attributable to equity holders of the Parent Company	**₱2,420,072**	₱3,178,631	₱1,702,397

The following table shows the reconciliation of the consolidated EBITDA to consolidated net income attributable to equity holders of the Parent Company for the years ended December 31, 2011, 2010 and 2009:

	2011	2010	2009
Consolidated EBITDA	**₱6,837,846**	₱8,642,520	₱6,513,997
Depreciation and amortization	**(2,588,969)**	(2,575,023)	(2,257,368)
Amortization of intangible assets*	**(1,003,007)**	(872,137)	(1,079,681)
Finance costs**	**(715,430)**	(1,015,757)	(883,787)
Interest income	**177,061**	106,738	93,291
Provision for income tax	**(287,429)**	(1,107,710)	(684,055)
Consolidated net income attributable to equity holders of the Parent Company	**₱2,420,072**	₱3,178,631	₱1,702,397

**Excluding amortization of story, music and publication rights, movie in-process and video rights and record master.*
***Excluding bank service charges.*

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, 2011:

	Broadcasting			Cable and Satellite			Other Businesses			Eliminations			Consolidated		
	2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Revenue															
External sales	**₱16,410,687**	₱20,427,712	₱13,353,621	**₱10,316,852**	₱10,450,113	₱10,130,380	**₱1,472,409**	₱1,413,175	₱1,544,605	**₱–**	₱–	₱–	**₱28,199,948**	₱32,291,000	₱25,028,606
Inter-segment sales	**188,277**	148,525	87,909	**351,668**	334,886	237,908	**1,357,920**	1,520,572	662,680	**(1,897,865)**	(2,003,983)	(988,497)	**–**	–	–
Total revenue	**₱16,598,964**	₱20,576,237	₱13,441,530	**₱10,668,520**	₱10,784,999	₱10,368,288	**₱2,830,329**	₱2,933,747	₱2,207,285	**(₱1,897,865)**	(₱2,003,983)	(₱988,497)	**₱28,199,948**	₱32,291,000	₱25,028,606
Results															
Operating results	**(₱463,199)**	₱3,090,341	₱1,015,023	**₱1,151,147**	₱1,145,993	₱1,109,601	**₱863,660**	₱1,002,235	₱563,040	**(₱131,479)**	(₱505,797)	(₱36,996)	**₱1,420,129**	₱4,732,772	₱2,650,668
Finance costs	**(557,464)**	(967,922)	(746,179)	**(167,780)**	(140,131)	(205,486)	**(5,087)**	(3,777)	(538)	**3,460**	68,981	39,292	**(726,871)**	(1,042,849)	(912,911)
Foreign exchange gains (losses) - net	**(29,086)**	57,877	(13,518)	**62,586**	88,044	55,978	**14,266**	(51,480)	38,232	**(91,274)**	123,790	9,427	**(43,508)**	218,231	90,119
Interest income	**118,111**	154,921	419,618	**57,942**	17,715	43,185	**4,468**	3,083	2,612	**(3,460)**	(68,981)	(372,124)	**177,061**	106,738	93,291
Equity in net earnings (losses) of associates	**(29)**	142	(2,330)	**–**	–	–	**–**	–	–	**–**	–	–	**(29)**	142	(2,330)
Other income - net	**2,081,133**	663,847	777,555	**162,680**	(71,470)	72,649	**220,734**	166,349	151,241	**(496,737)**	(428,839)	(476,841)	**1,967,810**	329,887	524,604
Income tax	**(32,087)**	(911,126)	(437,300)	**(128,809)**	(97,508)	(220,532)	**(126,533)**	(99,076)	(91,165)	**–**	–	64,942	**(287,429)**	(1,107,710)	(684,055)
Net income	**₱1,117,379**	₱2,088,080	₱1,012,869	**₱1,137,766**	₱942,643	₱855,395	**₱971,508**	₱1,017,334	₱663,422	**(₱719,490)**	(₱810,846)	(₱772,300)	**₱2,507,163**	₱3,237,211	₱1,759,386
Core Net Income													**₱2,468,884**	₱3,300,762	₱1,787,646
EBITDA													**₱6,837,846**	₱8,642,520	₱6,513,997
EBITDA Margin													**24%**	27%	26%
Assets and Liabilities															
Operating assets	**₱22,442,259**	₱20,106,664	₱22,202,654	**₱19,860,916**	₱15,287,402	₱15,163,011	**₱5,949,024**	₱4,031,279	₱2,630,990	**(₱4,174,380)**	(₱1,468,999)	(₱5,859,709)	**₱44,077,819**	₱37,956,346	₱34,136,946
Investments in associates - at equity	**15,365,149**	13,505,574	8,808,070	**–**	–	–	**–**	–	–	**(15,324,065)**	(13,464,461)	(8,767,099)	**41,084**	41,113	40,971
Deferred tax assets	**424,373**	347,900	31,071	**183,941**	571,877	567,560	**112,078**	66,466	43,523	**(31,219)**	(24,852)	–	**689,173**	961,391	642,154
Total assets	**₱38,231,781**	₱33,960,138	₱31,041,795	**₱20,044,857**	₱15,859,279	₱15,730,571	**₱6,061,102**	₱4,097,745	₱2,674,513	**(₱19,529,664)**	(₱14,958,312)	(₱14,626,808)	**₱44,808,076**	₱38,958,850	₱34,820,071
Operating liabilities	**₱6,433,355**	₱6,683,814	₱6,559,720	**₱5,139,546**	₱4,829,210	₱5,776,239	**₱2,180,901**	₱1,026,948	₱809,817	**(₱2,231,320)**	(₱1,412,022)	(₱3,955,805)	**₱11,522,482**	₱11,127,950	₱9,189,971
Interest-bearing loans and borrowings	**10,921,712**	7,869,520	7,531,219	**1,521,789**	1,532,982	3,058,823	**–**	132,000	–	**–**	–	(1,820,463)	**12,443,501**	9,534,502	8,769,579
Deferred tax liabilities	**–**	–	–	**402,690**	438,586	490,928	**35,365**	4,095	5,037	**–**	–	16,993	**438,055**	442,681	512,958
Obligations under finance lease	**53,363**	108,211	179,991	**15,017**	–	14,462	**–**	–	–	**–**	–	–	**68,380**	108,211	194,453
Total liabilities	**₱17,408,430**	₱14,661,545	₱14,270,930	**₱7,079,042**	₱6,800,778	₱9,340,452	**₱2,216,266**	₱1,163,043	₱814,854	**(₱2,231,320)**	(₱1,412,022)	(₱5,759,275)	**₱24,472,418**	₱21,213,344	₱18,666,961
Other Segment Information															
Capital expenditures:															
Property and equipment	**₱1,795,418**	₱1,838,587	₱1,128,157	**₱1,624,596**	₱1,235,511	₱1,195,116	**₱119,181**	₱80,248	₱75,193	**₱–**	₱–	₱–	**₱3,539,195**	₱3,154,346	₱2,398,466
Intangible assets	**869,454**	483,593	1,097,815	**1,272,185**	339,589	(100,201)	**232,143**	239,520	154,200	**–**	–	–	**2,373,782**	1,062,702	1,151,814
Depreciation and amortization	**2,219,092**	1,992,112	2,035,466	**1,662,401**	1,470,544	1,225,069	**345,667**	327,037	282,770	**(386,008)**	(194,298)	242	**3,841,152**	3,595,395	3,543,547
Noncash expenses other than depreciation and amortization	**40,517**	136,493	96,460	**220,787**	384,148	199,632	**11,812**	14,609	33,012	**–**	–	–	**273,116**	535,250	329,104

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, 2011:

	Philippines			United States			Others			Eliminations			Consolidated		
	2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009
Revenue															
External sales	**₱23,633,800**	₱26,946,010	₱19,565,045	**₱3,412,628**	₱4,500,629	₱3,365,429	**₱1,153,520**	₱844,361	₱2,098,132	**₱–**	₱–	₱–	**₱28,199,948**	₱32,291,000	₱25,028,606
Inter-segment sales	**1,897,865**	2,003,983	988,497	**–**	–	–	**–**	–	–	**(1,897,865)**	(2,003,983)	(988,497)	**–**	–	–
Total revenue	**₱25,531,665**	₱28,949,993	₱20,553,542	**₱3,412,628**	₱4, 500,629	₱3, 365,429	**₱1,153,520**	₱844,361	₱2,098,132	**(₱1,897,865)**	(₱2,003,983)	(₱988,497)	**₱28,199,948**	₱32,291,000	₱25,028,606
Assets															
Operating assets	**₱42,610,912**	₱33,994,455	₱35,655,234	**₱2,734,800**	₱4,992,548	₱2,766,736	**₱2,906,488**	₱438,342	₱1,574,685	**(₱4,174,381)**	(₱1,468,999)	(₱5,859,709)	**₱44,077,819**	₱37,956,346	₱34,136,946
Investments in associates - at equity	**15,365,149**	13,505,574	8,808,070	**–**	–	–	**–**	–	–	**(15,324,065)**	(13,464,461)	(8,767,099)	**41,084**	41,113	40,971
Deferred tax assets	**622,753**	879,248	532,625	**97,639**	91,469	94,740	**–**	15,526	14,789	**(31,219)**	(24,852)	–	**689,173**	961,391	642,154
Total Assets	**₱58,598,814**	₱48,379,277	₱44,995,929	**₱2,832,439**	₱5,084,017	₱2,861,476	**₱2,906,488**	₱453,868	₱1,589,474	**(₱19,529,665)**	(₱14,958,312)	(₱14,626,808)	**₱44,808,076**	₱38,958,850	₱34,820,071
Other Segment Information															
Capital expenditures:															
Property and equipment	**₱3,334,705**	₱2,891,094	₱2,190,162	**₱91,653**	₱162,358	₱68,767	**₱112,837**	₱100,894	₱139,537	**₱–**	₱–	₱–	**₱3,539,195**	₱3,154,346	₱2,398,466
Intangible assets	**2,373,782**	1,062,702	1,151,814	**–**	–	–	**–**	–	–	**–**	–	–	**2,373,782**	1,062,702	1,151,814

6. Cash and Cash Equivalents

	2011	2010
Cash on hand and in banks	**₱3,531,105**	₱2,869,464
Cash equivalents	**5,103,948**	2,951,870
	₱8,635,053	₱5,821,334

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 Company, and earn interest at the respective short-term placement rates.

Interest earned from cash and cash equivalents amounted to ₱177 million, ₱107 million and ₱93 million in 2011, 2010 and 2009, respectively.

7. Trade and Other Receivables

	2011	2010
Trade:		
Airtime	**₱5,049,461**	₱4,236,682
Subscriptions	**768,248**	882,327
Others	**1,182,149**	1,014,030
Advances to suppliers	**1,103,880**	1,286,293
Advances to employees and talents	**261,834**	224,733
Due from related parties (see Note 22)	**171,328**	31,319
Others	**260,195**	200,750
	8,797,095	7,876,134
Less allowance for doubtful accounts	**668,929**	627,850
	₱8,128,166	₱7,248,284

Trade receivables are noninterest-bearing and are generally on 60 to 90 days term upon receipt of invoice by the customer.

For terms and conditions relating to due from related parties, refer to Note 22.

Other trade receivables are other revenue generated from the sale of goods and services and usually collected within one year.

Advances to employees and talents are usually settled within one year.

Advances to suppliers are generally applied against future billings within next year.

Movements in the allowance for doubtful accounts are as follows:

	Trade				
	Airtime	Subscriptions	Others	Nontrade	Total
Balance at January 1, 2010	₱338,482	₱98,511	₱46,577	₱47,647	₱531,217
Provisions (see Note 26)	323,733	43,913	35,142	17,448	420,236
Write-offs and others	(170,969)	(87,705)	(59,448)	(5,481)	(323,603)
Balance at December 31, 2010	491,246	54,719	22,271	59,614	627,850
Provisions (see Note 26)	38,863	132,199	83,731	154	254,947
Write-offs and others	(4,666)	(128,390)	(82,181)	1,369	(213,868)
Balance at December 31, 2011	**₱525,443**	**₱58,528**	**₱23,821**	**₱61,137**	**₱668,929**

Allowance for doubtful accounts are based on specific and collective assessment by the Company.

Airtime receivables include unbilled airtime arising from advertisements which have been aired during the year but billing or acceptance by the customer has been delayed due to time lag in completing all required documents. Invoicing normally takes around 7 to 30 days from airing.

Subscription receivables include unbilled subscription, where revenue has been accrued based on the rates in the subscription agreements multiplied by the estimated number of subscribers based on the latest report from the cable providers. Billing has been delayed due to 30 to 60 days lag in the submission of actual subscribers report from cable providers.

The aging analysis of the unbilled receivables follows:

	2011	2010
Less than 30 days	**₱780,702**	₱631,401
31 to 60 days	**2,479**	14,824
61 to 90 days	**29,342**	39,183
	₱812,523	₱685,408

8. Inventories

	2011	2010
At net realizable value:		
Merchandise inventory	**₱90,405**	₱119,659
Materials, supplies and spare parts	**43,769**	32,323
At cost -		
Office supplies	**693**	545
	₱134,867	₱152,527

Merchandise inventory consists mainly of records and other consumer products held for sale by other subsidiaries. Materials, supplies and spare parts comprise materials and supplies of the Parent Company and cable, construction and installation supplies of Sky Cable. The cost of inventories carried at net realizable value amounted to ₱260 million and ₱297 million as of December 31, 2011 and 2010, respectively.

9. Other Current Assets

	2011	2010
Creditable withholding and prepaid taxes	**₱463,656**	₱171,966
Preproduction expenses	**323,492**	257,249
Prepaid expenses and others	**228,899**	160,037
	₱1,016,047	₱589,252

Prepaid expenses include prepayments for rentals, transponder services, license fees, membership dues, advertisement and other expenses.

10. **Property and Equipment**

	2011					
	Land and Land Improvements	**Buildings and Improvements**	**Television, Radio, Movie, and Auxiliary Equipment**	**Other Equipment**	**Construction in Progress**	**Total**
Cost						
Balance at beginning of year	**₱505,611**	**₱10,298,092**	**₱13,622,658**	**₱6,238,789**	**₱490,370**	**₱31,155,520**
Additions	**41,312**	**112,218**	**1,936,472**	**919,271**	**529,922**	**3,539,195**
Effect of business combination (see Note 4)	–	**207,772**	–	**1,414,017**	–	**1,621,789**
Disposals/retirements	**(1,233)**	**(86,123)**	**(1,649,933)**	**(87,688)**	–	**(1,824,977)**
Reclassifications	**87,450**	**57,753**	**(57,689)**	**266,567**	**(354,081)**	–
Translation adjustments	–	**(1,106)**	**(6,108)**	**(3,248)**	**(5,446)**	**(15,908)**
Balance at end of year	**633,140**	**10,588,606**	**13,845,400**	**8,747,708**	**660,765**	**34,475,619**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**4,066**	**4,012,738**	**7,855,073**	**4,088,350**	–	**15,960,227**
Depreciation and amortization (see Notes 24, 25 and 26)	**3,391**	**467,704**	**1,351,320**	**765,451**	–	**2,587,866**
Effect of business combination (see Note 4)	–	**206,486**	–	**1,298,964**	–	**1,505,450**
Disposals/retirements	–	**(64,665)**	**(689,825)**	**(96,344)**	–	**(850,834)**
Reclassifications	–	**(783)**	**(92,865)**	**93,648**	–	–
Translation adjustments	**785**	**6,584**	**1,800**	**21,626**	–	**30,795**
Balance at end of year	**8,242**	**4,628,064**	**8,425,503**	**6,171,695**	–	**19,233,504**
Net Book Value	**₱624,898**	**₱5,960,542**	**₱5,419,897**	**₱2,576,013**	**₱660,765**	**₱15,242,115**

	2010					
	Land and Land Improvements	Buildings and Improvements	Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱494,702	₱10,175,525	₱12,563,998	₱5,201,757	₱296,676	₱28,732,658
Additions	10,909	244,246	1,414,730	1,105,782	378,679	3,154,346
Disposals/retirements	–	(162,200)	(270,749)	(240,822)	–	(673,771)
Reclassifications	–	48,404	(38,745)	174,224	(183,883)	–
Translation adjustments	–	(7,883)	(46,576)	(2,152)	(1,102)	(57,713)
	505,611	10,298,092	13,622,658	6,238,789	490,370	31,155,520
Accumulated Depreciation and Amortization						
Balance at beginning of year	3,884	3,585,897	6,993,865	3,434,592	–	14,018,238
Depreciation and amortization (see Notes 24, 25 and 26)	182	527,213	1,253,298	793,182	–	2,573,875
Disposals/retirements	–	(95,140)	(266,959)	(214,558)	–	(576,657)
Reclassifications	–	20	(76,986)	76,966	–	–
Translation adjustments	–	(5,252)	(48,145)	(1,832)	–	(55,229)
Balance at end of year	4,066	4,012,738	7,855,073	4,088,350	–	15,960,227
Net Book Value	₱501,545	₱6,285,354	₱5,767,585	₱2,150,439	₱490,370	₱15,195,293

Certain property and equipment of Sky Cable and PCC with a carrying value of ₱492 million as of December 31, 2009 were pledged as collateral to secure the long-term debt of Sky Cable and PCC. On October 26, 2010, the loans were fully paid. As of March 2, 2012, the release of security interest on the pledged properties is still in process (see Note 18).

Certain property and equipment with cost amounting to ₱13,547 million and ₱10,979 million as of December 31, 2011 and 2010, respectively, were fully depreciated but are still being used by the Company.

Unamortized borrowing costs capitalized as part of property and equipment amounted to ₱802 million and ₱834 million as of December 31, 2011 and 2010, respectively. There were no borrowing costs capitalized in 2011 and 2010.

Property and equipment includes the following amounts where the Company is a lessee under a finance lease (see Note 30):

	2011	2010
Cost - capitalized finance lease	**₱531,761**	₱597,885
Accumulated depreciation	**(494,160)**	(512,734)
Net book value	**₱37,601**	₱85,151

11. **Investment Properties**

This account pertains to a parcel of land purchased by ABS-CBN International, with a two-storey house constructed thereon, located in Redwood City, California, USA. The real property which was acquired in July 2008 at a purchase price of US$1.4 million (₱67 million) was intended to be held by ABS-CBN International as investment properties. To fund the acquisition, ABS-CBN International obtained loan from Citibank, North America amounting to US$1.05 million (₱50 million) for which the property was pledged as collateral (see Note 18).

Cost and related accumulated depreciation of investment properties are as follows:

		2011	
	Land	**Building**	**Total**
Cost -			
Balance at beginning and end of year	**₱30,688**	**₱30,688**	**₱61,376**
Accumulated depreciation:			
Balance at beginning of year	–	**2,464**	**2,464**
Depreciation (see Note 26)	–	**1,103**	**1,103**
Translation adjustments	–	**13**	**13**
Balance at end of year	–	**3,580**	**3,580**
Net book value	**₱30,688**	**₱27,108**	**₱57,796**

		2010	
	Land	Building	Total
Cost:			
Balance at beginning of year	₱32,340	₱32,340	₱64,680
Translation adjustments	(1,652)	(1,652)	(3,304)
Balance at end of year	30,688	30,688	61,376
Accumulated depreciation:			
Balance at beginning of year	–	1,421	1,421
Depreciation (see Note 26)	–	1,148	1,148
Translation adjustments	–	(105)	(105)
Balance at end of year	–	2,464	2,464
Net book value	₱30,688	₱28,224	₱58,912

As of December 31, 2011, the fair market value of land and building, which is based on market price of similar properties within the area, amounted to ₱59 million.

Rental income derived from the investment properties amounted to ₱2 million in 2011, 2010 and 2009. Direct operating expenses, which consist mainly of depreciation, amounted to ₱1 million in 2011, 2010 and 2009.

12. **Program Rights and Other Intangible Assets**

	2011								
	Program Rights	**Story, Music and Publication Rights**	**Movie In-Process**	**Video Rights and Record Master**	**Customer Relationships**	**Trademark**	**Cable Channels - CPI**	**Production and Distribution Business - Middle East**	**Total**
Balance at beginning of year	**₱2,375,958**	**₱7,369**	**₱97,621**	**₱9,250**	**₱471,391**	**₱–**	**₱459,968**	**₱89,359**	**₱3,510,916**
Additions	**1,077,572**	**1,372**	**214,452**	**31,670**	**–**	**–**	**–**	**–**	**1,325,066**
Effect of business combination (see Note 4)	**–**	**–**	**–**	**–**	**133,148**	**915,568**	**–**	**–**	**1,048,716**
Amortization and write-off (see Notes 24, 25 and 26)	**(990,111)**	**(2,711)**	**(240,613)**	**(5,852)**	**(9,835)**	**–**	**–**	**(3,061)**	**(1,252,183)**
Disposals	**–**	**–**	**–**	**–**	**(466,095)**	**–**	**–**	**–**	**(466,095)**
Translation adjustments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,160**	**6,160**
Balance at end of year	**2,463,419**	**6,030**	**71,460**	**35,068**	**128,609**	**915,568**	**459,968**	**92,458**	**4,172,580**
Less current portion	**481,051**	**79**	**60,501**	**35,068**	**–**	**–**	**–**	**–**	**576,699**
Noncurrent portion	**₱1,982,368**	**₱5,951**	**₱10,959**	**₱–**	**₱128,609**	**₱915,568**	**₱459,968**	**₱92,458**	**₱3,595,881**

	2010								
	Program Rights	Story, Music and Publication Rights	Movie In-Process	Video Rights and Record Master	Customer Relationships	Trademark	Cable Channels - CPI	Production and Distribution Business - Middle East	Total
Balance at beginning of year	₱2,377,015	₱7,492	₱35,313	₱1,336	₱492,577	₱–	₱459,968	₱99,830	₱3,473,531
Additions	844,368	101	205,882	12,351	–	–	–	–	1,062,702
Amortization and write-off (see Notes 24, 25 and 26)	(845,425)	(224)	(143,574)	(4,437)	(21,186)	–	–	(5,526)	(1,020,372)
Translation adjustments	–	–	–	–	–	–	–	(4,945)	(4,945)
Balance at end of year	2,375,958	7,369	97,621	9,250	471,391	–	459,968	89,359	3,510,916
Less current portion	664,667	7,369	89,207	9,250	–	–	–	–	770,493
Noncurrent portion	₱1,711,291	₱–	₱8,414	₱–	₱471,391	₱–	₱459,968	₱89,359	₱2,740,423

Costs and related accumulated amortization of other intangible assets are as follows:

	2011				2010			
	Customer Relationships	**Cable Channels - CPI**	**Production and Distribution Business - Middle East**	**Total**	Customer Relationships	Cable Channels - CPI	Production and Distribution Business - Middle East	Total
Cost	**₱133,148**	**₱574,960**	**₱212,358**	**₱920,466**	₱607,166	₱574,960	₱212,358	₱1,394,484
Accumulated amortization	**(4,539)**	**(114,992)**	**(119,900)**	**(239,431)**	(135,775)	(114,992)	(122,999)	(373,766)
Net book value	**₱128,609**	**₱459,968**	**₱92,458**	**₱681,035**	₱471,391	₱459,968	₱89,359	₱1,020,718

The customer relationships acquired in a business combination relate to the core subscribers of Sky Cable postpaid, prepaid and platinum, broadband and other Sky Cable's subsidiaries at conversion date who have sustained their relationship with Sky Cable and subsidiaries for more than a year (see Note 4).

The cable channels include Lifestyle Channel, Cinema One, and Myx Channel acquired by CPI from Sky Vision. Based on the Company's analysis of all the relevant factors, there is no foreseeable limit to the period over which this business is expected to generate net cash inflows for the Company and therefore, these were assessed to have an indefinite life. As such, yearly amortization has been discontinued in 2001. The carrying amount is net of previously recognized amortization amounting to ₱115 million. As of December 31, 2011 and 2010, cable channels were tested for impairment.

Production and distribution business for Middle East operations represents payments arising from the sponsorship agreement between Arab Digital Distribution (ADD) and ABS-CBN Middle East. This agreement grants the Company the right to operate in the Middle East with ADD as sponsor for a period of 25 years.

Trademark pertains to Sky Cable distinctive sign to promote and distinguish its products and services from those of other entities. Based on the Company's analysis of all the relevant factors, there is no foreseeable limit to the period over which the business is expected to generate net cash inflows for the Company and therefore, this was assessed to have an indefinite life. As of December 31, 2011, trademark was tested for impairment.

13. **Available-for-Sale Investments**

	2011	2010
Balance at beginning of year	**₱265,066**	₱414,276
Additions	**21,993**	25,000
Disposals	**(31,985)**	(130,918)
Unrealized fair value gain on AFS investments	**9,818**	11,762
Impairment loss (see Note 27)	**–**	(53,868)
Translation adjustments and others	**–**	(1,186)
Balance at end of year	**₱264,892**	₱265,066

AFS investments consist mainly of investments in quoted and unquoted ordinary shares.

The fair value gain on AFS investments amounting to ₱10 million, ₱12 million and ₱74 million in 2011, 2010 and 2009, respectively, were recognized in other comprehensive income.

On November 12, 2008, ABS-CBN Global, a subsidiary, purchased a total of 2,524,488 shares of Series P common stock of Multiply, Inc. (Multiply), a Delaware, US corporation engaged in independent social networking site, equivalent to 5% equity interest. ABS-CBN Global purchased the investment at US$1.98 per share for an aggregate purchase price of US$5 million. The Stock Purchase Agreement provides that during the two-year period immediately following the Initial Closing date, Multiply may issue additional 1,964,051 shares of Series P common stock at the same price per share as the original purchase for an aggregate purchase price of up to US$4 million, in exchange for in-kind contributions of marketing and advertising supplied by ABS-CBN Global, intended to be used to acquire new users of Multiply's services.

On August 29, 2010, ABS-CBN Global sold 1,390,993 shares of Series P common stock comprising approximately 3.25% of the outstanding shares of Multiply. The remaining equity of ABS-CBN Global in Multiply is 2.64%.

14. **Investments in Associates**

The following are the associates of the Company as of December 31, 2011 and 2010:

Entity	Principal Activities	Percentage of Ownership
Amcara Broadcasting Network, Incorporated (Amcara)	Services	49.0
Star Cinema Productions, Inc. (Star Cinema)	Movie production	45.0
Sky Vision	Investment holding	18.8

Details of the account are as follows:

	2011	2010
Acquisition costs:		
Balance at beginning and end of year	**₱541,292**	₱541,292
Addition	**20,236**	–
Balance at end of year	**561,528**	541,292
Accumulated equity in net losses:		
Balance at beginning of year	**(500,179)**	(500,321)
Dividends	**(20,236)**	–
Equity in net earnings (losses) during the year	**(29)**	142
Balance at end of year	**(520,444)**	(500,179)
	₱41,084	₱41,113

All the associates are incorporated in the Philippines.

In 2011, the BOD of Amcara approved the declaration of cash dividends to all stockholders of record as of June 15, 2011. The Parent Company's dividends were subsequently applied as payment for the additional investment in Amcara.

As of December 31, 2011 and 2010, the remaining carrying value of investments in associates pertains to Amcara. Investments in Star Cinema and Sky Vision have been reduced to zero due to accumulated equity in net losses.

Condensed financial information of the associates follows:

	2011	2010
Current assets	**₱14,726**	₱11,865
Noncurrent assets	**7,311,348**	444,659
Current liabilities	**(66,892)**	(61,333)
Noncurrent liabilities	**(7,084,197)**	(228,134)
Net equity	**₱174,985**	₱167,057
Revenue	**₱39,937**	₱30,614
Cost and expenses	**(32,009)**	(30,960)
Net income (loss)	**₱7,928**	(₱346)

15. **Other Noncurrent Assets**

	2011	2010
Tax credits with TCCs - net	**₱2,207,661**	₱2,354,332
Deposits and bonds	**204,400**	130,906
Deferred charges	**119,572**	232,027
Others	**145,174**	253,665
	₱2,676,807	₱2,970,930

Tax Credits
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 10 years until 2021.

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.

Deferred charges pertain to excess of cost over revenue from installation of decoders and set-top boxes. Amortization of deferred charges amounted to ₱56 million, ₱53 million and ₱47 million in 2011, 2010 and 2009, respectively (see Note 25).

