COVER SHEET

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SEC Registration Number

ABS-CBN CORPORATION
AND SUBSIDIARIES

(Company's Full Name)

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

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

Aldrin M. Cerrado
(Contact Person)

415-2272
(Company Telephone Number)

1	2		3	1
Month			*Day*	

(Fiscal Year)

2 0 - I S
(Form Type)

0	4		2	4
Month			*Day*	

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

5,612
Total No. of Stockholders

₱20.3 billion	**$0.9million**
Domestic	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

SECURITIES AND EXCHANGE COMMISSION
MARKET REGULATION DEPT.
MAR 26 2015

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

Please take notice that the Annual Meeting of Stockholders of **ABS-CBN Corporation** will be held on April 24, 2015 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:

AGENDA

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 May 14, 2014.
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, 2014 through December 31, 2014 adopted in the ordinary course of business
8. Merger of the following wholly subsidiaries with ABS-CBN Corporation with ABS-CBN Corporation as the surviving corporation: ABS-CBN Interactive, Inc., ABS-CBN Multimedia, Inc., Sarimanok News Network, Inc., Sapientis Holdings Corporation and Studio 23, Inc.
9. Appointment of External Auditors
10. Adjournment

For purposes of the meeting, only stockholders of record as of March 20, 2015 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 April 10, 2015.

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 1103Philippines

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	:	April 24, 2015
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

March 31, 2015

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 — Php 1,500,000,000 (Php1.00 par value)

b. Number of Shares Outstanding as of February 28, 2015

Common Shares	872,123,642 shares
Preferred Shares	1,000,000,000 shares

c. Amount of Debt Outstanding as of December 31, 2014 — Php 20.3B

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.

ABS-CBN CORPORATION
INFORMATION STATEMENT

This information statement is dated March 20, 2015 and is being furnished to stockholders of record of ABS-CBN Corporation ("ABS-CBN" or the "Company") as of March 20, 2015 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.

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A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders

Date	-	April 24, 2015, Wednesday
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

March 31, 2015

Item 2. Dissenters' 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.

Item 3. 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

Item 4.Voting Securities and Principal Holders Thereof

(a) The Company has 872,123,642 common shares subscribed and outstanding as of February 28, 2015. Every stockholder shall be entitled to one vote for each share of common stock held as of the established record date.

(b) The Company has 1,000,000,000 preferred shares subscribed and outstanding as of February 28, 2015. Every stockholder shall be entitled to one vote for each share of preferred stock held as of the established record date.

(c) All stockholders of record as of March 20, 2015 are entitled to notice of and to vote at the Company's Stockholders' Meeting.

(d) 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.

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

Security Ownership of Certain Records and Beneficial Owners as of February 28, 2015:

Title of Class	Name and Address of Record Owner	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Class	% of Outstanding
Common	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc. (To be represented by Ms. Presentacion Psinakis, Chairman)	Filipino	446,231,607	51.17%	23.84%
Common	PCD Nominee Corporation (PCD Nominee Corporation is not related to the Company) G/F Makati Stock Exchange Bldg., Ayala Ave., Makati City	ABS-CBN Holdings Corporation (To be represented by Mr. Oscar M. Lopez, Chairman)	Filipino	406,966,769	46.66%	21.74%
Preferred	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc. (To be represented by Ms. Presentacion Psinakis, Chairman)	Filipino	987,130,246	98.71%	52.73%

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 Lopez Holdings Corporation (formerly: 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 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.

Other than the stockholders identified above, as of March 20, 2015 there are no other stockholders other than participants under PCD account who own more than 5% of the voting securities.

There are no foreign shareholders.

Security Ownership of Management as of February 28, 2015:

As of February 28, 2015, the Company's directors and senior officers owned an aggregate of 1,409,238 shares of the Company, equivalent to 0.1616% 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*	Direct	Filipino	669,690	0.0768%
Common	Augusto Almeda-Lopez *Vice-Chairman*	Indirect	Filipino	253,888	0.0291%
Common	Oscar M. Lopez *Director*	Direct	Filipino	63,605	0.0073%
Common	Presentacion L. Psinakis *Director*	Direct	Filipino	1,988	0.0002%
Common	Ma. Rosario Santos-Concio *Director, President and Chief Executive Officer*	Direct	Filipino	1	0.0000%
Common	Manuel M. Lopez *Director*	Direct	Filipino	212,186	0.0243%
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	13,898	0.0016%
Common	Antonio Periquet *Independent Director*	Direct	Filipino	1	0.0000%

Common	Emmanuel De Dios *Independent Director*	Direct	Filipino	1	0.0000%
Common	Rolando P. Valdueza *Head, Corporate Services Group 2 and Group Chief Finance Officer*	Direct	Filipino	91,500	0.0105%
Common	Ma. Socorro V. Vidanes *Head, Broadcast*	Direct	Filipino	10,000	0.0012%
Common	Mario Carlo P. Nepomuceno *Head, Corporate Services Group 1*	Direct	Filipino	35,351	0.0041%
Common	Vivian Tin *Head, Integrated Customer Business Development*	Direct	Filipino	8,600	0.0010%
Common	Martin L. Lopez *Chief Information Officer*	Direct	Filipino	19,659	0.0023%
Common	Regina E. Reyes *Head, Integrated News and Current Affairs*	Direct	Filipino	48	0.0000%
Common	Luis Paolo Pineda *Head, Business Development*	Direct	Filipino	3,500	0.0004%
Common	Donald Lim *Head, Digital Media Division*	Direct	Filipino	3,000	0.0003%
Common	Manuel Torres *Corporate Secretary*	Direct	Filipino	12,705	0.0015%
Common	Enrique Quiason *Assistant Corporate Secretary*	Direct	Filipino	9,615	0.0011%
	Security Ownership of Directors and Management			**1,409,238**	**0.1616%**

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

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

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

Item 5. Directors and Executive Officers

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 April 24, 2015:

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
Antonio Jose U. Periquet (*Independent Director*)
Emmanuel S. de Dios (*Independent Director*)

All of the nominees are incumbent directors. They were formally nominated by a shareholder of Lopez Inc., through its Chairman, Mr. Manuel M. Lopez. The nominees will serve as directors of the Company for one year from date of election. Mr. Raul B. Quizon, a stockholder, nominated the independent directors. Mr. Raul B. Quizon is not related in any way to any of the nominees for independent directors.

The Nomination and Election Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval, and assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors. It is composed of Eugenio Lopez III, Ma. Rosario Santos-Concio, and Antonio Jose Periquet. Randolf S. David is an advisor of the committee.

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

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 62
Chairman of the Board of Directors
Eugenio "Gabby" Lopez III is the Chairman of the Board of ABS-CBN Corporation. He was elected Chairman in 1997. Aside from leading ABS-CBN, Mr. Lopez III also serves as Vice Chairman of Lopez Holdings Corporation. He is also a Director of First Gen Corporation, First Philippine Holdings and Sky Vision Corporation. He earned a Bachelor of Arts degree in Political Science from Bowdoin College in 1974 in Brunswick, Maine and a Master's degree in Business Administration from the Harvard Business School in 1980 in Boston, Massachusetts.

Augusto Almeda-Lopez, Filipino, age 86
Vice-Chairman
Mr. Augusto Almeda Lopez became a Director in 1988 and has served as Vice Chairman since 1989. He also serves as Director of the First Philippine Holdings Corporation (FPHC), First Philippine Industrial Corporation (FPIC), Bayan Telecommunications Inc., Sky Cable Corporation, and ADTEL Inc. He is the Board Chairman of his family's company, ACRIS Corporation. He is an Alumnus of De La Salle College, Ateneo de Manila, and the University of the Philippines College of Law Class 1952. He has attended several Business Seminars including the Advance Management Program at Harvard Business School in 1969.

Ma. Rosario Santos-Concio, Filipino, age 59
Board Member, President and Chief Executive Officer
Ms. Santos-Concio was appointed Chief Executive Officer in January 2013. Prior to this, she was ABS-CBN's President and Chief Operating Officer in 2008. She was previously the Head of Channel 2 Mega Manila Management. Onscreen, Ms. Santos-Concio hosts ABS-CBN Channel 2's longest-running drama anthology *Maalaala Mo Kaya*. 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 is the recipient of many cinema and broadcast industry-related awards over the years. She 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 84
Board Member
Mr. Oscar M. Lopez has served as a 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 Master's 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 79
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 53
Board Member
Mr. Federico Lopez has served as Director of the Company since 1999. Mr. Lopez is Chairman and Chief Executive Officer of First Philippine Holdings Corporation (FPH). He is also Chairman and CEO of First Gen Corporation and Energy Development Corporation, publicly listed power generation companies that are into clean and indigenous energy and are part of the FPH portfolio. He is currently the Vice Chairman of Rockwell Land Corporation.

An advocate of the environment, Mr. Lopez is the Chairman of the Oscar M. Lopez Center for Climate Change Adaptation and Disaster Risk Management Foundation (The OML Center) and the Sikat Solar Challenge Foundation. The OML Center is the result of the twin advocacy of the Lopez family for environmental protection and public service. He is also on the Trustees Board of World Wildlife Fund Philippines, Philippine Disaster Recovery Foundation and the Philippine Tropical Forest Conservation Foundation

Mr. Lopez is a member of the World Presidents Organization, Asia Business Council, ASEAN Business Club, New York Philharmonic International Advisory Board, Management Association of the Philippines, Philippine Chamber of Commerce and Industry, European Chamber of Commerce of the Philippines and Makati Business Club.

Mr. Lopez graduated with a Bachelor of Arts degree, major in Economics and International Relations (cum laude) from the University of Pennsylvania, U.S.A.

Manuel M. Lopez, Filipino, age 71
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 Rockwell Land, the Vice Chairman of FPHC and is a director of Meralco. He was Chief Executive Officer of Meralco from July 2001 to June 2010. Mr. Lopez is the Philippine Ambassador to Japan.

Salvador G. Tirona, Filipino, age 59
Board Member
Mr. Salvador G. Tirona has served as a Director of the Company since 2010. He is the President and Chief Operating Officer and concurrently, Chief Finance Officer of Lopez Holdings Corporation. He initially joined Lopez Holdings Corporation as its Chief Finance Officer in September 2005 and held this position until his appointment to his current position in 2010. He was formerly a Director and the Chief Finance Officer of Bayan Telecommunications, Inc. He joined the Lopez Group in 2003 as the Chief Finance Officer of Maynilad Water Services, Inc. He holds a Bachelor's degree in Economics from the Ateneo de Manila University and a Master's degree in Business Administration from the same university.

Federico M. Garcia, Filipino, age 69
Board Member
Mr. Garcia was the 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.

Antonio Jose U. Periquet, Filipino, age 53
Board Member, Independent Director
Mr. Antonio Jose U. Periquet has been an independent director of ABS-CBN since 2013. He is currently chairman of the Campden Hill Group, Campden Hill Advisors and Pacific Main Holdings, Inc., and also serves as an independent director on the boards of Ayala Corporation, Bank of the Philippine Islands, BPI Capital, BPI Family Savings Bank, DMCI Holdings, the Max's Group of Companies and the Philippine Seven Corporation. Mr. Periquet is a Trustee of the Lyceum of the Philippines University and is a member of the Dean's Global Advisory Board of the Darden School of Business, University of Virginia. He is a graduate of the Ateneo de Manila University (AB Economics) and holds an MSc in Economics from Oxford University and an MBA from the University of Virginia.

Emmanuel S. de Dios, Filipino, age 60
Board Member, Independent Director
Mr. de Dios is a Professor of Economics at the University of the Philippines School of Economics since 1989. He is also the President of Human Development Network (Philippines) since July 2012. He was the Dean of the University of the Philippines School of Economics from 2007 to 2010. He was a member of the Board of Advisers to the Board of Directors of the Corporation from 2011 until his election as an Independent Director in 2013. He is a member of the Board of Trustees of Pulse Asia (Phils.), Inc. since 2008. He received his AB Economics degree from the Ateneo de Manila University *cum laude* in 1978 and his Ph.D. in Economics from the University of the Philippines in 1987. He pursued post-doctoral studies in the Univeritat Konstanz in Germany from 1987 to 1988. He is the author of various books, monographs, articles and reviews in the field of economics.

<u>Independent Directors of the Board</u>

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

Specifically, Mr. Periquet and Mr. de Dios: (i) are not directors or officers or substantial stockholders of the Company or its related companies or any of its substantial shareholders (other than as independent directors of any of the foregoing); (ii) are not relatives of any director, officer or substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iv) have not been employed in any executive capacity by the Company, or any of its related companies or by any of its substantial shareholders within the last two (2) years; (v) are not retained as professional advisers by the Company, any of its related companies or any of its substantial shareholders within the last two (2) years, either personally or through their firms; (vi) have not engaged and do not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by themselves or with other persons or through a firm of which they are partners or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arm's length and are immaterial; 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. Mr. Periquet and Mr. de Dios 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.

List of Executive Officers

The following officers are expected to be nominated for re-election or election at the Organizational Meeting of the Board of Directors following the Annual Stockholders' Meeting on April 24, 2015:

Ma. Rosario Santos-Concio, Filipino, age 59
President and Chief Executive Officer
Ms. Santos-Concio was appointed Chief Executive Officer in January 2013. Prior to this, she was ABS-CBN's President and Chief Operating Officer in 2008. She was previously the Head of Channel 2 Mega Manila Management. Onscreen, Ms. Santos-Concio hosts ABS-CBN Channel 2's longest-running drama anthology *Maalaala Mo Kaya*. 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 is the recipient of many cinema and broadcast industry-related awards over the years. She 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.

Ma. Socorro V. Vidanes, Filipino, age 52
Head, Free TV
Prior to her appointment as Head of Free TV, Ms. Vidanes was the Head of Channel 2 Mega Manila in 2009. Prior to that, she 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. She has also completed the Advance Management Program at Harvard Business School in 2014.

Carlo L. Katigbak, Filipino, age 44
Chief Operating Officer and President / Chief Executive Officer, SkyCable
Mr. Katigbak is the President and CEO of SkyCable and has been recently appointed as ABS-CBN's Chief Operating Officer. He has 20 years of combined experience in financial management and businesses operations, corporate planning and general management. 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. He was then assigned to ABS-CBN Interactive as Managing Director in 1999 where he led the company pioneer 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.

Rafael L. Lopez, Filipino, age 57
Head, Global
Raffy Lopez is Senior Vice President and Chief Operating Officer of ABS-CBN Global, the umbrella organization that owns the international subsidiaries of the Group. Mr. Lopez pioneered the US operations in 1994 with the founding of

The Filipino Channel, the largest and leading international multimedia distributor of Filipino news and entertainment. As COO, Mr. Lopez focused on the expansion of Global's geographical coverage, product portfolio and philanthropic services through ABS-CBN Foundation International. He started as the Information Technology Head of ABS-CBN International in North America in 1994 and then served as its Managing Director for nine years since 1998. In 2004, he was appointed COO and concurrently held the position of MD until 2007. In 2012, Mr. Lopez won a Communication Excellence in Organizations award from the prestigious International Association of Business Communicators Philippines for his strategic leadership and effective use of communication in rebranding the pioneering TFC. Prior to ABS-CBN, 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.

Ma. Lourdes N. Santos, Filipino, age 58
Head, Star Creatives
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. 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.

Ma. Regina "Ging" E. Reyes, Filipino, age 52
Head, Integrated News and Current Affairs
Ms. Reyes is responsible for all newsgathering, content and strategic direction of the News and Current Affairs Division of ABS-CBN 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, Ms. Reyes was ABS-CBN'S North America News Bureau Chief from 2002 to 2010. In 2007, she was named by the Filipina Women's Network as one of the 100 Most Influential Filipino Women in the U.S.

Antonio S. Ventosa, Filipino, age 53
Officer-in-charge, Access and Concurrent Head, Narrowcast
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 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. Prior to joining the Company, he was managing director of Leo Burnett Manila. 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.

Mario Carlo P. Nepomuceno, Filipino, age 55
Head, Corporate Services Group 1
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. He has serviced clients in the government and non-government sectors as well. He has acquired over twenty years executive and leadership experience within corporate and non-corporate settings. Mark graduated with a degree in A.B. Psychology from the Ateneo de Manila University and is an accredited trainor and facilitator for numerous management and leadership programs.