16. Goodwill

Analysis of movement in goodwill follows:

	2011	2010
Cost:		
Balance at beginning of year	**₱2,166,397**	₱2,157,196
Effect of business combination (see Note 4)	**3,503,482**	9,201
Disposal (see Note 4)	**(1,886,150)**	–
Translation adjustment	**(11,668)**	–
Balance at end of year	**3,772,061**	2,166,397
Accumulated impairment loss -		
Balance at beginning and end of year	**(22,565)**	(22,565)
	₱3,749,496	₱2,143,832

Goodwill arose from the following acquisitions and business combination:

	2011	2010
Sky Cable (see Note 4)	**₱2,465,836**	₱1,327,696
CTI (see Note 4)	**1,037,646**	–
ABS-CBN International	**216,752**	228,420
ABS-CBN Interactive	**13,389**	13,389
Sapientis	**9,201**	9,201
ABS-CBN Multimedia	**6,672**	6,672
PCC	–	558,454
	₱3,749,496	₱2,143,832

Goodwill pertaining to investment in Roadrunner amounting to ₱23 million was fully provided with an allowance for impairment loss.

17. **Trade and Other Payables**

	2011	2010
Trade	**₱1,158,343**	₱1,776,889
Accrued expenses:		
Production costs and other expenses	**3,164,157**	2,690,865
Salaries and other employee benefits	**1,361,094**	1,844,920
Taxes	**632,141**	746,184
Interest	**221,015**	133,086
Deferred revenue	**1,283,434**	1,125,270
Installment payable	**362,233**	–
Due to related parties (see Notes 4 and 22)	**339,345**	727,708
Dividend payable	**163,338**	68,018
Others	**393,064**	190,524
	₱9,078,164	₱9,303,464

Trade payables are noninterest-bearing and are normally settled on 30 to 90-day term. For terms and conditions relating to due to related parties, refer to Note 22.

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 shows.

Accrual for salaries and other employee benefits includes accrual for the Company's retention program. The Company allocated specified number of notional shares for selected key employees. This will be paid in full after the holding period of 5 or 6 years from date of grant which is January 1, 2011.

Deferred revenue pertains to payments received before broadcast and subscription fees billed or received in advance.

Installment payable relates to a contract entered into by MTI in 2004 with a supplier for the purchase of certain equipment amounting to $12 million which bears interest of 5% per annum. In December 2008, MTI signed a restructuring agreement with the supplier which stipulates payment of the outstanding balance over a period of 36 months. The contract stipulates the existence of supplier's lien over the purchased equipment and that this shall remain in force until such time that MTI has paid up to 40% of the contract price. As of December 31, 2011, MTI has only paid 31% of the contract price. Outstanding balance as of December 31, 2011 amounted to ₱362 million (US$8 million). Accrued interest amounted to ₱122 million as of December 31, 2011.

Other current liabilities include statutory liabilities which are payable within the next financial year.

18. Interest-bearing Loans and Borrowings

	2011			2010		
Borrower	**Current Portion**	**Long-term Portion**	**Total**	Current Portion	Long-term Portion	Total
Parent Company	**₱529,391**	**₱10,445,684**	**₱10,975,075**	₱531,259	₱7,446,472	₱7,977,731
Sky Cable	**12,193**	**984,345**	**996,538**	10,000	980,284	990,284
PCC	**120,000**	**378,500**	**498,500**	1,000	498,500	499,500
ABS-CBN International	**1,517**	**40,251**	**41,768**	1,432	41,766	43,198
Sapientis	**–**	**–**	**–**	132,000	–	132,000
	₱663,101	**₱11,848,780**	**₱12,511,881**	₱675,691	₱8,967,022	₱9,642,713

Parent Company

The details of interest-bearing loans and borrowings of the Parent Company are as follows:

	2011			2010		
	Current Portion	**Long-term Portion**	**Total**	Current Portion	Long-term Portion	Total
Bank loans	**₱400,000**	**₱–**	**₱400,000**	₱400,000	₱–	₱400,000
Term loans:						
Loan agreement	**87,698**	**9,731,649**	**9,819,347**	57,326	6,756,288	6,813,614
Syndicated loans	**–**	**702,364**	**702,364**	–	655,906	655,906
Obligations under finance lease (see Note 30)	**41,693**	**11,671**	**53,364**	73,933	34,278	108,211
	₱529,391	**₱10,445,684**	**₱10,975,075**	₱531,259	₱7,446,472	₱7,977,731

Bank Loans. This represents unsecured peso-denominated loans obtained from local banks which bear an average annual interest rates of 3.5% in 2011 and 2010.

Loan Agreement. On October 29, 2010, the Parent Company successfully signed a syndicated loan for ₱ 10 billion with Allied Banking Corporation, Allied Savings Bank, Banco de Oro Unibank, Inc., Banco de Oro Unibank, Inc. - Trust and Investment Group, Bank of the Philippine Islands, Insular Life Assurance Company Ltd., Philippine National Bank, PNB Life Insurance, Inc., Security Bank Corporation (collectively, the "Lenders"), Bank of the Philippine Islands (BPI) Capital Corporation (the "Lead Arranger"), BDO Capital & Investment Corporation and Security Bank Corporation (collectively, the "Arrangers") and PNB Capital & Investment Corporation and Insular Life Assurance Company Ltd. (collectively the "Co-Arranger"). Bank of the Philippine Islands - Asset Management and Trust Group shall serve as the loan's facility agent. The loan is intended 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. The loan is payable annually with a lump sum payment of the remaining balance on November 9, 2017. The loan is pre-payable subject to a break cost.

The loan agreement 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 Parent Company's capital stock or some of its subsidiaries, the selling or exchange of assets, the creation of liens and the effecting of mergers. As of December 31, 2011, the Parent Company is in compliance with the provisions of this facility.

On November 9, 2010, the Parent Company availed the amount of ₱6,906 million from the Loan Agreement 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 Parent Company availed the remaining amount of ₱3,094 million from the Loan Agreement for working capital purposes.

Term Loans under the SCA. On June 18, 2004, the Parent Company entered into an SCA with several foreign and local banks (Original Lenders) for a US$120 million dual currency syndicated term loan facility for the purpose of refinancing existing indebtedness incurred for the construction of the Eugenio Lopez, Jr. Communications Center, additional investment in the cable television business and funding capital expenditures and working capital requirements. The SCA is classified into three groups namely:

- Tranche A, a floating rate facility (3.5% + LIBOR) amounting to US$62 million;
- Tranche B, a floating rate facility (3.5% + MART1 T-bill) amounting to ₱2,688 million; and
- Tranche C, a fixed rate facility (3.5% + FXTN) amounting to ₱560 million.

On November 9, 2010, the Parent Company prepaid all outstanding obligations under the SCA facility from the proceeds of ₱6,906 million loan availed under the Loan Agreement.

Term Loan Facility with BDO. On December 13, 2007, the Parent Company together with BDO, signed a ₱1,350 million secured facility to refinance the entire Tranche A of the SCA facility equivalent to US$31 million. The refinancing effectively extended the maturity from June 2009 to December 2012 with an interest rate of 3-month PDSTF plus 2.15%.

On November 9, 2010, the Parent Company prepaid all outstanding obligations under the BDO facility from the proceeds of ₱6,906 million loan availed under the Loan Agreement.

Syndicated Loans for Sky Cable Debt. In the invitation dated July 27, 2007, ABS-CBN invited holders of outstanding loan obligations of Sky Cable evidenced by promissory notes issued under the Facility Agreement dated July 2, 2004 among Sky Vision, Sky Cable, Philippine Home Cable Holdings, Inc. ("Home Cable") and certain institutions and Equitable PCI Bank - Trust Banking ("Sky Cable Debt") to offer to:

i. sell their Sky Cable Debt to ABS-CBN for up to 70% of the principal amount of the Sky Cable Debt ("Cash Offer"); or

ii. exchange their Sky Cable Debt for notes at up to 100% of the principal amount of the Sky Cable Debt to be exchanged ("Exchange Offer").

Holders of ₱944 million Sky Cable Debt opted for the Cash Offer while holders of ₱854 million opted for the Exchange Offer. The total loans acquired by ABS-CBN amounted to ₱1,798 million or 66% of Sky Cable total outstanding debt of ₱2,800 million. Thus, ABS-CBN became Sky Cable's majority creditor.

Cash Offer. On September 20, 2007, ABS-CBN settled the ₱944 million Sky Cable loans in the amount of ₱662 million. To finance the settlement of the loans, ABS-CBN signed a syndicated loan for ₱800 million with ING Bank N.V. and Mizuho Corporate Bank, Ltd., Manila Branch with Mizuho Corporate Bank, Ltd., Manila Branch acting as the facility agent. The loan is unsecured and unsubordinated with interest rate of 3-month PHIBOR plus 2.75% per annum with final maturity on September 20, 2012. The total amount of money withdrawn is ₱662 million.

On November 9, 2010, the Parent Company prepaid all outstanding obligations under the ₱800 million syndicated loan facility from the proceeds of ₱6,906 million loan availed under the Loan Agreement.

Exchange Offer. On September 18, 2007, ABS-CBN successfully signed a syndicated loan for ₱854 million with the previous lenders of Sky Cable, namely, United Coconut Planters Bank, BPI, Mega International Commercial Bank Co., Ltd., Olga Vendivel and Wise Capital Investment & Trust Company, Inc., with BDO - EPCI, Inc. acting as the facility agent. The loan is unsecured and unsubordinated with a fixed coupon of 2.11% with final maturity on September 18, 2014.

The ₱854 million syndicated loan facility contain provisions regarding the maintenance of certain financial ratios and limiting, among others, the incurrence of additional debt, 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, creation of liens and effecting mergers. As of December 31, 2011 and 2010, the Company is in compliance with the provisions of the ₱854 million syndicated loan facility.

The Parent Company's obligation under these facilities is jointly and severally guaranteed by its principal subsidiaries.

Debt discount which represents the difference between the nominal value and fair value of the debt issued related to the Exchange Offer amounted to ₱298 million.

On February 21, 2008, ABS-CBN and the remaining third party creditors of Sky Cable approved the 2nd amendment of the Sky Cable Debt under a Facility Agreement. The amendment included the rescheduling of the principal amortization to commence in December 2011 with final maturity in September 2016.

Term Loan Facility with Security Bank. On August 15, 2008, the Parent Company successfully signed a ₱1 billion loan facility with Security Bank jointly arranged by BPI Capital Corp. and SB Capital Investment Corp. This was fully drawn on August 27, 2008. The funds are used for capital expenditure and general corporate purposes. The loan is unsecured, unsubordinated and guaranteed by certain assets of the Company's subsidiaries. The interest rate on the loan is 3-month PDST-F plus 2.15% per annum with final maturity of August 27, 2013.

Term Loan Facility with BPI. On September 30, 2008, the Parent Company successfully signed a ₱2 billion loan facility with BPI Asset Management and Trust Group as Investment Manager for ALFM Peso Bond Fund, Inc., BPI Asset Management and Trust Group as Trustee for various Trust Accounts, The Philippine American Life and General Insurance Company and The Insular Life Assurance Company, Ltd., as Fixed Loan Lenders and Allied Banking Corporation and Allied Savings Bank as Variable Loan Lenders. This was jointly arranged by BPI Capital Corp and SB Capital Investment Corp. The funds are used for capital expenditures and general corporate purposes. The loan facility is unsecured and unsubordinated and guaranteed by certain Company's subsidiaries.

On October 30, 2008, the Parent Company availed ₱1 billion from the Fixed Loan Lenders with fixed loan interest rate of 7-year PDST-F plus 1.5% per annum and final maturity of October 30, 2015.

On September 30, 2008, the Parent Company signed the Combined Facility Agreement with Security Bank Corporation, lender of the facility agreement executed on August 15, 2008, BPI Asset Management and Trust Group as Investment Manager for ALFM Peso Bond Fund, Inc., BPI Asset Management and Trust Group as Trustee for various Trust Accounts, The Philippine American Life and General Insurance Company and The Insular Life Assurance Company, Ltd., as Fixed Loan Lenders and Allied Banking Corporation and Allied Savings Bank as Variable Loan Lenders, all lenders of the facility agreement executed on September 30, 2008, together with BPI Capital Corp and SB Capital Investment Corp acting as joint arrangers of both facilities. The agreement shall combine both loan facilities in all material respects to be administered by BPI Asset Management and Trust Group acting as facility agent.

On January 5, 2009, the Parent Company availed ₱400 million from the Variable Loan Lenders with a variable loan interest rate of 3-month PDSTF plus 2.15% with a final maturity on January 5, 2014.

The Combined Facility Agreement contain provisions regarding the maintenance of certain financial ratios and limiting, among others, the incurrence of additional debt, the payment of dividends, making investments, the issuing or selling of the Parent Company's capital stock or some of its subsidiaries, the selling or exchange of assets, creation of liens and effecting mergers. The Parent Company is in compliance with the provisions of the Combined Facility Agreement until it was paid on November 9, 2010.

Schedule of Maturities and Repayments. Repayments of long-term debt based on nominal values are scheduled as follows:

	Loan Agreement	Syndicated Loans	Total
2012	₱100,000	₱–	₱100,000
2013	100,000	–	100,000
2014	100,000	854,207	954,207
2015	100,000	–	100,000
2016–2017	9,500,000	–	9,500,000
	₱9,900,000	₱854,207	₱10,754,207

Details of unamortized debt issue cost, presented as a deduction from the Company's long-term debt, as of December 31 are as follows:

	2011	2010
Debt discount	**₱138,339**	₱181,252
Transaction costs	**94,157**	109,436
	₱232,496	₱290,688

Debt issue costs are amortized over the term of the loans using the effective interest method as follows:

	Loan Agreement	Syndicated Loans	Debt Discount	Total
2012	₱12,302	₱4,252	₱47,010	₱63,564
2013	12,835	5,037	51,221	69,093
2014	13,435	4,215	40,108	57,758
2015	14,072	–	–	14,072
2016–2017	28,009	–	–	28,009
	₱80,653	₱13,504	₱138,339	₱232,496

Amortization of debt issue costs are as follows (see Note 27):

	2011	2010	2009
Debt discount (charged to interest expense)	**₱42,913**	₱39,386	₱35,963
Transaction costs	**15,279**	98,398	30,170
	₱58,192	₱137,784	₱66,133

The 2010 amortization includes unamortized transaction costs of ₱63 million as of prepayment date of the debt facilities, namely, the SCA facility, the BDO facility, the ₱800 million Syndicated Loan facility and the Combined Facility Agreement. These should have been amortized until the final maturity of the respective debt facilities had it not been prepaid in November 2010.

Sky Cable

Under the Debt Restructuring Agreement (DRA) dated July 2, 2004, the restructured loans, which bear interest equal to the 90-day MART1 rate or the 91-day treasury bill rate in the absence of MART1, plus 1%, is payable in seven years inclusive of a two-year grace period, in 20 unequal consecutive quarterly amortizations commencing on September 30, 2006.

On February 21, 2008, ABS-CBN and the remaining third party creditors of Sky Cable approved the 2nd amendment to the Facility Agreement. The amendment includes the rescheduling of the principal amortizations to commence in December 2011 with final maturity in September 2016.

The agreement provided for certain requirements and restrictions with respect to, among others, the maintenance of certain financial ratios, capital expenditures and business acquisition outside the business plan, incurrence of additional debt, declaration of cash dividends, amendments of its Articles of Incorporation or By-laws, reorganization, undertaking a quasi reorganization, reducing its capital or change its fiscal year. In 2009, Sky Cable was unable to comply with the debt service coverage ratio, which is one of the financial ratios required by its creditors in the agreement. However, in December 2009, Sky Cable was able to secure a waiver of this ratio from the majority of its creditors as required by the agreement.

The terms of the collateral trust indenture covering a portion of Sky Vision and Sky Cable's loans provide that Sky Cable shall at all times maintain the required collateral value, which consists of various property and equipment sufficient to cover at least 100% of the total outstanding amount of the loan (see Note 10).

The loans were fully paid on October 26, 2010.

Fixed Rate Corporate Notes Facility Agreement. On October 26, 2010, Sky Cable availed a ₱1 billion syndicated loan from BDO, Union Bank of the Philippines and Robinsons Bank. The loan is intended to refinance the loan under the DRA.

The loan is unsecured and unsubordinated with interest at 5-year PDST-F plus 1% per annum. The loan is amortizing with a final maturity of October 26, 2017. It has an interest rate step up feature in case the loan is extended for another 2 years.

The agreement also requires a certain restrictions with respects to the maintenance of financial ratios. As of December 31, 2011, Sky Cable is in compliance with the provisions of this facility.

The schedule of debt repayment based on the Facility Agreement is as follows:

Year	Amount
2012	₱10,000
2013	10,000
2014	10,000
2015	10,000
2016 and onwards	950,000
	₱990,000

Unamortized debt issue cost, presented as a deduction from the Company's long-term debt amounted to ₱8 million and ₱10 million as of December 31, 2011 and 2010, respectively.

Debt issue costs are amortized over the term of the loan using the effective interest method as follows:

Year	Amount
2012	₱1,303
2013	1,352
2014	1,419
2015	1,490
2016 and onwards	2,915
	₱8,479

In addition, Sky Cable has obligation under finance lease amounting to ₱15 million (see Note 30).

PCC

On April 7, 2009, PCC acquired a term loan from BDO, in which half of the loan bears a MART1 rate plus 2.5% and the other half bears fixed rate of 8.5%. Both are payable in installments commencing on April 16, 2010.

Effective January 1, 2011, both loans bears an interest based on higher of 3-month PDST-F plus 1% spread or Banko Sentral ng Pilipinas overnight rate less 15 basis points.

The loan is supported by deed of pledge of Sky Cable's shares of stocks in PCC and Continuing Suretyship Agreement executed by Sky Vision.

The schedule of payment of the loan is as follows:

Year	Amount
2012	₱120,000
2013	200,000
2014	178,500
	₱498,500

ABS-CBN International

On August 19, 2008, ABS-CBN International availed of a loan from Citibank, North America amounting to US$1 million (₱50 million). The loan has a term of 20 years and can be prepaid starting on the 15th year.

The investment property acquired for which the loan was availed was pledged as collateral. The investment property is a residential home located in 1073 Rockport Avenue, Redwood City, California (see Note 11).

The schedule of debt repayment is as follows:

Year	Amount
2012	₱1,517
2013	1,607
2014	1,701
2015	1,802
2016–2028	35,141
	₱41,768

Sapientis

The short-term loans, which are peso-denominated, amounting to ₱132 million were obtained from PCCI and other financial institutions for investment purposes. The loans bear an annual interest rate of 6.25% in 2010.

On May 25, 2011, the ₱132 million short-term loan was repaid.

19. 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 semiannually installments over a period of one to two 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. Unamortized discounts amounted to ₱2 million and ₱5 million as of December 31, 2011 and 2010, respectively.

20. Other Noncurrent Liabilities

	2011	2010
Customers' deposits	**₱207,849**	₱261,109
Installment payable	**67,198**	–
Deferred credits	**43,058**	30,812
Asset retirement obligation (see Note 4)	**1,215**	–
Due to a related party (see Notes 4 and 22)	**–**	92,400
Others	**148,810**	1,267
	₱468,130	₱385,588

Customers' deposits relate to Sky Cable's subscription agreements with customers. Customers' deposits are initially recognized at fair value. The discount is recognized as deferred credits and amortized over the estimated remaining term of the deposit as other income. Customers' deposits are refunded to the customers upon termination of service.

Installment payable represents payables to suppliers for the importation and purchase of set-top boxes and decoders which are deferred over 36-month payment term.

In 2010, ABS-CBN International reversed the asset retirement obligation associated with the leased land which was acquired by ABS-CBN International during the year. Asset retirement obligation in 2011 pertains to MTI as a result of the business combination (see Note 4).

21. **Equity**

Capital Stock
Details of authorized and issued capital stock as of December 31, 2011, 2010 and 2009 are as follows:

	Number of Shares	Amount
Authorized -		
Common shares - ₱1 par value	1,500,000,000	₱1,500,000
Issued -		
Common shares	779,583,312	₱779,583

Below are 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

**Included in the 111,327,200 shares existing at the time of the IPO*

The Parent Company's total number of stockholders is 6,062 and 6,282 as of December 31, 2011 and 2010, respectively.

Retained Earnings
Unappropriated retained earnings available for dividend distribution is adjusted to exclude the Parent Company's accumulated equity in net earnings of subsidiaries and associates amounting to ₱2,090 million and ₱2,071 million as of December 31, 2011 and 2010, respectively.

Appropriated retained earnings is set aside for capital expenditures particularly for the purchase of Company's property and equipment needed for business operations.

On March 4, 2011, the BOD approved the declaration of cash dividend of ₱2.10 per share or an aggregate amount of ₱1,637 million to all stockholders of record as of March 25, 2011 payable on April 19, 2011. On March 11, 2010, the BOD approved the declaration of cash dividend of ₱1.11 per share or an aggregate amount of ₱865 million to all stockholders of record as of March 31, 2010 payable on April 29, 2010. On March 25, 2009, the BOD approved the declaration of cash dividend of ₱0.90 per share or an aggregate amount of ₱687 million to all stockholders of record as of May 5, 2009 payable on or before May 29, 2009.

PDRs Convertible to Common Shares

	2011		2010		2009	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
	(Amounts in Thousands, Except Number of Shares)					
Balance at beginning of year	**37,954,209**	**₱1,154,064**	21,793,742	₱553,724	15,776,742	₱376,324
Acquisitions during the year	**224,000**	**10,082**	23,560,467	996,240	6,069,600	178,523
Issuances during the year	–	–	(7,400,000)	(395,900)	(52,600)	(1,123)
Balance at end of year	**38,178,209**	**₱1,164,146**	37,954,209	₱1,154,064	21,793,742	₱553,724

This account represents ABS-CBN PDRs held by the Parent Company which are convertible into ABS-CBN shares. These PDRs were listed in the PSE on October 7, 1999. 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 may be exercised at any time from October 7, 1999 until the expiry date as defined in the terms of the offering. Any cash dividends or other cash distributions in respect of the underlying ABS-CBN shares shall be applied by ABS-CBN Holdings Corporation, issuer of PDRs, towards payment of operating expenses and any amounts remaining shall be distributed pro-rata among outstanding PDR holders.

In 2011, the Parent Company acquired 224,000 PDRs and common shares for ₱10 million. In 2010, the Parent Company acquired 23,560,467 PDRs and common shares for ₱996 million.

In 2010, the Parent Company issued ₱396 million of these PDRs, which are convertible into 7,400,000 ABS-CBN shares, as contribution to the retirement fund (see Note 29). In 2009, the Parent Company issued ₱1 million of these PDRs, which are convertible into 52,600 ABS-CBN shares, to some of its officers as payment for their bonuses (see Note 22). The PDRs issued were based on quoted prices at the time of issuance.

22. 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.

Transactions with Related Parties

In addition to the related party transactions discussed in Notes 4 and 18, significant transactions of the Company with its associates and related parties follow:

	2011	2010	2009
Associate -			
Blocktime fees paid by the Parent Company and Studio 23 to Amcara	**₱31,322**	₱30,595	₱24,737
Affiliates:			
Expenses paid by the Parent Company and subsidiaries to Manila Electric Company (Meralco), Bayantel and other related parties	**674,645**	592,667	523,156
Airtime revenue from Bayantel and Meralco	**65,174**	57,548	65,437
Management and other service fees	**37,830**	42,077	17,549

	2011	2010	2009
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	**₱30,023**	₱40,426	₱19,061
Termination cost charges of Bayantel, a subsidiary of Lopez, Inc., to ABS-CBN Global	**10,440**	57,213	187,277

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 and "Due to a related party" under "Other noncurrent liabilities" account in the consolidated statements of financial position, are as follows:

	2011	2010
Due from:		
Bayantel	**₱113,342**	₱–
ABS-CBN Foundation, Inc.	**17,796**	5,405
Lopez Holdings	**10,686**	5,234
Knowledge Channel Foundation, Inc.	**7,008**	2,209
Goldlink Securities and Investigation Services	**5,713**	3,521
Rockwell Land Corporation	**2,882**	1,986
Sky Foundation, Inc.	**2,230**	2,217
Corporate Information Solutions, Inc.	**2,209**	2,209
Star Cinema	**2,092**	1,850
First Philippine Holdings, Inc.	**1,990**	306
Sky Guide, Inc.	**1,897**	1,848
ABS-CBN Holdings Corporation	**1,766**	3,111
ABS-CBN Bayan Foundation, Inc.	**1,065**	771
Others*	**652**	652
	₱171,328	₱31,319

	2011	2010
Due to:		
Sky Vision	**₱157,617**	₱237,596
Amcara	**70,490**	72,129
Bayantel (see Note 4)	–	162,706
Others*	**111,238**	347,677
Total	**339,345**	820,108
Current portion	**339,345**	727,708
Noncurrent portion	**₱–**	₱92,400

**Various entities within the Lopez group*

a. License Fees Charged by CPI to Sky Cable

CPI has an existing cable lease agreement (Agreement) with Sky Cable for the airing of the cable channels (see Note 12) to the franchise areas of Sky Cable and its cable affiliates. The initial Agreement with Sky Cable is for a period of five years effective January 1, 2001, renewable on a yearly basis upon mutual consent of both parties. Said Agreement was renewed for one year in 2009, 2010 and for two years in 2011. Under the terms of the Agreement, CPI receives license fees from Sky Cable and its cable affiliates computed based on agreed percentage of subscription revenue of Sky Cable and its cable affiliates. As the owner of the said cable channels, CPI develops and produces its own shows and acquires program rights from various foreign and local suppliers.

b. Management Fees Charged to Sky Cable

The Parent Company renders management services to Sky Cable through designated employees.

c. Blocktime Fees Paid by the Parent Company and Studio 23 to Amcara

The Parent Company and Studio 23 own the program rights being aired in UHF Channel 23 of Amcara. The Parent Company and Studio 23 has an existing blocktime agreement with Amcara for its provincial operations.

d. Other transactions with related parties include cash advances for working capital requirements.

Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances as of year-end are unsecured, interest-free and settlement occurs in cash, and are collectible/payable on demand. For the years ended December 31, 2011, 2010 and 2009, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties. 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 Company

	2011	2010	2009
Compensation (see Notes 24, 25 and 26)	**₱1,094,590**	₱866,636	₱743,941
Pension benefits (see Note 29)	**113,259**	53,564	40,100
Vacation leaves and sick leaves	**25,494**	24,619	56,195
Termination benefits	**1,102**	6,794	40,031
	₱1,234,445	₱951,613	₱880,267

23. **Net Revenues**

	2011	2010 (As restated - see Note 2)	2009 (As restated - see Note 2)
Airtime (see Note 22)	**₱17,577,677**	₱21,739,339	₱14,462,958
Sale of services (see Notes 22 and 30)	**10,164,613**	10,072,764	10,044,520
Sale of goods	**457,658**	478,897	521,128
	28,199,948	32,291,000	25,028,606
Less:			
Agency commissions	**2,465,452**	3,154,571	2,000,229
Incentives and co-producers' share	**687,920**	1,276,753	818,916
	₱25,046,576	₱27,859,676	₱22,209,461

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. Substantially, all gross airtime revenue, including airtime sold directly to advertisers, is subject to a standard 15% agency commission.

Incentives include early payment and early placement discount as well as commissions paid to the Company's account executives and cable operators.

The Company has co-produced shows which are programs produced by ABS-CBN together with independent producers. Under this arrangement, ABS-CBN provides the technical facilities and airtime, and handles the marketing of the shows. The co-producer shoulders all other costs of production. The revenue earned on these shows is shared between ABS-CBN and the co-producer.

24. **Production Costs**

	2011	2010	2009
Personnel expenses and talent fees (see Notes 22 and 29)	**₱4,369,772**	₱3,512,650	₱2,900,238
Facilities related expenses (see Notes 22 and 30)	**2,163,531**	1,682,964	1,169,605
Depreciation and amortization (see Note 10)	**1,099,187**	920,544	790,714
Amortization of program rights (see Note 12)	**675,531**	476,975	550,793
License and royalty	**279,333**	111,508	94,785
Travel and transportation	**279,285**	236,568	178,908
Set and set requirements	**241,799**	215,298	172,007
Catering and food expenses	**146,887**	109,522	113,227
Stationery and office supplies	**52,903**	53,130	31,097
Advertising and promotions	**45,600**	45,349	35,287
Other program expenses (see Notes 12 and 22)	**481,138**	500,769	250,126
	₱9,834,966	₱7,865,277	₱6,286,787

Other program expenses consist of production expenses including, but not limited to, set requirements, prizes, transportation, advertising and other expenses related to the promotional activities of various projects during the year.

25. **Cost of Sales and Services**

Cost of services consists of the following:

	2011	2010 (As restated - see Note 2)	2009 (As restated - see Note 2)
Facilities related expenses (see Notes 22 and 30)	**₱1,575,775**	₱1,401,778	₱1,407,976
Personnel expenses (see Notes 22 and 29)	**1,074,712**	1,205,914	1,183,868
Programming costs	**931,396**	909,128	940,549
Depreciation and amortization (see Note 10)	**888,726**	985,367	856,109
Amortization of program rights (see Note 12)	**314,580**	368,450	476,754
Advertising and promotions	**304,843**	245,403	274,712
Transportation and travel	**147,730**	130,648	154,706
Interconnection costs (see Note 22)	**139,894**	231,148	373,331
Transaction costs	**128,356**	116,078	75,370
Bandwidth costs	**118,711**	143,527	84,431

(Forward)

	2011	2010 (As restated - see Note 2)	2009 (As restated - see Note 2)
License fees and royalties	**₱118,344**	₱124,601	₱191,571
Inventory costs	**95,339**	124,379	150,394
Freight and delivery	**85,919**	104,324	139,276
Installation costs	**82,726**	69,336	93,805
Stationery and office supplies	**45,139**	34,217	29,126
Commission and incentives	**44,129**	65,399	58,640
Research and survey	**32,351**	79,183	18,602
Set requirements	**26,325**	24,143	32,324
Catering and food expenses	**22,612**	20,157	18,368
Taxes and licenses	**19,386**	21,556	28,516
Others (see Notes 15 and 22)	**228,506**	386,450	171,851
	₱6,425,499	₱6,791,186	₱6,760,279

Cost of sales consists of the following:

	2011	2010	2009
Printing and reproduction	**₱100,804**	₱109,123	₱112,039
Personnel expenses (see Notes 22 and 29)	**69,836**	71,907	63,571
Inventory costs	**42,041**	50,432	41,855
Facilities related expenses (see Notes 22 and 30)	**16,534**	4,900	3,055
Freight and delivery	**14,884**	14,909	23,148
Advertising and promotions	**11,163**	12,744	20,552
Handling and processing costs	**9,919**	11,986	6,722
Others (see Notes 10 and 22)	**9,345**	2,395	16,185
	₱274,526	₱278,396	₱287,127

26. General and Administrative Expenses

	2011	2010	2009
Personnel expenses (see Notes 22 and 29)	**₱3,627,287**	₱4,471,114	₱3,033,114
Contracted services	**790,455**	782,349	777,955
Depreciation and amortization (see Notes 10 and 11)	**600,755**	668,924	610,468
Facilities related expenses (see Notes 22 and 30)	**515,014**	535,825	528,778
Taxes and licenses	**393,623**	351,128	227,576
Provision for doubtful accounts (see Note 7)	**254,947**	420,236	292,472
Research and survey	**215,001**	246,683	171,745
Donations and contributions	**149,810**	153,462	62,196
Advertising and promotions	**130,659**	136,537	137,365
Entertainment, amusement and recreation	**68,600**	117,322	93,104
Amortization of other intangible assets (see Note 12)	**12,897**	26,712	52,134
Others (see Note 22)	**332,408**	281,753	237,693
	₱7,091,456	₱8,192,045	₱6,224,600

Others consist mainly of transportation and travel expenses, research and survey costs and stationery and office supplies.

27. Other Income and Expenses

Finance Costs

	2011	2010	2009
Interest expense (see Note 18)	**₱698,461**	₱915,812	₱852,712
Amortization of debt issue costs (see Note 18)	**16,969**	99,945	31,075
Bank service charges	**11,441**	27,092	29,124
	₱726,871	₱1,042,849	₱912,911

The following are the sources of the Company's interest expense (see Note 18):

	2011	2010	2009
Long-term debt	**₱667,022**	₱822,195	₱798,395
Bank loans	**13,839**	33,113	31,665
Obligations under finance lease	**17,600**	60,504	22,652
	₱698,461	₱915,812	₱852,712

Other Income (Charges)

	2011	2010	2009
Gain on sale of investments (see Note 4)	**₱1,146,716**	₱–	₱–
Gain on settlement of a liability (see Note 4)	**143,616**	–	–
Rental income (see Note 30)	**138,327**	142,853	118,561
Royalty income	**57,404**	40,113	37,313
Impairment loss (see Note 13)	**–**	(53,868)	–
Mark-to-market loss on derivative instruments - net (see Note 32)	**–**	–	(1,233)
Other income - net (see Note 22)	**481,747**	200,789	369,963
	₱1,967,810	₱329,887	₱524,604

Other income mainly consists of income from gate receipts, studio tours, management fees and other miscellaneous revenue and expense.

28. Income Tax and Registration with the Philippine Economic Zone Authority (PEZA)

The provision for (benefit from) income tax follows:

	2011	2010	2009
Current	**₱415,119**	₱1,495,805	₱825,536
Deferred	**(127,690)**	(388,095)	(141,481)
	₱287,429	₱1,107,710	₱684,055

The components of consolidated net deferred tax assets and liabilities of the Company are as follows:

	2011	2010
Deferred tax assets - net:		
Accrued pension obligation and other employee benefits	**₱361,985**	₱374,196
Capitalized interest, duties and taxes (net of accumulated depreciation)	**(239,761)**	(248,308)
Customers' deposits	**181,976**	150,652
MCIT	**168,835**	43,727
Accrued expenses	**166,569**	368,463
NOLCO	**135,992**	–
Gain on acquisition and exchange of debt (net of accretion)	**(126,294)**	(139,168)
Allowance for doubtful accounts	**99,611**	168,651
Net unrealized foreign exchange loss	**11,043**	1,636
Unearned revenue	**2,663**	45,805
Allowance for inventory obsolescence	**1,089**	30,544
Allowance for impairment loss on property and equipment	**–**	114,933
Others	**(74,535)**	50,260
	₱689,173	₱961,391

Deferred tax liabilities:		
Excess of the fair value over the book value of net assets of Sky Cable	**₱405,583**	₱438,585
Unrealized foreign exchange gain	**31,622**	–
Others	**850**	4,096
	₱438,055	₱442,681

The details of the unrecognized deductible temporary differences, NOLCO and MCIT of certain subsidiaries follow:

	2011	2010
Allowance for doubtful accounts	**₱1,570,583**	₱1,140,589
Allowance for decline in value of inventories	**955,935**	60,776
NOLCO	**686,797**	226,584
Unearned revenue	**42,259**	28,979
Accrued retirement expense and others	**40,251**	99,939
Accretion of interest expense	**23,984**	–
MCIT	**13,916**	3,946
Allowance for impairment loss on property and equipment	**–**	18,499
	₱3,333,725	₱1,579,312

Management believes that it is not probable that taxable income will be available against which the temporary differences, NOLCO and MCIT will be utilized.

In 2011, MCIT and NOLCO amounting to ₱19 million and ₱68 million expired and were written off, respectively. MCIT and NOLCO amounting to ₱4 million and ₱63 million were claimed as deduction against RCIT due and taxable income.

MCIT of the subsidiaries amounting to ₱183 million can be claimed as tax credit against future RCIT as follows:

Year Paid	Expiry Dates	Amount
2009	December 31, 2012	₱17,821
2010	December 31, 2013	5,811
2011	December 31, 2014	159,119
		₱182,751

NOLCO of the subsidiaries amounting to ₱1,140 million can be claimed as deductions from future taxable income as follows:

Year Incurred	Expiry Dates	Amount
2009	December 31, 2012	₱47,699
2010	December 31, 2013	110,573
2011	December 31, 2014	981,832
		₱1,140,104

As of December 31, 2011 and 2010, deferred tax liability on undistributed earnings of ABS-CBN Global, holding company of the Parent Company's foreign subsidiaries, amounting to ₱762 million and ₱505 million, respectively, has not been recognized since the Parent Company is able to control the reversal of the temporary difference. The undistributed earnings are earmarked for expansion in the Company's foreign operations.

The reconciliation of statutory tax rate to effective tax rates applied to income before income tax is as follows:

	2011	2010	2009
Statutory tax rates	**30%**	30%	30%
Additions to (reduction in) income taxes resulting from the tax effects of:			
Gains subject to capital gains tax	**(8)**	–	–
Interest income subjected to final tax	**(6)**	(2)	(4)
Nondeductible interest expense	**2**	1	2
Others, mainly income subject to different tax rates and change in tax rates - net	**(8)**	(4)	–
Effective tax rates	**10%**	25%	28%

Registration with the Philippine Economic Zone Authority (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.

Total income tax holiday incentives availed by Big Dipper amounted to ₱204 million and ₱268 million in 2011 and 2010, respectively.

29. **Pension Plan**

The Company's pension plans are composed of funded (Parent Company and Sky Cable) and unfunded (other subsidiaries), noncontributory and actuarially computed 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.

The following tables summarize the components of consolidated net benefit expense recognized in the consolidated statements of income and accrued pension obligation recognized in the consolidated statements of financial position:

Net Pension Expense

	2011	2010	2009
Current service cost	**₱278,386**	₱183,927	₱74,660
Interest cost	**246,504**	168,084	113,899
Expected return on plan assets	**(63,978)**	(29,488)	(16,753)
Net actuarial loss (gain)	**48,675**	23,236	(35,887)
Past service cost	**(876)**	5,766	–
Net pension expense	**₱508,711**	₱351,525	₱135,919

Accrued Pension Obligation

	2011	2010
Present value of obligation	**₱4,317,365**	₱2,764,389
Fair value of plan assets	**(1,295,899)**	(1,295,788)
Unfunded obligation	**3,021,466**	1,468,601
Unrecognized amortizations past service cost	**6,696**	8,832
Unrecognized net actuarial loss	**(2,138,854)**	(852,027)
Accrued pension obligation	**₱889,308**	₱625,406

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

	2011	2010
Defined benefit obligation at beginning of year	**₱2,764,389**	₱1,762,280
Current service cost	**278,386**	183,927
Interest cost	**246,504**	168,084
Actuarial loss on obligation	**1,151,949**	657,039
Benefits paid	**(125,123)**	(3,875)
Past service cost	**1,260**	(3,066)
Defined benefit obligation at end of year	**₱4,317,365**	₱2,764,389

Changes in the fair value of plan assets of the Parent Company and Sky Cable are as follows:

	2011	2010
Fair value of plan assets at beginning of year	**₱1,295,788**	₱610,528
Expected return on plan assets	**63,978**	29,488
Actual contribution	**78,894**	527,815
Actuarial (losses) gains	**(142,761)**	127,957
Fair value of plan assets at end of year	**₱1,295,899**	₱1,295,788
Actual return on plan assets	**(₱78,783)**	₱157,445

The Parent Company and Sky Cable expect to contribute nil and ₱71 million, respectively, to the retirement fund in 2012.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2011	2010
	(Percentage)	
Investment in fixed/floating rate treasury note	**34.4**	33.5
Investment in government securities and bonds	**10.1**	12.0
Investment in stocks	**50.0**	49.0
Others	**5.5**	5.5
	100.0	100.0

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used as of January 1, 2011, 2010 and 2009 in determining pension benefit obligations for the Company's plans are shown below:

	2011	2010	2009
		(Percentage)	
Discount rate	**8.9**	9.8	11.0
Expected rate of return on plan assets	**5.0**	5.0	7.0
Future salary rate increases	**5.0**	7.2	5.0

The discount rate prevailing as of December 31, 2011 is 10.5%.

Amounts for the current and previous four years are as follows:

	2011	2010	2009	2008	2007
Defined benefit obligation	**(₱4,317,365)**	(₱2,764,389)	(₱1,762,280)	(₱569,414)	(₱860,113)
Fair value of plan assets	**1,295,899**	1,295,788	610,528	356,425	264,458
Deficit	**(3,021,466)**	(1,468,601)	(1,151,752)	(212,989)	(595,655)
Experience adjustments on defined benefit obligation	**25,103**	(78,496)	491,849	(223,203)	(10)
Experience adjustments on plan assets	**(142,761)**	127,957	67,370	(15,706)	1,392

On March 11, 2010, the BOD approved the re-establishment of the retirement committee who will actively manage the pension fund.

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 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.

In 2010, the Company contributed 7,400,000 ABS-CBN PDRs to the retirement fund. The contribution was made in open market at a price of ₱53.50 each. As of December 31, 2011 and 2010, the value of each PDR is at ₱29.70 and ₱45.50, respectively (see Note 21).

In 2010, the retirement fund acquired 32.2 million shares of Lopez Holdings for ₱129 million. As of December 31, 2011 and 2010, the value of each share is at ₱5.10 and ₱5.31 or a total of ₱164 million and ₱171 million, respectively.

30. **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 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 share in the subscription revenue earned from subscribers that have migrated to DirecTV amounted to ₱671 million, ₱765 million and ₱830 million in 2011, 2010 and 2009, respectively.

Operating Lease

As Lessee. The Parent Company and subsidiaries lease office facilities, space and satellite equipment. Future minimum rental payable under non-cancelable operating leases are as follows:

	2011	2010
Within one year	**₱410,769**	₱328,149
After one year but not more than five years	**1,158,596**	1,192,874
	₱1,569,365	₱1,521,023

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:

	2011	2010
Within one year	**₱241,855**	₱116,771
After one year but not more than five years	**247,347**	240,934
	₱489,202	₱357,705

Obligations under Finance Lease

The Company has finance leases over various items of equipment. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2011	2010
Within one year	**₱48,270**	₱81,662
After one year but not more than five years	**25,270**	37,327
Total minimum lease payments	**73,540**	118,989
Less amounts representing finance charges	**5,160**	10,778
Present value of minimum lease payments	**68,380**	108,211
Less current portion	**43,886**	73,933
	₱24,494	₱34,278

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*
2012	₱455,064
2013	268,912
2014-2015	28,186

** Includes variable fees based on the number of active subscribers as of December 31, 2011.*

The estimated fees include channel license fees contracted by Sky Cable for its subsidiaries, amounting to ₱131.4 million, for which Sky Cable will be reimbursed.

31. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, AFS investments 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 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.

Cash Flow Interest Rate Risk

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

To manage this mix in a cost-efficient manner, it is the Company's policy to enter into interest rate swaps whenever the need arises. Before the prepayment of all outstanding loan obligations under Tranche A of the SCA facility and after taking into account the effect of interest rate swaps, approximately 43% of the Company's borrowings are at a fixed rate of interest. Without the existence of any swaps, the Company's loan with fixed rate of interest is at about 56% and 57% of the total loans at the end of 2011 and 2010, respectively. As of December 31, 2011 and 2010, there are no freestanding derivative contracts.

The following table sets out the carrying amount, by maturity, of the Company's consolidated financial instruments that are exposed to interest rate risk:

	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	Four to Five Years	More than Five Years	Transaction Costs and Discount	Total
2011								
Interest-bearings loans and borrowings:								
Fixed rate	**₱122,681**	**₱162,833**	**₱1,006,453**	**₱63,165**	**₱63,345**	**₱5,640,000**	**(₱200,723)**	**₱6,857,754**
Floating rate	**553,209**	**167,041**	**137,185**	**51,801**	**51,907**	**4,733,236**	**(40,252)**	**5,654,127**
2010								
Interest-bearings loans and borrowings:								
Fixed rate	₱45,030	₱104,530	₱144,530	₱987,987	₱44,530	₱4,230,350	(₱254,221)	₱5,302,736
Floating rate	642,395	134,860	131,530	125,550	36,332	3,315,493	(46,183)	4,339,977

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 Company that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.

As of December 31, 2011, benchmark interest rates, 3-month PDST-F, increased by 34 basis points since the end of 2010. Looking at past trends, however, this has not always been the case with several periods showing some downward adjustments due to several market pressures. Based on these experiences, the Company provides the following table to demonstrate the sensitivity of the Company's income before income tax (through the impact on floating rate borrowings) to a reasonably possible change in interest rates, with all other variables held constant. There is no impact on the Company's equity other than those already affecting the net income.

	Effect on Income Before Income Tax	
	2011	2010
Parent Company:		
Increase by 2%	**(₱101,010)**	(₱69,757)
Decrease by 2%	**101,010**	69,757
PCC:		
Increase by 1%	**(₱4,985)**	(₱2,498)
Decrease by 1%	**4,985**	2,498

<u>Foreign Currency Risk</u>

The Company's primary exposure to the risk in changes in foreign currency relates to the Company's long-term debt obligation. 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.

Before the prepayment of all outstanding dollar loan obligations under Tranche A of the SCA facility, approximately 26% of the Company's borrowings are denominated in currencies other than the functional currency of the operating unit. These were all covered by cross currency swaps which have all been terminated as a result of the prepayment of the underlying loan obligation. As of December 31, 2011 and 2010, there are no freestanding derivative contracts and all the Company's long-term loan obligations are generally in Philippine currency.

Other than the debt obligations, the Company 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, 2011 and 2010:

2011

	Original Currency														
	USD	**EUR**	**JPY**	**CAD**	**GBP**	**AUD**	**United Arab Emirates Dirham (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**
Financial Assets															
Cash and cash equivalents	**18,428**	**23,871**	**6,386**	**1,219**	**24,059**	**11**	**11,840**	**119**	**757**	**287**	**138**	**34,313**	–	–	**4,401,396**
Trade and other receivables	**283,815**	**9,345**	**41,424**	**2,510**	**44,309**	**5,232**	**44,848**	**629**	**1,496**	**23**	**241**	**138,523**	**841**	**308**	**18,538,078**
	302,243	**33,216**	**47,810**	**3,729**	**68,368**	**5,243**	**56,688**	**748**	**2,253**	**310**	**379**	**172,836**	**841**	**308**	**22,939,474**
Financial Liabilities															
Trade and other payables	**363,320**	**8,104**	**39,687**	**4,219**	**65,672**	**36**	**150,673**	**179**	–	–	**170**	**795**	**317**	–	**22,848,208**
Obligations for program rights	**7,151**	**(19)**	–	–	–	–	–	–	–	–	–	–	–	–	**312,416**
	370,471	**8,085**	**39,687**	**4,219**	**65,672**	**36**	**150,673**	**179**	–	–	**170**	**795**	**317**	–	**23,160,624**
Net Foreign Currency-denominated Financial Assets (Liabilities)	**(68,228)**	**25,131**	**8,123**	**(490)**	**2,696**	**5,207**	**(93,985)**	**569**	**2,253**	**310**	**209**	**172,041**	**524**	**308**	**(221,150)**

2010

	Original Currency													
	USD	EUR	JPY	CAD	GBP	AUD	United Arab Emirates Dirham (AED)	Swiss Franc (CHF)	Norway Kroner (NOK)	Denmark Kroner (DKK)	Sweden Kroner (SEK)	Saudi Arabia Riyal (SAR)	Taiwan Dollar (TWD)	Peso Equivalent
Financial Assets														
Cash and cash equivalents	39,898	3,636	25,831	982	120	189	7,023	11	–	47	75	3,170	–	2,156,361
Trade and other receivables	212,838	95,452	691,989	2,122	3,749	2,787	4,200	116	72	51	131	123,260	4,792	17,280,900
	252,736	99,088	717,820	3,104	3,869	2,976	11,223	127	72	98	206	126,430	4,792	19,437,261
Financial Liabilities														
Trade and other payables	272,185	87,653	263,947	5,444	4,835	98	20,267	81	51	–	134	16,463	223	18,184,671
Obligations for program rights	6,770	19	–	–	–	–	–	–	–	–	–	–	–	297,909
	278,955	87,672	263,947	5,444	4,835	98	20,267	81	51	–	134	16,463	223	18,482,580
Net Foreign Currency-denominated Financial Assets (Liabilities)	(26,219)	11,416	453,873	(2,340)	(966)	2,878	(9,044)	46	21	98	72	109,967	4,569	954,681

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the Company used the following exchange rates:

Currency	**2011**	2010
USD	**43.84**	43.84
EUR	**56.79**	58.17
JPY	**0.56**	0.54
CAD	**42.96**	43.78
GBP	**67.55**	67.53
AUD	**44.42**	44.53
AED	**11.93**	11.95
CHF	**46.60**	46.39
NOK	**7.29**	7.43
DKK	**7.65**	7.79
SEK	**6.36**	6.45
SAR	**11.68**	11.70
TWD	**1.45**	1.50
ILS	**11.51**	12.29

The following tables demonstrate the sensitivity of the Company'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 Company's equity other than those already affecting the net income.

	2011		2010	
	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	**2.2%**	**(₱65,499)**	2.6%	(₱30,414)
	(4.2%)	**125,540**	(4.2%)	48,243
EUR	**11.6%**	**165,764**	4.9%	32,308
	(1.0%)	**(14,850)**	(0.3%)	(1,941)
JPY	**2.8%**	**127**	2.4%	5,923
	(7.9%)	**(360)**	(5.0%)	(12,232)
CAD	**5.5%**	**(1,147)**	0.5%	(526)
	(2.4%)	**494**	(4.1%)	4,153
GBP	**5.9%**	**10,732**	3.7%	(2,383)
	(0.5%)	**(95)**	(2.3%)	1,481
AUD	**5.7%**	**13,256**	2.2%	2,789
	(4.3%)	**(9,971)**	(5.7%)	(7,285)
AED	**0.6%**	**(6,661)**	6.7%	(7,247)
	(3.6%)	**40,249**	(7.9%)	8,580
CHF	**13.0%**	**3,457**	1.3%	28
	(1.5%)	**(394)**	(3.0%)	(64)
NOK	**13.8%**	**2,265**	7.7%	12
	(1.3%)	**(213)**	(5.7%)	(9)
DKK	**17.7%**	**419**	9.2%	70
	(1.9%)	**(46)**	(3.7%)	(28)
SEK	**14.7%**	**196**	8.6%	40
	(1.8%)	**(24)**	(6.9%)	(32)
SAR	**5.3%**	**106,160**	6.8%	87,710
	(3.7%)	**(74,501)**	(6.0%)	(77,241)
TWD	**10.7%**	**81**	3.1%	215
	(3.1%)	**(23)**	(6.8%)	(466)
ILS	**10.4%**	**367**	–	–
	(4.4%)	**(156)**	–	–

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.

<u>Credit Risk</u>
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 with 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 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 consolidated statements of financial position.

Credit Risk Exposures. The table below shows the gross 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:

	2011	2010
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	**₱8,572,754**	₱5,758,807
Trade and other receivables - net (excluding advances to suppliers)	**7,024,286**	5,961,991
Deposits	**102,327**	111,476
AFS investments	**264,892**	265,066
	₱15,964,259	₱12,097,340

Credit Quality per Class of Financial Asset. The credit quality of financial assets is being managed by the Company using internal credit ratings. The following tables below shows the credit quality by class of financial assets based on the Company's credit rating system as of December 31, 2011 and 2010:

	2011					
	Neither Past Due nor Impaired			**Past Due but**		
	High	**Moderate**	**Low**	**not Impaired**	**Impaired**	**Total**
Loans and receivables:						
Cash and cash equivalents:						
Cash in banks	**₱3,468,806**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,468,806**
Cash equivalents	**5,103,948**	**–**	**–**	**–**	**–**	**5,103,948**
Trade receivables:						
Airtime	**2,037,388**	**618,902**	**11,638**	**1,591,995**	**789,538**	**5,049,461**
Subscriptions	**246,373**	**38,969**	**58,436**	**372,177**	**52,293**	**768,248**
Others	**317,140**	**33,677**	**32,330**	**635,137**	**163,865**	**1,182,149**
Nontrade receivables	**270,608**	**891**	**1,856**	**167,485**	**81,189**	**522,029**
Due from related parties	**–**	**–**	**–**	**171,328**	**–**	**171,328**
Deposits	**66,889**	**35,438**	**–**	**–**	**–**	**102,327**
AFS investments	**264,892**	**–**	**–**	**–**	**–**	**264,892**
	₱11,776,044	**₱727,877**	**₱104,260**	**₱2,938,122**	**₱1,086,885**	**₱16,633,188**

	2010					
	Neither Past Due nor Impaired			Past Due but		
	High	Moderate	Low	not Impaired	Impaired	Total
Loans and receivables:						
Cash and cash equivalents:						
Cash in banks	₱2,806,937	₱–	₱–	₱–	₱–	₱2,806,937
Cash equivalents	2,951,870	–	–	–	–	2,951,870
Trade receivables:						
Airtime	1,291,703	390,089	7,275	1,863,945	683,670	4,236,682
Subscriptions	98,685	37,974	65,524	624,483	55,661	882,327
Others	185,068	29,305	32,228	689,901	77,528	1,014,030
Nontrade receivables	87,941	3,642	2,943	266,893	64,064	425,483
Due from related parties	–	–	–	31,319	–	31,319
Deposits	111,476	–	–	–	–	111,476
AFS investments	265,066	–	–	–	–	265,066
	₱7,798,746	₱461,010	₱107,970	₱3,476,541	₱880,923	₱12,725,190

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. 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.

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 below show the aging analysis of past due but not impaired receivables per class that the Company held as of December 31, 2011 and 2010. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

	2011					
	Neither Past Due nor Impaired	**Past Due but not Impaired**				
		Less than 30	**30 Days and Over**	**Impaired**	**Allowance**	**Total**
Trade receivables:						
Airtime	**₱2,667,928**	**₱1,121,334**	**₱470,661**	**₱789,538**	**(₱525,443)**	**₱4,524,018**
Subscriptions	**343,778**	**119,306**	**252,871**	**52,293**	**(58,528)**	**709,720**
Others	**383,147**	**117,760**	**517,377**	**163,865**	**(23,821)**	**1,158,328**
Nontrade receivables	**273,355**	**23,382**	**144,103**	**81,189**	**(61,137)**	**460,892**
Due from related parties	–	–	**171,328**	–	–	**171,328**
	₱3,668,208	**₱1,381,782**	**₱1,556,340**	**₱1,086,885**	**(₱668,929)**	**₱7,024,286**

	2010					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		Less than 30	30 Days and Over	Impaired	Allowance	Total
Trade receivables:						
Airtime	₱1,689,067	₱792,428	₱1,071,517	₱683,670	(₱491,246)	₱3,745,436
Subscriptions	202,183	152,664	471,819	55,661	(54,719)	827,608
Others	246,601	100,417	589,484	77,528	(22,271)	991,759
Nontrade receivables	94,526	119,400	147,493	64,064	(59,614)	365,869
Due from related parties	–	–	31,319	–	–	31,319
	₱2,232,377	₱1,164,909	₱2,311,632	₱880,923	(₱627,850)	₱5,961,991

Based on the cash flow projection, past due receivables are expected to be collected within 2011.

Liquidity Risk
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 be equal to ₱2 billion at any given time to compensate for 2 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. In 2010, the Company closed a ₱10,000 million fund raising activities with final maturity of up to 2017. The Company did not carry out any fund or capital raising activity in 2011. Currently, the debt maturity profile of the Company ranges from 2.5 to 6 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.

The tables below summarize the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted payments.

	2011					
	Within One Year	**One to Two Years**	**Two to Three Years**	**Three to Four Years**	**More than Four Years**	**Total**
Cash and cash equivalents	**₱8,635,053**	**₱–**	**₱–**	**₱–**	**₱–**	**₱8,635,053**
Trade receivables:						
Airtime	**4,524,018**	**–**	**–**	**–**	**–**	**4,524,018**
Subscription	**709,720**	**–**	**–**	**–**	**–**	**709,720**
Others	**1,158,328**	**–**	**–**	**–**	**–**	**1,158,328**
Nontrade receivables	**460,892**	**–**	**–**	**–**	**–**	**460,892**
Due from related parties	**171,328**	**–**	**–**	**–**	**–**	**171,328**
	₱15,659,339	**₱–**	**₱–**	**₱–**	**₱–**	**₱15,659,339**
Trade and other payables*	**₱7,138,757**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,138,757**
Obligations for program rights	**606,597**	**97,808**	**–**	**–**	**–**	**704,405**
Interest-bearing loans and borrowings	**985,073**	**828,629**	**1,745,534**	**800,243**	**10,533,218**	**14,892,697**
Convertible note	**–**	**–**	**–**	**–**	**250,000**	**250,000**
Customers' deposits	**–**	**–**	**207,849**	**–**	**–**	**207,849**
	₱8,730,427	**₱926,437**	**₱1,953,383**	**₱800,243**	**₱10,783,218**	**₱23,193,708**

**Excluding deferred revenue, accrued taxes and other payables to government agencies.*

	2010					
	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	More than Four Years	Total
Cash and cash equivalents	₱5,821,334	₱–	₱–	₱–	₱–	₱5,821,334
Trade receivables:						
Airtime	3,745,436	–	–	–	–	3,745,436
Subscription	827,608	–	–	–	–	827,608
Others	991,759	–	–	–	–	991,759
Nontrade receivables	365,869	–	–	–	–	365,869
Due from related parties	31,319	–	–	–	–	31,319
	₱11,783,325	₱–	₱–	₱–	₱–	₱11,783,325
Trade and other payables*	₱7,421,278	₱–	₱–	₱–	₱–	₱7,421,278
Obligations for program rights	607,370	20,069	35,793	8,870	31,741	703,843
Interest-bearing loans and borrowings	922,397	592,970	704,666	646,123	9,674,075	12,540,231
Due to a related party	–	92,400	–	–	–	92,400
Customers' deposits	–	–	261,109	–	–	261,109
	₱8,951,045	₱705,439	₱1,001,568	₱654,993	₱9,705,816	₱21,018,861

**Excluding deferred revenue, accrued taxes and other payables to government agencies.*

Capital Management

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

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

The Company's approach focuses on efficiently allocating internally generated cash for operational requirements and investments to grow the existing business as well as to deliver on its commitment of a regular dividend payout at a maximum of 50% of the previous year's net income. Shortages if any and acquisitions or investments in new business are funded by the incurrence of additional debt largely capped by existing loan covenants on financial ratios.