Rolando P. Valdueza, Filipino, age 55
Head, Corporate Services Group 2 and Group 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. 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.

Jose Agustin C. Benitez, Jr., Filipino, age 56
Head, Integrated 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. 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. 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. He was also formerly President and CEO of Zenith Optimedia, Nestle's independent media agency, and President and CEO of Optimum Media.

Ma. Rosario S. Bartolome, Filipino, age 44
Head, Integrated Marketing
Ms. Bartolome provides 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.

Robert G. Labayen, Filipino, age 54
Head, Integrated 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. 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.

Vivian Y. Tin, Filipino, age 52
Head, Integrated Customer Business Development
Ms. Tin heads the Integrated Customer Business Development group 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. 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.

Aldrin M. Cerrado, Filipino, age 45
Chief Financial Officer
Aldrin is the Chief Financial Officer of ABS CBN Corporation (ABS CBN). Prior to joining ABS CBN in July 1, 2012, Aldrin was a Partner in SyCip Gorres Velayo & Co. He is a certified public accountant with close to 21 years of experience in

providing independent assurance on financial and non-financial information on companies in various industries, including media and entertainment. He has previously taken on the role of a transaction advisory partner focused on providing transaction support services, which included financial and commercial due diligence work and merger and acquisitions advisory work. Aldrin completed his Bachelor's degree in Business Administration from the University of Santo Thomas in 1991. He obtained his Master in Business Management degree, with distinction, from the Asian Institute of Management in 1998.

Martin L. Lopez, Filipino, age 42
Chief Technology Officer
As Chief Technology Officer, Mr. Lopez is responsible for setting the Company's strategic direction, and for ensuring operational excellence in matters related to technology encompassing both engineering and information technology. 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. He was also 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 the Executive MBA Program from the Asian Institute of Management.

Raymund Martin T. Miranda, Filipino, age 52
Chief Strategy Officer and Chief Risk Management Officer
Mr. Miranda has been an Asia-Pacific media executive and strategist for more than 31 years. Mr. Miranda was appointed Chief Strategy Officer in August 2012. He was also appointed Chief Risk Officer in a concurrent capacity in November 2012. As CSO, Mr. Miranda is tasked with designing, driving and managing the strategic planning process across the organization. As CRMO, he is also tasked with leading, developing and managing the risk management strategies, processes and policy reviews of the organization. Prior to his appointment with ABS-CBN, he was a consultant for the company for various projects. Mr. Miranda served as the Managing Director, Global Networks Asia-Pacific of NBCUniversal from 2007 to 2011, heading the entertainment channels division of NBCUniversal across 33 countries. Before that, he spent a year in Manila as the President/CEO of Nation Broadcasting Corporation (92.3xFM) and Head of Strategy and Content for Mediaquest Holdings, Inc. From 1998 to 2006, he was with The Walt Disney Company in Singapore and Manila as Managing Director South East Asia for Walt Disney International, Managing Director for South East Asia/Korea for Walt Disney Television International and the Head of Radio Disney Asia. He started his career in FM radio before joining the GMA Network group in 1987. He was named Vice-President, Creative Services of GMA Network, Inc. in 1992.

Philbert Lamberto L. Berba, Filipino, age 54
Head, Human Resources and Organizational Development
As head of human resources and organizational development, Mr. Berba provides oversight and supervision of the human resources functions of the Company and its subsidiaries. Prior to joining the Company, he worked with Bayan Telecommunications Inc. as the division head of human resources and organization development as well. Mr. Berba is an alumnus of De La Salle University with a degree in Bachelor of Science major in Industrial Mgt. Engineering minor in Chemical Engineering.

Higino Dungo, Filipino, age 54
Head, 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.

Luis Paolo M. Pineda, Filipino, age 43
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. 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 is an alumnus of the Ateneo de Manila University and completed an executive management course in Kellogg University.

Evelyn D. Raymundo, age 52
Head, Integrated Acquisition and Integrated Sales and Distribution
As head of Integrated Acquisition and International Sales and Distribution of ABS-CBN, Ms. Raymundo is in-charge of bringing in hit international programs that will suit the Philippine market, from the hottest *telenovelas* like Mexico's "Pasion De Amor" and "El Cuerpo," to the most popular *Asianovelas* like Korea's "Lovers in Paris" and "Boys Over Flowers," and Taiwan's "Meteor Garden" and "Hotshot." Her career began in 1988 as an executive producer for both GMA-7 and ABS-CBN. In the early 1990s, she was then promoted as ABS-CBN programming manager. After which she was also assigned as programming director of Skycable and then later became Vice President for TV Programming of Creative Programs, Inc. (CPI). She held this position concurrently while also serving as ABS-CBN's Vice President for the Talk and Variety Units of TV Production. Ms. Raymundo was an alumnus of Unversity of Sto. Tomas in 1983 with a degree in A.B. Communication Arts.

Donald Lim, age 38
Head, Digital Media Division
Mr. Lim was appointed Head of Digital Media Division in 2013 to lead the Company to develop, organize, grow and manage its digital operations across its multiple properties. Prior to joining ABS-CBN, Mr. Lim was the Chief Innovation Officer of McCann Worldgroup Philippines and Managing Director for MRM Manila. Before McCann, Mr. Lim was also the President and CEO of Yehey Philippines and Media Contacts Manila. He is the founding president of the first and only digital marketing association called Internet & Mobile Marketing Association of the Philippines (IMMAP), an association recognized by the local and international advertising and marketing industry. Mr. Lim is an alumnus of the Ateneo de Manila University and completed his post graduate studies at the Murdoch University for his MBA and from University of Phoenix for his Doctorate degree in Business Administration. Currently, he also teaches undergraduate and graduate studies in three different universities.

Dino Jacinto M. Laurena, age 53
Head, Business Development for Integrated Sports
As head of Business Development for Integrated Sports, Mr. Laurena develops and optimizes profitable business opportunities for the Integrated Sports Group. Prior to joining ABS-CBN, he was the Executive Vice President of McCann Worldgroup (MWG) Philippines. Mr. Laurena is an alumnus of the De La Salle University with degrees in Bachelor of Arts major in Psychology and Bachelor of Science in Commerce, major in Marketing.

Abigail Q. Aquino, age 56
Head, Regional Network Group
As the Head of the Regional Network Group, Atty. Aquino is tasked to lead the division in its strategic direction and planning, oversee the RNG business, organization and operations, spearhead, oversee and sustain the division's profitability and productivity. Prior to her appointment, Atty. Aquino was the Luzon Cluster Head from 2006 to 2013. In between, she also served as the RNG Visayas Cluster Director. She also took on the RNG Radio Head position from 2005 to 2013 in concurrent capacity. In all these roles, she guided RNG Luzon and Visayas, and RNG Radio in achieving revenues and ratings targets as well as mentored, coached and cleaned up for a more efficient and professional team. She joined the company in 1995 as Head of Dagupan FM Radio under PROSTAR Inc. She earned her Bachelor's Degree in Law in 1994 from the University of Pangasinan and passed the Philippine Bar in 1995.

Fernando V. Villar, age 46

Head, ABS-CBNmobile and Concurrent Head, Customer Relations Management

Mr. Villar is currently the Head of ABS-CBNmobile for ABS-CBN Convergence and concurrently the Head of CRM for ABS-CBN Corporation. Prior to joining ABS-CBN, he was the President and Chief Operating Officer of McCann WorldGroup Philippines – the Philippines' largest marketing communications agency. Mr. Villar held top positions in the Philippine Advertising Industry: Chairman of the 4As of the Philippines (Association of Accredited Advertising Agencies), Vice-Chairman of the Advertising Board of the Philippines (AdBoard), and Board Member of the Ad Standards Council (ASC). He likewise held key positions in the Agency of the Year Awards and the Advertising Congress Programs Committee. The University of the Philippines College of Business awarded Nandy as one of its Most Distinguished Alumni in 2011, the youngest to be given this distinction. He graduated with a degree in Business Administration from the university's Diliman campus in 1988.

Gabriel D. Orendain, age 56

Head, ABS-CBN University

As head of ABS-CBN University, Mr. Orendain is mainly responsible for overall strategy development and general management of the University. His portfolio includes maintaining an effective and efficient governance structure within the University, alliance and partnership with internal, external local and international partners, succession planning and development, business continuity planning and short and long-term facility planning. He brings with him more than 20 years of experience in Learning and Development. Prior to joining ABS-CBN, Mr. Orendain was the Learning and Development and Corporate University Head of JP Morgan and Chase & Co., Philippines. He earned his BS Education, major in Physics in Don Bosco-Seminary College in 1980. He also has post-graduate studies on Action-Learning from Staatsinstitut für Schulqualität und Bildungsforschung (State Institute for Quality Education and Training Research) Munich, Germany; a certification in Online/E-Learning Instruction and Provincial Instructor Diploma from Vancouver Community College in Canada. Currently, he is pursuing his PhD from SAIDI Graduate School of Organization Development.

Rodrigo Montinola, age 54

Head, Sky Cable

Mr. Montinola is the Chief Operating Officer of Skycable. He has been with the company for 9 years, initially as its Marketing Head in 2006. Ray has been instrumental in the growth and expansion of SKY during the years he has been there -- maintaining SKYcable's strong leadership position in the Philippine cable industry via digitization and establishing SKYbroadband as the country's fastest Internet service. Prior to SKY, Ray was in senior marketing and sales positions in the telecommunications and pharmaceutical industries. He is a graduate of the University of the Philippines, holding a Bachelor of Science degree in Business Economics.

Kane Choa, age 42

Head, Integrated Corporate Communications

Mr. Choa is currently the head of the Integrated Corporate Communications of ABS-CBN Corporation. Prior to joining ABS-CBN, he worked as a PR Division Manager for Euro Agatep Associates Inc. He has 21 years of work experience in media and communications. He worked as a broadcast journalist for ABC 5 before shifting to political PR under Senators Miriam Defensor Santiago and Manny Villar. Mr. Choa also serves as the president of the International Association of Business Communicators (IABC) Philippines, an organization of communication professionals in the country. And he maintains a column, "Kapamilya Day," in *The Philippine Star.* He obtained his Master of Science degree in Media and Communications with Merit from The London School of Economics and Political Science in 2005 as a British Chevening scholar. He also has an MA in Communication from the Ateneo de Manila University. He is a part-time faculty member of the University of Santo Tomas, where he got his AB major in Communication Arts degree, cum laude.

Mario Luza Bautista, Filipino, age 60

General Counsel

As General Counsel, Atty. Bautista supervises the Company's Legal Services Department and advises Senior Management and the Board of Directors on legal matters. He sits as a member in the Company Executive Committee, the Stratcom, the News and Current Affairs Management Committee and the Corporate Services Group Executive

Committee. He likewise provides assistance to the Company's Office of the Ombudsman. He is a Founding Partner of the Poblador Bautista and Reyes Law Office and has been its Managing Partner since 1999 until the present. Atty. Bautista graduated with a Bachelor of Arts Degree in Communication Arts from the Ateneo de Manila University in 1975. He obtained his Bachelor of Laws Degree from the University of the Philippines in 1979 and ranked no. 6 in the Bar Examinations of that year. He was a Professor of Criminal Law at the Ateneo de Manila School of Law. Atty. Bautista has been consistently cited as a "leading lawyer" by several international publications in the fields of dispute resolution, banking and finance, insurance, capital markets, telecoms and media, mergers and acquisitions, employment, corporate reorganizations/insolvency and real estate

Caesar J. Poblador
Head, Legal Services
Atty. Poblador was recently appointed as the Company's Head of Legal Services. Prior to joining ABS-CBN, Atty. Poblador was a partner at Federis and Associates Law office. His litigation practice focuses on three main areas of law: transportation and aviation, labor and human relations, and maritime. Atty. Poblador earned his law degree in 1985 and Bachelor's Degree in Political Science in 1971 from the University of the Philippines.

Manuel L.M. Torres, Filipino, age 69
Corporate Secretary
Mr. Torres has served as the Corporate Secretary of ABS-CBN since 1993. He is a senior partner at the law firm of Quiason Makalintal Barot Torres Ibarra & Sison, where he has actively been engaged in the practice of law since its inception in 1974. Mr. Torres graduated *cum laude* from San Beda College in 1966, with a Bachelor of Science degree in Commercial Science. He obtained his Bachelor of Laws degree from San Beda College of Law in 1973 and placed 5th in the bar examinations of that year. He is also a Certified Public Accountant.

Enrique I. Quiason, Filipino, age 54
Assistant Corporate Secretary
Mr. Enrique I. Quiason, aged 54, Filipino, received a Bachelor of Science degree in Business Economics and a Bachelor of Laws degree from the University of the Philippines, and a Master of Laws degree in Securities Regulation from Georgetown University. He is a senior partner of the Quiason Makalintal Barot Torres Ibarra & Sison Law Office. He is the corporate secretary of FPHC, L H C, Lopez, Inc. Rockwell, ABS-CBN Holdings, Inc., Bayan Telecommunications, Inc., and Sky Cable Corporation.

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.

Mr. Rafael L. Lopez is the brother of Eugenio L. Lopez III. Mr. Martin L. Lopez is the cousin of Eugenio L. Lopez III and the son of Mr. Manuel M. Lopez. Mr. Carlo L. Katigbak is a cousin of Mr. Eugenio L. Lopez III. Ms. Rosario Santos Concio and Ms. Ma. Lourdes N. Santos are sisters.

Significant Employees

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

Involvement of Directors and Officers in Certain Legal Proceedings

For the past 5 years up to February 28, 2015, 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 February 28, 2015, 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 February 28, 2015, 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 February 28, 2015, 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 Note 22 of the accompanying notes to the Company's audited consolidated financial statements.

Except for transactions discussed in Notes 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 two 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.

Item 6. 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	2015E	118,580,199		

most highly compensated executive officers (in alphabetical order): Ma. Rosario N. Santos-Concio Ma. Lourdes N. Santos Ma. Socorro V. Vidanes Carlo Joaquin Tadeo L. Katigbak Rolando P. Valdueza	2014 2013	110,822,616 107,717,030	66,135,316 35,652,693	0 0
All managers and up as a group unnamed	2015E 2014 2013	1,362,320,635 1,273,196,855 1,235,954,268	 527,063,127 357,293,311	 32,123,152 0

There are no standard arrangements between the registrant and its executive officers, hence there are no employment contracts between the Registrant and the named executive officers nor any compensatory plan or arrangement. No action is to be taken with regard to election, any bonus, profit sharing, pension/retirement plan granting of extension of any option, warrant or right to purchase any securities.

Item 7. 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 Ms. Cathy Lopez as the engagement partner, for the audit of the Company's books in 2014. 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 April 24, 2015.

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:

	2014	2013
Audit Fees	22,984,150	18,780,000
Non-Audit Fees	13,541,406	12,005,000

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 Mr. Antonio Jose Periquet as Chairman, Messrs. Salvador Tirona, and Emmanuel De Dios. Mr. Carlo Katigbak is an advisor of the Audit Committee.

Item 8. 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.

<u>C. ISSUANCE AND EXCHANGE OF SECURITIES</u>

Item 9. Item Authorization or Issuance of Securities Other than for Exchange

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

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

No action is to be taken.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

The proposed merger of the following wholly subsidiaries with ABS-CBN Corporation with ABS-CBN Corporation as the surviving corporation: ABS-CBN Interactive, Inc., ABS-CBN Multimedia, Inc., Sarimanok News Network, Inc., Sapientis Holdings Corporation and Studio 23, Inc. will be presented to the stockholders for approval. The purpose of the merger is to clean-up the corporate structure of the Company and its subsidiaries. There will be no shares exchanged between the Company and these subsidiaries and no material effect on the financial statements of the Company. A description of the subsidiaries being merged and the merger appears below:

(1) Name, address & phone number of the principal executives of the subsidiaries being merged	**ABS-CBN Interactive, Inc. (Interactive)** **Carlo L. Katigbak** President 21B Amorsolo East Rockwell Center, Makati City **Rolando P. Valdueza** CFO/Treasurer 15 B11/B12 Victoria Station Condominium

	GMA MRT Station, EDSA, Quezon City **Andrefanio D. Santos** No. 7 Denmark Street Loyola Grand Villas, Quezon City **ABS-CBN Multimedia, Inc. (Multimedia)** **Carlo L. Katigbak** President 21B Amorsolo East Rockwell Center, Makati City **Rolando P. Valdueza** CFO/Treasurer 15 B11/B12 Victoria Station Condominium GMA MRT Station, EDSA, Quezon City **Andrefanio D. Santos** No. 7 Denmark Street Loyola Grand Villas, Quezon City **Sarimanok News Network, Inc. (SNN)** **Ma. Regina E. Reyes** President 22-A Don Carlos Street Don Antonio Heights Subdivision, Quezon City **Rolando P. Valdueza** CFO/Treasurer 15 B11/B12 Victoria Station Condominium GMA MRT Station, EDSA, Quezon City **Andrefanio D. Santos** No. 7 Denmark Street Loyola Grand Villas, Quezon City **Studio 23, Inc. (Studio 23)** **Antonio S. Ventosa** President/Managing Director 27 Tanawan Street, Alabang Hills Village Muntinlupa City **Rolando P. Valdueza** CFO/Treasurer 15 B11/B12 Victoria Station Condominium GMA MRT Station, EDSA, Quezon City **Andrefanio D. Santos** No. 7 Denmark Street Loyola Grand Villas, Quezon City

	Sapientis Holdings, Inc. (Sapientis) **Rolando P. Valdueza** President 15 B11/B12 Victoria Station Condominium GMA MRT Station, EDSA, Quezon City **Paul Michael V. Villanueva** Treasurer 43 Paris St. Phase 1-B Vista Real Classica Subd. Batasan Hills, Quezon City **Enrique I. Quiason** Corporate Secretary 24 Nightingale Street, Greenmeadows, Quezon City
(2) Brief description of the general nature of the business conducted by the absorbed coprorations	**Interactive** The Company is involved in the business of creating, developing, producing, distributing interactive media (digital media and new media) content, internet advertising and web page development. **Multimedia** The Company is engaged in the development, licensing, operation, distribution, establishment, maintenance of, access to, conduct of, and dealing with any and all forms of digital electronic content, now known or hereafter developed, including, but not limited, to internet games. **SNN** The Company is involved in the preparation and gathering of news items or events, stories, advertisements, features and all kinds of news information, both as principal and agent, for local and international television and radio broadcasting of news, as well as for publication in newspapers, journals, magazines, books and other literary works and undertakings. **Studio 23** The Company's primary business is to develop, produce, acquire, distribute, own, lease, license and deal in audiovisual, video production and related materials. **Sapientis** The primary purpose of the Company is to invest, purchase and hold real and personal properties, including but not limited to, shares of stock, bonds, debentures, notes, evidences of indebtedness or other securities or obligations.
(3) Summary of material features of the proposed transaction	
(A) Brief Summary of the terms of the transaction **(B) Explanation of any material differences in the rights of the security**	**Terms of Merger:** 1. ABS-CBN shall be the "Surviving Corporation" and Interactive, Multimedia, Sapientis, SNN and Studio 23 shall be the "Absorbed Corporations"

holders as a result of the transaction	2. The Absorbed Corporations: a) The Absorbed Corporations shall be merged into ABS-CBN and their corporate existence shall cease upon the Effective Date; b) Upon the Effective Date, all the rights, businesses, assets and other properties of the Absorbed Corporations including, but not limited to, all real and personal properties, contractual rights, licenses, privileges, property rights, claims, bank deposits, stocks, account receivables, credit lines, supplies, equipment and such other assets as of Cut-Off Date shall be deemed conveyed, assigned and transferred to the Surviving Corporation; Whatever assets which may not have been reflected in the books of account and financial statements of the Absorbed Corporations or may have been omitted therefrom for any reason whatsoever as well as other assets which may come into its possession or to which they may be entitled on the Effective Date shall be deemed included in the conveyance, assignment and transfer. Furthermore, all transactions entered by the Absorbed Corporations shall be for the account of the Surviving Corporation; c) Upon the Effective Date of the merger, all the liabilities and obligations falling due from the Absorbed Corporations as of the Cut-Off Date and prior to the Effective Date shall be, as they are hereby, assumed by the Surviving Corporation without need of further act or deed, in the same manner as though the Surviving Corporation itself incurred such liabilities and obligations and any such claim or action proceedings against the Absorbed Corporations shall be prosecuted by or against the Surviving Corporation, provided that the Surviving Corporation may avail of all the defenses, rights, privileges, setoffs and counterclaims which the Absorbed Corporations may have under the premises 3. The Surviving Corporation a) Upon Effective Date of merger, ABS-CBN shall be the Surviving Corporation and its corporate existence shall continue; b) Each share of ABS-CBN common stock issued and outstanding immediately prior to Effective Date, shall remain issued and outstanding without any change or alteration in ownership, voting powers, or other rights, and the qualification, limitations or restrictions thereof, as set forth in the Articles of Incorporation of ABS-CBN, shall remain; c) Upon Effective Date of the merger, the Surviving Corporation shall be deemed the owner and holder of all the rights, business, assets and other properties of the Absorbed Corporations as of Cut-Off Date including, but not limited to,

	all real and personal properties, contractual rights, licenses, privileges, property rights, claims, bank deposits, stocks, account receivables, credit lines, supplies, equipment and such other assets of the Absorbed Corporations as of the Effective Date; d) Upon the Effective Date of the merger, the Surviving Corporation shall, by operation of law, be responsible for all the liabilities and obligations of the Absorbed Corporations due as of the Cut-Off Date but not paid or discharged as of Effective Date, as if the Surviving Corporation had itself incurred such liabilities and obligations; e) Any such claim, actions, or proceedings against the Absorbed Corporations shall be prosecuted by or against the Surviving Corporation which may avail of all the defenses, rights, privileges, setoffs and counterclaims which the Absorbed Corporations may have under the premises. 4. The cost basis of the assets and properties transferred, in the hands of ABS-CBN, shall be the same as if it would have been in the hands of the Absorbed Corporations;
(4) Brief statements as to dividends in arrears/default	There are no dividends in arrears nor any default in the principal orinterest in respect of any securities of the Surviving Corporation and the Absorbed Corporations.

Item 13. Acquisition or Disposition of Property

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

Item 14. 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

Item 15. Action with Respect to Reports

(a) Approval of the Annual Report of Management and the Audited Financial Statements for the year ending December 31, 2014.

(b) Approval of the Minutes of the Annual Meeting of the Stockholders held on May 14, 2014, covering the following matters:

i) Annual Report of Officers;
ii) Approval of Annual report and Audited Financial Statements for the Year Ended December 31, 2014;
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 2014;

v) Appointment of External Auditors;

Item 16. 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.

Item 17. Amendment of Charter, Bylaws or Other Documents

No action is to be taken with respect to an amendment of the Articles of Incorporation or By-laws of ABS-CBN.

Item 18. Other Proposed Actions

a) Ratification of all acts of the Board of Directors, Executive Committee and Management for the period covering January 1, 2014 through December 31, 2014 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 the External Auditor, SyCip Gorres Velayo & Co.

Item 19. 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 manner of voting is non-cumulative, except as to the election of directors.

(b) The approval of stockholders representing at least two thirds of the outstanding capital stock of the Company is required for the merger of the following wholly subsidiaries with ABS-CBN Corporation with ABS-CBN Corporation as the surviving corporation: ABS-CBN Interactive, Inc., ABS-CBN Multimedia, Inc., Sarimanok News Network, Inc., Sapientis Holdings Corporation and Studio 23, Inc..

(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.

    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: Aldrin M. Cerrado
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 March 10, 2015.

ABS-CBN CORPORATION

By: ______________________

MANUEL L.M. TORRES
Corporate Secretary

BUSINESS AND GENERAL INFORMATION

1. Business Overview

1.1. Historical Background

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

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

Recovery after 14 years of absence was difficult as resources were scarce. Nevertheless, through relentless effort, ABS-CBN recaptured leadership in the Philippine television and radio industries by 1988. During the 1990s and the early part of the new millennium, the Company expanded and ventured into complementary businesses in cable TV, international distribution, mobile services, and magazine publishing among others.

1.2. Lines of Business

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

A. TV and Studio
B. Pay TV Networks
C. New Businesses

TV and STUDIO

TV and studio segment is comprised of broadcast, global operations, film and music production, cable channels and publishing. This consists of local and global content creation and distribution through television and radio broadcasting.

Broadcast segment covers content creation and distribution mainly through free TV and radio with Channel 2 and DZMM as its flagship platforms. The content created is predominantly in Filipino and is aimed at the mass Filipino audience. The Company's leading position in the Philippine television broadcasting industry is largely due to the popularity of its entertainment programs, including *teleseryes*, drama anthologies, situation comedies, variety, reality and game shows. On the other hand, news and public affairs programs have developed a reputation for the quality of news coverage that includes national, local and international events.

Global segment, through ABS-CBN International, North America, pioneered the international content distribution through Direct to Home (DTH), cable, Internet Protocol Television (IPTV), mobile and online through The Filipino Channel (TFC). It is available in all territories where there is a significant market of overseas Filipinos such as the Unites States, Middle East, Europe, Australia, Canada and Asia Pacific. Other activities include international film distribution, remittance, retail, sponsorships and events.

Films and Music segment of the Company is composed of movie production, film distribution, audio recording and distribution and video and audio post production. Films and music needs are generally produced through its subsidiary ABS-CBN Film Productions Inc. (AFPI) or more popularly known as Star Cinema. Other movies are co-produced with other local or international producers or are simply distributed by AFPI. Music needs are managed by Star Recording, Inc. (Star Recording) and Star Songs, Inc. (Star Songs) to complement the recording needs of the Company's multi-talented artists and handle music publishing and composing requirements, respectively. In 2014, Star Recording and Star Songs were merged to AFPI, AFPI as surviving company.

Narrowcast and Sports caters to the needs of specific or targeted audiences or markets not normally addressed by the Broadcast business. Included in this line of business are cable programming and channel offerings such as Filipino movie channel, music channel, animé, upscale male sports content and upscale female lifestyle content. It also covers print, sports, and other niched programming via its UHF (Ultra High Frequency) channel. Narrowcast includes the following subsidiaries: Creative Programs, Inc. (CPI), ABS-CBN Publushing, Inc. (API) and Studio 23, Inc. (S23). As part of the Company's goal to elevate boxing as a sport in the country, it entered into a joint venture agreement with ALA Sports Promotions, Inc., (ALA Sports) a world class boxing organization and promotional company.

PAY TV NETWORKS

Pay TV networks include cable television services of Sky Cable Corporation (Sky Cable) and its subsidiaries in Metro Manila and in certain provincial areas in the Philippines. It offers both postpaid and prepaid packages as well as *a la carte* programming, broadband, internet phone, among others. Consumers are given various options that can be tailor fitted to suit their specific requirements including the ability to have a real triple-play service in the market that combines cable TV, broadband and internet phone. Catch up feature on missed programming via iWantv were provided as an option to the customers for a total pay TV entertainment package. Sky Cable accounts for nearly half of the total local pay TV market.

NEW BUSINESS

New businesses and initiatives pertain to wireless telecommunications business, digital terrestrial television (DTT) and theme parks.

Wireless Telecommunications ABS-CBN mobile's network sharing agreement with Globe Telecom enables ABS-CBN to deliver content in addition to traditional telecommunication services on mobile devices. Through the network-sharing agreement, Globe will provide capacity and coverage on its existing cellular mobile telephony network to ABS-CBN Convergence, Inc. (ABS-C) on a nationwide basis. The parties may also share assets such as servers, towers, and switches. On November 16, 2013, ABS-CBN Mobile's pre-paid service was launched.

Digital Terrestrial Television

In February 2015, the Company commercially launched the DTT. The Company continues to invest in DTT equipment to improve clarity of signal in certain areas of Mega Manila and Central Luzon. The Company believes that the transition from analogue to digital will result in an increase in its audience share.

Theme Parks

The Company has also invested in a theme park more popularly known as **KidZania Manila**.

KidZania provides children and their parents a safe, unique, and very realistic educational environment that allows kids between the ages of four to twelve to do what comes naturally to them: role-playing by mimicking traditionally adult activities. As in the real world, children perform "jobs" and are either paid for their work (as a fireman, doctor, police officer, journalist, shopkeeper, etc.) or pay to shop or to be entertained. The indoor theme park is a city built to scale for children, complete with buildings, paved streets, vehicles, a functioning economy, and recognizable destinations in the form of "establishments" sponsored and branded by leading multi-national and local brands.

Home Shopping

A CJ O Shopping Corporation (A CJ O) is a joint venture between ABS-CBN and CJ O Shopping Corporation of Korea to provide TV home shopping in the Philippines. In October 2013, A CJ O was launched.

1.3. Subsidiaries

The following is a list of the Company's active subsidiaries which ABS-CBN controls as of December 31, 2014:

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Ownership (%)
TV and STUDIO				
Global:				
ABS-CBN Global Ltd.	Cayman Islands	Holding company	January 3, 2002	**100.0**
ABS-CBN Europe Ltd.	United Kingdom	Cable and satellite programming services	May 8, 2003	**100.0**
ABS-CBN Europe Remittance Inc.	United Kingdom	Services - money remittance	2010	**100.0**
ABS-CBN Japan, Inc.	Japan	Cable and satellite programming services	March 22, 2006	**100.0**
ABS-CBN Middle East FZ-LLC	Dubai, UAE	Cable and satellite programming services	April 29, 2002	**100.0**
ABS-CBN Middle East LLC	Dubai, UAE	Trading	April 29, 2002	**100.0**
E-Money Plus, Inc.	Philippines	Services - money remittance	August 7, 2000	**100.0**
ABS-CBN Global Hungary Kft.	Budapest, Hungary	Holding company	February 9, 2009	**100.0**
ABS-CBN International, Inc.	California, USA	Cable and satellite programming services	March 22, 1979	**100.0**
ABS-CBN Australia Pty. Ltd.	Victoria, Australia	Cable and satellite programming services	May 18, 2004	**100.0**
ABS-CBN Canada, ULC	Canada	Cable and satellite programming services	March 8, 2007	**100.0**
ABS-CBN Global Remittance Inc.	California, USA	Services - money remittance	November 18, 2009	**100.0**
ABS-CBN Telecom North America, Inc.	California, USA	Telecommunications	April 19, 1995	**100.0**
ABS-CBN Canada Remittance Inc.	Canada	Services - money remittance	2011	**100.0**
ABS-CBN Global Netherlands B.V.	Amsterdam, Netherlands	Intermediate holding and financing company	May 19, 2009	**100.0**
Films and Music:				
ABS-CBN Film Productions, Inc.	Philippines	Movie production	March 25, 2003	**100.0**
Narrowcast and Sports:				
ABS-CBN Publishing, Inc. (API)	Philippines	Print publishing	September 3, 1992	**100.0**

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Ownership (%)
Creative Programs, Inc. (CPI)	Philippines	Content development and programming services	October 24, 2000	**100.0**
Others:				
ABS-CBN Integrated and Strategic Property Holdings, Inc.	Philippines	Real estate	October 09, 2003	**100.0**
ABS-CBN Shared Service Center PTE. Ltd.	Singapore	Services – support	July 3, 2008	**100.0**
Rosetta Holdings Corporation	Philippines	Holding company	April 3, 2009	**100.0**
Sarimanok News Network, Inc. (SNN)	Philippines	Content development and programming services	June 23, 1998	**100.0**
The Big Dipper Digital Content & Design, Inc.	Philippines	Digital film archiving and central library, content licensing and transmission	June 30, 2000	**100.0**
TV Food Chefs, Inc.	Philippines	Services - restaurant and food	January 23, 2001	**100.0**
PAY TV NETWORKS				
Sky Vision Corporation	Philippines	Holding company	April 18, 1991	**75.0**
Sky Cable Corporation	Philippines	Cable television services	June 6, 1990	**57.4**
Bisaya Cable Television Network, Inc.	Philippines	Cable television services	April 8, 1993	**57.4**
Bright Moon Cable Networks, Inc.	Philippines	Cable television services	November 5, 1992	**57.4**
Cavite Cable Corporation	Philippines	Cable television services	July 11, 1991	**57.4**
Cepsil Consultancy and Management Corporation	Philippines	Cable television services	November 9, 1993	**57.4**
Davao Cableworld Network, Inc.	Philippines	Cable television services	September 11, 1992	**57.4**
HM Cable Networks, Inc.	Philippines	Cable television services	August 13, 1992	**57.4**
HM CATV, Inc.	Philippines	Cable television services	September 2, 1992	**57.4**
Hotel Interactive Systems, Inc.	Philippines	Cable television services	October 9, 1995	**57.4**
Isla Cable TV, Inc.	Philippines	Cable television services	February 9, 1996	**57.4**
Moonsat Cable Television, Inc.	Philippines	Cable television services	November 4, 1992	**57.4**
Pilipino Cable Corporation	Philippines	Cable television services	June 10, 1998	**57.4**
Satellite Cable TV, Inc.	Philippines	Cable television services	April 20, 1992	**57.4**
Sun Cable Holdings, Incorporated	Philippines	Holding company	February 18, 1995	**57.4**
Sun Cable Systems Davao, Inc.	Philippines	Cable television services	September 22, 1994	**57.4**
Sunvision Cable, Inc.	Philippines	Cable television services	June 2, 1994	**57.4**
Tarlac Cable Television Network, Inc.	Philippines	Cable television services	February 17, 1993	**57.4**
Telemondial Holdings, Inc.	Philippines	Holding company	January 19, 1994	**57.4**