As evidenced by the quarterly financial certificates that the Company issued to its lenders, all financial ratios are within the required limits all throughout 2011 and 2010 as follows:

2011 Financial Ratios	**Required**	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Loan Agreement					
Debt to equity	**Less than or equal to 2.50**	**1.32**	**1.20**	**1.15**	**1.20**
Debt to earnings before income tax, depreciation and amortization	**Less than or equal to 2.25**	**1.68**	**1.83**	**1.98**	**2.02**
Debt service coverage ratio	**Greater than or equal to 1.10**	**15.87**	**7.51**	**7.70**	**11.04**
SCA Facility, BDO Facility, Syndicated Loan Facility, Combined Facility Agreements					
Debt to earnings before income tax, depreciation and amortization	**Less than or equal to 2.25**	**1.61**	**1.86**	**1.93**	**2.07**
Earnings before income tax to financing cost	**Greater than or equal to 3.00**	**5.00**	**4.00**	**3.88**	**4.48**
Debt service coverage ratio	**Greater than or equal to 1.10**	**–**	**–**	**–**	**–**

2010 Financial Ratios	Required	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Loan Agreement					
Debt to equity	Less than or equal to 2.50	–	–	1.18	1.18
Debt to earnings before income tax, depreciation and amortization	Less than or equal to 2.25	–	–	1.03	1.11
Debt service coverage ratio	Greater than or equal to 1.10	–	–	9.26	17.39
SCA Facility, BDO Facility, Syndicated Loan Facility, Combined Facility Agreements					
Debt to earnings before income tax, depreciation and amortization	Less than or equal to 2.25	1.13	1.04	1.04	1.05
Earnings before income tax to financing cost	Greater than or equal to 3.00	5.74	7.20	7.47	5.88
Debt service coverage ratio	Greater than or equal to 1.10	7.25	7.18	–	–

The following table shows the financial ratios that Sky Cable is required to maintain in accordance with the DRA:

Financial ratios	Required	**2011**	2010
Total liabilities to equity	Maintain at all times not exceeding 2:1	**0.64**	0.85
Debt service coverage ratio	Maintain at least 1.5 times	**2.55**	2.49

32. **Financial Assets and Liabilities**

The following tables set forth the carrying amounts and estimated fair values of consolidated financial assets and liabilities recognized as of December 31, 2011 and 2010. There are no material unrecognized financial assets and liabilities as of December 31, 2011 and 2010.

	2011		2010	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱8,635,053**	**₱8,635,053**	₱5,821,334	₱5,821,334
Trade and other receivables - net (excluding advances to suppliers)	**7,024,286**	**7,024,286**	5,961,991	5,961,991
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**102,327**	**94,307**	111,476	110,211
AFS investments	**264,892**	**264,892**	265,066	265,066
	₱16,026,558	**₱16,018,538**	₱12,159,867	₱12,158,602
Financial Liabilities				
Other financial liabilities at amortized cost:				
Trade and other payables*	**₱7,138,757**	**₱7,138,757**	₱7,421,278	₱7,421,278
Interest-bearing loans and borrowings	**12,511,881**	**12,569,879**	9,642,713	9,825,357
Obligations for program rights	**704,405**	**700,688**	703,843	714,670
Due to a related party (included as part of "Other noncurrent liabilities")	**–**	**–**	92,400	83,518
Convertible note	**211,389**	**239,211**	–	–
Customers' deposits (included as part of "Other noncurrent liabilities")	**207,849**	**256,400**	261,109	224,656
	₱20,774,281	**₱20,904,935**	₱18,121,343	₱18,269,479

**Excluding deferred revenue, accrued taxes and other payables to government agencies.*

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, 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.

AFS Investments. The fair values of publicly-traded instruments were determined by reference to market bid quotes as of financial reporting date. Investments in unquoted equity securities for which no reliable basis for fair value measurement is available are carried at cost, net of any impairment.

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.

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 1.0% to 5.4%.
Other variable rate loans	The face value approximates fair value because of recent and frequent repricing (i.e., 3 months) based on market conditions.

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.

Due to a Related Party. The fair value of the Company's payable to Bayantel was calculated by discounting future cash flows using the applicable risk-free rates for similar types of loans adjusted for credit risk.

Convertible Note. Fair value was computed based on the discounted value of future cash flows using the PDST-R2 rate plus 1% credit spread as of December 31, 2011.

Customers' Deposits. The fair values were calculated by discounting the expected future cash flows at prevailing PDST-F rate plus applicable credit spread ranging from 2.1% to 6.5% in 2011 and 1.3% to 8.5% in 2010.

Derivative Instruments

Embedded Derivatives. Sky Cable bifurcated embedded derivatives from its various nonfinancial contracts. These are denominated in USD which is not the functional currency of Sky Cable or its counterparty. The total notional amount as of December 31, 2008 amounted to $0.7 million. The fair value of the embedded derivative assets as of December 31, 2008 amounted to ₱16 million.

The net movements in fair value changes of the Company's derivative instruments as of December 31, 2009 are as follows:

Balance at beginning of year	₱16,223
Net changes in fair value of derivatives -	
Not designated as accounting hedges	(1,233)
	14,990
Less fair value of settled instruments	(14,990)
Balance at end of year	₱–

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2011 and 2010, the Company's AFS financial assets amounting ₱126 million and ₱117 million (see Note 13), respectively, are measured at fair value under Level 1 of the fair value hierarchy. There are no other financial assets and liabilities recognized at fair value. Also, as of December 31, 2011 and 2010, there were no transfers between levels in the fair value hierarchy.

As of December 31, 2011 and 2010, the Company has no financial instruments carried at fair value which is based on Levels 2 and 3.

33. EPS Computations

Basic EPS amounts are calculated by dividing the net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

The following table presents information necessary to calculate EPS:

	2011	2010	2009
(a) Net income attributable to equity holders of the Parent Company	**₱2,420,072**	₱3,178,631	₱1,702,397
(b) Weighted average of shares outstanding:			
At beginning of year	**754,759,247**	765,239,530	767,390,563
Acquisitions of PDRs (see Note 21)	**(224,000)**	(13,563,616)	(2,181,716)
Issuances of PDRs (see Note 21)	–	3,083,333	30,683
At end of year	**754,535,247**	754,759,247	765,239,530
Basic/diluted EPS (a/b)	**₱3.207**	₱4.211	₱2.225

The Company has no dilutive potential common shares outstanding, therefore basic EPS is the same as diluted EPS.

34. Note to Consolidated Statements of Cash Flows

	2011	2010	2009
Noncash investing and financing activities:			
Acquisitions of program rights on account	**₱391,203**	₱345,886	₱410,877
Acquisitions of property and equipment under finance lease	**20,273**	45,336	37,031
Acquisition of noncontrolling interests	**–**	–	277,200

35. Other Matters

a. In 1972, the Parent Company discontinued its operations when the government took possession of its property and equipment. In the succeeding years, the property and equipment were used without compensation to the Parent Company by Radio Philippines Network, Inc. (RPN) from 1972 to 1979, and Maharlika Broadcasting System (MBS) from 1980 to 1986. A substantial portion of these property and equipment was also used from 1986 to 1992 without compensation to the Parent Company by People's Television 4, another government entity. In 1986, the Parent Company resumed commercial operations and was granted temporary permits by the government to operate several television and radio stations.

The Parent Company, together with Chronicle Broadcasting System, filed a civil case on January 14, 1988 against Ferdinand E. Marcos and his family, RPN, MBS, et. al, before the Sandiganbayan to press collection of the unpaid rentals for the use of its facilities from September 1972 to February 1986 totaling ₱305 million plus legal interest compounded quarterly and exemplary damages of ₱100 million.

The BOD resolved on June 27, 1991 to declare as scrip dividends, in favor of all stockholders of record as of that date, whatever amount that may be recovered from the foregoing pending claims and the rentals subsequently settled in 1995. The scrip dividends were declared on March 29, 2000. In 2003, additional scrip dividends of ₱13 million were recognized for the said stockholders.

On April 28, 1995, the Parent Company and the government entered into a compromise settlement of rental claims from 1986 to 1992. The compromise agreement includes payment to the Parent Company of ₱30 million (net of the government's counterclaim against the Parent Company of ₱68 million) by way of TCCs or other forms of noncash settlement as full and final settlement of the rentals from 1986 to 1992. The TCCs were issued in 1998.

b. The Company has contingent liabilities with respect to claims and lawsuits filed by third parties. The events that transpired last February 4, 2006, which resulted in the death of 71 people and injury to about 200 others led the Company to shoulder the burial expenses of the dead and medical expenses of the injured, which did not result in any direct or contingent financial obligation that is material to the Company. The Company has settled all of the funeral and medical expenses of the victims of the tragedy. Given the income flows and net asset base of the Company, said expenses do not constitute a material financial obligation of the Company, as the Company remains in sound financial position to meet its obligations.

   As of March 2, 2012, the claims in connection with the events of February 4, 2006 are still pending and remain contingent liabilities. While the funeral and medical expenses have all been shouldered by the Company, there still exist claims for compensation for the deaths and injuries, the amount of which have not been declared and cannot be determined with certainty at this time. Management is nevertheless of the opinion that should there be any adverse judgment based on these claims, this will not materially affect the Company's financial position and performance.

c. 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 of March 2, 2012, the hearing of this case is ongoing before the NTC. It is the opinion of Sky Vision's legal counsels that the case filed by the complainant is without legal basis and would not have a material impact to the consolidated financial statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2011

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2011

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		₱ 3,531,105	₱ 3,531,105	₱ 86,410
Cash equivalents		5,103,948	5,103,948	90,651
Subtotal		***8,635,053***	***8,635,053***	***177,061***
Trade and other receivables (excluding advances to suppliers)				
Airtime		5,049,461	5,049,461	-
Subscriptions		768,248	768,248	-
Others		1,182,149	1,182,149	-
Advances to employees and talents		261,834	261,834	-
Due from related parties (see Note 22)		171,328	171,328	-
Others		260,195	260,195	-
Allowance for doubtful accounts		(668,929)	(668,929)	-
Subtotal		***7,024,286***	***7,024,286***	**-**
Deposits		***Not Applicable***		
AFS investments		***Not Applicable***		
Total	**-**	**₱ 15,659,339**	**₱ 15,659,339**	**₱ 177,061**

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
December 31, 2011

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, 2011

		DEDUCTIONS					
Name and Designation of debtor	**Balance at beginning of period**	**Additions**	**Amounts Collected**	**Amounts Written Off**	**Current**	**Non Current**	**Balance at end of Period**
ABS-CBN CORPORATION	₱ 1,334,964,238.06	₱ 1,348,480,506.36	₱ -	₱ -	₱ ,683,444,744.42	₱ -	₱ 2,683,444,744.42
ABS-CBN CONSUMER PRODUCTS	15,258.88	-	-	-	15,258.88	-	15,258.88
ABS-CBN FILM PRODUCTIONS, INC.	386,406,091.63	67,384,119.87	(74,126,623.72)	-	379,663,587.78	-	379,663,587.78
ABS-CBN HUNGARY KFT.	-	366,621.00	-	-	366,621.00	-	366,621.00
ABS-CBN GLOBAL PHILS	57,593,887.78	64,598,355.98	-	-	122,192,243.76	-	122,192,243.76
ABS-CBN INTL JAPAN, K.K.	779,181.00	2,315,616.56	(3,094,797.56)	-	-	-	-
ABS-CBN INTEGRATED AND STRATEGIC	-	35,146,844.82	(35,146,844.82)	-	-	-	-
ABS-CBN INTERACTIVE, INC.	66,945,058.31	101,689,075.72	-	-	168,634,134.03	-	168,634,134.03
ABS-CBN AUSTRALIA PTY LTD	391,962.38	1,943,655.14	(1,961,447.34)	-	374,170.18	-	374,170.18
ABS-CBN INTL UK	2,024,822.79	-	(2,024,822.79)	-	-	-	-
ABS-CBN INTERNATIONAL - ME	3,030,578.39	5,007,739.93	(6,637,630.32)	-	1,400,688.00	-	1,400,688.00
ABS-CBN INTL EUROPE LTD - ITALY	178,300.17	-	-	-	178,300.17	-	178,300.17
ABS-CBN CANADA,ULC	47,781,576.16	91,682,961.40	-	-	139,464,537.56	-	139,464,537.56
ABS-CBN MULTIMEDIA, INC.	341,798.27	-	-	-	341,798.27	-	341,798.27
ABS-CBN PUBLISHING, INC.	3,592,231.79	15,482,041.28	-	-	19,074,273.07	-	19,074,273.07
ABS-CBN GLOBAL CARGO CORPORATION	-	4,859,010.26	-	-	4,859,010.26	-	4,859,010.26
ABS-CBN SSC PTE. LTD-SG	-	10,339,648.52	-	-	10,339,648.52	-	10,339,648.52
ABS-CBN SHARED SERVICE CENTER PTE., (ROHQ)	125,074,022.44	21,443,043.52	(39,648,471.77)	-	106,868,594.18	-	106,868,594.18
ABS-CBN NEWS CHANNEL INC.	5,888,202.28	52,401,991.24	(53,266,027.77)	-	5,024,165.75	-	5,024,165.75
AMCARA BROADCASTING CORPORATION	-	11,927,519.47	-	-	11,927,519.47	-	11,927,519.47
CENTRAL CATV, INC. (SKY CABLE INC.)	98,405,479.07	24,248,150.80	(87,238,438.99)	-	35,415,190.88	-	35,415,190.88
CENTER FOR COMMUNICATION ARTS, INC	8,846,138.54	-	(233,910.84)	-	8,612,227.70	-	8,612,227.70
CREATIVE PROGRAMS, INC.	72,815,322.50	75,314,122.49	(37,573,833.72)	-	110,555,611.26	-	110,555,611.26
E-MONEY PLUS, INC.	-	324,195.55	(324,195.55)	-	-	-	-
LOPEZ, INC.	1,144,871.52	166342.112	-	-	1,311,213.63	-	1,311,213.63
PROSTAR, INC.	5,164,707.81	-	(148,846.22)	-	5,015,861.59	-	5,015,861.59
ROADRUNNER NETWORK INC.	1,131.00	15,489,577.70	-	-	15,490,708.70	-	15,490,708.70
SAPIENTIS HOLDINGS CORPORATION	-	538,041,512.33	-	-	538,041,512.33	-	538,041,512.33
STAR RECORDINGS, INC.	22,611,252.23	16,908,912.17	(16,283,014.72)	-	23,237,149.68	-	23,237,149.68
STAR SONGS INC	83,487.40	25,226,194.66	-	-	25,309,682.06	-	25,309,682.06
STUDIO 23, INC.	1,542,337.40	14,590,900.21	(14,429,767.74)	-	1,703,469.87	-	1,703,469.87
Others	173,867.16	95,468,469.31	-	-	95,642,336.47	-	95,642,336.47
	₱ 2,245,795,804.94	₱ 2,640,847,128.41	₱ (372,138,673.89)	₱ -	₱ 4,514,504,259.47	₱ -	₱ 4,514,504,259.47
							-

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule C.2 Amounts Payable from Related Parties which are eliminated during Consolidation of Financial Statements
December 31, 2011

Name and Designation of creditor	Balance at beginning of period	Additions	DEDUCTIONS Amounts Paid	DEDUCTIONS Amounts Written Off	Current	Non-Current	Balance at end of Period
ABS-CBN CORPORATION	₱ (241,401,374.80)	₱ (787,402,299.97)	₱ -	₱ -	₱ (1,028,803,674.78)	₱ -	₱ (1,028,803,674.78)
ABS-CBN CONSUMER PRODUCTS	(117,251.15)	-	5,456.65	-	(111,794.50)	-	(111,794.50)
ABS-CBN FILM PRODUCTIONS, INC.	(6,254.51)	-	6,254.51	-	-	-	-
ABS-CBN HUNGARY KFT.	(115,733,093.52)	-	115,733,093.52	-	-	-	-
ABS-CBN GLOBAL PHILS	(3,119,485.59)	-	2,000.00	-	(3,117,485.59)	-	(3,117,485.59)
ABS-CBN INTL JAPAN, K.K.	(708,046.82)	(563,450.25)	-	-	(1,271,497.07)	-	(1,271,497.07)
ABS-CBN INTEGRATED AND STRATEGIC	(172,489,503.92)	-	101,709,708.88	-	(70,779,795.04)	-	(70,779,795.04)
ABS-CBN INTERACTIVE, INC.	(27,031,928.17)	(81,745,780.11)	-	-	(108,777,708.28)	-	(108,777,708.28)
ABS-CBN AUSTRALIA PTY LTD	(0.01)	-	-	-	(0.01)	-	(0.01)
ABS-CBN INTERNATIONAL - LLC	-	(4,239,096.46)	-	-	(4,239,096.46)	-	(4,239,096.46)
ABS-CBN INTL UK	-	(3,096,440.04)	-	-	(3,096,440.04)	-	(3,096,440.04)
ABS-CBN INTERNATIONAL - ME	-	(247,195.35)	-	-	(247,195.35)	-	(247,195.35)
ABS-CBN INTL EUROPE LTD - ITALY	(7,542,128.11)	(18,955,672.88)	-	-	(26,497,800.99)	-	(26,497,800.99)
ABS-CBN PUBLISHING, INC.	(9,742,296.30)	-	8,087,928.42	-	(1,654,367.88)	-	(1,654,367.88)
ABS-CBN Culinary INC.	-	(0.84)	-	-	(0.84)	-	(0.84)
ABS-CBN GLOBAL CARGO CORPORATION	(4,544,182.93)	-	4,544,182.93	-	-	-	-
ABS-CBN SHARED SERVICE CENTER PTE., (ROHQ)	(607,809.13)	-	602,352.49	-	(5,456.64)	-	(5,456.64)
ABS-CBN NEWS CHANNEL INC.	(321,437,417.81)	(24,838,272.51)	-	-	(346,275,690.32)	-	(346,275,690.32)
AMCARA BROADCASTING CORPORATION	(72,128,992.32)	(10,288,879.80)	-	-	(82,417,872.12)	-	(82,417,872.12)
BENPRES HOLDINGS	-	(8,330,576.61)	-	-	(8,330,576.61)	-	(8,330,576.61)
BENPRES PUBLISHING, INC. (FORMER GUIDE MAGAZINE)	-	(465,742.43)	-	-	(465,742.43)	-	(465,742.43)
CENTRAL CATV, INC. (SKY CABLE INC.)	(136,391,874.37)	-	135,627,203.88	-	(764,670.49)	-	(764,670.49)
CENTER FOR COMMUNICATION ARTS, INC	(49,000.00)	-	49,000.00	-	-	-	-
CREATIVE CREATURES (CCI)	(80,500.00)	-	80,500.00	-	-	-	-
CREATIVE PROGRAMS, INC.	(178,899,468.54)	(137,489,309.58)	-	-	(316,388,778.12)	-	(316,388,778.12)
E-MONEY PLUS, INC.	(81,134,921.90)	-	72,740,489.93	-	(8,394,431.97)	-	(8,394,431.97)
LOPEZ, INC.	(2,164,150.75)	-	200,074.80	-	(1,964,075.95)	-	(1,964,075.95)
MANILA ELECTRIC COMPANY	(322,132.20)	(1,071,199.81)	-	-	(1,393,332.01)	-	(1,393,332.01)
ROADRUNNER NETWORK INC.	(7,398,305.24)	-	7,337,196.58	-	(61,108.66)	-	(61,108.66)

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule D. Intangible Assets - Other Assets
December 31, 2011

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)						
Program Rights	₱ 2,375,958	₱ 1,077,572	₱ (990,111)	₱ -	₱ -	₱ 2,463,419
Story, Music and Publication Rights	7,369	1,372	(2,711)	-	-	6,030
Movie In- Process	97,621	214,452	(240,613)	-	-	71,460
Video Rights and Record Master	9,250	31,670	(5,852)	-	-	35,068
Customer Relationships	471,391	-	(9,835)	(466,095)	133,148	128,609
Trademark	-	-	-	-	915,568	915,568
Cable Channels- CPI	459,968	-	-	-	-	459,968
Production and Distribution Business-ME	89,359	-	(3,061)	-	6,160	92,458
Total	₱ 3,510,916	₱ 1,325,066	₱ (1,252,183)	₱ (466,095)	₱ 1,054,876	₱ 4,172,580

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, 2011

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)			
Bank Loans	₱ 400,000	₱ 400,000	₱ -
Term Loans : Loan Agreement	10,359,615	209,215	10,150,400
Term Loans : Syndicated loans	1,698,902	12,193	1,686,709
Term Loans : Obligations under finance lease	53,364	41,693	11,671
Total	₱ 12,511,881	₱ 663,101	₱ 11,848,780

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule F. Indebtedness to Related Parties
December 31, 2011

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, 2011

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, 2011

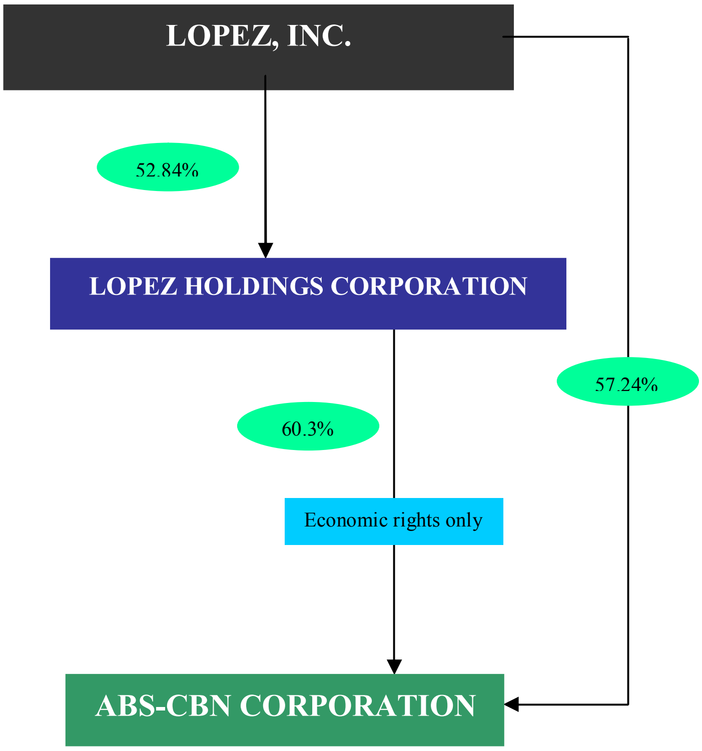
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others	
Common Shares -₱1 Par value	1,500,000,000	779,583,312	-	447,012,602	1,585,034	330,985,676	-

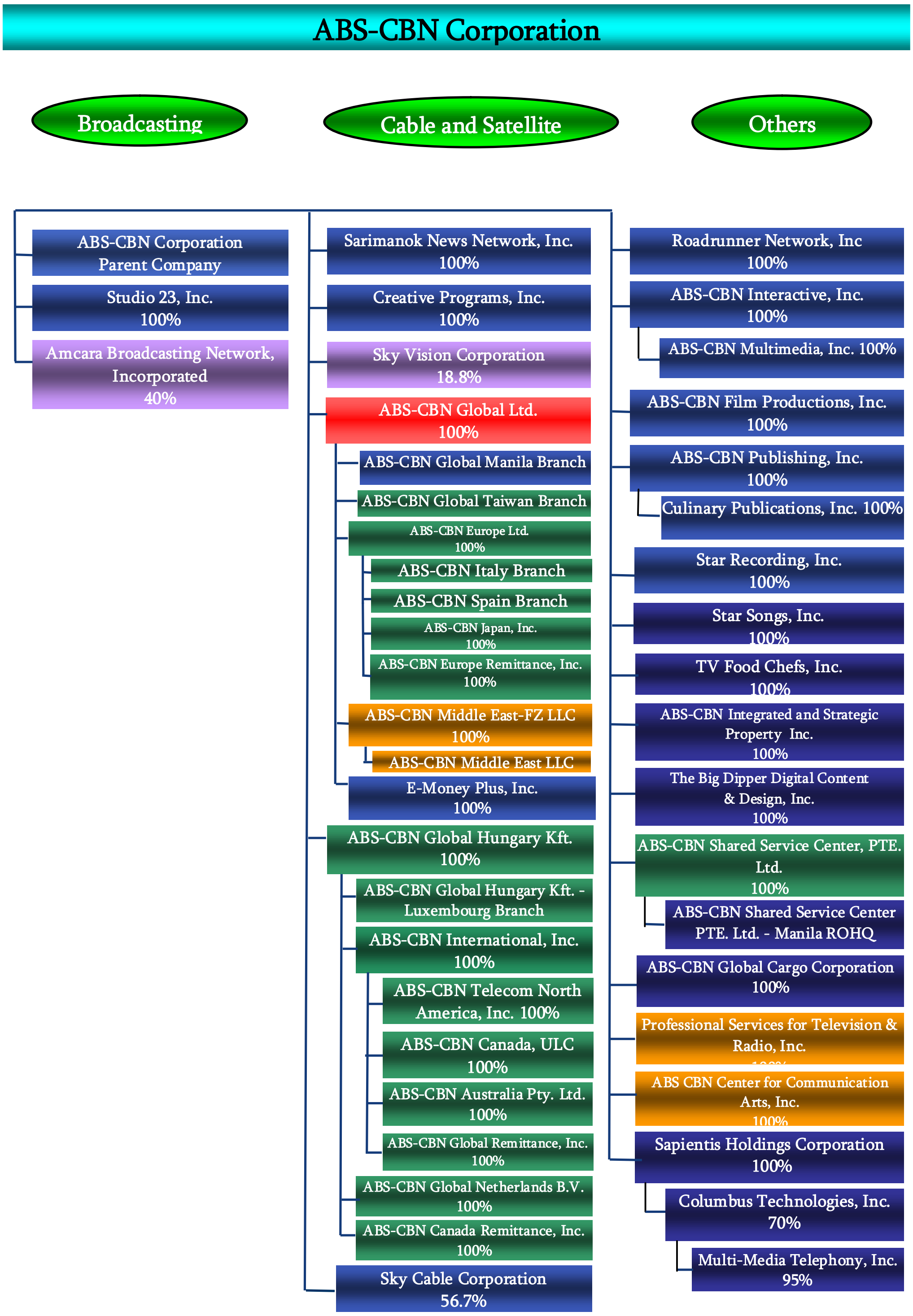
ABS-CBN CORPORATION AND SUBSIDIARIES
SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2011

PFRSs	Adopted/Not adopted/ Not applicable
PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*	Adopted
PFRS 2, *Share-based Payment*	Not applicable
PFRS 3, *Business Combinations*	Adopted
PFRS 4, *Insurance Contracts*	Not applicable
PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*	Not applicable
PFRS 6, *Exploration for and Evaluation of Mineral Resources*	Not applicable
PFRS 7, *Financial Instruments: Disclosures*	Adopted
PFRS 8, *Operating Segments*	Adopted
PAS 1, *Presentation of Financial Statements*	Adopted
PAS 2, *Inventories*	Adopted
PAS 7, *Statement of Cash Flows*	Adopted
PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*	Adopted
PAS 10, *Events after the Reporting Period*	Adopted
PAS 11, *Construction Contracts*	Not applicable
PAS 12, *Income Taxes*	Adopted
PAS 16, *Property, Plant and Equipment*	Adopted
PAS 17, *Leases*	Adopted
PAS 18, *Revenue*	Adopted
PAS 19, *Employee Benefits*	Adopted
PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*	Not applicable
PAS 21, *The Effects of Changes in Foreign Exchange Rates*	Adopted
PAS 23, *Borrowing Costs*	Adopted
PAS 24, *Related Party Disclosures*	Adopted
PAS 26, *Accounting and Reporting by Retirement Benefit Plans*	Not applicable
PAS 27, *Consolidated and Separate Financial Statements*	Adopted
PAS 28, *Investments in Associates*	Adopted
PAS 29, *Financial Reporting in Hyperinflationary Economies*	Not applicable
PAS 31, *Interests in Joint Ventures*	Adopted
PAS 32, *Financial Instruments: Presentation*	Adopted