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Ownership (%)
JMY Advantage Corporation	Philippines	Cable television services	November 20, 1996	**54.6**
Cebu Cable Television, Inc.	Philippines	Cable television services	June 11, 1991	**54.0**
Suburban Cable Network, Inc.	Philippines	Cable television services	June 7, 1991	**53.0**
Pacific CATV, Inc. (Pacific)	Philippines	Cable television services	April 22, 1991	**55.8**
First Ilocandia CATV, Inc.	Philippines	Cable television services	November 26, 1991	**52.2**
Mactan CATV Network, Inc.	Philippines	Cable television services	July 5, 1993	**52.2**
Home-Lipa Cable, Inc.	Philippines	Cable television services	September 26, 1991	**34.4**
NEW BUSINESS				
ABS-CBN Convergence, Inc.	Philippines	Telecommunication	December 29, 2011	**69.3**
Play Innovations, Inc.	Philippines	Theme park	September 11, 2012	**73.0**
ABS-CBN Theme Parks and Resorts Holdings, Inc.	Philippines	Holding company	July 16, 2012	**100.0**
Play Innovations Hungary Kft.	Budapest, Hungary	Theme park	October 3, 2012	**73.0**
iConnect Convergence, Inc.	Philippines	Services – call center	June 10, 2013	**100.0**
Sapientis Holdings Corporation	Philippines	Holding company	June 29, 2009	**100.0**
Columbus Technologies, Inc.	Philippines	Holding company	December 29, 2011	**70.0**

1.4. Significant Philippine Associates and Affiliates

Company	Principal Activity	Date of Incorporation	Relationship
Lopez, Inc.	Holding Company	11 August 1967	Parent of ABS-CBN
Lopez Holdings Corporation*	Holding Company	08 June 1993	52.5 owned by Lopez, Inc.
AMCARA Broadcasting Network, Inc.	Television and radio broadcasting	11 April 1994	49.0 owned by ABS-CBN
A CJ O	Home shopping	13 August 2013	50.0 owned by ABS-CBN
ALA Sports Promotion International, Inc. (ALA Sports)	Boxing promotions	4 December 2013	44.0 owned by ABS-CBN

**Formerly Benpres Holdings Corporation*

1.5. Competition

TV and STUDIO

<u>Broadcast</u>

<u>Free-to-Air Television</u>: There are currently 11 commercial television stations – those which derive the majority of their revenues from the sale of advertising and airtime – in Mega Manila (which includes Metro Manila and parts of the nearby provinces of Rizal, Laguna, Cavite and Bulacan), with 7 on VHF (Very High Frequency) and 4 on UHF.

The Company's television broadcasting networks compete for advertising revenues, the acquisition of popular programming and for the services of recognized talent and qualified personnel. The Company's television stations also compete with other advertising media, such as radio, newspapers, outdoor advertising and cable television channels, as well as with home video exhibition, the Internet and home computer usage.

The major free-to-air broadcasting networks in the country, their corresponding Mega Manila channels, and their respective performance in Total Philippines household ratings and audience share for January-December 2014, are as follows:

Network	**Call Sign/Frequency**	**Total Philippines (January – December 2014)**	
		Rating %	**Share %**
ABS-CBN Corporation	ABS-CBN 2	13.0	44
GMA Network Inc.	GMA 7	10.0	34
Associated Broadcasting Company	ABC 5 / TV5	2.7	9
Others		3.9	13

**Source: Kantar Media TV Audience Measurement- TV Homes*

The Company principally competes with 13 commercial free-to-air television stations in Mega Manila, including the channels of its major competitor, GMA Network, Inc. (GMA 7 or GMA Network) which owns and operates GMA 7.

NBN 4, RPN 9 and IBC 13 are owned and operated by the Philippine government, although there have been plans to privatize RPN 9 and IBC 13. Beginning 2008, Solar Entertainment Corporation, a Filipino company primarily in the business of cable programming, entered into blocktime agreements with RPN 9, SBN 21 and RJTV 29. The three channels are currently airing Solar-produced and acquired programs and use the respective callsigns: Solar TV, ETC and 2nd Avenue.

In August 2008, ABC 5 was re-launched as TV5 after it entered into a blocktime agreement with Media Prima Berhad (MPB), a Malaysian company. The agreement stipulated that MPB would manage and operate the channel's entertainment programming. In October 2009, Mediaquest Holdings Inc., a unit of the Beneficial Trust Fund of the Philippine Long Distance Telephone Company (PLDT), acquired a 75% stake in ABC Development Corporation, operator of TV5, and had a separate agreement to acquire MPB Primedia, MPB's Philippine unit.

Radio: The Company's flagship radio stations, DZMM on the AM band and 101.9 in the FM band, compete with over 21 radio stations in each band in Mega Manila. The Company's other regional/provincial radio stations (3 in the AM band and 16 in the FM band) also compete with the regional radio stations of major radio broadcasting companies, such as Manila Broadcasting Company, Bombo Radyo, and Radio Mindanao Network.

The Company's radio network competes with other radio broadcasting entities for advertising revenues and for the services of recognized talent and qualified personnel. The Company's radio stations also compete with other advertising media and other forms of entertainment, including music products such as CDs and digital music.

Programming: ABS-CBN is a growing supplier of Filipino content for television and cable channels both in the Philippines and, increasingly, throughout the world. In-house produced contents have been and are still currently aired in numerous countries around the world, particularly in Southeast Asia, China, Africa, and Eastern Europe.

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

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

Competition in acquiring foreign-produced programming and films has also been greater than in the previous years. The Company competes with other Philippine broadcast entities and pan-regional cable programming producers in acquiring broadcast rights to popular foreign TV shows and films.

Global

International Cable and Satellite Services: The Company's DTH satellite subscription service in the United States presently competes with other satellite television and cable systems, national broadcast networks, and regional and local broadcast stations. Likewise, the Company's IPTV, cable and TFC in other territories such as Middle East, Europe, Australia, Canada, Japan and Asia Pacific, compete with other similar service providers and other entertainment means of the Filipino communities in these areas.

The Company also faces direct competition in terms of Filipino programming. In 2005, GMA Network launched its own Filipino cable channel in the United States, GMA Pinoy TV. GMA Network has already launched a second international cable channel, GMA Life TV.

Films and Music

Film Production and Distribution: The production and distribution of feature films is a highly competitive business in the Philippines. Star Cinema competes for the services of recognized creative talents, both artists and production staff, and for film rights and scripts, which are essential to the success of a feature film. The Company likewise competes with other feature film producers, including other Filipino studios, smaller independent producers and major foreign studios such as Disney, Dreamworks, and Warner Brothers. Success in the Philippine movie business depends on the quality of the film, its distribution and marketing, and the public's response to the movie.

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

Music Production and Distribution: The Company competes in the production and distribution of songs, jingles, musical scores and other music-related content with other local and foreign music publishers and independent composers and lyricists, as well as other forms of entertainment. The Company also competes in the acquisition of the services of artists and other talents. Piracy and illegal downloads of the Company's music content properties also adversely impact the Company's music production and distribution business.

Narrowcast and Sports

ABS-CBN, through its subsidiaries SNN and CPI, also provides programming for 8 cable channels. These cable channels compete for viewership with other local cable programmers and pan-regional cable channels. Production and acquisition for cable programs, as well as the selling of airtime for advertising, are highly competitive. The Company also faces competition with other cable channels in terms of cable carriage among the numerous pay TV providers in the country. On the other hand, API also competes with other players in print industry.

PAY TV NETWORKS

Sky Cable holds the leading position in nationwide market share at 45% as of December 2014. Sky Cable's main competitor in the pay TV business is Cignal. Sky Cable also competes with other small local operators in certain cities it operates in, but no other operator has the same scale and geographic reach as Sky Cable.

Sky Cable, through its Sky Cable network, directly competes for viewer attention and subscriptions with other providers of entertainment, news and information, including other cable television systems, broadcast television stations and DTH satellite companies.

Cable television systems also face strong competition from all media for advertising revenues. Important competitive factors include fees charged for basic and premium services, the quantity, quality and variety of the programming offered, signal reception, customer service, and the effectiveness of marketing efforts.

The Company also provides Broadband internet services through Sky Broadband. This industry is dominated by PLDT and Globe, with PLDT capturing 65% of the market.

NEW BUSINESS

Wireless Telecommunications: ABS-CBN provides mobile telecommunications services through ABS-C. ABS-C is the newest entrant in the highly competitive industry dominated by Smart Communications and Globe Telecom. Before the entry of ABS-C, Smart accounts for 68% of the market, while Globe accounts for the remaining 32%.

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

Republic Act No. 7966, approved on March 30, 1995, granted the Company the franchise to operate TV and radio broadcasting stations in the Philippines through microwave, satellite or whatever means including the use of new technologies in television and radio systems. The franchise is for a term of 25 years. ABS-CBN is required to secure from the National Telecommunications Commission (NTC) appropriate permits and licenses for its stations and any frequency in the TV or radio spectrum.

ABS-CBN's intellectual property includes content that the Company has produced. ABS-CBN owns various trademarks and copyright over most programs it produced. ABS-CBN has also acquired the rights over content of a number of third party production entities.

Third Party-Owned foreign and local film and programs aired through the networks

ABS-CBN and its subsidiaries have licenses from foreign and local program and feature film owners to distribute the same through its networks. The licenses to distribute the foreign programs and foreign and local feature films grant ABS-CBN and its subsidiaries the right to distribute said programs and films on free TV, cable, and satellite in the Philippines and in territories wherein TFC is distributed. These licenses for TV rights have an average term of 2 to 3 years. Such programs comprise approximately 15% of the programming of Channel 2, approximately 65% of the content of Sports & Action, and close to 90% for all CPI cable channels collectively.

Star Cinema has the license to distribute local and foreign feature films in the Philippines for theatrical, TV, and video distribution, with limited ancillary rights. The licenses for foreign films have an average term of 10 to 15 years.

Aside from licenses, programs or events produced by third parties are aired through the networks of ABS-CBN and its subsidiaries under blocktime agreements or coverage and broadcast agreements entered into with such third party-producers.

Music Licenses

ABS-CBN and its subsidiaries enter into agreements for the synchronization and use of music in its films and programs with the composers, publishers and recording companies. ABS-CBN also has agreements with the Filipino Society of

Composers, Authors and Publishers, Inc. (FILSCAP) and the Music and Video Performance, Inc. (MVP), the collecting societies in the Philippines, for the public performance rights of music contained in such films or programs produced by ABS-CBN. The existing agreements with FILSCAP and MVP include the subsidiaries of ABS-CBN. Fees for public performance rights of the music in films and programs outside the Philippines are paid to the relevant collecting societies in the territories where the films and programs are exhibited.

ABS-CBN also has various licensing, mechanical and distribution rights agreements with composers, publishers and recording companies, as the case may be, for the songs and albums it produces, manufactures, distributes or sells in the local market. ABS-CBN also has such similar agreements for its musical products, such as ring-tones, digital music, that is downloaded on mobile and online applications.

Government Regulations on Principal Products or Services

The principal law governing the broadcasting industry is the Public Service Act (Commonwealth Act. No. 146, as amended). Under this Act, the term “public service” encompasses owning, operating, managing, controlling in the Philippines, for hire or compensation, with general or limited clientele, whether permanent, occasional or accidental, and done for general business purposes, wire or wireless broadcasting stations. Accordingly, the business of ABS-CBN comes under the jurisdiction of the Public Service Commission, which was created under the same Act to have jurisdiction, supervision, and control over all public services, their franchises, equipment, and other properties, and in the exercise of its authority, to have the necessary powers and the aid of the public force.

The Act seeks to protect the public against unreasonable charges and inefficient service by public utilities, including companies engaged in television and radio broadcasting as well as to prevent excessive competition. Thusly, the Public Service Commission has been granted certain powers under the Act, including the issuance of a certificate of public convenience; the fixing and determination of the rates, tolls, charges, etc.; the fixing of just and reasonable standards, classifications, regulations, etc.; the establishment of reasonable rules, regulations, instructions; to suspend or revoke certificates issued under the Act.

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

Republic Act No. 7966, approved on March 30, 1995, granted the Company a new Congressional Franchise to operate TV and radio broadcasting stations in the Philippines through microwave, satellite or whatever means including the use of new technologies in television and radio systems. The Congressional Franchise is for a term of another 25 years. ABS-CBN is required to secure from the NTC appropriate permits and licenses for its stations and any frequency in the TV or radio spectrum. Under the Congressional Franchise, a special right is reserved to the President of the Philippines, in times of rebellion, public peril, calamity, emergency, disaster or disturbance of peace and order, to temporarily take over and operate the stations of the Company to temporarily suspend the operation of any station in the interest of public safety, security and public welfare, or to authorize the temporary use and operation thereof by any agency of the government, upon due compensation to the grantee, for the use of the said stations during the period when they shall be so operated. Under the Congressional Franchise, the Company is required to: provide adequate public service time to enable the government through the its broadcasting stations to reach the population on important public issues; provide at all times sound and balanced programming; promote public participation such as in community programming; assist in the functions of public information and education; conform to the ethics of honest enterprise; and not use its stations for the broadcasting of obscene and indecent language, speech, act or scene, or for the dissemination of deliberately false information or wilful misrepresentation to the detriment of the public interest, or to incite, encourage, or assist in subversive or treasonable acts. The Company is not subject to any previous censorship of its broadcast or telecast provided that the Company observes self-regulation during any broadcast or telecast and shall cut off from the air the speech, play, act or scene, or other matter being broadcast or telecast if the tendency thereof is to propose or incite treason, rebellion or sedition, or the language used therein or the theme thereof is indecent or immoral.

The government departments and agencies that administer the laws governing the broadcasting industry and content are the NTC, the Department of Transportation and Communication (DOTC), the Movie and Television Review and Classification Board (MTRCB), the Optical Media Board (OMB), and the Department of Labor and Employment.

The NTC primarily regulates the broadcasting industry. Its mandate extends to the regulation and supervision of radio and television broadcast stations, cable television (CATV) and pay television (Executive Order No. 546 and Executive Order No. 205). Its functions include the granting of certificates of public convenience and necessity/provisional authority to install, operate and maintain telecommunications, broadcast and CATV services; granting licenses to install, operate and maintain radio stations; allocate/sub-allocate and assign the use of radio frequencies; type-approving/type-accepting all radio communications, broadcast and customer premises equipment; conduct radio communications examination and issue radio operations certificate; prepare, plan and conduct studies for policy and regulatory purposes; monitor the operation of all telecommunications and broadcast activities; enforce applicable domestic and international laws, rules and regulations, prosecute violation thereof, and impose appropriate penalties/sanctions; issue licenses to operate land, maritime, aeronautical and safety devices; and perform such other telecommunications/broadcast-related activities as may be necessary in the interest of public service.

Notably, the NTC has issued a memorandum circular in November 2013, to begin the groundwork for the country's shift from analog to ISDB-T, the digital TV using the Japanese standard. This was prompted by the goal to help the country prepare for calamities. While the implementing rules and regulations are not yet effective, ABS-CBN has invested in facilities to improve signal quality and expand coverage of its television network, in preparation for this shift. DTT is considered the Company's next frontier in media and will provide its existing core media business accelerated growth through both enhanced content experience and opportunities to introduce other products and services to TV households.