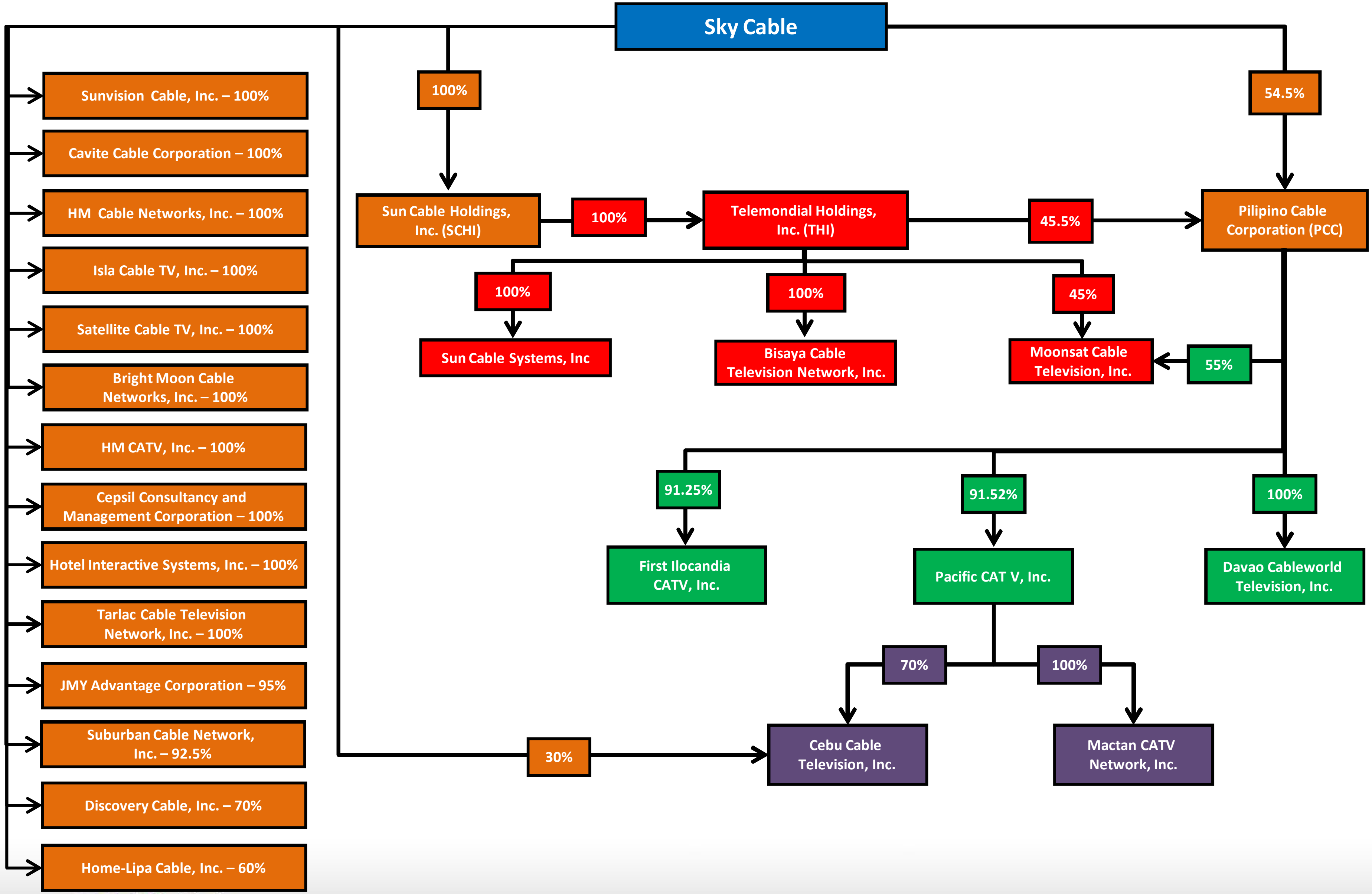
PFRSs	**Adopted/Not adopted/ Not applicable**
PAS 33, *Earnings per Share*	Adopted
PAS 34, *Interim Financial Reporting*	Not applicable
PAS 36, *Impairment of Assets*	Adopted
PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*	Adopted
PAS 38, *Intangible Assets*	Adopted
PAS 39, *Financial Instruments: Recognition and Measurement*	Adopted
PAS 40, *Investment Property*	Adopted
PAS 41, *Agriculture*	Not applicable
Philippine Interpretation IFRIC–4, *Determining whether an Arrangement contains a Lease*	Adopted
Philippine Interpretation IFRIC–9, *Reassessment of Embedded Derivatives*	Adopted
Philippine Interpretation SIC–27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	Adopted
Philippine Interpretation SIC–31, *Revenue - Barter Transactions Involving Advertising Services*	Adopted
Philippine Interpretation SIC–32, *Intangible Assets - Web Site Costs*	Adopted
PIC Q&A No. 2008-01 (Revised): PAS 19.78 – Rate used in discounting post-employment benefit obligations	Adopted
PIC Q&A No. 2010-02: PAS 1R.16 – Basis of preparation of financial statements	Adopted

ABS-CBN CORPORATION AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
DECEMBER 31, 2011





ABS-CBN Corporation
Broadcasting
Cable and Satellite
Others
ABS-CBN Corporation Parent Company
Studio 23, Inc. 100%
Amcara Broadcasting Network, Incorporated 40%
Sarimanok News Network, Inc. 100%
Creative Programs, Inc. 100%
Sky Vision Corporation 18.8%
ABS-CBN Global Ltd. 100%
ABS-CBN Global Manila Branch
ABS-CBN Global Taiwan Branch
ABS-CBN Europe Ltd. 100%
ABS-CBN Italy Branch
ABS-CBN Spain Branch
ABS-CBN Japan, Inc. 100%
ABS-CBN Europe Remittance, Inc. 100%
ABS-CBN Middle East-FZ LLC 100%
ABS-CBN Middle East LLC
E-Money Plus, Inc. 100%
ABS-CBN Global Hungary Kft. 100%
ABS-CBN Global Hungary Kft. - Luxembourg Branch
ABS-CBN International, Inc. 100%
ABS-CBN Telecom North America, Inc. 100%
ABS-CBN Canada, ULC 100%
ABS-CBN Australia Pty. Ltd. 100%
ABS-CBN Global Remittance, Inc. 100%
ABS-CBN Global Netherlands B.V. 100%
ABS-CBN Canada Remittance, Inc. 100%
Sky Cable Corporation 56.7%
Roadrunner Network, Inc 100%
ABS-CBN Interactive, Inc. 100%
ABS-CBN Multimedia, Inc. 100%
ABS-CBN Film Productions, Inc. 100%
ABS-CBN Publishing, Inc. 100%
Culinary Publications, Inc. 100%
Star Recording, Inc. 100%
Star Songs, Inc. 100%
TV Food Chefs, Inc. 100%
ABS-CBN Integrated and Strategic Property Inc. 100%
The Big Dipper Digital Content & Design, Inc. 100%
ABS-CBN Shared Service Center, PTE. Ltd. 100%
ABS-CBN Shared Service Center PTE. Ltd. - Manila ROHQ
ABS-CBN Global Cargo Corporation 100%
Professional Services for Television & Radio, Inc.
ABS CBN Center for Communication Arts, Inc.
Sapientis Holdings Corporation 100%
Columbus Technologies, Inc. 70%
Multi-Media Telephony, Inc. 95%



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ABS-CBN CORPORATION and SUBSIDIARIES
Financial Ratios
December 31, 2011

RATIOS	Formula	In Php ('000s)	2011	2010
Current Ratio	Current Assets	18,490,832	1.76	1.36
	Current Liabilities	10,518,948		
Net Debt-to-equity ratio	Interest-bearing loans and borrowings less Cash and Cash equivalent	3,876,827	0.19	0.22
	Total Stockholders' Equity	20,335,658		
Asset-to-equity ratio	Total Assets	44,808,076	2.20	2.20
	Total Stockholders' Equity	20,335,658		
Interest rate coverage ratio	EBIT	3,240,342	4.64	5.67
	Interest Expense	698,461		
Profitability ratios				
Gross Profit Margin	Gross Profit	8,511,585	34%	46%
	Net Revenue	25,046,576		
Net Income Margin	Net Income	2,507,163	10%	12%
	Net Revenue	25,046,576		

ABS-CBN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income
For the period ended March 31
(Unaudited)
(In Thousands)

	For the period ended March 31	
	2012	**2011**
NET REVENUE		
Airtime revenues	3,609,806	3,442,172
Sale of services	2,723,275	2,360,547
Sale of goods	99,843	111,843
	6,432,924	**5,914,562**
PRODUCTION COSTS	**2,476,696**	**2,256,524**
COST OF SERVICES	**1,724,913**	**1,529,978**
COST OF SALES	**56,671**	**57,431**
GROSS PROFIT	**2,174,644**	**2,070,629**
General and administrative	1,824,558	1,586,995
Finance costs	182,018	169,600
Interest Income	(40,465)	(29,138)
Foreign exchange (gain) loss - net	(22,705)	69,934
Equity in net losses of associates	12	4
Other income	(127,055)	(865,344)
	1,816,363	**932,051**
INCOME BEFORE INCOME TAX	**358,281**	**1,138,578**
PROVISION FOR INCOME TAX	56,807	149,642
NET INCOME	**301,474**	**988,936**
Attributable to :		
Equity holders of Parent Company	**306,398**	**976,070**
Minority Interest	**(4,924)**	**12,866**
	301,474	**988,936**
	-	
EBITDA	**1,361,737**	**2,097,506**
EARNINGS PER SHARE (EPS)		
Basic EPS	**0.406**	**1.293**

ABS-CBN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the period ended March 31
(Unaudited)
(In Thousands)

	For the period ended March 31	
	2012	**2011**
NET INCOME	**301,474**	**988,936**
OTHER COMPREHENSIVE INCOME		
Unrealized fair value gain on available-for-sale investments	7,569	15,341
Exchange differences on translation of foreign operation	(85,885)	(58,663)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**223,158**	**945,614**
Attributable to :		
Equity holders of Parent Company	**228,081**	**932,749**
Minority Interest	**(4,924)**	**12,866**
	223,157	**945,615**

ABS-CBN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Positions
March 31, 2012 and March 31, 2011
(In Thousands, Except Par Value and Number of Shares)

	2012 March Unaudited	2011 December Audited
ASSETS		
Current Assets		
Cash and cash equivalents	8,047,438	8,635,053
Trade and other receivables	8,299,338	8,128,166
Inventories	125,759	134,867
Program rights and other intangible assets - current	582,514	576,699
Other current assets	1,203,581	1,016,047
Total Current Assets	**18,258,630**	**18,490,832**
Noncurrent Assets		
Property and equipment at cost - net	15,940,167	15,242,115
Noncurrent program rights and other intangible assets	5,298,093	3,595,881
Goodwill	2,707,303	3,749,496
Available-for-sale investments	271,453	264,892
Investment properties	56,310	57,796
Investment in associates	41,072	41,084
Deferred tax assets	1,128,881	689,173
Other noncurrent assets - net	2,743,850	2,676,807
Total Non Current Assets	**28,187,129**	**26,317,244**
	46,445,759	**44,808,076**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	10,412,553	9,078,164
Obligations for program rights - current	650,298	606,597
Interest-bearing loans and borrowings - current	632,607	632,161
Income tax payable	163,703	171,086
Total Current Liabilities	**11,859,161**	**10,488,008**
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion	11,846,520	11,879,720
Accrued pension obligation	1,070,876	889,308
Deferred tax liabilities - net	397,688	438,055
Convertible Note	215,277	211,389
Obligations for program rights - net of current portion	22,575	97,808
Other noncurrent liabilities - net	520,688	468,130
Total Noncurrent Liabilities	**14,073,624**	**13,984,410**
	25,932,785	**24,472,418**
Stockholders' Equity		
Capital Stock - P1 par value		
Authorized - 1,500,000,000 shares		
Issued - 779,583,312 shares	779,585	779,583
Capital paid in excess of par value	725,276	725,276
Cumulative translation adjustments	(444,421)	(358,536)
Unrealized gain on availble-for-sale investments	127,392	119,823
Retained earnings	18,538,938	18,232,540
Philippine depositary receipts convertible to common shares	(1,164,146)	(1,164,146)
Total Stockholers' Equity attributable to Equity holders of Parent Company	18,562,624	18,334,540
Minority Interest	1,950,350	2,001,118
Total Stockholders' Equity	**20,512,974**	**20,335,658**
	46,445,759	**44,808,076**

ABS-CBN CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
March 31, 2012 and March 31, 2011
(In Thousands, Except Per Share Amounts)

	Attributed to equity holders of parent									
	Capital Stock	Capital in Excess of Par Value	Cumulative Translation Adjustments	Unrealized Gain on Available-for-sale Investments	Unappropriated Retained Earnings	Appropriated Retained Earnings	Philippine Depository Receipts Convertible to Common Shares	Total	Minority Interest	Total Equity
At January 1, 2012	779,583	725,276	(358,536)	119,823	9,932,540	8,300,000	(1,164,146)	18,334,540	2,001,118	20,335,658
Net income for the year	-	-	-		306,398	-	-	306,398	(4,924)	301,474
Other comprehensive income (loss)	-	-	(85,885)	7,569	-	-	-	(78,316)	-	(78,316)
Total comprehensive income (loss)	-	-	(85,885)	7,569	306,398	-	-	228,082	(4,924)	223,158
Decrease in minority interest	-	-	-	-	-	-	-	-	(45,844)	(45,844)
Issuances of Capital Stock	2	-	-	-	-	-	-	2	-	2
At March 31, 2012	**779,585**	**725,276**	**(444,421)**	**127,392**	**10,238,938**	**8,300,000**	**(1,164,146)**	**18,562,624**	**1,950,350**	**20,512,974**
At January 1, 2011	779,583	725,276	(313,752)	110,005	9,149,595	8,300,000	(1,154,064)	17,596,643	148,863	17,745,506
Net income for the year	-	-	-	-	976,070	-	-	976,070	12,866	988,936
Other comprehensive income (loss)	-	-	(58,663)	15,341		-	-	(43,322)	-	(43,322)
Total comprehensive income (loss)	-	-	(58,663)	15,341	976,070	-	-	932,748	12,866	945,614
Increase in minority interest	-	-	-	-	-	-	-	-	2,002,091	2,002,091
Cash dividends declared	-	-	-	-	(1,637,128)	-	-	(1,637,128)	-	(1,637,128)
Acquisitions of PDRs	-	-	-	-	-	-	(10,082)	(10,082)	-	(10,082)
At March 31, 2011	**779,583**	**725,276**	**(372,415)**	**125,346**	**8,488,537**	**8,300,000**	**(1,164,146)**	**16,882,181**	**2,163,820**	**19,046,001**

ABS-CBN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
For the period ended March 31
(Unaudited)
(In Thousands)

	For the period ended March 31 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	358,280	1,138,578
Adjustments for :		
Depreciation	656,755	633,242
Amortization of :		
Program rights and other intangibles	306,718	296,641
Debt issue costs	14,142	13,151
Interest expense	175,261	163,219
Provision for pension expenses	194,257	133,416
Interest income	(40,465)	(29,138)
Net unrealized foreign exchange loss (gains)	11,975	(10,156)
Equity in net losses of associates	12	4
Income before working capital changes	1,676,935	2,338,957
Provisions for :		
Doubtful accounts	39,346	43,608
Other employee benefits	20,981	16,421
Decrease (increase) in :		
Trade and other receivables	(219,381)	(4,108,806)
Other current assets	(178,424)	(642,498)
Increase (decrease) in :		
Trade and other payables	622,682	873,471
Obligations for program rights	(31,830)	(3,621)
Other noncurrent liabilities	52,559	44,857
Payment of accrued pension obligation	(12,689)	(140,871)
Net cash generated (used in) from operations	1,970,179	(1,578,482)
Income tax paid	(98,174)	177,841
Net cash provided by (used in) operating activities	**1,872,005**	**(1,400,641)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to :		
Property and equipment	(868,518)	(791,740)
Program rights and other intangible assets	(1,894,522)	(146,231)
Disposal of noncontrolling interest	(45,842)	-
Decrease (increase) in other noncurrent assets	519,438	380,276
Proceeds from sale of property and equipment	298	3,841
Interest received	45,652	29,528
Net cash used in investing activities	**(2,243,494)**	**(524,326)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from :		
Long-term debt	-	3,094,000
Payments of :		
Dividends	(292)	(1,637,334)
Interest	(169,262)	(153,327)
Long-term debt	(30,000)	-
Finance lease	(16,894)	(28,730)
Acquisition of Philippine depository receipts (PDRs)	-	(10,082)
Issuances of:		
Convertible note	3,888	-
Increase in minority interest	-	2,002,091
Net cash provided by (used in) financing activities	**(212,560)**	**3,266,618**
EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(3,566)**	**2,271**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(587,615)**	**1,343,922**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**8,635,053**	**5,821,334**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**8,047,438**	**7,165,256**

EXHIBIT 1

ABS-CBN Corporation
Business Segment Data
In Thousands

	BROADCASTING		CABLE AND SATELLITE		OTHER BUSINESSES		ELIMINATIONS		CONSOLIDATED	
	For the period ended March 31		For the period ended March 31		For the period ended March 31		For the period ended March 31		For the period ended March 31	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenues										
External Sales	3,984,962	3,790,912	2,532,464	2,411,365	631,376	390,849			7,148,802	6,593,126
Inter-segment sales	15,653	35,196	91,259	83,534	253,027	345,131	(359,939)	(463,861)	-	-
Total Revenues	4,000,615	3,826,108	2,623,723	2,494,899	884,403	735,980	(359,939)	(463,861)	7,148,802	6,593,126
Results										
Segment Result	(134,089)	(2,913)	260,265	297,642	160,756	242,063	63,154	(53,158)	350,086	483,634
Finance Cost	(136,309)	(125,682)	(40,411)	(41,799)	(5,514)	(2,140)	216	21	(182,018)	(169,600)
Foreign exchange gain (loss)	37,501	2,124	(9,105)	12,483	(40,771)	(17,958)	35,080	(66,583)	22,705	(69,934)
Finance Revenue	27,322	21,014	12,465	7,447	894	698	(216)	(21)	40,465	29,138
Equity in net earnings (losses)	(12)	(4)	-	-	-	-	-	-	(12)	(4)
Other Income	187,736	931,117	17,497	15,575	43,820	34,106	(121,998)	(115,454)	127,055	865,344
Income Tax	13,452	(94,048)	(26,895)	(22,739)	(43,364)	(32,855)	-	-	(56,807)	(149,642)
Net Income (Loss)	(4,399)	731,608	213,816	268,609	115,821	223,914	(23,764)	(235,195)	301,474	988,936
EBITDA									1,361,737	2,097,506
EBITDA Margin									19%	32%
Assets and Liabilities										
Segment Assets	22,158,534	24,806,738	20,054,992	17,950,539	7,285,801	4,463,389	(4,223,521)	(3,565,012)	45,275,806	43,655,654
Investment in equity method associates	15,616,020	13,595,603	-	-	-	-	(15,574,948)	(13,554,495)	41,072	41,108
Deferred Tax Assets	887,378	291,657	163,635	587,793	102,720	105,885	(24,852)	(454,447)	1,128,881	530,888
Total Assets	38,661,932	38,693,998	20,218,627	18,538,332	7,388,521	4,569,274	(19,823,321)	(17,573,954)	46,445,759	44,227,650
Segment Liabilities	6,583,442	8,787,486	5,400,241	5,334,462	3,398,586	1,238,632	(2,326,299)	(2,900,064)	13,055,970	12,460,516
Interest-bearing Loans and Borrowings	10,937,001	10,977,401	1,490,640	1,532,252	-	132,000	-	-	12,427,641	12,641,653
Deferred Tax Liabilities	-	-	392,278	425,500	5,410	4,095	-	(429,595)	397,688	-
Obligations under Finance Lease	40,286	79,481	11,200	-	-	-	-	-	51,486	79,481
Total Liabilities	17,560,729	19,844,368	7,294,359	7,292,214	3,403,996	1,374,727	(2,326,299)	(3,329,659)	25,932,785	25,181,650
Other Segment Information										
Capital Expenditures :										
Property and Equipment	253,789	440,221	334,981	320,510	765,690	31,009			1,354,460	791,740
Intangible Assets	269,756	199,050	53,578	1,571	1,694,705	52,405			2,018,039	253,026
Depreciation and amortization of program rights & other intangibles	480,151	481,143	449,706	408,546	159,353	119,408	(120,830)	(80,903)	968,380	928,194
Noncash expenses other than									-	-
depreciation and amortization of program rights & other intangibles	3,986	6,554	36,741	52,615	4,121	3,206	-	-	44,848	62,375

Geographical Segment Data
In Thousands

	PHILIPPINES		UNITED STATES		OTHERS		ELIMINATIONS		CONSOLIDATED	
	For the period ended March 31		For the period ended March 31		For the period ended March 31		For the period ended March 31		For the period ended March 31	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenues										
External Sales	5,945,331	5,512,530	832,315	799,559	371,156	281,037			7,148,802	6,593,126
Inter-segment sales	359,939	463,861	-	-	-	-	(359,939)	(463,861)	-	-
Total Revenues	6,305,270	5,976,391	832,315	799,559	371,156	281,037	(359,939)	(463,861)	7,148,802	6,593,126
Assets										
Segment Assets	43,907,739	42,108,860	2,946,850	5,074,303	2,644,738	37,503	(4,223,521)	(3,565,012)	45,275,806	43,655,654
Investment in equity method associates	15,616,020	13,595,603	-	-	-	-	(15,574,948)	(13,554,495)	41,072	41,108
Deferred Tax Assets	1,068,768	872,622	81,513	90,530	3,452	22,183	(24,852)	(454,447)	1,128,881	530,888
Total Assets	60,592,527	56,577,085	3,028,363	5,164,833	2,648,190	59,686	(19,823,321)	(17,573,954)	46,445,759	44,227,650
Other Segment Information										
Capital Expenditures :										
Property and Equipment	1,327,337	769,355	7,545	845	19,578	21,540			1,354,460	791,740
Intangible Assets	2,018,039	253,026							2,018,039	253,026

EXHIBIT 2

ABS - CBN CORPORATION
AGING OF ACCOUNTS RECEIVABLE

AS OF MARCH 31, 2012						
	Neither Past Due nor Impaired	PAST DUE ACCOUNTS		Impaired	Allowance	Total
		Less than 30 Days	30 Days and Over			
Trade Receivables						
Airtime	2,509,387	227,878	1,036,843	712,427	(506,252)	3,980,283
Subscription	354,884	114,313	281,520	76,649	(56,390)	770,976
Others	263,568	200,693	678,077	160,339	(22,951)	1,279,726
Nontrade Receivables	318,062	15,611	134,363	76,391	(380,893)	163,534
Due from related parties	-	-	175,958	-	-	175,958
Total	**3,445,901**	**558,495**	**2,306,761**	**1,025,806**	**(966,486)**	**6,370,477**

AS OF DECEMBER 31, 2011						
	Neither Past Due nor Impaired	PAST DUE ACCOUNTS		Impaired	Allowance	Total
		Less than 30 Days	30 Days and Over			
Trade Receivables						
Airtime	2,667,929	1,121,334	470,661	789,538	(525,443)	4,524,019
Subscription	343,778	119,306	252,871	52,293	(58,528)	709,720
Others	383,147	117,760	517,376	163,865	(23,821)	1,158,327
Nontrade Receivables	273,355	23,382	144,102	81,190	(61,137)	460,892
Due from related parties	-	-	171,328	-	-	171,328
Total	**3,668,209**	**1,381,782**	**1,556,338**	**1,086,886**	**(668,929)**	**7,024,286**

EXHIBIT 3

ABS-CBN Corporation and Subsidiaries
Schedule of Property, Plant & Equipment Roll-Forward

As of March 31, 2012	Land and Land Improvements	Building and Improvements	Television, Radio, Movie and Auxiliary Equipment	Other Equipment	Construction In Progress	Total
Cost:						
Balance at beginning of year	633,140	10,588,606	13,845,400	8,747,708	660,765	34,475,619
Additions	-	5,990	330,736	814,884	202,850	1,354,460
Disposals/retirements	-	(5,675)	(20,806)	(150,122)	-	(176,603)
Reclassifications	-	19,836	48,904	30,857	(99,597)	-
Translation adjustments	(1,629)	(2,308)	(6,807)	(8,165)	2,301	(16,608)
Balance as of March 31, 2012	**631,511**	**10,606,449**	**14,197,427**	**9,435,162**	**766,319**	**35,636,868**
Accumulated depreciation:						
Balance at beginning of year	8,242	4,628,064	8,425,503	6,171,695	-	19,233,504
Depreciation	815	112,890	332,533	210,517	-	656,755
Disposals/retirements	-	(5,675)	(20,740)	(149,891)	-	(176,306)
Reclassifications	3	-	(16,542)	16,539	-	-
Translation adjustments	-	(2,901)	(10,234)	(4,117)	-	(17,252)
Balance as of March 31, 2012	**9,060**	**4,732,378**	**8,710,520**	**6,244,743**	**-**	**19,696,701**
Net book value	**622,451**	**5,874,071**	**5,486,907**	**3,190,419**	**766,319**	**15,940,167**

As of December 31, 2011	Land and Land Improvements	Building and Improvements	Television, Radio, Movie and Auxiliary Equipment	Other Equipment	Construction In Progress	Total
Cost:						
Balance at beginning of year	505,611	10,298,092	13,622,658	6,238,789	490,370	31,155,520
Additions	41,312	112,218	1,936,472	919,271	529,922	3,539,195
Effect of business combination	-	207,772	-	1,414,017	-	1,621,789
Disposals/retirements	(1,233)	(86,123)	(1,649,933)	(87,688)	-	(1,824,977)
Reclassifications	87,450	57,753	(57,689)	266,567	(354,081)	-
Translation adjustments	-	(1,106)	(6,108)	(3,248)	(5,446)	(15,908)
Balance as of December 31, 2011	**633,140**	**10,588,606**	**13,845,400**	**8,747,708**	**660,765**	**34,475,619**
Accumulated depreciation:						
Balance at beginning of year	4,066	4,012,738	7,855,073	4,088,350	-	15,960,227
Depreciation	3,391	467,704	1,351,320	765,451	-	2,587,866
Effect of business combination	-	206,486	-	1,298,964	-	1,505,450
Disposals/retirements	-	(64,665)	(689,825)	(96,344)	-	(850,834)
Reclassifications	-	(783)	(92,865)	93,648	-	-
Translation adjustments	785	6,584	1,800	21,626	-	30,795
Balance as of December 31, 2011	**8,242**	**4,628,064**	**8,425,503**	**6,171,695**	**-**	**19,233,504**
Net book value	**624,898**	**5,960,542**	**5,419,897**	**2,576,013**	**660,765**	**15,242,115**

ABS-CBN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands Unless Otherwise Specified)

1. Corporate Information

ABS-CBN Corporation ("ABS-CBN" or "Parent Company") is incorporated in the Philippines on July 11, 1946. The Parent Company's core business is television and radio broadcasting. Its subsidiaries and associates are involved in the following related businesses: cable and direct-to-home (DTH) television distribution and telecommunications services overseas, movie production, audio recording and distribution, video/audio post production, and film distribution. Other activities of the subsidiaries include merchandising, internet and mobile services and publishing.

The Parent Company is 57%-owned by Lopez, Inc., a Philippine entity, 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.

On June 17, 1994, the Board of Directors (BOD) approved the extension of the corporate term of the Parent Company for another 50 years from April 20, 1994. On July 27, 1994, the Philippine Securities and Exchange Commission (SEC) approved the said extension.

On August 16, 2010, the Philippine SEC approved the change in the Parent Company's corporate name from ABS-CBN Broadcasting Corporation to ABS-CBN Corporation.

The registered office address of the Parent Company is Mother Ignacia Street corner Sgt. Esguerra Avenue, Quezon City.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements of ABS-CBN and all its subsidiaries (collectively referred to as "the Company") have been prepared on a historical cost basis, except for available-for-sale (AFS) investments that have been measured at fair value.

The consolidated financial statements are presented in Philippine peso, which is the functional and presentation currency of the Parent Company. 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 Company were prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and Philippine Interpretations that became effective during the year. Except as otherwise indicated, adoption of the new and amended PFRS and Philippine Interpretations has no impact on the Company's consolidated financial statements.