Under the guidelines issued last December 17, 2014 by NTC, analog VHF TV service should neither be disrupted nor terminated until further orders from the NTC while operators are required to simulcast their digital terrestrial television broadcast (DTTB) service together with the analog TV service within one year upon the grant of authority to provide DTTB service. VHF TV operators that fail to simulcast within one year would lose their frequency to other qualified UHF TV operators. Analog UHF TV operators could go directly to DTTB service anytime during the one-year transition period but could also simulcast their DTTB service depending on the availability of frequencies. Entities with a valid Congressional franchise to provide TV broadcasting service may apply for an authorization to operate a DTTB service as long as the operators have the financial capacity and technical capability to install, operate, and maintain the proposed DTTB network.

The DOTC formulates general and specific policies on the broadcasting industry. Although the DOTC exercises supervision and control over the NTC, it does not have the power to review the acts and resolutions of the NTC.

The MTRCB is responsible for rating television and film for the Philippines. It classifies television programs based on their content, including the showing of indecent and excessively violent scenes on television. It is also the regulatory body that initiates plans and fosters cooperation in the industry to improve, upgrade and make viable the industry as one source of fueling the national economy.

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

In addition to the restrictions imposed by the government agencies, a broadcaster must also follow rules and industry standards promulgated by the *Kapisanan ng mga Brodkaster sa Pilipinas* (KBP), of which the Company is a member.

The KBP is a self-regulating trade organization consisting of television and radio operators. It formulates policies and guidelines for the operations of its members and enforces programming and advertising rules.

Costs and Effect of Compliance with Environmental Laws

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

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

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

However, if and when applicable, the Company shall apply for and secures proper permits, clearances or exemptions from the DENR, Department of Health, Air Transportation Office, and other regulatory agencies, for the installation and operation of proposed broadcast stations nationwide.

Employees and agreements of labor contracts, including duration

ABS-CBN Corporation and Subsidiaries had 5,735 regular employees, 846 non-regular employees and 3,194 talents and project-based employees as of December 31, 2014. ABS-CBN’s expected headcount growth is 6% within the next twelve months.

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

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

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

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

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

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

ABS-CBN's management recognizes two labor unions, one for the supervisory employees and another for the rank and file employees. The Supervisory Union represents approximately 6% of the total regular employees of ABS-CBN, while 24% of belong to the Rank & File Union. The current CBA for the supervisory union covers the period August 1, 2013 to July 31, 2015, while the CBA for the rank and file employees covers the period December 11, 2014 to December 10, 2016.

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

1.7. Corporate Social Responsibility (CSR)

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

ABS-CBN's enviable position of being in media opens up opportunities to render public service. The driving philosophy underpinning the Company's business is to be of service to the Filipino people. Given the socio-political context of the Philippines, ABS-CBN's audience and stakeholders expect and rightly deserve nothing less.

ABS-CBN Lingkod Kapamilya Foundation, Inc. (ALKFI), a non-stock, non-profit organization, was incorporated in 1989 to address the plight of the disadvantaged and to ensure that solicited help are properly allotted and utilized. AFI has 6 flagship programs:

- *Sagip Kapamilya*. Since its inception, ALKFI has been in the forefront of disaster response. With the Philippines prone to natural calamities such as earthquakes, typhoons and volcanic eruptions, ALKFI recognized the need for a holistic approach in providing disaster relief and rehabilitation to survivors.

- *Bantay Bata* (Child Watch). A national child-caring program that offers a 24/7 hotline, home visits, legal, medical and educational assistance, and supplemental feeding. It is aimed to rescue children from abusive environments and promote the welfare and rights of children.

- *Bayanijuan* was launched in 2008, to synergize and fully utilize the different programs of ALKFI in rebuilding each Filipino community one at a time. It supports a resettlement community in Calauan, Laguna for families displaced by typhoon Ondoy and the rehabilitation of the Pasig River.

- *Bantay Kalikasan* (Nature Watch). Launched in 1998, Bantay Kalikasan promotes the cause of the environment through proper disposal of industrial products such as batteries and the re-establishment of nature havens across the country, most notable of which is the reforestation and protection of the La Mesa Watershed, the only remaining patch of forest in the Metro Manila area and a major source of potable water.

- *Programa Genio*. Launched in 2012, Programa Genio is a school intervention program involved in curriculum enhancement, teacher training and resource development. Named in honor of ABS-CBN Founder and Chairman Eugenio Lopez Jr, the program provides supplementary instructional materials, consultancy and parental involvement seminars in public schools.

- *Kapit Bisig para sa Ilog Pasig:* Kapit Bisig para sa Ilog Pasig was launched in 2009 to rehabilitate the Pasig River through the clean-up of its tributaries. In partnership with the Pasig River Rehabilitation Commission and other partners, KBPIP transformed Estero de Paco, San Sebastian, San Miguel, Aviles, Uli-Uli, Sampaloc, Valencia, Pandacan Concordia and Santibañez. It has likewise redeveloped the 100-year old Paco Market which was key to the rehabilitation of Estero de Paco.

1.8. Principal Competitive Strengths of the Company

Diversified businesses

ABS-CBN is considered the country's leading media and entertainment company, with service offerings across the different platforms of media, servicing a wide array of customer segments.

The Company's VHF television network, consisting of Channel 2, other owned and operated television stations, and 10 affiliated stations, is one of the leading television networks in the Philippines. The Company also operates Channel 23, one of the leading UHF television networks with 35 television stations. These VHF and UHF networks reach an estimated 97% and 50%, respectively, of all television owning households in the Philippines.

ABS-CBN is also one of the leading radio broadcast companies, operating 19 radio stations throughout the key cities of the Philippines. The Company's anchor radio stations in Mega Manila, DZMM and DWRR, are among the highest-rated stations in Mega Manila, in the AM and FM bands, respectively.

The Company delivers television programming outside of the Philippines to over 2.8 million viewers in North America, the Middle East, Europe, Japan, Australia, Canada, and other countries in Asia, through the internet and the Company's global distribution platform, ABS-CBN Global, using DTH satellite service, cable television channels and IPTV.

ABS-CBN holds approximately 57.4% economic interest (on a fully diluted basis) in Sky Cable, Sky Cable also offers the fastest residential broadband service in the country, and currently has a 3% share of the wired broadband market. On May 11, 2012, Sky Cable entered into agreements with Destiny Cable, Inc. (Destiny), Solid Broadband Corporation, and Uni-Cable TV, Inc. (together, the Destiny Cable Group) for the acquisition of its cable and broadband assets and subscribers.

The Company's product offering is further complemented by subsidiaries focused on other multimedia services such as film production, music recording, telecommunications and magazine and book publishing.

Unparalleled distribution network

ABS-CBN's nationwide distribution infrastructure for both TV and radio is unparalleled. The Company operates under a

25-year congressional franchise (renewed in March 1995) to operate TV and radio facilities. The Company operates a total of 30 studios - 12 in Metro Manila and 18 regionally, 94 editing and post-production suites, and 20 production vans for remote studio operations. This distribution network is further intensified with the various platforms of the Company that provide opportunity for simultaneous use of content and multi-repurposing for increased revenue potentials for the group.

Extensive experience of management team

ABS-CBN's management is composed of highly experienced professionals with significant track record in the media sector, managing close to 10,000 employees. Key senior officers have been working within the industry for at least ten years.

Clear growth strategy

The Company will continue to grow its existing media and related businesses which will continue to be its core product in the future. As part of its strategic business development and growth initiatives, ABS-CBN has identified key areas which will drive its growth in the future. Its cable TV and broadband business, through Sky Cable will continue to grow and further penetrate its existing markets. The Company, through ABS-C, is continually exploring its options with regard to its wireless broadband, voice network strategy and mobile content distribution. ABS-CBN is also planning to integrate its customer relationship network among its businesses to establish more relationship potential and generate more revenues from its subscriber base.

1.9. Key Strategies and Objectives

As an organization, ABS-CBN affirms its mission of being in the service of the Filipino. The Company is driven to pioneer and innovate because it knows that it helps more Filipinos discover themselves and connect to one another. The Company opens pathways to opportunities and brings people a step closer to their dreams. ABS-CBN is firmly committed to pursuing excellence. The key elements to its business strategy are:

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

Anytime, anywhere, in any device or medium. As ABS-CBN's audience demand greater control over how and when they will consume content, the Company will ensure its continued relevance by distributing its content in the widest array of platforms that technology will allow. The Company's audience will be able to reach ABS-CBN anytime at any place in any medium.

Maintain a strong fiscal position and bring value to our stakeholders. The Company will derive the most synergies possible between its content and distribution businesses. The Company will ensure that it is able to optimize its strength of content creation by being present in all platforms possible. In addition, the Company will consciously operate more efficiently and cost-effectively, as it delivers greater value to its customers, clients, partners, and shareholders.

1.10. Transactions with Related Parties

For a detailed discussion of ABS-CBN's related party transactions, see Notes 4 and 22 of the accompanying notes to the Company's 2014 audited consolidated financial statements.

Except for transactions discussed in Notes 4 and 22 of the accompanying notes to the Company's 2014 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 24 *Related Party Disclosure – Key Management Personnel*, but with whom the registrants or its related parties have a relationship (e.g., former senior management of the Company or other parties who have some other former or current relationship with the Company) that enables the parties to negotiate terms of material transactions that may not be availed from other, more clearly independent parties on an arm's length basis.

1.11. Risks Relating to the Company

The Company's results of operations may be negatively affected by adverse economic conditions in the Philippines and abroad since its operations depend on its ability to sell airtime for advertising, to sell various goods and services, and to collect subscription fees from its subscribers. Historically, the advertising industry, relative to other industries, has been particularly sensitive to the general condition of the economy. Also, the ability of consumers to pay for the Company's services or goods depends on their disposable income at any given time. Consequently, the Company's business may be affected by the economic condition of the country and of the territories where it conducts its business.

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

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

2. **Properties**

2.1 Head Office

The properties of the Company consist of production, broadcasting, transmission and office facilities, majority of which are owned by the Company. Broadcast operations are principally conducted in the 44,000 square meters ABS-CBN Broadcast Center located at Sgt. Esguerra Avenue corner Mother Ignacia St. Quezon City. The broadcast center also houses the Company's 650-foot transmitter tower and other broadcast facilities and equipment.

The broadcast center is comprised of several buildings, one of which is a modern 15-story building known as the Eugenio Lopez Jr. Communications Center (ELJCC). The ELJCC houses the corporate offices of the Company and its subsidiaries engaged in related businesses. Aside from the corporate offices, the building also has television soundstages, sound recording studios and other television production facilities. The building has a gross floor area of approximately 100,000 square meters and total office space of approximately 58,000 square meters. The ground floor is leased to various businesses including banks, retail stores, coffee shops and restaurants. The broadcast center also houses the Company's other buildings and properties:

- The main building, which currently houses the Company's TV Production, News and Current Affairs, Regional Network, and Manila Radio groups. The Company's Technical Operations Center and several studios and soundstages are also located in the main building, which was completed in 1968.

- ABS-CBN also owns several properties within close proximity to the broadcast center, most notably the Pinoy Big Brother house and the JUSMAG compound, currently used by some of the Company's divisions.

The Company may acquire additional properties to accommodate planned production facilities that will lead to more efficient operations. The Company intends to finance this through internally generated funds and other sources of funding such as debt.

2.1 . Local and Regional Properties

ABS-CBN also owns real estate properties in various parts of the country. Originating stations have the capacity to produce and broadcast their own programs and to air advertising locally. Relay stations can only re-transmit broadcasts from originating stations. Affiliate stations are not owned by the Company. Rather, they are typically independently owned by local Filipino business people and are contracted to re-broadcast the Company's originating signals during specified time blocks for negotiated fixed fees.

The following table sets forth the location and use of ABS-CBN's television and radio stations as of December 31, 2014:

VHF TV Stations

Station		Channel	Transmitter Site
1	Manila	2	Mother Ignacia St., Diliman, QC
2	Cebu	3	Mt. Busay, Cebu City
3	Bacolod	4	Mt. Kanlandog, Murcia, Negros Occ.
4	Mt. Kitanglad, Bukidnon	2	Mt. Kitanglad, Bukidnon
5	Davao	4	Shrine Hills, Matina, Davao City
6	General Santos	3	Brgy. Lagao, Gen. Santos City
7	Zamboanga	3	Zamboanga City
8	Naga	11	Naga City
9	Tacloban	2	Mt. Naga-naga, Tacloban City
10	Dumaguete	12	Valencia, Negros Or.
11	Isabela	2	Santiago City, Isabela
12	Tuguegarao	3	Tuguegarao, Cagayan
13	Cotabato	5	Cotabato City
14	Baguio	3	Mt. Sto. Tomas, Benguet
15	Iligan	4	Iligan City
16	Butuan	11	Butuan City
17	Ilocos Norte	7	San Nicolas, Ilocos Norte
18	Legaspi	4	Mt. Bariw, Legaspi
19	Olongapo	12	Upper Mabayuan, Olongapo City
20	Iloilo (1)	10	Jordan, Guimaras
21	Batangas	10	Mt. Banoy, Batangas
22	Bohol	9	Jagna, Bohol
23	Mt. Province	11	Mt. Amuyao, Mt. Province
24	Zambales	13	Botolan, Zambales
25	Albay	10	Tabaco, Albay
26	Sorsogon	7	Sorsogon, Sorsogon
27	Aklan	9	Kalibo, Aklan
28	Ilocos Sur	11	Bantay, Ilocos Sur
29	Cagayan de Oro	4	Bulua, Cagayan de Oro
30	Occidental Mindoro	11	San Jose, Occidental Mindoro
31	Catanduanes	7	Virac, Catanduanes
32	Masbate Comm. Bctg. Co. (2)	10	Masbate, Masbate
33	MIT-RTVN (2)	7	Ozamis City
34	MIT-RTVN (2)	9	Mt. Palpalan, Pagadian City
35	St. Jude Thaddeus Inst. of Tech (2)	12	Surigao City

Station		Channel	Transmitter Site
36	Sulu Tawi-Tawi Broadcasting Corporation [2]	10	Jolo, Sulu
37	Calbayog Comm. Bctg. Corp.	10	Calbayog City, Western Samar
38	Palawan Bctg Corp.	7	Puerto Princesa, Palawan
39	Aparri	9	Aparri, Cagayan
40	Espanola	10	Espanola, Palawan
41	Batanes	11	Basco, Batanes

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[1]Owned by Amcara
[2]Affiliate

UHF TV Stations

Station		Channel	Transmitter Site
1	Manila [2]	23	Metro Manila
2	Cebu [4]	23	Mt. Busay, Cebu City [1]
3	Davao [4]	21	Matina Hills, Davao City [1]
4	Dagupan [4]	30	Sto. Tomas, Benguet [1]
5	Naga [4]	24	Naga City [1]
6	Batangas [4]	36	Mt. Banoy, Batangas [1]
7	Baguio [2]	32	Mt. Sto. Tomas (Baguio) [1]
8	Laoag [4]	23	San Nicolas, Laoag [1]
9	Bacolod [4]	22	Bacolod City [1]
10	Iloilo [2]	38	La Paz, Iloilo City [1]
11	Zamboanga [4]	23	Zamboanga City [1]
12	Gen. Santos [4]	36	General Santos City [1]
13	Tacloban [3]	24	Mt. Naga-Naga, Tacloban
14	Cagayan De Oro [4]	23	Cagayan de Oro City [1]
15	Dumaguete [4]	24	Mt. Palimpinon, Valencia, Negros Oriental [1]
16	Botolan [4]	23	Botolan, Zambales [1]
17	Isabela [4]	23	Santiago City [1]
18	Bohol [3]	40	Jagna, Bohol
19	Marbel, Koronadal [4]	24	Marbel, S. Cotabato
20	Rizal [3]	40	Jala-Jala, Rizal
21	Legaspi [3]	23	Legaspi City
22	Olongapo [4]	24	Olongapo City [1]
23	Iligan [4]	26	Iligan City [1]
24	Butuan [3]	22	Butuan City
25	Cotabato [3]	23	N. Cotabato
27	Palawan [4]	23	P. Princesa, Palawan
28	Surigao [3]	23	Surigao City
29	Roxas City [4]	21	Roxas City
30	Baler [4]	22	Baler, Aurora
31	Camarines Norte [4]	23	Daet, Camarines Norte
32	Kalibo [4]	23	Aklan
33	Dipolog [4]	42	Dipolog City
34	Lucena City [4]	24	Lucena City, Quezon
36	Tarlac [2]	34	Tarlac City
37	San Miguel [2]	34	San Miguel, Bulacan

Station		Channel	Transmitter Site
38	San Fernando, Pampanga (2)	46	San Fernando, Pampanga
39	San Pablo (2)	46	San Pablo, Laguna
41	Ilocos Sur (2)	34	Bantay, Ilocos Sur

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[1]Co-located with VHF TV Stations
[2]Owned by ABS-CBN
[3]With pending application with NTC
[4]Owned by Amcara

FM RADIO Stations

Station		Frequency (MHz)	Call Sign	Locations
1	Manila	101.9	DWRR	Lopez Center, Antipolo City
2	Cebu	97.1	DYLS	Mt. Busay, Cebu City
3	Bacolod	101.5	DYOO	Mt. Kanlandog, Murcia, Negros Occ.
4	Davao	101.1	DXRR	Shrine Hill, Matina, Davao City
5	Baguio	103.1	DZRR	Mt. Sto. Tomas, Benguet
6	Legaspi	93.9	DWRD	Mt. Bariw, Legaspi
7	Naga	93.5	DWAC	Naga City
8	Laoag	95.5	DWEL	San Nicolas, Ilocos Norte
9	Dagupan	94.3	DWEC	Dagupan City
10	Iloilo	91.1	DYMC	Iloilo City
11	Tacloban	94.3	DYTC	Tacloban City
12	Cagayan De Oro	91.9	DXEC	Bulua, Cagayan de Oro City
13	Cotabato	95.1	DXPS	Cotabato City
14	Gen. Santos	92.7	DXBC	Lagao, Gen. Santos City
15	Zamboanga	98.7	DXFH	Zamboanga City
16	Palawan	99.9	DYCU	Puerto Princesa

AM RADIO Stations

Station		Frequency (MHz)	Call Sign	Locations
1	Manila	630	DZMM	Obando, Bulacan
2	Cebu	1512	DYAB	Pardo, Cebu City
3	Davao	1296	DXAB	Matina, Davao City
4	Palawan	765	DYAP	Puerto Princesa

There are no mortgages, liens or encumbrances over the above properties.

2.2 . Leased Properties:

Lessor	Effectivity Date		Monthly Rent	Particulars	Terms
	Start	End			
Joseph Rios	December 1, 2010	November 30, 2016	₱53,572	Tuguegarao	w/ 10% escalation rate per annum
Concepcion Fordan	November 15, 2010	November 14, 2016	35,447	San Jose, Mindoro	w/ 10% escalation rate per annum

Lessor	Effectivity Date		Monthly Rent	Particulars	Terms
	Start	End			
Yolanda Tuazon	March 15, 2005	March 14, 2015	35,154	San Miguel	w/ 10% escalation rate per annum
Virac Eastland Realty Corporation	December 1, 2010	November 30, 2016	30,823	Virac, Catanduanes	w/ 10% escalation rate per annum
Manuel Joson	April 15, 2005	April 14, 2015	27,106	San Miguel	w/ 10% escalation rate per annum
Federico Ong	October 15, 2010	October 14, 2015	15,789	Aparri	
Harold Blanco	April 15, 2006	April 14, 2016	13,435	Botolan	w/ 5% escalation rate per annum
Vicente Gato	October 15, 2010	October 14, 2015	9,844	Batanes	w/ 5% escalation rate per annum

3. Legal Proceedings

For the past 5 years, the Company is not a party in any legal proceedings which involves a claim for damages in an amount, exclusive of interest and cost, exceeding 10% of the current assets of the Company.

While not deemed material legal proceedings based on the amount of the claims involved, the following legal proceedings involving the Company were the subject of news reports, and therefore generated public interest but 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:

"ABS-CBN Broadcasting Corporation vs. AGB Nielsen Media Research (Philippines), Inc."
The Company has a pending case against AGB Nielsen for injunction and breach of contract in connection with the alleged infiltration of several panel homes to change their TV viewing behavior, resulting in the corruption of the TAM data. The case was docketed as Q-07-61665 and was raffled before the Regional Trial Court of Quezon City, Branch 80. The trial court dismissed the complaint for prematurity. The Company appealed from the dismissal of the complaint by filing a petition for certiorari with the Court of Appeals on 27 May 2011. The Company is currently waiting for the Supreme Court's resolution on the petition.

"GMA Network, Inc. vs. ABS-CBN Broadcasting Corporation, et al"
The Company also has a pending civil case for libel against it filed by GMA Network, Inc. in connection with the same events covered by the case against AGB Nielsen. The case was filed in 03 January 2008 and docketed as Q-08-61735, is pending before the Regional Trial Court of Quezon City, Branch 76. GMA's total claim against the Company is Fifteen Million Pesos (P15,000,000). GMA has completed presentation of its evidence and its documentary evidence has been admitted. During the hearing on 24 January 2014, defendant Alona Magtalas testified on direct examination. She completed testifying at the hearing on 3 March 2014. The Company will continue to present its evidence at the next hearing on February 2015.

"People of the Phils., vs. Santos-Concio, et al."
This case, docketed as Criminal Case No. 138027, before the Regional Trial Court of Pasig, Branch 261, arose from the incident that transpired during the anniversary celebration of *Wowowee*, where a stampede resulted in the deaths of 71 people and multiple injuries to about 200 others. Complaints for reckless imprudence resulting in multiple homicide and multiple physical injuries were filed against certain officers of the Company including its President and Chief Operating Officer, Ms. Ma. Rosario Santos-Concio, then Managing Director for TV Production, Ms. Ma. Socorro V. Vidanes and Marilou Almaden, Business Unit Head.

The Court has dismissed the complaint as against accused Ms. Santos-Concio and Ms. Vidanes, but the case remains pending as regards certain other officers of the Company. The Court also ordered the Department of Justice to complete the preliminary investigation on the possible liability of local government officials of the City of Pasig and the police and suspended the proceedings pending the completion of the investigation.

Due to the failure to promptly conduct the preliminary investigation, the accused filed the Omnibus Motion for the dismissal of case for violation of their right to speedy disposition of cases and to quash the Information because the facts charged do not constitute an offense.

Unknown to the accused, the Department of Justice has since conducted a preliminary investigation against the local government officials of the City of Pasig and dismissed the charges against them. The Court denied the motion to dismiss and quash Information and ordered the arraignment of the remaining accused. However, the accused filed a Motion for Reconsideration of the denial of the motions to dismiss and quash Information and Reinvestigation on the ground that they were not given a chance to participate in the preliminary investigation against the local government officials of the City of Pasig. The Motion for Reconsideration was denied. The accused were arraigned on 29 June 2011. They refused to enter any plea and the Court entered a plea of not guilty for them. The accused also filed a Motion to Inhibit the presiding judge and Motion for Partial Reconsideration regarding the denial of the Motion for Reinvestigation. The Accused filed a petition for certiorari with the Court of Appeals to appeal the denial of the Motions to Dismiss and Quash Information. The petition is entitled "*Almaden, et al., vs. Suarez, et al.*,", docketed as CA-GR Sp. No. 120337. The petition remains pending.

In the meantime, the mediation conference was conducted and a settlement was reached with twelve (12) private complainants. The mediation conference and pre-trial have been terminated. Trial is set on 5 March and 23 April 2014. The 12 private complainants are: Rogelio Gallo, Soledad Elecerio, Rosario Magahin, Corazon Relavo, Annie Rivero, Rhoda Mahilum, Mercy Malto, Damasa Angeles, Ma. Amparo Badidles, Nellie Boyles, Nenita Tabada and Ely Boyles. As of date, decision for this case remains pending.

"*Wilfredo Revillame vs. ABS-CBN Broadcasting Corporation*"

This is a civil action for rescission of contract and damages filed by Wilfredo Revillame against the Company in connection with the former's talent contract with the Company. The Company filed a counterclaim for breach of contract, injunction, and damages. The case was docketed as Civil Case No. Q-10-67770 and original raffled to Regional Trial Court, Branch 84. Upon the inhibition of the presiding judge of Branch 84, the case was re-raffled to and is now pending with Branch 217. Revillame's total claim against the Company is Eleven Million Five Hundred Thousand Pesos (P11,500,000). Revillame filed a Motion to Dismiss on the ground that the Company is guilty of forum-shopping which was granted by the trial court. The Company has filed a Motion for Reconsideration which was also denied. The Company has filed an appeal.

"*ABS-CBN Corporation vs. Wilfredo Revillame aka Willie Revillame, Wilproductions, Inc., ABC Development Corporation and Ray Espinosa in his capacity as President of ABC*"

This is a complaint for copyright infringement filed by the Company against Revillame, Wilproductions, ABC Development Corporation and Ray Espinosa, for the production and airing of "Willing Willie", in violation of the Company's copyright over the show "Wowowee", which it created, produced and broadcast. The case was docketed as Civil Case No. 10-1155 and is pending with the Regional Trial Court, Makati, Branch 66. The Company is asking for One Hundred Two Million Four Hundred Thousand Pesos (₱102,400,000) as actual and compensatory damages and other consequential damages.

When the Court denied defendants' Motion to Defer Proceedings, they filed a petition for Certiorari before the Court of Appeals, entitled "*ABC Development Corporation and Ray Espinosa vs. Villarosa and ABS-CBN Corporation*," docketed as CA-GR Sp. No. 117063. The Court of Appeals granted the petition, and dismissed the suit copyright infringement case on the ground of forum-shopping. The Company has filed a Motion for Reconsideration which was denied. The Company has filed a petition for review with the Supreme Court, which petition remains pending.

ABS-CBN Corporation vs. Willie Revillame, Atty. Romeo Monfort, Reynaldo Fong and other John and/or Jane Does,

This is a suit for use of a falsified document in a judicial proceeding and falsification of AIPC Bond No. G (16)-09314/NSMKT2 which Revillame submitted in the trial court. This case was filed with the Office of the City Prosecutor of Quezon City and was docketed as XV-03-INV-11I-07-532. The suit was dismissed. The Company has appealed the dismissal of the suit with the Department of Justice.

4. **Submission of Matters to a Vote of Security Holders**

On November 15, 2012, stockholders approved the Amendment of Article VII of the Amended Articles of Incorporation of the Corporation to reclassify 200 million unissued common shares with a par value of ₱1.00 each shares into 1 billion Preferred Shares with a par value of ₱0.20 each share, to create the Preferred Shares and to provide the rights and restrictions of the said Preferred Shares.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

5. **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 ₱62.15 while the PDRs (PSE: ABSP) closed at ₱62.95 on March 18, 2015.

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. 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 declared since July 2, 1996.

- **Cash Dividend (Per Share)**

Amount	Declaration Date	Record Date	Payment Date
₱0.60	March 28, 2001	April 25, 2001	May 25, 2001
₱0.64	July 21, 2004	July 24, 2004	August 10, 2004
₱0.45	March28, 2007	April 20, 2007	May 15, 2007
₱0.825	March 26, 2008	April 30, 2008	May 27, 2008
₱0.90	March 25, 2009	May 5, 2009	May 29, 2009
₱1.11	March 11, 2010	March 31, 2010	April 29, 2010
₱2.10	March 4, 2011	March 25, 2011	April 19, 2011
₱0.80	March 30, 2012	April 25, 2012	May 22, 2012
₱0.40	April 23, 2013	May 10, 2013	June 6, 2013
₱0.20	January 30, 2014	February 14, 2014	February 28, 2014
₱0.60	March 27, 2014	April 16, 2014	May 7, 2014
₱0.60	March 5, 2015	March 20, 2015	April 30, 2015

High and Low Share Prices

	ABS		ABSP	
	High	**Low**	**High**	**Low**
2014				
First Quarter	32.60	27.00	32.00	26.40
Second Quarter	39.85	32.70	40.40	32.50
Third Quarter	43.80	36.50	43.80	35.80
Fourth Quarter	48.00	42.00	49.00	42.00
2013				
First Quarter	41.30	37.00	45.00	37.50
Second Quarter	46.00	36.95	48.10	35.10
Third Quarter	40.30	30.60	43.00	31.50
Fourth Quarter	33.95	30.30	35.15	30.80
2012				
First Quarter	37.75	30.00	38.30	29.90
Second Quarter	41.80	33.70	50.00	32.00
Third Quarter	37.00	24.45	36.95	23.30
Fourth Quarter	34.20	29.95	34.00	29.15
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	32.60	29.70	33.50	29.50
2010				
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 February 28, 2015 was 5,612. Common shares issued as of February 28, 2015 were 872,123,642. Preferred Shares outstanding as of February 28, 2015 were 1,000,000,000.

As of March 18, 2015, the foreign equity ownership of ABS-CBN is at 0%.

Top 20 Common Shares Stockholders

As of February 28, 2015, the Top 20 stockholders of ABS-CBN own an aggregate of 858,878,709 or 98.48% of issued common shares.

Rank	Name	Citizenship	Record / Beneficial	No. of Shares	%
1	Lopez, Inc.	Filipino	Record	446,231,607	55.17%
2	PCD Nominee Corporation	Filipino	Record	406,966,769	46.66%
3	Ching Tiong Keng	Filipino	Record	859,500	0.10%
4	ABS-CBN Lingkod Kapamilya Foundation, Inc.	Filipino	Record	780,995	0.09%
5	Eugenio Lopez III	Filipino	Record	651,190	0.07%
6	Creme Investment Corporation	Filipino	Record	417,486	0.05%
7	FG Holdings	Filipino	Record	386,270	0.04%

Rank	Name	Citizenship	Record / Beneficial	No. of Shares	%
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	La Suerte Cigar & Cigarette Factory	Filipino	Record	205,000	0.02%
13	ACRIS Corporation	Filipino	Record	202,985	0.02%
14	Alberto G. Mendoza and/or Jeanie Mendoza	Filipino	Record	168,250	0.02%
15	Mimi Chua	Filipino	Record	162,390	0.02%
16	Manuel M. Lopez	Filipino	Record	146,186	0.02%
17	Majograjo Dev. Corporation	Filipino	Record	140,700	0.02%
18	Antonino T. Aquino and/or Evelina S. Aquino	Filipino	Record	129,470	0.01%
19	Leoncio N. Chungunco Jr.	Filipino	Record	126,000	0.01%
20	Ma. Josefina G. Belmonte and/or Feliciano R. Bemonte Jr.	Filipino	Record	120,000	0.01%
	Subtotal of Top 20 Stockholders			858,949,798	98.49%
	Others			13,173,844	1.51%
	Total No. of Shares			**872,123,642**	**100.00%**

Top 20 Preferred Shares Stockholders

As of February 28, 2015, the Top 20 stockholders of ABS-CBN's preferred stock are as follows:

Rank	Name	Citizenship	Record / Beneficial	No. of Shares	%
1	Lopez, Inc.	Filipino	Record	987,130,246	98.71%
2	Tower Securities Incorporated	Filipino	Record	4,431,583	0.44%
3	Manuel M. Lopez and/or Ma. Teresa Lopez	Filipino	Record	1,643,032	0.16%
4	Maybank ATR Kim Eng Securities	Filipino	Record	1,621,825	0.16%
5	Maybank ATR King Eng Securities	Filipino	Record	805,045	0.08%
6	Abacus Securities Corporation	Filipino	Record	727,085	0.07%
7	Abacus Securities Corporation	Filipino	Record	699,091	0.07%
8	Value Quest Securities Corporation	Filipino	Record	662,020	0.07%
9	Globalinks Securities & Stocks, Inc.	Filipino	Record	297,081	0.03%
10	Manuel M. Lopez	Filipino	Record	187,518	0.02%
11	Belson Securities , Inc.	Filipino	Record	128,905	0.01%
12	Asiasec Equities, Inc.	Filipino	Record	120,000	0.01%
13	PCCI Securities Brokers Corporation	Filipino	Record	112,022	0.01%
14	Ricky See Eng Huy	Filipino	Record	103,901	0.01%
15	Noli de Castro	Filipino	Record	93,372	0.01%
16	Meridian Securities, Inc.	Filipino	Record	93,133	0.01%
17	Edmond T. Aguilar	Filipino	Record	71,961	0.01%
18	Leonardo P. Katigbak	Filipino	Record	66,702	0.01%
19	Kris Aquino	Filipino	Record	64,136	0.01%
20	Imperia, De Guzman, Abalos & Co., Inc.	Filipino	Record	56,641	0.01%
	Subtotal of Top 20 Stockholders			999,115,299	99.91%
	Others			884,701	0.10%
	Total No. of Shares			**1,000,000,000**	**100.00%**

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

On February 28, 2013, the Company issued One Billion Preferred Shares at an issue price of P0.20 per share through a rights offering solely to its stockholders. No underwriters were involved in the offer and no commission or remuneration was paid in connection with the offer. The offer and issuance of the Preferred Shares is an exempt transaction under Section 10.1 (e) of the Securities Regulation Code since the said securities were offered and sold to the Company's stockholders exclusively and no commission or remuneration was paid in connection with the offer and sale of the securities.