- PAS 12, *Income Taxes - Recovery of Underlying Assets* (effective for annual periods beginning on or after January 1, 2012)

  The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset.

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements* (effective for annual periods beginning on or after July 1, 2011)

  The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

Basis of Consolidation and Noncontrolling Interests

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries as of December 31 each year. Control is normally evidenced when the Parent Company owns, either directly or indirectly, more than 50% of the voting rights of an entity's capital stock.

Following is a list of the subsidiaries or companies, which ABS-CBN controls as of March 31, 2012 and December 31, 2011:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest 2012	Effective Interest 2011
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 Europe Remittance Inc. [(d) (j)]	United Kingdom	Services - money remittance	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	USD	**100.0**	100.0
ABS-CBN Middle East LLC [(b) (j)]	Dubai, UAE	Trading	USD	**100.0**	100.0
E-Money Plus, Inc. [(b)]	Philippines	Services - money remittance	Philippine peso	**100.0**	100.0
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary) [(j) (l)]	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 Global Remittance Inc.[(j) (k)]	California, USA	Services - money remittance	USD	**100.0**	100.0
ABS-CBN Telecom North America, Inc. [(j) (k)]	California, USA	Telecommunications	USD	**100.0**	100.0
ABS-CBN Canada Remittance Inc. [(j) (n) (r)]	Canada	Services - money remittance	CAD	**100.0**	100.0
ABS-CBN Global Netherlands B.V. (ABS-CBN Netherlands) [(j) (n)]	Amsterdam, Netherlands	Intermediate holding and financing company	European monetary union (EUR)	**100.0**	100.0
ABS-CBN Center for Communication Arts, Inc. [(e)]	Philippines	Educational/training	Philippine peso	**100.0**	100.0

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest 2012	Effective Interest 2011
ABS-CBN Global Cargo Corporation	Philippines	Non-vessel operations common carrier	Philippine peso	**100.0**	100.0
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	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 Interactive, Inc. (ABS-CBN Interactive)	Philippines	Services - interactive media	Philippine peso	**100.0**	100.0
ABS-CBN Multimedia, Inc. (ABS-CBN Multimedia) [(f)]	Philippines	Digital electronic content distribution	Philippine peso	**100.0**	100.0
ABS-CBN Publishing, Inc. (ABS-CBN Publishing)	Philippines	Print publishing	Philippine peso	**100.0**	100.0
Culinary Publications, Inc. [(g)]	Philippines	Print publishing	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
Creative Programs, Inc. (CPI)	Philippines	Content development and programming services	Philippine peso	**100.0**	100.0
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine peso	**100.0**	100.0
Roadrunner Network, Inc. (Roadrunner) (see Note 3)	Philippines	Services - post production	Philippine peso	**100.0**	100.0
Sapientis Holdings Corporation (Sapientis) (see Note 3)	Philippines	Holding company	Philippine peso	**100.0**	100.0
Columbus Technologies, Inc. (CTI) [(q)] (see Note 3)	Philippines	Holding company	Philippine peso	**70.0**	70.0
Multi-Media Telephony, Inc. (MTI) [(q) (s)] (see Note 3)	Philippines	Telecommunication	Philippine peso	**66.5**	66.5
Sarimanok News Network, Inc.	Philippines	Content development and programming services	Philippine peso	**100.0**	100.0
Star Recording, Inc.	Philippines	Audio and video production and distribution	Philippine peso	**100.0**	100.0
Star Songs, Inc.	Philippines	Music publishing	Philippine peso	**100.0**	100.0
Studio 23, Inc. (Studio 23)	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
TV Food Chefs, Inc.	Philippines	Services - restaurant and food	Philippine peso	**100.0**	100.0
Sky Cable Corporation (Sky Cable) (see Note 3)	Philippines	Cable television services	Philippine peso	**56.7**	56.7
Bisaya Cable Television Network, Inc. [(h) (i)]	Philippines	Cable television services	Philippine peso	**56.7**	56.7
Bright Moon Cable Networks, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	56.7
Cavite Cable Corporation [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	56.7
Cepsil Consultancy and Management Corporation [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	56.7
Davao Cableworld Network, Inc. [(h) (o) (t)]	Philippines	Cable television services	Philippine peso	**56.7**	56.7
HM Cable Networks, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	56.7
HM CATV, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	56.7
Hotel Interactive Systems, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	56.7
Isla Cable TV, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	56.7
Moonsat Cable Television, Inc. [(h) (o)]	Philippines	Cable television services	Philippine peso	**56.7**	56.7
Pilipino Cable Corporation (PCC) [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	56.7
Satellite Cable TV, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	56.7
Sun Cable Holdings, Incorporated (SCHI) [(h)]	Philippines	Holding company	Philippine peso	**56.7**	56.7
Sun Cable Systems Davao, Inc. [(h) (i)]	Philippines	Cable television services	Philippine peso	**56.7**	56.7
Sunvision Cable, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	56.7
Tarlac Cable Television Network, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**56.7**	56.7
Telemondial Holdings, Inc. [(h) (i)]	Philippines	Holding company	Philippine peso	**56.7**	56.7
JMY Advantage Corporation [(h)]	Philippines	Cable television services	Philippine peso	**53.9**	53.9
Cebu Cable Television, Inc. [(h) (o) (p)]	Philippines	Cable television services	Philippine peso	**53.3**	53.3
Suburban Cable Network, Inc. [(h)]	Philippines	Cable television services	Philippine peso	**52.4**	52.4
Pacific CATV, Inc. (Pacific) [(h) (o)]	Philippines	Cable television services	Philippine peso	**51.9**	51.9
First Ilocandia CATV, Inc. [(h) (o)]	Philippines	Cable television services	Philippine peso	**51.6**	51.6
Mactan CATV Network, Inc. [(h) (o) (p)]	Philippines	Cable television services	Philippine peso	**51.6**	51.6
Discovery Cable, Inc. [(h) (t)]	Philippines	Cable television services	Philippine peso	**39.7**	39.7

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest 2012	2011
Home-Lipa Cable, Inc. [(h) (t)]	Philippines	Cable television services	Philippine peso	**34.0**	34.0

[(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)] Through ABS-CBN Interactive
[(g)] Through ABS-CBN Publishing
[(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)] Incorporated and started commercial operations in 2011
[(s)] Subsidiary of CTI
[(t)] A subsidiary of Sky Cable where Sky Cable effectively owns more than 50% interest

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intra-Company balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets and liabilities, are eliminated in full on consolidation. Unrealized gains and losses are eliminated unless costs cannot be recovered.

Consolidation of subsidiaries ceases when control is transferred out of the Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Noncontrolling interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the consolidated statement of income and within the equity section of the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company. This includes the equity interests in Sapientis and its subsidiaries and Sky Cable and its subsidiaries.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the 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 other comprehensive income to profit or loss or retained earnings, as appropriate.

Losses within a subsidiary are attributed to the noncontrolling interest even if that results in 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 costs incurred are expensed and included in administrative expenses.

When the Company 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.

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 accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. 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 cost of acquisition is less than the fair value of the net assets of the acquiree, the difference is recognized directly 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 Company accounts 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 Company'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.

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 of 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 consolidated statement of comprehensive income and "Cumulative translation adjustments" 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 entity will be recognized in the consolidated statement of income.

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.

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.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the consolidated 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.

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). The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and AFS investments. 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 financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this classification at every financial reporting date.

Determination of Fair Value. The fair value of financial instruments traded in organized financial markets is determined by reference to quoted market bid prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs, that are active at the close of business at financial reporting date. When current bid and asking prices are not available, the price of the most recent transaction is used since it provides evidence of current fair value as long as there has not been significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Such techniques include using reference to similar instruments for which observable prices exist, discounted cash flows analyses, and other relevant valuation models.

Day 1 Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a Day 1 profit) 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 Company determines the appropriate method of recognizing the Day 1 profit amount.

Financial Assets and Liabilities at FVPL. Financial assets and liabilities at FVPL include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Derivatives are also classified under financial assets or liabilities at FVPL, unless they are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management at initial recognition as at FVPL if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;

- The assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance are evaluated on a fair value basis in accordance with a documented risk management strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis that it would not be separately recorded.

Financial assets or liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized directly in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income according to the terms of the contract, or when the right of payment has been established.

The Company has no financial assets and liabilities at FVPL as of March 31, 2012 and December 31, 2011.

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as at FVPL, designated as AFS financial asset or HTM investments. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment. Gains and losses are recognized in the consolidated statement income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

This category includes the Company's cash and cash equivalents, trade and other receivables and deposits (see Note 29).

HTM Investments. Quoted nonderivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM investments when the Company's management has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this category. After initial measurement, HTM investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process.

The Company has no HTM investments as of March 31, 2012 and December 31, 2011.

AFS Investments. AFS investments are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial measurement, AFS investments are measured at fair value, with unrealized gains or losses being recognized as other comprehensive income until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the consolidated statement of income. Unquoted equity instruments whose fair value cannot be reliably measured, are measured at cost.

AFS investments are included in current assets if management intends to sell these financial assets within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

The Company's AFS investments include investments in ordinary common shares (see Note 29).

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.

Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently 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 consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Expenditures incurred in connection with availments of long-term debt are deferred and amortized using effective interest method over the term of the loans. Debt issue costs are netted against the related long-term debt allocated correspondingly to the current and noncurrent portion.

Other financial liabilities are included in current liabilities if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent liabilities.

Classified under other financial liabilities are trade and other payables, interest-bearing loans and borrowings, obligations for program rights, due to a related party, convertible note and customers' deposits (included under "Other noncurrent liabilities" account) (see Note 29).

Embedded Derivatives

An embedded derivative is separated from the host contract and accounted for as derivative if all the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and (c) the hybrid or combined instrument is not measured at FVPL.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. When reported, the fair value changes are reported in profit or loss. Re-assessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Impairment of Financial Assets

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

Loans and Receivables. For loans and receivables carried at amortized cost, the Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, 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 there is an objective evidence that an impairment loss on loans and receivables 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).

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

A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Likewise, for other receivables, it was also established that accounts outstanding for less than a year should have no provision for impairment but accounts outstanding for over three years should have a 100% provision, which was arrived at after assessing individually significant balances. Provision for individually non-significant balances was made on a portfolio or group basis after performing the regular review of the age and status of the individual accounts and portfolio/group of accounts relative to historical collections, changes in payment terms and other factors that may affect ability to collect payments.

Assets Carried at Cost. If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument 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 discounted at the current market rate of return for a similar financial asset.

AFS Investments. In case of equity investments classified as AFS, an objective evidence of impairment includes a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from the other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have 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.

Where the Company has transferred its rights 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 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.

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 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. This is not generally the case with master netting agreements,

and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using weighted 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. Unrealizable inventories are written off.

Preproduction Expenses

Preproduction expenses, included under "Other current assets" account in the consolidated statement of financial position, 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.

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 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.

Subscriber's initial installation costs, including materials, labor and overhead costs are capitalized as part of distribution equipment (included in the "Television, radio, movie and auxiliary equipment" account) and depreciated over a period no longer than the depreciation period of the distribution equipment. The costs of subsequent disconnection and reconnection are charged to current operations.

Unissued spare parts and supplies represent major spare parts that can be used only in connection with the distribution equipment. Unissued spare parts and supplies 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.

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	Number of Years
Land improvements	5 to 10
Buildings and improvements	10 to 40
Television, radio, movie and auxiliary equipment	10 to 15
Other equipment	3 to 10

The Company determined the depreciation and amortization for each significant part of an item of property and equipment.

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

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.

<u>Asset Retirement Obligation</u>
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. 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.

<u>Intangible Assets</u>
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. 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 at each financial year-end. 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 on 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 either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an 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.

A summary of the policies applied to the Company's acquired intangible assets is as follows:

Intangible Asset	**Useful Lives**	**Amortization Method Used**	**Impairment Testing/ Recoverable Amount Testing**	**Current and Noncurrent Classification**
Program Rights	Finite (license term or economic life, whichever is	Amortized on the basis of program usage, except for	If the remaining expected benefit period is shorter	Based on the estimated year of usage except CPI,

Intangible Asset	**Useful Lives**	**Amortization Method Used**	**Impairment Testing/ Recoverable Amount Testing**	**Current and Noncurrent Classification**
	shorter)	program rights of CPI, which is amortized on a straight-line method over the license term or economic life, whichever is shorter. Episodic program rights are amortized based on the number of episodes and charged to expense upon airing of each episodeExpired program rights are fully amortized on the date of expiry. Unaired program rights with no definite expiration date are amortized after 5 years from acquisition date (i.e., equally over the next five years).	than the Company's initial estimates, the Company accelerates amortization of the purchase price or license fee. Program rights are written off when no future economic benefits are expected to flow from the assets.	which is based on license term
Story, Music and Publication Rights	Finite (useful economic benefit)	Amortized on the basis of the useful economic life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Based on the estimated year of usage
Movie In-process	Finite	No amortization, recognized as expense upon showing	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

Intangible Asset	Useful Lives	Amortization Method Used	Impairment Testing/ Recoverable Amount Testing	Current and Noncurrent Classification
Video Rights and Record Master	Finite (six months or 10,000 copies sold of video discs and tapes, whichever comes first)	Amortized on the basis of number of copies sold	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Current
Customer Relationships (see Note 3)	Finite - 22 years	Amortized on a straight-line basis over the estimated customer service life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Noncurrent
Cable Channels - CPI	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists	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 Company's initial estimates, the Company accelerates amortization of the cost	Noncurrent
Trademark (see Note 3)	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists	Noncurrent
Frequency (see Note 3)	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists	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 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 consolidated statement of income in the year of retirement or disposal.

Investments in Associates

The Company’s investments in associates are accounted for under the equity method of accounting. An associate is an entity over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Under the equity method, investment in associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company’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 amortized. The consolidated statement of income reflects the share on the financial performance of an associate. When ABS-CBN’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, ABS-CBN’s 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 Company 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 Company are identical and the associates’ accounting policies conform to those used by the Company for like transactions and events in similar circumstances. Unrealized intercompany profits arising from the transactions with the associate are eliminated to the extent of the interest in the associate.

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 Company 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 and tax credits 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 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:

Goodwill, Cable Channels,Trademark and Frequency. Goodwill, cable channels,trademarks and frequency 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, cable channels and trademark by assessing the recoverable amount of the cash-generating units, to which the goodwill, cable channels, trademarks and frequency 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, cable channels, trademark and frequency 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 Company performs its annual impairment test of goodwill, cable channels and trademark as of December 31 of each year.

Investments in Associates. After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investments in the associates. The Company determines at each financial reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the recoverable amount of investment in associate and the carrying value and recognizes the amount in the consolidated statement of income.

Customers' Deposits

Customers' deposits, included as part of "Other noncurrent liabilities" account in the consolidated statement of financial position, are initially recognized at fair value. The discount is recognized as deferred revenue and amortized over the estimated remaining term of the deposits using the effective interest method.

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 consolidated statement of financial position to the extent of the par value, with any excess being reflected as "Additional paid-in-capital" account in the consolidated statement of financial position.

Where the Company purchases its capital stock (recorded as "Philippine depository receipts 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.

Retained Earnings

Retained earnings includes profit attributable to the equity holders of the Parent Company and reduced by dividends on capital stock.

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

Dividends on Common Shares of the Parent Company

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

Revenue

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Airtime revenue is recognized as income on the dates the advertisements are aired, net of agency commissions, incentives and co-producers' share. The fair values of barter transactions from advertising time exchanged for program materials, merchandise or service are included in airtime revenue and the related accounts.

Payments received before broadcast (pay before broadcast) for customers without credit terms are initially recognized as liability and are included as part of "Deferred revenue" under "Trade and other payables" account in the consolidated statement of financial position. These are applied against receivable upon airing and recognition of related revenue. Pay before broadcast for customers with credit terms are credited directly to "Trade receivables" under "Trade and other receivables" account in the consolidated statement of financial position. A right of offset exists between the pay before broadcast balance and the regular trade receivables. These are recognized as income on the dates the advertisements are aired.

Sale of Services

a. Subscription fees are recognized as follows:

   DTH Subscribers and Cable Operators. Subscription fees are recognized under the accrual basis in accordance with the terms of the agreements.

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

Subscription Revenue from TFC Now. Subscription revenue from online streaming services of Filipino-oriented content and programming is received in advance (included as "Deferred revenue" under "Trade and other payables" account in the consolidated statement of financial position) and is deferred and recognized as revenue over the period during which the service is performed.

Cable Subscribers. Subscription fees are recognized under the accrual basis in accordance with the terms of the agreements. Subscription fees billed or collected in advance are deferred and shown as "Deferred revenue" under "Trade and other payables" account in the consolidated statement of financial position and recognized as revenue when service is rendered.

b. Telecommunications revenue is recognized when earned based on agreed rates with the other telecommunications carriers under existing correspondence and interconnection agreements. Telecommunication revenues where the Company is the primary obligor is recognized at gross amount including the share of the other carriers. Where the Company is the terminating carrier, revenue is recognized only to the extent of termination rates billed by the Company to the originating carrier.

   Income from prepaid phone cards are realized based on actual usage hours or expiration of the unused value of the card, whichever comes earlier. Income from prepaid card sales for which the related services have not been rendered as of financial reporting date, is presented as "Others" under "Trade and other payables" account in the consolidated statement of financial position.

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

d. Income from film exhibition is recognized, net of theater shares, on the dates the films are shown.

e. Income from TV rights and cable rights are recognized on the dates the films are permitted to be publicly shown as stipulated in the agreement.

f. Pay-per-view fees are recognized on the date the movies or special programs are viewed.

Sale of goods is recognized when delivery has taken place and transfer of risks and rewards has been completed. These are stated net of sales discounts, returns and allowances.

Income and related costs pertaining to installation of decoders and set-top boxes which has no stand alone value without the subscription revenue are aggregated and recognized ratably over the longer of subscription contract term or the estimated customer service life. These are presented as part of "Other noncurrent assets" account (under "Deferred charges") and "Trade and other payables" account (under "Deferred revenue"), respectively, in the consolidated statement of financial position.

Short-messaging-system/text-based revenue, sale of news materials and Company-produced programs included under "Sale of services" account in the consolidated statement of income are recognized upon delivery.

Royalty income, included as part of "Sale of services" account in the consolidated statement of income, is recognized 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.

Connection/reconnection/disconnection fees, included as part of "Other income" account in the consolidated statement of income, are recognized when the services are rendered.

Management fees, included as part of "Other income" account in the consolidated statement of income, are recognized based on the terms of the management agreement.

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

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

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

Agency Commissions, Incentives and Co-producers' Share

These represent deductions from gross airtime revenues (see Note 24).

Agency commissions are recognized at a standard rate of 15%.

Incentives include early payment and early placement discounts as well as commissions paid to the Company's account executives and cable operators. Early payment discount is recognized upon payment. Early placement discount, which represents discount given to agencies and advertisers as a result of early request for telecast order, is recognized upon airing.

Co-producers' share on revenues of specific programs is recognized upon airing.

Channel License Fees

Channel license fees included under "Cost of services" account in the consolidated statement of income are charged to operations in the year these fees are incurred.

Leases

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

Company as a Lessee. Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the consolidated statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term.

Company as a Lessor. Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

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.

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

Pension Costs

The Company's pension plans are funded (Parent Company and Sky Cable) 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. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and net of actuarial gains and losses not recognized, reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the 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 Company's contribution to the defined contribution pension plan is recognized as expense in the period incurred.

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

Creditable Withholding Taxes. Creditable withholding tax represents amounts withheld by the Company's customers and deducted from income tax payable. This is included as part of "Other current assets" account in the consolidated statement of financial position.

Deferred Tax. Deferred income 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 income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income 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 income 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 income 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 income 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 income tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income 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 income tax to be recovered.

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

Deferred income 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, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of “Other current assets” account or “Trade and other payables” account, respectively, in the consolidated statement of financial position.

Earnings Per Share (EPS) attributable to the Equity Holders of the Parent Company

Basic EPS amounts are calculated by dividing the net income attributable to equity holders of the Parent Company for the year over the weighted average number of common shares outstanding 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 Company 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 Company’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 Company’s operating businesses are organized and managed separately into three business activities. Such business segments are the bases upon which the Company reports its operating segment information. The Company operates in three geographical areas where it derives its revenue. Financial information on segment reporting is presented in Note 5.

Future Changes in Accounting Policies

The Company will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after July 1, 2012)

  The amendments to PAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.

- PAS 19, *Employee Benefits* (Amendment) (effective for annual periods beginning on or after January 1, 2013)

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company is currently assessing the impact of the amendment to PAS 19.

- PAS 27, *Separate Financial Statements* (as revised in 2011) (effective for annual periods beginning on or after January 1, 2013)

  As a consequence of the new PFRS 10, *Consolidated Financial Statements,* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011) (effective for annual periods beginning on or after January 1, 2013)

  As a consequence of the new PFRS 11, *Joint Arrangements*, and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

  This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:

   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and

e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

- PFRS 10, *Consolidated Financial Statements* (effective for annual periods beginning on or after January 1, 2013)

  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

- PFRS 11, *Joint Arrangements* (effective for annual periods beginning on or after January 1, 2013)

  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12, *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after January 1, 2013)

  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- PFRS 13, *Fair Value Measurement* (effective for annual periods beginning on or after January 1, 2013)

  PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on its financial position and performance.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after January 1, 2013)

  This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2014, with retrospective application)

These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Company, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The Company is currently assessing impact of the amendments to PAS 32.

- PFRS 9, *Financial Instruments: Classification and Measurement* (effective for annual periods beginning on or after January 1, 2015)

  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final revenue standard is issued by International Accounting Standards Board and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed.

3. Business Combinations, Acquisitions, Re-organization and Disposals

a. Conversion of Note and Advances

On June 30, 2004, Sky Cable ("Issuer") issued a convertible note ("the Note") to the Parent Company amounting to US$30.0 million (₱1,581 million).

The Note was subject to interest of 13.0% compounded annually and matured on June 30, 2006. The principal and accrued interest as of maturity date is mandatorily converted into common shares of the Issuer, based on the prevailing USD to Philippine peso exchange rate on maturity date, at a conversion price equivalent to a 20% discount of: (a) the market value of the shares, in the event of a public offering of the Issuer before maturity date; (b) the valuation of the shares by an independent third party appraiser that is a recognized banking firm, securities underwriter or one of the big three international accounting firms or their Philippine affiliate jointly appointed by Lopez, Inc. and Lopez Holdings Corporation (Lopez Holdings) (collectively referred to as Lopez Group) and Philippine Long Distance Telephone Company and Mediaquest Holdings, Inc. (collectively referred to as PLDT Group) pursuant to the Master Consolidation Agreement dated July 18, 2001, as amended or supplemented.

The Note does not specifically state that interest shall accrue after June 30, 2006 in the event that the Note is not converted for any reason. Thus, no interest was charged after June 30, 2006.

On May 20, 2008, the Lopez Group and the PLDT Group agreed on valuation for Sky Cable effective March 15, 2008. Based on this final valuation of Sky Cable, the Note amounting to ₱1,581 million, accrued interest on the Note from June 30, 2004 to June 30, 2006 amounting to ₱459 million and ABS-CBN's advances to Sky Cable amounting to ₱459 million can be converted into 269,645,828 Sky Cable shares, representing 65.3% effective interest in Sky Cable. Consequently, for financial reporting purposes, effective March 15, 2008, Sky Cable was considered as a subsidiary of the Parent Company with a 65.3% effective interest.

On December 23, 2008, the Parent Company, Sky Vision Corporation (Sky Vision) and Sky Cable entered into an Assignment Agreement, whereby the Parent Company assigned the Note, accrued interest receivable and advances to Sky Cable totaling to ₱2,499 million to Sky Vision in consideration of Philippine Depository Receipts (PDRs) convertible into underlying Sky Cable shares to be issued by Sky Vision upon approval by the Philippine SEC of the increase in the authorized capital stock of Sky Cable. Pursuant to this Assignment Agreement, Sky Vision is contractually bound to issue the PDRs to the Parent Company upon the issuance of the underlying Sky Cable shares to Sky Vision.

The PDRs will grant the Parent Company the right, upon payment of the exercise price and subject to certain other conditions, the delivery of Sky Cable shares or the sale of and delivery of the proceeds of such sale of Sky Cable shares. The PDRs may be exercised at any time by the Parent Company, thus, providing potential voting rights to the Parent Company. Any cash dividends or other cash distributions in respect of the underlying Sky Cable shares are received by Sky Vision. After deducting administrative expenses for the maintenance of the PDR structure, Sky Vision shall distribute the proceeds to the Parent Company.

While Sky Vision is the legal owner of the subscription to the 65.3% effective interest in Sky Cable, effectively, the Parent Company has the economic interest over the underlying shares by virtue of the PDRs. The voting rights remain with Sky Vision as legal owner but the Parent Company has economic benefits over the underlying Sky Cable shares. The Parent Company will have the voting rights upon exercise of the PDRs.

The conversion of the Note is considered as a business combination and accounted for using purchase method in 2008. Accordingly, the consideration of ₱2,499 million was allocated to the identifiable assets and liabilities based on the fair values at conversion date. Goodwill arising on the acquisition amounted to ₱1,328 million (see Note 17). There is no cash outflow on the acquisition.

The 269,645,828 Sky Cable shares were issued to Sky Vision in 2009. Sky Vision issued the 269,645,828 PDRs with underlying Sky Cable shares to ABS-CBN in 2011.

On February 19, 2009, the BOD of ABS-CBN approved the additional conversion of ₱1,798 million loan to Sky Cable and ₱900 million advances to Sky Vision to PDRs covering 278,588,814 Sky Cable shares at conversion price of ₱9.69 per share. The conversion was considered as acquisition of noncontrolling interest. Upon conversion of the foregoing loan and advances, the effective interest of ABS-CBN increased from 65.3% to 79.3%.

On March 2, 2009, by virtue of a separate Assignment Agreement, ABS-CBN assigned the ₱1,798 million loan to Sky Vision. As a consideration for the assignment, Sky Vision agreed to issue ABS-CBN PDRs which shall be convertible into Sky Cable shares. The terms of the agreement are similar to the Assignment Agreement discussed in the foregoing. The effective interest of ABS-CBN in Sky Cable increased from 65.3% to 79.3%.

The 278,588,814 Sky Cable shares were issued to Sky Vision in 2009. Sky Vision issued the 278,588,814 PDRs with underlying Sky Cable shares to ABS-CBN in 2011.

b. Acquisition of Noncontrolling Interest in ABS-CBN International

In December 2009, the Parent Company acquired from Bayan Telecommunications, Inc. (Bayantel) its 2% interest in ABS-CBN International for US$6 million (₱277 million) which is payable over a period of three years beginning January 2010 until December 2012 or as maybe extended for a longer period as agreed by both parties. The parties also agreed that the Parent Company shall have the option to pay the consideration by way of the following products and services of the Parent Company which may be availed by Bayantel during the payment term:

- commercial advertising airtime for Bayantel's products and services;
- sponsorship in various ABS-CBN-produced programs and/or ABS-CBN-organized special events;
- co-branded marketing and promotional campaigns; and
- other media-related projects.

The excess of the consideration over the carrying value of the noncontrolling interest in ABS-CBN International amounting to US$4.9 million (₱217 million) was recognized as goodwill in the consolidated statements of financial position (see Note 17). In December 2009, the Parent Company assigned its 2% share in ABS-CBN International to ABS-CBN Global in exchange for additional common shares in ABS-CBN Global. Consequently, ABS-CBN Global became the 100% owner of ABS-CBN International. This assignment has no impact on the consolidated financial statements.

In June 2011, ABS-CBN and Bayantel agreed that settlement of the liability shall be paid in the form of immediately available and unencumbered funds amounting to US$2.7 million. ABS-CBN paid the US$2.7 million (₱118 million) and recognized gain from settlement of the liability amounting to ₱144 million in 2011 (see Note 28).

c. Acquisition of Sapientis

On October 15, 2010, the Parent Company acquired from PCCI Equities, Inc. all its subscription rights over the 250,000 shares in Sapientis, with a par value of ₱1 per share, for ₱63 thousand.

The purchase price allocation which was determined provisionally in 2010 was finalized in 2011. There was no change in the fair value of identifiable assets and liabilities of Sapientis at acquisition date. The following are the fair values of the identifiable assets and liabilities of Sapientis at acquisition date and the corresponding carrying amounts immediately before the acquisition based on the final purchase price allocation:

	Fair Value Recognized on Acquisition	Carrying Value
Cash	₱845	₱845
Deposits for future stock subscriptions	130,657	130,657
Trade and other payables	(8,640)	(8,640)
Short-term loans	(132,000)	(132,000)
Net assets	(9,138)	(₱9,138)
Goodwill arising on acquisition (see Note 17)	9,201	
Consideration paid by cash	₱63	

Net cash flow on the acquisition are as follows:

Net cash acquired with the subsidiary	₱845
Cash paid	(63)
Net cash inflow	₱782

From acquisition date, Sapientis incurred net loss amounting to ₱2 million. If the combination had taken place at the beginning of 2010, the Company's consolidated net income would have been ₱3,229 million for the year ended December 31, 2010.

d. Acquisition and Assignment of Sky Cable Shares

On September 9, 2010, the Parent Company purchased from Legaspi Capital Holdings Corporation and Beacon Diversified Holdings, Inc. an aggregate of 5,772,869 Sky Cable shares for ₱56 million.

On October 4, 2010, the Parent Company, as the assignee, and Unilink Communications Corporation and The Philippine Home Cable Holdings, Inc., collectively as the assignors, signed deeds of conditional sale for the purchase of an aggregate of 53,251,835 Sky Cable shares for ₱516 million payable in installments.

On December 15, 2010, the Parent Company agreed to sell 59,024,704 Sky Cable shares to Sky Vision for ₱572 million, the same value that ABS-CBN has purchased the said Sky Cable shares.

On January 13, 2011, Lopez, Inc. executed a Contract to Sell with the Parent Company where Lopez, Inc. agreed to sell all its rights to the 8,944,544 Sky Cable shares it beneficially owns for ₱87 million. On March 30, 2011, the Parent Company agreed to sell all these shares to Sky Vision for the same value.

The acquisition and subsequent assignment of Sky Cable shares to Sky Vision had no financial impact to the consolidated financial statements in 2011 and 2010.

e. Sale of Sky Cable PDRs and Issuance of Convertible Note

On February 14, 2011, ABS-CBN, Lopez, Inc, Lopez Holdings, Sky Vision, Sky Cable, STT Communications Ltd. (STTC) and Sampaquita Communications Pte. Ltd. (Sampaquita, a subsidiary of STTC), 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.

For financial reporting purposes, as of March 30, 2011, the effective economic interest of ABS-CBN decreased from 79.3% to 47.1%. Consequently, ABS-CBN derecognized the assets, including the goodwill, and liabilities of Sky Cable and noncontrolling interest in Sky Cable. Gain on the sale of investments amounting to ₱1,147 million (including gain on fair value of retained interest of ₱323 million) was recognized in the 2011 consolidated statement of income (see Note 28).

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 to but not including the last day of such interest period.

The convertible note was accounted for under split accounting. The equity component of the convertible note was recognized as part of noncontrolling interests in the 2011 consolidated financial statements of ABS-CBN.

f. Acquisition of CTI and MTI

On December 29, 2011, the SEC approved the increase in authorized capital stock of CTI to accommodate the subscription of Sapientis. Sapientis aquired 70% interest in CTI through conversion of the deposits into common stock. The acquisition indirectly includes the acquisition of MTI, a 95%-owned subsidiary of CTI.

The Company elected to measure the noncontrolling interests in CTI at the proportionate share of its interest in CTI’s identifiable net assets.

The fair values of the identifiable assets and liabilities of CTI, including MTI, at acquisition date and the corresponding carrying amounts immediately before the acquisition were:

	Fair Value Recognized on Acquisition	Carrying Value
Cash and cash equivalents	₱49,122	₱49,122
Trade and other receivables	12,934	12,934
Inventories	2,324	2,324
Prepaid expenses and other current assets	143,729	143,729
Property and equipment	116,339	116,339
Other noncurrent assets	12,091	12,091
Trade and other current liabilities	(649,889)	(649,889)
Loan payable	(27,418)	(27,418)
Long-term debt	(362,233)	(362,233)
Asset retirement obligation	(1,215)	(1,215)
Deferred tax liability	(31,524)	(31,524)
Net liabilities	(735,740)	(₱735,740)
Noncontrolling interests (30.0% of fair value of net liabilities)	220,722	
Net liabilities acquired	(515,018)	
Goodwill arising on acquisition (see Note 17)	1,037,646	
Consideration paid by cash	₱522,628	

Net cash flow on the acquisition are as follows:

Net cash acquired with the subsidiary	₱49,122
Cash paid	(522,628)
Net cash outflow	(₱473,506)

The purchase price allocation has been determined provisionally pending completion of an independent valuation and as such, is still subject to change. The Company recognized the entire excess of the consideration paid over the provisional values of CTI's identifiable assets and liabilities as goodwill. None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value and gross amount of trade and other receivables amounted to ₱13 million. If the combination had taken place at the beginning of 2011, the Company's consolidated net income and revenue would have been ₱2,334 million and ₱25,050 million, respectively, for the year ended December 31, 2011.

g. Acquisition of Bayantel Wireless Land Line (WLL) Business and Related Assets

On December 7, 2011, the National Telecommunications Commission (NTC) approved the sale and transfer of Bayantel WLL Business and related assets to MTI. Prior to date of NTC's approval, Bayantel obtained the approval of its BOD and Rehabilitation Court to sell the WLL Business to MTI.

On January 27, 2012, Bayantel executed an asset purchase agreement with MTI. The agreement includes the transfer of the related Code Division Multiple Access (CDMA) telecommunications equipment needed to operate the WLL Business amounting to ₱686 million. The transfer also includes the required frequencies, licenses, interconnection trunks, subscribers and employees. In addition, MTI assumed the related outstanding liabilities to CDMA telecommunications equipment amounting to ₱866 million. On February 1, 2012, Bayantel successfully transferred all its rights, titles, interests and obligations related to the WLL Business to MTI.

The acquisition of Bayantel WLL Business and related assets will be accounted for as an acquisition of a business. Total purchase consideration amounting to ₱1,154 million will be paid in cash of ₱258 million and through assumption of Bayantel's outstanding liabilities amounting to ₱924 million.

As of March 31, 2012, the purchase price allocation has been determined provisionally pending completion of an independent valuation and as such, is still subject to change. The Company recognized customer relationship and frequency amounting to ₱303 million and ₱1,172 million, respectively.

h. Acquisition of Sky Cable PDRs

On March 31, 2011, Sky Vision agreed to issue 67,969,248 PDRs with underlying Sky Cable shares to ABS-CBN for ₱659 million. For financial reporting purposes, the economic interest of the Company increased from 47.1% to 56.7%.

The acquisition of PDRs with underlying Sky Cable shares is accounted for as a business combination using acquisition method. The Company elected to measure the noncontrolling interest in Sky Cable at the proportionate share of its interest in Sky Cable's identifiable net assets.

The fair values of the identifiable assets and liabilities of Sky Cable at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair Value Recognized on Acquisition	Carrying Value
Cash and cash equivalents	₱779,270	₱779,270
Trade and other receivables	2,047,695	2,047,695
Inventories	15,443	15,443
Other current assets	437,917	437,917
Property and equipment	4,469,987	4,355,649
Customer relationships (see Note 13)	133,148	–
Trademark (see Note 13)	915,568	–
Deferred tax asset	404,789	404,789
Other noncurrent assets	1,071,627	1,071,627
Goodwill	–	1,080,328
Trade and other current liabilities	(2,583,229)	(2,583,229)
Unearned revenue	(₱190,323)	(₱190,323)
Long-term debt	(1,440,338)	(1,489,843)
Income tax payable	(46,275)	(46,275)
Accrued pension obligation	(389,699)	(389,699)
Deferred tax liability	(363,768)	–
Other noncurrent liabilities	(328,241)	(328,241)
Net assets	4,933,571	₱5,165,108
Consideration transferred	658,622	
Noncontrolling interests (43.3% of fair value of net assets)	2,134,710	

	Fair Value Recognized on Acquisition	Carrying Value
Fair value of previously held interest	4,606,075	
	7,399,407	
Goodwill arising on acquisition (see Note 17)	₱2,465,836	

Net cash flow on the acquisition are as follows:

Net cash acquired with the subsidiary	₱779,270
Cash paid	(658,622)
Net cash inflow	₱120,648

The fair value and gross amount of trade and other receivables amounted to ₱2,048 million and ₱3,476 million, respectively. Trade and other receivables amounting to ₱1,428 million are doubtful of collection and were provided with full valuation allowance.

From the acquisition date, Sky Cable has contributed ₱132 million to the consolidated net income of the Company.

The goodwill of ₱2,466 million comprises the fair value of expected synergies arising from acquisition.

i. Acquisition of Noncontrolling Interests in Roadrunner

In December 2011, the Parent Company acquired the 1% interest in Roadrunner from the noncontrolling shareholders for ₱3 million. Consequently, Roadrunner became a wholly owned subsidiary of the Parent Company.

4. Seasonality or Cyclicality of Interim

The Company's operations are not generally affected by any seasonality or cyclicality.

5. Nature and Amount of Changes in Estimates

The effect of changes in estimates or amounts reported in prior interim periods do not have a material effect in the current interim period.

6. Segment Information

Segment information is prepared on the following bases:

Business Segments

For management purposes, the Company is organized into three business activities - broadcasting, cable and satellite, and other businesses. This segmentation is the basis upon which the Company reports its primary segment information.

- Broadcasting segment is principally the television and radio broadcasting activities which generates revenue from sale of national and regional advertising time.

- Cable and satellite business primarily develops and produces programs for cable television, including delivery of television programming outside the Philippines through its DTH satellite service, cable television channels and blocked time on television stations. The cable and satellite business includes cable television services of Sky Cable and its subsidiaries in Metro Manila and in certain provincial areas in the Philippines.

- Other businesses include movie production, consumer products and services.

Geographical Segments
Although the Company is organized into three business activities, it operates in three major geographical areas. In the Philippines, its home country, the Company is involved in broadcasting, cable operations and other businesses. In the United States and in other locations (which include Middle East, Europe, Australia, Canada and Japan), the Company operates its cable and satellite operations to bring television programming outside the Philippines.

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.

Management 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 Company's performance is evaluated based on consolidated net income for the year, core net income, earnings before interest, taxes and depreciation and amortization (EBITDA) and EBITDA margin. Net income for the year is measured consistent with consolidated net income attributable to equity holders of the Parent Company in the consolidated financial statements. EBITDA margin pertains to EBITDA divided by gross revenues.

Core net income for the year is measured as consolidated net income attributable to equity holders of the Parent Company before adjustments required under PFRS 3 which relate to the amortization of customer relationships and depreciation and amortization of fair value increase in property and equipment, gain on acquisition and exchange of debt and elimination of interest income pertaining to the accretion of receivable discount, net of related tax effect, arising from the acquisition of Sky Cable.

The following table shows the reconciliation of the core net income to consolidated net income attributable to equity holders of the Parent Company for the period ended March 31, 2012 and March 31, 2011:

	March 2012	March 2011
Core net income	**₱312,491**	₱1,006,367
PFRS 3 adjustments:		
Depreciation and amortization	**(7,191)**	(38,322)
Amortization of customer relationships (see Note 13)	**(1,513)**	(5,297)
Income tax effect	**2,611**	13,322
Consolidated net income attributable to equity holders of the Parent Company	**₱306,398**	₱976,070

The following table shows the reconciliation of the consolidated EBITDA to consolidated net income attributable to equity holders of the Parent Company for the period ended March 31, 2012 and March 31, 2011:

	March 2012	March 2011
Consolidated EBITDA	**₱1,361,737**	₱2,097,506
Depreciation and amortization	**(656,755)**	(633,242)
Amortization of intangible assets*	**(202,681)**	(200,172)
Finance costs**	**(179,562)**	(167,517)
Interest income	**40,466**	29,137
Provision for income tax	**(56,807)**	(149,642)
Consolidated net income attributable to equity holders of the Parent Company	**₱306,398**	₱976,070

**Excluding amortization of story, music and publication rights, movie in-process and video rights and record master.*
***Excluding bank service charges.*

Financial information on business segments and geographical segments is presented in Exhibit 1.

7. Cash and Cash Equivalents

	March 2012	December 2011
Cash on hand and in banks	**₱3,346,868**	₱3,531,105
Cash equivalents	**4,700,570**	5,103,948
	₱8,047,438	₱8,635,053

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 Company, and earn interest at the respective short-term placement rates.

Interest earned from cash and cash equivalents amounted to ₱40 million and ₱29 million for the period ended March 31, 2012 and March 31, 2011, respectively.

8. Trade and Other Receivables

	March 2012	December 2011
Trade:		
Airtime	**₱4,486,535**	₱5,049,461
Subscriptions	**827,366**	768,248
Others	**1,302,677**	1,182,149
Advances to suppliers	**1,928,861**	1,103,880
Advances to employees and talents	**261,906**	261,834
Due from related parties (see Note 23)	**175,958**	171,328
Others	**282,521**	260,195
	9,265,824	8,797,095
Less allowance for doubtful accounts	**966,486**	668,929
	₱8,299,338	₱8,128,166

Trade receivables are noninterest-bearing and are generally on 60 to 90 days term upon receipt of invoice by the customer.

For terms and conditions relating to due from related parties, refer to Note 23.

Other trade receivables are other revenue generated from the sale of goods and services and usually collected within one year.

Advances to employees and talents are usually settled within one year.

Advances to suppliers are generally applied against future billings within next year.

Movements in the allowance for doubtful accounts are as follows:

	Trade				
	Airtime	Subscriptions	Others	Nontrade	Total
Balance at December 31, 2010	₱491,246	₱54,719	₱22,271	₱59,614	₱627,850
Provisions (see Note 27)	38,863	132,199	83,731	154	254,947
Write-offs and others	(4,666)	(128,390)	(82,181)	1,369	(213,868)
Balance at December 31, 2011	525,443	58,528	23,821	61,137	668,929
Provisions (see Note 27)	4,335	30,806	4,205	–	39,346
Write-offs and others	(23,526)	(32,944)	(5,075)	319,756	258,211
Balance at March 31, 2012	**₱506,252**	**₱56,390**	**₱22,951**	**₱380,893**	**₱966,486**

Allowance for doubtful accounts are based on specific and collective assessment by the Company.

Airtime receivables include unbilled airtime arising from advertisements which have been aired during the year but billing or acceptance by the customer has been delayed due to time lag in completing all required documents. Invoicing normally takes around 7 to 30 days from airing.

Subscription receivables include unbilled subscription, where revenue has been accrued based on the rates in the subscription agreements multiplied by the estimated number of subscribers based on the latest report from the cable providers. Billing has been delayed due to 30 to 60 days lag in the submission of actual subscribers report from cable providers.

The aging analysis of the unbilled receivables follows:

	March 2012	December 2011
Less than 30 days	**₱73,541**	₱780,702
31to 60 days	**848,172**	2,479
61to 90 days	**16,791**	29,342
	₱938,504	₱812,523

9. Inventories

	March 2012	December 2011
At net realizable value:		
Merchandise inventory	**₱82,991**	₱90,405
Materials, supplies and spare parts	**37,159**	43,769
At cost -		
Office supplies	**5,609**	693
	₱125,759	₱134,867

Merchandise inventory consists mainly of records and other consumer products held for sale by other subsidiaries. Materials, supplies and spare parts comprise materials and supplies of the Parent Company and cable, construction and installation supplies of Sky Cable. The cost of inventories carried at net realizable value amounted to ₱251 million and ₱260 million as of March 31, 2012 and December 31, 2011, respectively.

10. Other Current Assets

	March 2012	December 2011
Creditable withholding and prepaid taxes	**₱393,242**	₱463,656
Preproduction expenses	**342,332**	323,492
Prepaid expenses and others	**468,007**	228,899
	₱1,203,581	₱1,016,047

Prepaid expenses include prepayments for rentals, transponder services, license fees, membership dues, advertisement and other expenses.

11. Property and Equipment

Financial information on Property, Plant and Equipment is presented in Exhibit 3.

12. Investment Properties

This account pertains to a parcel of land purchased by ABS-CBN International, with a two-storey house constructed thereon, located in Redwood City, California, USA. The real property which was acquired in July 2008 at a purchase price of US$1.4 million (₱67 million) was intended to be held by ABS-CBN International as investment properties. To fund the acquisition, ABS-CBN International obtained loan from Citibank, North America amounting to US$1.05 million (₱50 million) for which the property was pledged as collateral.

Cost and related accumulated depreciation of investment properties are as follows:

		2012	
	Land	**Building**	**Total**
Cost -			
Balance at beginning of year	**₱30,688**	**₱30,688**	**₱61,376**
Translation adjustments	**(644)**	**(644)**	**(1,288)**
Balance at end of year	**30,044**	**30,044**	**60,088**
Accumulated depreciation:			
Balance at beginning of year	**–**	**3,580**	**3,580**
Depreciation (see Note 27)	**–**	**274**	**274**
Translation adjustments	**–**	**(76)**	**(76)**
Balance at end of year	**–**	**3,778**	**3,778**
Net book value	**₱30,044**	**₱26,266**	**₱56,310**

		2011	
	Land	Building	Total
Cost:			
Balance at beginning and end of year	₱30,688	₱30,688	₱61,376
Accumulated depreciation:			
Balance at beginning of year	–	2,464	2,464

	2011		
	Land	Building	Total
Depreciation (see Note 27)	–	1,103	1,103
Translation adjustments	–	13	13
Balance at end of year	–	3,580	3,580
Net book value	₱30,688	₱27,108	₱57,796

13. Program Rights and Other Intangible Assets

	March 2012									
	Program Rights	**Story, Music and Publication Rights**	**Movie In-Process**	**Video Rights and Record Master**	**Customer Relationships**	**Trademark**	**Frequency**	**Cable Channels - CPI**	**Production and Distribution Business - Middle East**	**Total**
Balance at beginning of year	**₱2,463,419**	**₱6,030**	**₱71,460**	**₱35,068**	**₱128,609**	**₱915,568**	**₱–**	**₱459,968**	**₱92,458**	**₱4,172,580**
Additions	**320,451**	**1,434**	**96,056**	**124,161**	–	–	–	–	–	**542,102**
Effect of business combination (see Note 3)	–	–	–	–	**303,629**	–	**1,172,307**	–	–	**1,475,936**
Amortization and write-off (see Notes 25, 26 and 27)	**(201,161)**	–	**(103,093)**	**(944)**	**(1,513)**	–	–	–	**(7)**	**(306,718)**
Translation adjustments	–	–	–	–	–	–	–	–	**(3,293)**	**(3,293)**
Balance at end of year	**2,582,709**	**7,464**	**64,423**	**158,285**	**430,725**	**915,568**	**1,172,307**	**459,968**	**89,158**	**5,880,607**
Less current portion	**370,389**	**1,179**	**52,661**	**158,285**	–	–	–	–	–	**582,514**
Noncurrent portion	**₱2,212,320**	**₱6,285**	**₱11,762**	**₱–**	**₱430,725**	**₱915,568**	**₱1,172,307**	**₱459,968**	**₱89,158**	**₱5,298,093**

	December 2011								
	Program Rights	Story, Music and Publication Rights	Movie In-Process	Video Rights and Record Master	Customer Relationships	Trademark	Cable Channels - CPI	Production and Distribution Business - Middle East	Total
Balance at beginning of year	₱2,375,958	₱7,369	₱97,621	₱9,250	₱471,391	₱–	₱459,968	₱89,359	₱3,510,916
Additions	1,077,572	1,372	214,452	31,670	–	–	–	–	1,325,066
Effect of business combination (see Note 3)	–	–	–	–	133,148	915,568	–	–	1,048,716
Amortization and write-off (see Notes 25, 26 and 27)	(990,111)	(2,711)	(240,613)	(5,852)	(9,835)	–	–	(3,061)	(1,252,183)
Disposals	–	–	–	–	(466,095)	–	–	–	(466,095)
Translation adjustments	–	–	–	–	–	–	–	6,160	6,160
Balance at end of year	2,463,419	6,030	71,460	35,068	128,609	915,568	459,968	92,458	4,172,580
Less current portion	481,051	79	60,501	35,068	–	–	–	–	576,699
Noncurrent portion	₱1,982,368	₱5,951	₱10,959	₱–	₱128,609	₱915,568	₱459,968	₱92,458	₱3,595,881

Costs and related accumulated amortization of other intangible assets are as follows:

	March 2012				December 2011			
	Customer Relationships	**Cable Channels - CPI**	**Production and Distribution Business - Middle East**	**Total**	Customer Relationships	Cable Channels - CPI	Production and Distribution Business - Middle East	Total
Cost	**₱436,777**	**₱574,960**	**₱212,358**	**₱1,224,095**	₱133,148	₱574,960	₱212,358	₱920,466
Accumulated amortization	**(6,052)**	**(114,992)**	**(123,200)**	**(244,244)**	(4,539)	(114,992)	(119,900)	(239,431)
Net book value	**₱430,725**	**₱459,968**	**₱89,158**	**₱979,851**	₱128,609	₱459,968	₱92,458	₱681,035

The customer relationships acquired in a business combination relate to the core subscribers of Sky Cable postpaid, prepaid and platinum, broadband and other Sky Cable's subsidiaries at conversion date who have sustained their relationship with Sky Cable and subsidiaries for more than a year and Bayantel subscribers (see Note 3).

The cable channels include Lifestyle Channel, Cinema One, and Myx Channel acquired by CPI from Sky Vision. Based on the Company's analysis of all the relevant factors, there is no foreseeable limit to the period over which this business is expected to generate net cash inflows for the Company and therefore, these were assessed to have an indefinite life. As such, yearly amortization has been discontinued in 2001. The carrying amount is net of previously recognized amortization amounting to ₱115 million. As of March 31, 2012 and December 31, 2011, cable channels were tested for impairment.

Production and distribution business for Middle East operations represents payments arising from the sponsorship agreement between Arab Digital Distribution (ADD) and ABS-CBN Middle East. This agreement grants the Company the right to operate in the Middle East with ADD as sponsor for a period of 25 years.

Trademark pertains to Sky Cable distinctive sign to promote and distinguish its products and services from those of other entities. Based on the Company's analysis of all the relevant factors, there is no foreseeable limit to the period over which the business is expected to generate net cash inflows for the Company and therefore, this was assessed to have an indefinite life. As of March 31, 2012, trademark was tested for impairment.

14. Available-for-Sale Investments

	March 2012	December 2011
Balance at beginning of year	**₱264,892**	₱265,066
Disposals	**(8)**	(31,985)
Unrealized fair value gain on AFS investments	**7,569**	9,818
Translation adjustments and others	**(1,000)**	–
Additions	–	21,993
Balance at end of year	**₱271,453**	₱264,892

AFS investments consist mainly of investments in quoted and unquoted ordinary shares.

The fair value gain on AFS investments amounting to ₱8 million and ₱15 million as of March 31, 2012 and March 31, 2011, respectively, were recognized in other comprehensive income.

15. Investments in Associates

The following are the associates of the Company as of March 31, 2012 and December 31, 2011:

Entity	Principal Activities	Percentage of Ownership
Amcara Broadcasting Network, Incorporated (Amcara)	Services	49.0
Star Cinema Productions, Inc. (Star Cinema)	Movie production	45.0
Sky Vision	Investment holding	18.8

Details of the account are as follows:

	March 2012	December 2011
Acquisition costs:		
Balance at beginning and end of year	**₱561,528**	₱541,292
Addition	**–**	20,236
Balance at end of year	**561,528**	561,528
Accumulated equity in net losses:		
Balance at beginning of year	**(520,444)**	(500,179)
Equity in net losses during the year	**(12)**	(29)
Dividends	**–**	(20,236)
Balance at end of year	**(520,456)**	(520,444)
	₱41,072	₱41,084

All the associates are incorporated in the Philippines.

In 2011, the BOD of Amcara approved the declaration of cash dividends to all stockholders of record as of June 15, 2011. The Parent Company's dividends were subsequently applied as payment for the additional investment in Amcara.

As of March 31, 2012 and December 31, 2011, the remaining carrying value of investments in associates pertains to Amcara. Investments in Star Cinema and Sky Vision have been reduced to zero due to accumulated equity in net losses.

Condensed financial information of the associates follows:

	March 2012	December 2011
Current assets	**₱12,138**	₱14,726
Noncurrent assets	**7,314,830**	7,311,348
Current liabilities	**(72,812)**	(66,892)
Noncurrent liabilities	**(7,089,737)**	(7,084,197)
Net equity	**₱164,419**	₱174,985
Revenue	**₱8,503**	₱39,937
Cost and expenses	**(8,588)**	(32,009)
Net income (loss)	**(₱85)**	₱7,928

16. **Other Noncurrent Assets**

	March 2012	December 2011
Tax credits with TCCs - net	**₱2,197,985**	₱2,207,661
Deposits and bonds	**141,985**	204,400
Deferred charges	**116,853**	119,572
Others	**287,027**	145,174
	₱2,743,850	₱2,676,807

Tax Credits

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 10 years until 2021.

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.

Deferred charges pertain to excess of cost over revenue from installation of decoders and set-top boxes. Amortization of deferred charges amounted to ₱9 million and ₱10 million for the period ended March 31, 2012 and March 31, 2011, respectively (see Note 26).

17. Goodwill

Analysis of movement in goodwill follows:

	March 2012	December 2011
Cost:		
Balance at beginning of year	**₱3,772,061**	₱2,166,397
Reclassification	**(1,037,646)**	–
Translation adjustment	**(4,547)**	(11,668)
Disposal (see Note 3)	–	(1,886,150)
Effect of business combination (see Note 3)	–	3,503,482
Balance at end of year	**2,729,868**	3,772,061
Accumulated impairment loss -		
Balance at beginning and end of year	**(22,565)**	(22,565)
	₱2,707,303	₱3,749,496

Goodwill arose from the following acquisitions and business combination:

	March 2012	December 2011
Sky Cable (see Note 3)	**₱2,465,836**	₱2,465,836
ABS-CBN International	**212,205**	216,752
ABS-CBN Interactive	**13,389**	13,389
Sapientis	**9,201**	9,201
ABS-CBN Multimedia	**6,672**	6,672
CTI (see Note 3)	–	1,037,646
	₱2,707,303	₱3,749,496

Goodwill pertaining to investment in Roadrunner amounting to ₱23 million was fully provided with an allowance for impairment loss.

18. **Trade and Other Payables**

	March 2012	December 2011
Trade	**₱1,535,254**	₱1,158,343
Accrued expenses:		
Production costs and other expenses	**3,268,398**	3,164,157
Salaries and other employee benefits	**1,415,320**	1,361,094
Taxes	**807,075**	632,141
Interest	**227,014**	221,015
Deferred revenue	**1,210,650**	1,283,434
Installment payable (see Note 3)	**1,194,508**	362,233
Due to related parties (see Notes 3 and 23)	**264,597**	339,345
Dividend payable	**163,046**	163,338
Others	**326,691**	393,064
	₱10,412,553	₱9,078,164

Trade payables are noninterest-bearing and are normally settled on 30 to 90-day term. For terms and conditions relating to due to related parties, refer to Note 23.

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 shows.

Accrual for salaries and other employee benefits includes accrual for the Company's retention program. The Company allocated specified number of notional shares for selected key employees. This will be paid in full after the holding period of 5 or 6 years from date of grant which is January 1, 2011.

Deferred revenue pertains to payments received before broadcast and subscription fees billed or received in advance.

Installment payable relates to a contract entered into by MTI in 2004 with a supplier for the purchase of certain equipment amounting to $12 million which bears interest of 5% per annum. In December 2008, MTI signed a restructuring agreement with the supplier which stipulates payment of the outstanding balance over a period of 36 months. The contract stipulates the existence of supplier's lien over the purchased equipment and that this shall remain in force until such time that MTI has paid up to 40% of the contract price. As of March 31, 2012, MTI has only paid 53% of the contract price. Outstanding balance as of March 31, 2012 and December 31, 2011 amounted to ₱243 million (US$6 million) and ₱362 million (US$8 million), respectively. Accrued interest amounted to ₱124 million and ₱122 million as of March 31, 2012 and December 31, 2011, respectively.

Other current liabilities include statutory liabilities which are payable within the next financial year.

19. **Repayment of Debt**

Repayments of long-term debt are scheduled as follows:

	ABS-CBN					
	Loan Agreement	Syndicated Loan	Sky Cable	PCC	ABS-CBN International	Total
2012	₱100,000	₱–	₱10,000	₱120,000	₱1,517	₱231,517
2013	100,000	–	10,000	200,000	1,607	311,607
2014	100,000	854,208	10,000	178,500	1,701	1,144,409
2015	100,000	–	10,000	–	1,802	111,802
2016–2018	9,500,000	–	950,000	–	35,141	10,485,141
	₱9,900,000	₱854,208	₱990,000	₱498,500	₱41,768	₱12,284,476

20. **Material Events**

A. Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

On September 18, 2007, the Company successfully signed a syndicated loan for ₱854 million with the previous lenders of the Sky Cable, namely, United Coconut Planters Bank, Bank of the Philippine Islands, Mega International Commercial Bank Co., Ltd., Olga Vendivel and Wise Capital Investment & Trust Company, Inc. with BDO – EPCI, Inc. acting as the facility agent. The loan is unsecured and unsubordinated with a fixed coupon of 2% with a final maturity of September 18, 2014.