On June 5, 2013, the Company issued 57,836,900 Common Shares to ABS-CBN Holdings Corporation at an issue price of P43.125 per share. The offer and issued of the said Common Shares is an exempt transaction under Section 10.1 (k) of the Securities Regulation Code since the securities was sold to fewer than twenty (20) persons in the Philippines during any twelve-month period.

On June 25, 2013, Lopez, Inc. subscribed to 34,702,140 Common Shares at a subscription price of ₱43.225 per share. The offer and issued of the said Common Shares is an exempt transaction under Section 10.1 (k) of the Securities Regulation Code since the securities was sold to fewer than twenty (20) persons in the Philippines during any twelve-month period.

The Registration Statement for the issuance of the additional Common Shares has been approved by the SEC. The additional Common Shares are not yet listed in the PSE.

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

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

Key Performance Indicators

Ratios	2014	2013	2012	Formula
Current ratio	2.08	1.76	1.29	Current Assets / Current Liabilities
Net Debt-to-Equity ratio	0.26	0.16	0.48	Interest-bearing loans and borrowings less Cash and Cash Equivalents / Total Stockholders' Equity
Asset-to-equity ratio	2.50	2.25	2.65	Total Assets / Total Stockholder's Equity
Interest rate coverage ratio	4.47	4.75	3.70	EBIT / Interest Expense
Return on Equity	7.6%	7.8%	8.3%	Net Income / Total Stockholder's Equity
Return on Assets	3.0%	3.5%	3.1%	Net Income / Total Assets
Profitability ratios:				
Gross profit margin	40%	38%	36%	Gross Profit / Net Revenue
Net income margin	6.1%	6.1%	5.6%	Net Income / Net Revenue

Key Variable and Other Qualitative and Quantitative Factors

The following parameters pertain to various qualitative and quantitative factors that may affect the operations of the company:

i. There are no known trends, demands, commitments, events or uncertainties that will have a material impact on ABS-CBN's liquidity.

ii. There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of obligation.

iii. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

iv. 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 as well as adverse change in political policies of the Country. Nonetheless, this risk is augmented and managed with the Company's engagement in diverse industries.

v. There are no significant elements of income or loss that did not arise from the issuer's continuing operations.

vi. There are no seasonal aspects that may have a material effect on the financial condition or results of operations.

Information on Independent Accountant and other Related Matters

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 Catherine E. Lopez as the engagement partner, for the audit of the Company's books in 2014. 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 April 24, 2015.

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:

	2014	2013
Audit Fees	₱22,984,150	₱33,085,700
Non-Audit Fees	13,541,406	12,005,000

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.

7. **Financial Statements**

The Company's Statement of Management's Responsibility and Audited Financial Statements as of December 31, 2014 is in **Annex B**. Financial Statements are prepared in accordance with SRC Rule 68, as amended and Rule 68.1.

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

8. **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

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

PART III – CORPORATE GOVERNANCE

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 SEC in the same year and the Annual Corporate Governance Report. The Company is in full compliance of the Code of Corporate Governance.

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.

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

In 2013, the Institute of Corporate Directors (ICD), in partnership with the SEC, the Institute of Internal Auditors of the Philippines (IIA-P), and the Chartered Financial Analysts Society (CFA) recognized ABS-CBN among the Top 50 Philippine Publicly-Listed Companies in terms of corporate governance efforts. The Top 50 Publicly-Listed Companies were selected based on their policies, procedures, and practices in relation to the Association of Southeast Asian (ASEAN) Corporate Governance Scorecard (ACGS) standards on the rights and equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, and the responsibilities of the board. Please refer to attached Annual Corporate Governance Report.

The Mission of the ABS-CBN Board of Directors

The ABS-CBN Board of Directors represents the stakeholders' interest in pursuing a successful business, including the optimization of financial returns. The Board's mission is to determine that the Corporation is managed in such a way as to ensure this result while adhering to the laws and rules of the jurisdictions in which it operates, observing the highest standards of corporate governance, and observing high ethical norms. The Board establishes the overall goals, strategies, and policies of the Company. It strives to regularly monitor the effectiveness of management's decisions and the execution of 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 Annual Stockholders' Meeting.

For the year 2014, these directors are Eugenio L. Lopez III, Chairman; Augusto Almeda-Lopez; Ma. Rosario Santos-Concio; Oscar M. Lopez; Presentacion L. Psinakis; Federico R. Lopez; Federico M. Garcia, Salvador G. Tirona, Manuel M. Lopez, Antonio Jose U. Periquet, and Emmanuel S. de Dios. In compliance with the SEC requirement – that at least 20% of the Board should be independent directors with no material relationship with the Company, two independent directors – Mr. Periquet and Mr. de Dios — were elected. These directors are independent of management and are free of any relationship that may interfere with their judgment.

Selection of Directors

The Board itself is responsible for screening its own members and recommending them for election by the stockholders. The Chairman and Chief Executive Officer have direct input into the screening process. The final approval of nominees to the director position 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 Chief Executive Officer attend Board meetings on a regular basis even if they are not members of the Board. On matters of corporate governance, while the Board assumes that decisions will be made by the impartial directors, inputs to any policy formulation and discussions from directors who are employees of the company are welcome and expected, unless the issue involves an actual conflict of interest with such directors.

Criteria for Independence for Independent Directors

The Board assesses the independence of each director and individual nominated for election to the Board as an independent director. As part of this analysis, the Board must review and conclude whether each nominee for independent director satisfies the requirements of the rules of SEC, the by-laws, and the Manual of Corporate Governance. Under the Manual of Corporate Governance, 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 two 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 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. Periquet and Mr. de Dios 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. In addition, none of them have served the company for nine years or two consecutive terms as independent directors.

Board Performance

The Board has regular monthly meetings, as much as possible, to review the performance of the Company and its subsidiaries, approve any pertinent plans, budgets, and financial statements, set 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 on and analysis of certain issues.

From January 1, 2014 to December 31, 2014, the Board had 13 meetings. Board Attendance to Meetings follows:

	Total No. of Board Meetings	No. of Board Meetings Attended	Percentage of Attendance	Attended Annual Stockholders' Meeting? (Y/N)
Eugenio L. Lopez III	12	11	92%	Y

	Total No. of Board Meetings	No. of Board Meetings Attended	Percentage of Attendance	Attended Annual Stockholders' Meeting? (Y/N)
Augusto Almeda-Lopez	12	11	92%	Y
Ma. Rosario Santos-Concio	12	11	83%	Y
Oscar M. Lopez	12	8	67%	Y
Presentacion L. Psinakis	12	9	75%	Y
Manuel M. Lopez	12	11	92%	N
Federico R. Lopez	12	6	50%	Y
Federico M. Garcia	12	11	92%	Y
Salvador G. Tirona	12	12	100%	Y
Antonio Jose U. Periquet	12	12	100%	Y
Emmanuel S. de Dios	12	11	92%	Y

Board of Advisors

The Board of Advisors was created to provide guidance to the Board of Directors. The Board of Advisors sits in all the Board Meetings and its members are also members of the Board Committees. Randolf S. David, Mario L. Bautista, Carlo L. Katigbak, and Honorio G. Poblador IV were appointed as members of the Board of Advisors on April 23, 2013.

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 Emmanuel S. de Dios. Randolf S. David is an advisor.

- The *Compensation Committee* reviews any recommendations on incentive schemes and the issuance of stock options to employees. It is composed of Augusto Almeda-Lopez, Federico M. Garcia, and Antonio Jose U. Periquet. Mario L. Bautista and Randolf S. David are advisors.

- 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, Augusto Almeda-Lopez and Emmanuel S. de Dios. Randolf S. David and Carlo L. Katigbak are advisors.

- The *Compensation Committee* for the Chairman and the Chief Executive Officer reviews and approves the recommended changes concerning the salaries and benefits provided to the Company's Chief Executive Officer. The committee is composed of Augusto Almeda-Lopez, Federico M. Garcia and Antonio Jose U. Periquet. Mario L. Bautista is an advisor.

- The *Audit and Compliance 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 Antonio Jose U. Periquet, Salvador G. Tirona, and Emmanuel S. de Dios. Carlo L. Katigbak is an advisor.

- The *Risk Management Committee* oversees the formulation and establishment of an enterprise-wide risk management system, including the review, analysis, and recommendation of policies, frameworks, strategies, and systems to be used by the Company to manage risks, threats, and liabilities. It is composed of Salvador G. Tirona, Federico M. Garcia, and Emmanuel S. de Dios.

- The *Nomination and Election Committee* reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval, and assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors. It is composed of Eugenio L. Lopez III, Ma. Rosario Santos-Concio, and Antonio Jose U. Periquet. Randolf S. David is an advisor.

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 the continuous improvement of its policies and practices toward full compliance and the adoption of global best practices. The Compliance Officer also submits to the SEC, the PSE, and the Philippine Dealing and Exchange Corporation (PDEx), the Company's Annual Corporate Governance Report, periodic reports, and other material disclosures.

Audit

Internal Audit

The Internal Audit Division is responsible for providing independent and objective assurance and consulting services to the Company's Board of Directors through its Audit Committee. Its main function is to evaluate the adequacy, effectiveness and efficiency of the Company's internal control system and to recommend necessary control measures for its improvement. It likewise establishes an effective follow-up system to monitor the implementation of recommended controls.

The Group is composed of people with varied specializations, majority of which are certified public accountants. It also has certified internal auditors, certified information systems auditor, certified fraud examiners, certified forensic accountants, and accredited quality assurance validators. The Division has an Information Technology (IT) Audit and a Technical Audit Teams, which are composed of engineers and IT professionals.

The Group conducts regular audits of the ABS-CBN and its Subsidiaries based on an annual audit plan in a 3-year audit cycle that is approved by the Audit Committee. Special audit projects are also undertaken as the need arises.

In 2014, the Internal Audit Division presented to the Audit Committee its audit plan, updates on the status of audit projects, highlights of significant findings, implementation status of audit recommendations, and other significant audit activities.

Beginning 2012, the Group also worked closely with the Company's Risk Management Officer.

Audit Committee Report for 2014

The Audit Committee, in fulfillment of its oversight responsibilities, represents and assists the Board by evaluating the:

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

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

To comply with the Audit Committee Charter, the Audit Committee confirms that:

- Majority of the Audit Committee members are independent directors, including the Chairman;
- Quarterly meetings were held and attended by the Chairman and members of the Committee;
- The Committee reviewed and approved the internal audit scope and plans, as well as the manpower resources and competencies necessary to carry out the audit plan;
- The Committee reviewed and discussed the reports of the internal auditors, including the necessary corrective actions, with concerned management;
- The Committee reviewed and assessed that a sound internal audit, control, and compliance is in place based on the reports of management and internal and external auditors; and
- The Committee reviewed and discussed the audited annual financial statements of the Parent Company and its Subsidiaries with the management, internal auditors, and external auditors taking into consideration that:

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

Code of Conduct and Conflict of Interest Policy

The Company's Code of Conduct 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.

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

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.

Whistle Blowing Policy

In November 2013, the Company implemented the Whistle Blowing Policy. This policy provides for and encourages employees and others to report, in good faith, any covered wrongful conduct committed by employees of which they have personal knowledge. The policy assures the employees of protection against harassment, threats, and any other form of retaliation from the persons reported.

The Whistle Blowing Policy is a clear statement that if any covered wrongdoing by any of its employees is identified and reported accordingly, it will be dealt with, through a thorough investigation and the proper imposition of accountability. The Company endeavors to take steps to ensure that such wrongdoing is prevented in the future.

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 ERM. 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 a Chief Risk Management Officer, reporting directly to the Board of Directors. In November 2012, the Board of Directors approved the appointment of Mr. Raymund Martin T. Miranda as Chief Risk Management Officer concurrent with his role as Chief Strategy Officer of ABS-CBN. As Chief Risk Management Officer, he will continue to provide the overall leadership, vision and direction for ERM by continuing to establish and implement an integrated risk management framework that covers all aspects of risk 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, assess, analyze and mitigate market, operating, financial, regulatory, community, reputational, and other risks. The formal identification of the control systems is currently being undertaken. The Company contracted SGV & Co. to assist in the development of an ERM Framework and Program.

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 income tax, net income attributable to equity holders of ABS-CBN and noncontrolling 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 PDRs 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 Financial Officer, the Head of Treasury, and the 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 Financial Officer, Head of Treasury, 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.*

Evaluation System

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

Measures to Comply with Leading Practices

ABS-CBN continues to implement enhancements to comply with leading practices on good corporate governance such as the revision of its Corporate Governance Manual to comply with recent SEC requirements and the submission of the Annual Corporate Governance Report to the SEC. The Board recently approved a whistle blowing policy and a policy on insider trading is being evaluated. The members of the Board of Directors and the key officers attended a training seminar on corporate governance in 2014.

Deviations from Manual of Corporate Governance

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

Improvement of Corporate Governance

ABS-CBN continues to review its Manual of Corprorate Governance for improvements. ABS-CBN also reviews the charters of the different committees as well as evaluates existing policies on corporate governance. A policy on insider trading that will be applicable to the directors, officers and employees is being evaluated.

ANNEX A

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

The following is a discussion and analysis of ABS-CBN Corporation and Subsidiaries' ("ABS-CBN" or the "Company") financial performance for the years ended December 31, 2014, 2013 and 2012.

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

FOR THE YEAR ENDED DECEMBER 31, 2014

The table below summarizes the results of operations for the years 2014 and 2013.

	2014	2013[A]	Variance	
			Amount	%
Consolidated Revenues	**₱33,544**	**₱33,378**	**(₱166)**	**-0.5**
Advertising Revenues	18,880	19,332	(452)	-2.3
Consumer Sales	14,664	14,046	618	4.4
Sale of Services	*14,030*	*13,287*	*743*	*5.6*
Sale of Goods	*352*	*579*	*(227)*	*-39.2*
Others	*282*	*180*	*102*	*56.7*
Costs and Expenses	**30,369**	**30,298**	**71**	**0.2**
Production Costs	11,008	11,499	(491)	-4.3
Cost of Sales and Services	9,247	9,184	63	0.7
General and Administrative Expenses (GAEX)	10,114	9,615	499	5.2
Financial Costs – net	**1,043**	**868**	**175**	**20.2**
Equity in Net Loss (Earnings) of Associates and Joint Ventures	**(3)**	**12**	**(15)**	**-125.0**
Other Income – net	**(652)**	**(512)**	**(140)**	**27.3**
Net Income	**₱2,030**	**₱2,028**	**(₱2)**	**0.1**
EBITDA	**₱7,476**	**₱7,195**	**(₱281)**	**3.9**

Consolidated Revenues

For the year ended December 31, 2014, ABS-CBN generated consolidated revenues of ₱33.544 billion from advertising and consumer sales, ₱166 million or 0.5% growth year-on-year. Removing the impact of election-related revenues, consolidated revenues grew by 4.5%.

Advertising revenues decreased by ₱452 million or 2.3% year-on-year. Excluding election-related advertisements, it was up by 4.6% compared with previous year attributable to rate increase implemented during the year.