The ₱854 million syndicated loan facility contain provisions regarding the maintenance of certain financial ratios and limiting, among others, the incurrence of additional debt, 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, creation of liens and effecting mergers. As of March 31, 2012 and December 31, 2011, the Company is in compliance with the provisions of the ₱854 million syndicated loan facility.

The Parent Company's obligation under these facilities is jointly and severally guaranteed by its principal subsidiaries.

On February 21, 2008, ABS CBN and the remaining third party creditors of Sky Cable approved the 2nd amendment of the Sky Cable Debt under a Facility Agreement. The amendment included the rescheduling of the principal amortization to commence in December 2011 with final maturity in September 2016.

On October 29, 2010, the Company successfully signed a syndicated loan for ₱10 billion with Allied Banking Corporation, Allied Savings Bank, Banco de Oro Unibank, Inc., Banco de Oro Unibank, Inc.- Trust and Investment Group, Bank of the Philippine Islands, Insular Life Assurance Company Ltd., Philippine National Bank, PNB Life Insurance, Inc., Security Bank Corporation (collectively, the "Lenders"), BPI Capital Corporation (the "Lead Arranger"), BDO Capital & Investment Corporation and Security Bank Corporation (collectively, the "Arrangers") and PNB Capital & Investment Corporation and Insular Life Assurance Company Ltd. (collectively the "Co-Arranger"). Bank of the Philippine Islands - Asset

Management and Trust Group shall serve as the loan's facility agent. The loan is intended 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 PDSTF plus 0.65% per annum for the fixed rate portion. The loan is amortizing with a final maturity of November 9, 2017. The loan is pre-payable subject to a break cost.

On November 9, 2010, the Company availed from the Loan Agreement the amount of ₱6,906 million to prepay existing debt facilities, namely, the SCA facility, the BDO facility, the ₱800 Million Syndicated Loan facility and the Combined facility agreements.

On October 26, 2010, Sky Cable, a subsidiary, availed a ₱1 billion syndicated loan new loan from Banco De Oro, Union Bank of the Philippines and Robinsons Bank. The loan is intended to refinance the loan under the DRA.

The loan is unsecured and unsubordinated with interest at 5-year PDST-F plus 1% per annum. The loan is amortizing with a final maturity of October 26, 2015. It has an interest rate step up feature in case the loan is extended for another 2 years.

The agreement also requires a certain restrictions with respects to the maintenance of financial ratios. As of March 31, 2012 the Company is in compliance with the provisions of this facility.

On March 11, 2011, the Company availed the remaining amount ₱3,094 million from the Loan Agreement for working capital purposes.

The loan agreement contains provision regarding the maintenance of certain financial ratios and limiting, among others, the payment of dividends, the 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. As of March 31, 2012, the Company is in compliance with the provisions of this facility.

B. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

For 2012, ABS-CBN expects to invest approximately ₱4.9 billion for capital expenditure and acquisition of film and program rights. This funding requirement will be financed through internally generated funds.

C. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

ABS-CBN's financial performance depends largely on the ability to sell airtime for advertising. The Company's business may be affected by the general condition of the economy of the Philippines.

D. Any event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The Company's existing long term loan agreements with various banks and other lenders executed in various dates and periods contain customary events of default which may trigger material financial obligations on the part of the Company, such as, non-payment of financial obligations, breach of material provisions and covenants, cancellation of the Company's key licenses, insolvency, cessation of business, expropriation, issuance of final judgment against the Company involving a significant amount, material adverse change in the operations and structure of the Company.

The Company has contingent liabilities with respect to claims filed by third parties. The events that transpired last February 4, 2006, which resulted in the death of 71 people and injury to about 1,000 others led the Company to shoulder the burial expenses of the dead and medical expenses of the injured, which did not result in any direct or contingent financial obligation that is material to the Company. The Company has settled all of the funeral and medical expenses of the victims of the tragedy. Given the income flows and net asset base of the Company, said expenses do not constitute a material financial obligation of the Company, as the Company remains in sound financial position to meet its obligations.

As of March 31, 2012, the claims in connection with the events of February 4, 2006 are still pending and remain contingent liabilities. While the funeral and medical expenses have all been shouldered by the Company, there still exist claims for compensation for the deaths and injuries upon evaluation of these claims, the amount of which have not been declared and cannot be determined with certainty at this time. Management is nevertheless of the opinion that should there be any adverse judgment based on these claims, this will not materially affect the Company’s financial position and results of operations.

In relation to the consolidation of Sky Cable and Home Cable in 2004, a competitor television broadcasting company (complainant) filed a case before the National Telecommunications Commission (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 of March 31, 2012, the hearing of this case is ongoing before the NTC. It is the opinion of Sky Vision’s legal counsels that the case filed by the complainant is without legal basis and would not have a material impact to the financial statements.

E. Any significant elements of income or loss that did not arise from the issuer’s continuing operations.

As of March 31, 2012, there are no significant elements of income that did not arise from the Company’s continuing operations.

F. Any seasonal aspects that had a material effect on the financial condition or financial performance.

There were no seasonal aspects that had a material effect on the financial condition or financial performance for the interim period.

G. Any material events that were unusual because of their nature, size or incidents affecting assets, liabilities, equity, net income, or cash flows.

On May 20, 2008, the Lopez Group and the PLDT Group agreed on valuation for Sky Cable effective March 15, 2008. Based on this final valuation of Sky Cable, the Note amounting to ₱1,581 million, accrued interest on the Note from June 30, 2004 to June 30, 2006 amounting to ₱459 million and ABS CBN’s advances to Sky Cable amounting to ₱459 million can be converted into 269,645,828 Sky Cable shares, representing 65.3% effective interest in Sky Cable. Consequently, for financial reporting purposes, effective March 15, 2008, Sky Cable was considered as a subsidiary of the Parent Company with a 65.3% effective interest.

On February 19, 2009, the BOD of ABS-CBN approved the conversion of ₱1,798 million loan and ₱900 million advances to PDRs with underlying 278,588,814 Sky Cable shares at conversion price of ₱9.69 a share. The conversion will be considered as acquisition of non-controlling interest. Upon conversion of the foregoing loan and advances, the effective interest of ABS-CBN will increase from 65.3% to 79.3%.

On March 2, 2009, by virtue of a separate Assignment Agreement, ABS-CBN assigned the ₱1,798 million loan to Sky Vision. As a consideration for the assignment, Sky Vision agreed to issue ABS-CBN PDRs which shall be convertible into Sky Cable shares. The terms of the agreement are similar to the Assignment Agreement discussed in Note 3. Effective March 2, 2009, the effective interest of ABS-CBN in Sky Cable increased from 65.3% to 79.3%. In 2011, the PDRs of Sky Vision were issued to the Parent Company.

On September 9, 2010 the Company purchased from Legaspi Capital Holdings Corporation and Beacon Diversified Holdings, Inc. an aggregate 5.8 million shares of common stock in Sky Cable Corporation for ₱56 million.

On October 4, 2010, the Company, as the assignee, and Unilink Communications Corporation and The Philippine Home Cable Holdings, Inc., collectively as the assignors, signed deeds of conditional sale for the purchase of an aggregate of 53.3 million shares of common stock in Sky Cable Corporation with the purchase price of ₱516 million payable in installments.

On December 15, 2010, the Company assigned all its rights to these shares to Sky Vision Inc. for the same value.

On January 13, 2011 Lopez, Inc. executed a Contract to Sell with the Company where Lopez, Inc. agreed to sell all its rights to the 8.9 million shares of common stock it beneficially owns in Sky Cable Corporation for ₱87 million. As of March 30, 2011, the company assigned all these shares to Sky Vision Inc. for the same value.

On February 14, 2011, ABS-CBN, Lopez, Inc, Lopez Holdings, Sky Vision, Sky Cable, STT Communications Ltd. (STTC) and Sampaquita Communications Pte. Ltd. (Sampaquita, a subsidiary of STTC), 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.

For financial reporting purposes, as of March 30, 2011, the effective economic interest of ABS-CBN decreased from 79.3% to 47.1%. Consequently, ABS-CBN derecognized the assets, including the goodwill, and liabilities of Sky Cable and noncontrolling interest in Sky Cable. Gain on the sale of investments amounting to ₱1,147 million (including gain on fair value of retained interest of ₱323 million) was recognized in the 2011 consolidated statement of income (see Note 28).

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.

H. Any material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

On 11 May 2012, an Asset Purchase Agreement was executed by and between Destiny Cable Inc. ("DCI") and Sky Cable Corporation, a subsidiary of the Parent Company, wherein the parties agreed that DCI shall sell, transfer and convey to Sky Cable all of DCI's assets used in its business of constructing, maintaining and operating community antennae television systems for public and commercial purposes, at a purchase price of 2.4 billion.

On the same date, an Asset Purchase Agreement was also executed by and between Solid Broadband Corporation ("SBC") and Sky Cable, wherein the parties agreed that SBC shall sell, transfer and convey to SKY all of SBC's assets used in its business of operating commercial telecommunications facilities, coastal stations for ships-at-sea, aeronautical stations for aircraft in flight, television and broadcasting stations, and other telecommunications services, at a purchase price of ₱1 billion.

Finally, an Asset Purchase Agreement was also executed by and between Uni-Cable TV, Inc. ("UNI") and Sky Cable, wherein the parties agreed that SBC shall sell, transfer and convey to SKY all of UNI's assets used in its business of operating a cable antenna television system in Mandaue and Lapu Lapu City, Province of Cebu, including, but not limited to, a Satellite TV system, cable TV Headend station, repeaters, booster, and other related equipment, at a purchase price of ₱94 million.

Sky Cable shall use both equity and borrowed funds to finance the purchase of the foregoing assets of DCI, SBC and UNI. The purchased assets are intended to be used in the expansion of SKY's cable television and broadband business.

On April 10, 2012, Pilipino Cable Corporation, a subsidiary of Sky Cable, successfully signed an omnibus notes facility and security agreement with Banco de Oro in the amount of ₱800 million. The facility is intended to refinance its exsiting loan with Banco de Oro in the amount ₱500 million and the balance for working capital purposes.

The loan is unsecured with interest rate using the BSP overnight borrowing rate of 4.0% multiplied by 97/100. The loan is amortizing with a final maturity of April 1, 2019.

21. Other Noncurrent Liabilities

	March 2012	December 2011
Customers' deposits	**₱201,701**	₱207,849
Installment payable	**138,316**	67,198
Deferred credits	**52,488**	43,058
Asset retirement obligation (see Note 3)	**1,215**	1,215
Others	**126,968**	148,810
	₱520,688	₱468,130

Customers' deposits relate to Sky Cable's subscription agreements with customers. Customers' deposits are initially recognized at fair value. The discount is recognized as deferred credits and amortized over the estimated remaining term of the deposit as other income. Customers' deposits are refunded to the customers upon termination of service.

Installment payable represents payables to suppliers for the importation and purchase of set-top boxes and decoders which are deferred over 36-month payment term.

In 2010, ABS-CBN International reversed the asset retirement obligation associated with the leased land which was acquired by ABS-CBN International during the year. Asset retirement obligation in 2011 pertains to MTI as a result of the business combination (see Note 3).

22. **Equity**

Capital Stock

Details of authorized and issued capital stock as of December 31, 2011, 2010 and 2009 are as follows:

	Number of Shares	Amount
Authorized -		
Common shares - ₱1 par value	1,500,000,000	₱1,500,000
Issued -		
Common shares	779,584,602	₱779,585

Below are 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

**Included in the 111,327,200 shares existing at the time of the IPO*

The Parent Company's total number of stockholders is 6,028 and 6,062 as of March 31, 2012 and December 31, 2011.

Retained Earnings

Unappropriated retained earnings available for dividend distribution is adjusted to exclude the Parent Company's accumulated equity in net earnings of subsidiaries and associates amounting to ₱340 million and ₱2,090 million as of March 31, 2012 and December 31, 2011, respectively.

Appropriated retained earnings is set aside for capital expenditures particularly for the purchase of Company's property and equipment needed for business operations.

On March 30, 2012, the BOD approved the declaration of cash dividend of ₱0.80 per share or an aggregate amount of ₱624 million to all stockholders of record as of April 25, 2012 payable on May 22, 2012. On March 4, 2011, the BOD approved the declaration of cash dividend of ₱2.10

per share or an aggregate amount of ₱1,637 million to all stockholders of record as of March 25, 2011 payable on April 19, 2011.

PDRs Convertible to Common Shares

	March 2012		December 2011	
	Number of Shares	**Amount**	Number of Shares	Amount
	(Amounts in Thousands, Except Number of Shares)			
Balance at beginning of year	**38,178,209**	**₱1,164,146**	**37,954,209**	**₱1,154,064**
Acquisitions during the year	–	–	**224,000**	**10,082**
Balance at end of year	**38,178,209**	**₱1,164,146**	**38,178,209**	**₱1,164,146**

This account represents ABS-CBN PDRs held by the Parent Company which are convertible into ABS-CBN shares. These PDRs were listed in the PSE on October 7, 1999. 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 may be exercised at any time from October 7, 1999 until the expiry date as defined in the terms of the offering. Any cash dividends or other cash distributions in respect of the underlying ABS-CBN shares shall be applied by ABS-CBN Holdings Corporation, issuer of PDRs, towards payment of operating expenses and any amounts remaining shall be distributed pro-rata among outstanding PDR holders.

In 2011, the Parent Company acquired 224,000 PDRs and common shares for ₱10 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.

Transactions with Related Parties

In addition to the related party transactions discussed in Note 3, significant transactions of the Company with its associates and related parties follow:

	March 2012	March 2011
Associate -		
Blocktime fees paid by the Parent Company and Studio 23 to Amcara	**₱7,850**	₱8,507
Management fees and other service fees by ABS-CBN to ABS Foundation	**2**	7
Affiliates:		
Expenses paid by the Parent Company and subsidiaries to Manila Electric Company (Meralco), Bayantel and other related parties	**191,043**	103,626
Airtime revenue from Bayantel and Meralco	**19,862**	18,087
Termination cost charges of Bayantel, a subsidiary of Lopez, Inc., to ABS-CBN Global	**17,499**	9,158
Management and other service fees	**10,411**	10,470
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	**8,737**	6,735

The related receivables from related parties, presented under "Trade and other receivables" account and payables to related parties, presented under "Trade and other payables" in the consolidated statements of financial position, are as follows:

	March 2012	December 2011
Due from:		
Bayantel	**₱116,646**	₱113,342
ABS-CBN Foundation, Inc.	**18,342**	17,796
Lopez Holdings	**11,706**	10,686
Knowledge Channel Foundation, Inc.	**9,788**	7,008
Goldlink Securities and Investigation Services	**5,772**	5,713
Corporate Information Solutions, Inc.	**2,209**	2,209
Star Cinema	**2,112**	2,092
First Philippine Holdings, Inc.	**1,990**	1,990
Rockwell Land Corporation	**1,986**	2,882
Sky Guide, Inc.	**1,897**	1,897
ABS-CBN Holdings Corporation	**1,801**	1,766
ABS-CBN Bayan Foundation, Inc.	**1,065**	1,065
Sky Foundation, Inc.	–	2,230
Others*	**644**	652
	₱175,958	₱171,328

	March 2012	December 2011
Due to:		
Sky Vision	**₱170,117**	₱157,617
Amcara	**70,757**	70,490
Others*	**23,723**	111,238
	₱264,597	₱339,345

**Various entities within the Lopez group*

a. License Fees Charged by CPI to Sky Cable

CPI has an existing cable lease agreement (Agreement) with Sky Cable for the airing of the cable channels (see Note 13) to the franchise areas of Sky Cable and its cable affiliates. The initial Agreement with Sky Cable is for a period of five years effective January 1, 2001, renewable on a yearly basis upon mutual consent of both parties. Said Agreement was renewed for two years in 2011. Under the terms of the Agreement, CPI receives license fees from Sky Cable and its cable affiliates computed based on agreed percentage of subscription revenue of Sky Cable and its cable affiliates. As the owner of the said cable channels, CPI develops and produces its own shows and acquires program rights from various foreign and local suppliers.

b. Management Fees Charged to Sky Cable

The Parent Company renders management services to Sky Cable through designated employees.

c. Blocktime Fees Paid by the Parent Company and Studio 23 to Amcara

The Parent Company and Studio 23 own the program rights being aired in UHF Channel 23 of Amcara. The Parent Company and Studio 23 has an existing blocktime agreement with Amcara for its provincial operations.

d. Other transactions with related parties include cash advances for working capital requirements.

Terms and Conditions of Transactions with Related Parties
The sales to and purchases from related parties are made at normal market prices. Outstanding balances as of year-end are unsecured, interest-free and settlement occurs in cash, and are collectible/payable on demand. For the period ended March 31, 2012 and December 31, 2011, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties. 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 Company

	March 2012	March 2011
Compensation (see Notes 25, 26 and 27)	**₱200,576**	₱190,265
Pension benefits	**22,860**	23,574
Vacation leaves and sick leaves	**9,889**	8,429
Termination benefits	**53**	70
	₱233,378	₱222,338

24. **Net Revenues**

	March 2012	March 2011 (As restated - see Note 2)
Airtime (see Note 23)	**₱4,186,207**	₱4,011,613
Sale of services (see Note 23)	**2,862,752**	2,469,670
Sale of goods	**99,843**	111,843
	7,148,802	6,593,126
Less:		
Agency commissions	**576,401**	569,441
Incentives and co-producers' share	**139,477**	109,123
	₱6,432,924	₱5,914,562

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. Substantially, all gross airtime revenue, including airtime sold directly to advertisers, is subject to a standard 15% agency commission.

Incentives include early payment and early placement discount as well as commissions paid to the Company's account executives and cable operators.

The Company has co-produced shows which are programs produced by ABS-CBN together with independent producers. Under this arrangement, ABS-CBN provides the technical facilities and airtime, and handles the marketing of the shows. The co-producer shoulders all other costs of production. The revenue earned on these shows is shared between ABS-CBN and the co-producer.

25. **Production Costs**

	March 2012	March 2011
Personnel expenses and talent fees (see Note 23)	**₱1,252,253**	₱1,072,916
Facilities related expenses (see Note 23)	**559,227**	525,451
Depreciation and amortization (see Note 11)	**259,691**	250,532
Amortization of program rights (see Note 13)	**127,984**	116,933
Travel and transportation	**70,398**	63,436
Set and set requirements	**62,065**	67,625
Catering and food expenses	**35,330**	37,420
Other program expenses (see Notes 13 and 23)	**109,748**	122,211
	₱2,476,696	₱2,256,524

Other program expenses consist of production expenses including, but not limited to, prizes, advertising and other expenses related to the promotional activities of various projects during the year.

26. **Cost of Sales and Services**

Cost of services consists of the following:

	March 2012	March 2011 (As restated - see Note 2)
Facilities related expenses (see Note 23)	**₱457,707**	₱372,968
Personnel expenses (see Note 23)	**273,278**	264,582
Programming costs	**251,294**	221,010
Depreciation and amortization (see Note 11)	**232,677**	233,788
Advertising and promotions	**130,419**	73,267
Amortization of program rights (see Note 13)	**70,501**	77,650
Transaction costs	**36,078**	29,929
Bandwidth costs	**31,914**	29,473
Transportation and travel	**25,252**	26,060
Freight and delivery	**22,451**	17,786
Interconnection costs (see Note 23)	**22,146**	34,574
Inventory costs	**21,793**	26,459
License fees and royalties	**21,514**	30,516
Installation costs	**10,231**	12,189
Stationery and office supplies	**8,002**	3,583
Commission and incentives	**7,615**	10,329
Taxes and licenses	**5,089**	3,559
Set requirements	**4,539**	8,157
Others (see Notes 16 and 23)	**92,413**	54,099
	₱1,724,913	₱1,529,978

Cost of sales consists of the following:

	March 2012	March 2011
Printing and reproduction	**₱20,582**	₱19,751
Personnel expenses (see Note 23)	**15,529**	16,281
Inventory costs	**8,131**	9,017
Facilities related expenses (see Note 23)	**3,986**	2,581
Freight and delivery	**3,747**	3,107
Handling and processing costs	**2,508**	2,428
Advertising and promotions	**998**	1,746
Others (see Notes 11 and 23)	**1,190**	2,520
	₱56,671	₱57,431

27. General and Administrative Expenses

	March 2012	March 2011
Personnel expenses(see Note 23)	**₱955,551**	₱808,481
Contracted services	**185,897**	183,418
Facilities related expenses(see Note 23)	**184,577**	114,496
Depreciation and amortization (see Notes 11 and 12)	**164,308**	149,724
Taxes and licenses	**84,697**	56,058
Donations and contributions	**70,732**	17,180
Research and survey	**42,534**	46,579
Provision for doubtful accounts (see Note 8)	**39,346**	45,797
Transportation and travel	**21,282**	21,008
Entertainment, amusement and recreation	**15,023**	19,117
Advertising and promotions	**10,860**	41,192
Amortization of other intangible assets (see Note 13)	**1,520**	5,589
Others (see Note 23)	**48,231**	78,356
	₱1,824,558	₱1,586,995

Others consist mainly of transportation and travel expenses, research and survey costs and stationery and office supplies.

28. Other Income and Expenses

Finance Costs

	March 2012	March 2011
Interest expense	**₱175,261**	₱163,219
Amortization of debt issue costs	**4,301**	4,299
Bank service charges	**2,456**	2,082
	₱182,018	₱169,600

The following are the sources of the Company's interest expense:

	March 2012	March 2011
Long-term debt	**₱169,904**	₱153,539
Bank loans	**3,286**	3,772
Obligations under finance lease	**2,071**	5,908
	₱175,261	₱163,219

Other Income (Charges)

	March 2012	March 2011
Rental income	**₱35,522**	₱33,374
Royalty income	**15,832**	13,685
Management fees	**10,411**	17,513
Dividend income	**1,485**	760
Gain on sale of investments (see Note 3)	–	748,962
Other income - net (see Note 23)	**63,805**	51,050
	₱127,055	₱865,344

Other income mainly consists of income from gate receipts, studio tours, management fees and other miscellaneous revenue and expense.

29. Financial Assets and Liabilities

The following tables set forth the carrying amounts and estimated fair values of consolidated financial assets and liabilities recognized as of March 31, 2012 and December 31, 2011. There are no material unrecognized financial assets and liabilities as of March 31, 2012 and December 31, 2011.

	March 2012		December 2011	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱8,047,438**	**₱8,047,438**	₱8,635,053	₱8,635,053
Trade and other receivables - net (excluding advances to suppliers)	**6,370,477**	**6,370,477**	7,024,286	7,024,286
AFS investments	**271,453**	**271,453**	264,892	264,892
	₱14,689,368	**₱14,689,368**	₱15,924,231	₱15,924,231

	March 2012		December 2011	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Other financial liabilities at amortized cost:				
Trade and other payables*	**₱9,464,865**	**₱9,464,865**	₱8,262,400	₱8,262,400
Interest-bearing loans and borrowings	**12,479,127**	**12,592,485**	12,511,881	12,569,879
	₱21,943,992	**₱22,057,350**	₱20,774,281	₱20,904,935

**Excluding deferred revenue, accrued taxes and other payables to government agencies.*

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, 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.

AFS Investments. The fair values of publicly-traded instruments were determined by reference to market bid quotes as of financial reporting date. Investments in unquoted equity securities for which no reliable basis for fair value measurement is available are carried at cost, net of any impairment.

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.

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 1.0% to 5.4%.
Other variable rate loans	The face value approximates fair value because of recent and frequent repricing (i.e., 3 months) based on market conditions.

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.

Due to a Related Party. The fair value of the Company’s payable to Bayantel was calculated by discounting future cash flows using the applicable risk-free rates for similar types of loans adjusted for credit risk.

Convertible Note. Fair value was computed based on the discounted value of future cash flows using the PDST-R2 rate plus 1% credit spread as of December 31, 2011.

Customers’ Deposits. The fair values were calculated by discounting the expected future cash flows at prevailing PDST-F rate plus applicable credit spread ranging from 2.1% to 6.5% as of financial reporting date.

<u>Fair Value Hierarchy</u>
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of March 31, 2012 and December 31, 2011, the Company's AFS financial assets amounting ₱165 million and ₱157 million (see Note 14), respectively, are measured at fair value under Level 1 of the fair value hierarchy. There are no other financial assets and liabilities recognized at fair value. Also, as of March 31, 2012 and December 31, 2011, there were no transfers between levels in the fair value hierarchy.

As of March 31, 2012 and December 31, 2011, the Company has no financial instruments carried at fair value which is based on Levels 2 and 3.

30. EPS Computations

Basic EPS amounts are calculated by dividing the net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

The following table presents information necessary to calculate EPS:

	March 2012	March 2011
(a) Net income attributable to equity holders of the Parent Company	**₱306,398**	₱976,070
(b) Weighted average of shares outstanding:		
At beginning of year	**779,583,312**	754,759,247
Acquisitions of PDRs (see Note 22)	–	(56,000)
At end of year	**779,583,312**	754,815,247
Basic/diluted EPS (a/b)	**₱0.406**	₱1.292

The Company has no dilutive potential common shares outstanding, therefore basic EPS is the same as diluted EPS.

31. Causes for Material Changes in the Financial Statements

Statement of financial position (March 31, 2012 vs December 31, 2011)

a. Cash and cash equivalents decreased by 7% to ₱8,047 million due to payments of loans and interests.

b. Property and equipment increased by 5% to ₱15,940 million due to various PPE additions of the Company.

c. Deferred tax assets increased by 64% to ₱1,129 million from ₱689 million due to corresponding increase in temporary tax differences.

d. Trade and other payables increased by 15% to ₱10,413 million from ₱9,078 million due to various PPE acquisitions on account made by the subsidiaries..

e. Accrued pension obligation increased by 20% to ₱1,071 million from ₱889 million due to pension expenses incurred for the period.

32. **Note to 3-month 2011 Operations and Financials**

The key performance indicators that we monitor are the following:

	YTD March 2012	YTD March 2011
[Amounts in millions except for EPS)]		
Gross Revenues	**₱7,149 million**	₱6,593 million
Gross Airtime Revenues	**4,186 million**	4,012 million
Sale of Services	**2,863 million**	2,470 million
Sale of Goods	**100 million**	112 million
Operating Income	**350 million**	484 million
Net Income	**306 million**	976 million
EBITDA	**1,362 million**	2,098 million
EPS	**0.406**	1.293

	As of March 31, 2012	As of December 31, 2011
Current Ratio	**1.54x**	1.76x
Net debt-to-Equity	**0.22x**	0.19x
Consolidated Trade DSO	**76days**	83days

33. **Note to Consolidated Statements of Cash Flows**

	March 2012	March 2011
Noncash investing and financing activities:		
Acquisitions of property and equipment under finance lease	**₱485,942**	₱–
Acquisitions of program rights on account	**123,517**	106,795

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

UNDERTAKING

I, MANUEL L.M. TORRES, of legal age, Filipino, the Corporate Secretary of ABS-CBN CORPORATION (the "Corporation"), a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Mother Ignacia St. cor. Sgt. Esguerra Avenue, Diliman, Quezon City, after having been sworn to in accordance with law hereby depose and state:

That I, in behalf of said corporation, hereby undertake to file the updated Certificate of Independent Directors after the annual stockholders meeting to be held on June 21, 2012.

In witness whereof, I have hereunto set my hand this 23rd day of May, 2012 at Pasig City.

MANUEL L. M. TORRES
Corporate Secretary

Subscribed and sworn to before me this 23rd day of May 2012, affiant exhibiting to me his Community Tax Certificate No. 11139035 issued at Pasig City on January 18, 2012 and his SSS ID No. 03-1539111-6 as competent evidence of his identity.

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Series of 2012.

ERIC T. DYKIMCHING
NOTARY PUBLIC
FOR AND IN THE CITY OF PASIG, TAGUIG AND SAN JUAN AND IN THE MUNICIPALITY OF PATEROS
UNTIL DECEMBER 31, 2012
PTR NO. 75-5443; 1/4/12; PASIG CITY
IBP NO. 874221; 1/2/12; RSM
ROLL NO. 56955/APPOINTMENT NO. 169 (2011-2012)
21/F Robinsons-Equitable Tower
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1605 Ortigas Center, Pasig City