On the other hand, consumer sales improved by 4.4% resulting from strong performance of movies released both locally and internationally supported by performance of Sky Cable. Comparative revenue mix was as follows:

	2014	2013	2013*
Advertising revenues	56%	58%	56%
Consumer sales	44%	42%	44%

**Excluding election related revenues*

[A] Reclassifications were made in 2013 audited figures for comparative purposes

Consolidated Costs and Expenses
Direct costs and expenses amounted to ₱30.369 billion, or a 0.2% increase year-on-year.

Production costs declined by ₱491 million or 4.3% to ₱11.008 billion. Personnel expenses and talent fees which comprised the 55.1% of total production costs was down by 5.9% year-on-year. Through Company's continuous cost reduction initiatives, growth of other cash expenses was controlled at 0.6%. An 8.3% decline in noncash expenses such as depreciation and program rights amortization also contributed to said reduction.

Cost of sales and services increased by ₱63 million or 0.7% to ₱9.247 billion. In line with the increase in Sky Cable's number of subscribers coupled with foreign exchange losses, programming, bandwidth costs and contracted services increased compared to prior year. Similarly, due to the increasing number of movies shown and events mounted overseas, Global's corresponding theatrical and event costs grew as well.

GAEX grew by ₱499 million or 5.2%. Personnel expenses, which represent 50.9% of total GAEX, increased by 10.5% attributable to annual merit increase. Controlled spending in GAEX resulted to 3.2% decrease in other cash expenses though noncash expenses such as depreciation and provision for doubtful accounts grew by 14.6%.

Net Income and EBITDA
The Company generated ₱2.030 billion net income for the year. Net income increased by 0.1% compared to ₱2.028 billion in previous year. EBITDA reached ₱7.476 billion, a 3.9% improvement year-on-year. Excluding the election-related revenues and expenses in 2013, net income and EBITDA posted an increase of 42.0% and 17.9%, respectively.

Business Segments

For management purposes, the Company categorizes its operations into the following reportable businesses: TV and Studio, Pay TV Networks and New Businesses. This segmentation is the basis upon which the Company measures its business operations.

The following analysis presents results of operations of the Company's business segments for the period December 31, 2014 and 2013:

A. TV and Studio

TV and Studio segment results for the year are as follows:

	Revenues			Direct Costs		
	2014	**2013**	**%**	**2014**	**2013**	**%**
Broadcast	₱17,976	₱17,743	1.3	₱10,495	₱11,088	-5.3
Global	5,651	5,527	2.2	3,399	3,341	1.7
Films and Music	1,355	1,158	17.0	598	586	2.0
Narrowcast and Sports	1,878	1,883	-0.3	1,342	1,434	-6.4
Others	1,457	1,540	-5.4	187	424	-55.9
	₱28,317	**₱ 27,851**	**1.7**	**₱16,021**	**₱16,873**	**-5.0**

Broadcast
Revenues from the broadcast business grew by ₱233 million or 1.3% year-on-year. Excluding the impact of election-related revenues, recurring revenues grew by 9.2%. Growth was fuelled by ABS-CBN's strength in content creation and programming which led to ratings leadership. Channel 2 continue to lead in audience share capturing 49% share nationwide for primetime and 44% audience share for national total day, based on Kantar National TV Audience Measurement.

Moreover, the top 10 programs in the Philippines were dominated by ABS-CBN:

Rank	Channel	Program	Rating (%)*	
1	ABS-CBN	The Voice Kids Sunday	34.9	Weekend
2	ABS-CBN	The Voice Kids Saturday	34.0	Weekend
	GMA-7	Pacquiao vs. Algieri	34.0	Weekend
3	ABS-CBN	Honesto	31.7	Weekday
4	ABS-CBN	Mars Ravelo's Dyesebel	30.1	Weekday
5	ABS-CBN	Boses ng Bulilit Kami Ulit!	28.9	Weekend
6	ABS-CBN	Ikaw Lamang	28.4	Weekday
7	ABS-CBN	Got to Believe	28.3	Weekday
8	ABS-CBN	Hawak Kamay	28.1	Weekday
9	ABS-CBN	MMK Ang Tahanan Mo	28.0	Weekend
		The Voice of PH	28.0	Weekend
10	ABS-CBN	PBB All In Big Night	27.9	Weekend

**Source: Kantar Media TV Audience Measurement - Total Homes, January - December 2014*

Direct costs associated to broadcast operations decreased by 5.3% or ₱593 million due to implementation of the following cost reduction initiatives: launching of new talents, process efficiency review, integration of services and centralization.

Global

As of December 31, 2014, ABS-CBN Global had over 2.8 million viewers in over 40 countries across 4 continents worldwide, 2% higher than previous year. Forty two percent (42%) of Global viewers were in North America while 40% were in the Middle East.

Global's primary revenue drivers were as follows:

	Revenues		
	2014	**2013**	**%**
Subscription	₱3,475	₱3,641	-4.6
Advertising Revenue	581	494	17.6
Theatrical and Events	467	384	21.6
Remittance	305	344	-11.3
Others	823	664	23.9
	₱5,651	**₱5,527**	**2.2%**

Total revenue of Global grew by 2.2% year-on-year.

Subscription revenues were down by ₱166 million or 4.6% year-on-year. Despite the increase in total subscriber count of 2%, lower subscription revenue from the Middle East caused by migration initiatives offset the growth from other regions.

Major events such as ASAP in Dubai, OK Go and ASAP in Los Angeles fuelled the 17.6% in advertising revenues and contributed to 21.6 % growth in revenue from events.

Theatrical revenues grew by ₱47 million driven by the success of international screenings of the *Girl Boy Bakla Tomboy, Bride for Rent, Starting Over Again, Maybe This Time*, *She's Dating The Gangster and The Trial*. Total gross revenues from theatrical grew by 13.5% year-on-year assisted by shorter window between local and international releases of the movies. Global screened 12 movies across its regions this year compared to 8 in 2013.

Remittance revenue declined by ₱39 million caused by reduction in volume as a result of changes of business tie-ups.

Cost of sales and services of Global operations increased by 1.7%. The higher cost was attributable to theatrical costs related to movies shown overseas and costs of mounted events. Cost related to anti-piracy campaign also contributed to said increase.

Films and Music

Total revenue of Films and Music grew by more than ₱197 million or 17.0% year-on-year. Star Cinema released and distributed 16 films during the year. *Girl Boy Bakla Tomboy (₱421 million)* breached the ₱400M mark. *Bride for Rent (₱323 million) and Starting Over Again (₱390 million)* topped ₱300 million box office receipts. *She's Dating the Gangster* posted ₱251 million gross receipts and another three generated more than ₱100 million gross receipts – *Pagpag (₱177 million), Da Possessed (₱119 million) and Maybe This Time (₱127 million*). Considering both local and foreign movies, Starting Over Again was the 2nd top grossing movie next to The Amazing Spider Man *(₱447 million).* It was also the highest grossing movie among all the international releases of the Company. *My Illegal Wife* was the first Skylight movie that posted more than ₱80 million gross receipts.

The Company also mounted successful concerts - *"DOS The Daniel Padilla Concert"* and *La nightingale* by Lani Misalucha.

Cost of sales and services grew by 2% corresponding to increase of quality-produced films.

Narrowcast and Sports

Total revenues of narrowcast and sports was flat compared to last year. The Company was able to maintain its revenue from subscription business along with advertising revenues. Subscription revenue was fuelled by Cinema One while UAAP, FIBA World Cup and new content offerings contributed to advertising revenues.

To sustain sound gross profit margins, management controlled its cost of sales and services which was down 6.4%.

B. Pay TV Networks

Total revenues grew by ₱827 million or 11.9% year-on year. Broadband revenues increased by 36.6% driven by 24% growth in subscriber base while cable revenues also grew by 7.5% driven as well by 2% growth in subscriber count and the rate increase implemented during the year.

	Revenues		
	2014	**2013**	**%**
Cable	₱5,661	₱5,266	7.5
Broadband	1,264	925	36.6
Advertising Revenue and Others	839	746	12.5
	₱7,764	**₱6,937**	**11.9**

Direct costs increased by ₱530 million to ₱5.014 billion. The increase was caused by growth in programming and bandwidth costs of 15% and 47%, respectively. Increase in bandwidth costs was due to improvement made in our products and services to match market competition.

C. New Business

The Implementing Rules and Regulation was released last December 17, 2014. Consequently, the Company launched commercially the DTT in February 2015. The Company continues to invest in DTT equipment to improve clarity of signal in certain areas of Mega Manila and Central Luzon. The Company believes that the transition from analogue to digital will result in an increase in its audience share.

Total activations of ABS-CBN*mobile* as of December 31, 2014 reached over 1.5 million. Partnership with Kakao, Huawei and Cloudfone commenced during the year. ABS-C continue to create exclusive contents for its subscribers.

On the other hand, A CJ O generated average monthly sales of ₱35 million compared with ₱16 million per month last year when it started.

Capital Expenditures

Cash capital expenditures and program rights acquisitions amounted to ₱4.992 billion as of December 31, 2014. Program rights acquisitions amounted to ₱2.294 billion. Investments in Pay TV facilities reached ₱2.3 billion.

For 2015, ABS-CBN expects to invest approximately ₱8.3 billion for capital expenditure and acquisition of film and program rights. This funding requirement will be financed by the proceeds of the bond issuance as well as from internally generated funds.

Statement of Financial Position Accounts

As at December 31, 2014, total consolidated assets stood at ₱67.237 billion, 15.3% higher than total assets of ₱58.330 billion as of December 31, 2013.

Cash and cash equivalents of ₱13.238 billion is 24.7% higher than the December 31, 2013 balance. The increase in cash was due primarily to the ₱6.0 billion loan. Consequently, total interest-bearing loans grew by 38.5% at ₱20.325 billion.

Trade accounts receivables amounting to ₱9.764 billion was 14.2% higher than at the end of 2013.

Shareholders' equity stood at ₱26.875 billion as of December 31, 2014. Increase attributable to net income earned during the year was offset by effect of declaration of cash dividends for both common and preferred shareholders.

The Company's net debt-to-equity ratio was at 0.26x and 0.16x as of December 31, 2014 and December 31, 2013, respectively.

Reclassifications were made in 2013 audited figures for comparative purposes

FOR THE YEAR ENDED DECEMBER 31, 2013

The table below summarizes the results of operations for the period ended December 31, 2013.

	2013	2012	Variance	
			Amount	%
Consolidated Revenues	**₽33,378**	**₽28,984**	**₽4,394**	**15**
Advertising Revenues	18,908	16,240	2,668	16
Consumer Sales	14,470	12,744	1,726	14
Sale of Services	*13,711*	*12,199*	*1,512*	*12*
Sale of Goods	*579*	*421*	*158*	*38*
Others	*180*	*124*	*56*	*45*
Costs and Expenses	**30,244**	**27,130**	**3,114**	**11**
Production Costs	11,344	10,259	1,085	11
Cost of Sales and Services	8,964	8,338	626	8
GAEX	9,936	8,533	1,403	16
Financial Costs – net	**868**	**585**	**283**	**48**
Equity in Net Losses of Associates and Joint Ventures	**12**	**1**	**11**	**110**
Loss on Sale of Investment	**–**	**25**	**(25)**	**(100)**
Other Income	**(460)**	**(788)**	**328**	**(42)**
Net Income	**₽2,028**	**₽1,618**	**₽410**	**25**
EBITDA	**₽7,195**	**₽6,394**	**₽801**	**13**

Consolidated Revenues

For the year ended December 31, 2013, ABS-CBN generated consolidated revenues of ₽33.378 billion from advertising and consumer sales, ₽4.394 billion or 15% higher than last year. Removing the impact of election-related revenues and full year impact of new initiatives, consolidated revenues grew by 9%.

Advertising revenues increased by 16% to ₽18.908 billion, while consumer sales increased by 14% to ₽14.470 billion. The increase in advertising revenues is partly due to election-related advertisements and improvement in effective rate. Without election-related advertisement, recurring advertising revenues grew 9% fuelled by ABS-CBN's ratings leadership and the overall increase in advertising spending of corporates.

Consolidated Costs and Expenses

Direct costs and expenses amounted to ₽30.244 billion, or an 11% increase from the previous year. Removing the impact of non-recurring expenses and full year impact of new initiatives, costs and expenses only grew by 7%.

Production costs went up by ₽1.085 billion or 11% to ₽11.344 billion due to the increase in the number of shows produced, incremental election-related costs and higher amortization of program rights. Without the non-recurring election-related expenses, production costs increased by 10%.

Cost of sales and services increased by 8% or ₽626 million to ₽8.964 billion attributable to full year impact of Destiny Cable's operation and increase in Global theatrical expenses by 5% related to movies shown and rental of facilities for events mounted overseas.

GAEX posted a 16% or a ₽1.403 billion increase to ₽9.936 billion. Without non-recurring expenses and full year impact of costs related to our new initiatives, GAEX increased by 4%.

Net Income and EBITDA

The Company generated a net income of ₽2.028 billion, up by 25% compared to ₽1.618 billion in the previous year. EBITDA reached ₽7.195 billion or a 13% increase year-on-year. Without the non-recurring revenues and expenses and full year impact of new initiatives Net income and EBITDA both posted an increase of 1% and 3%, respectively.

Business Segments

The following table presents revenue and income information regarding the Company's business segments for the years 2013 and 2012:

	Revenues			Net Income			EBITDA		
	2013	**2012**	**%**	**2013**	**2012**	**%**	**2013**	**2012**	**%**
TV and Studio	₽25,897	₽22,508	15	₽2,735	₽2,033	35	₽6,450	₽5,395	20
Pay TV Networks	6,937	5,908	17	247	141	75	1,644	1,275	29
New Business	544	568	(4)	(954)	(556)	72	(899)	(276)	226
	₽33,378	**₽28,984**	**15**	**₽2,028**	**₽1,618**	**25**	**₽7,195**	**₽6,394**	**13**

Seventy eight percent (78%) of the consolidated revenues are generated from TV and Studio Entertainment which grew by 15% compared to last year. Net income and EBITDA grew by 25% and 13%, respectively, driven by growth in advertising revenues, subscription and film production and distribution.

In 2013, the Company has adopted (Philippine Accounting Standards) PAS 19 that requires all actuarial gains and losses to be recognized in other comprehensive income (OCI) and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred. The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

As a result of the foregoing adoption, the 2012 financial statements have been restated for comparability. Removing the impact of adoption, net income and EBITDA of the Company actually grew by 19% and 10% respectively. On a per business segment, impact on net income and EBITDA follows:

	Net Income	EBITDA
	%	**%**
TV and Studio Entertainment	35	19
Pay TV Networks	0	18
New Businesses	70	222
	19	**10**

A. TV and Studio

For the years 2013 and 2012, TV and Studio Entertainment segment results of operations follows:

	Revenues			Direct Costs			Gross Profit		
	2013	**2012**	**%**	**2013**	**2012**	**%**	**2013**	**2012**	**%**
Broadcast	₽17,744	₽15,029	18	₽11,101	₽9,889	12	₽6,643	₽5,140	29
Global	5,527	5,236	6	3,341	3,132	7	2,186	2,104	4
Films and Music	1,158	1,039	11	643	748	(14)	515	291	77
Narrowcast	1,883	1,686	12	1,483	1,502	(1)	400	184	117
Others*	(415)	(482)	(14)	(931)	(944)	(1)	516	462	12
	₽25,897	**₽22,508**	**15**	**₽15,637**	**₽14,327**	**9**	**₽ 10,260**	**₽ 8,181**	**25**

** This includes intercompany eliminations.*

<u>Broadcast</u>

Advertising revenues from Broadcast business grew by 18% to ₽17.744 billion. The increase in advertising revenues is partly due to election-related advertisements and improvement in effective rate. Without election-related advertisement, recurring advertising revenues grew 10% fuelled by ABS-CBN's ratings leadership and the overall increase in advertising spending of corporates.

In 2013, ABS-CBN's Channel 2 led in national audience share and ratings. Channel 2's total audience share was at 42% while the primetime audience share was at 47% based on Kantar National TV Ratings. Primetime revenue contributes 70% of total Channel 2 revenue.

Moreover, the top 20 programs in the Philippines were from ABS-CBN:

Rank	Channel	Program	Ratings
1	ABS-CBN	Juan dela Cruz	34.7
2	ABS-CBN	Ina Kapatid Anak	33.4
3	ABS-CBN	Princess and I	31.0
4	ABS-CBN	MMK Ang Tahanan Mo	30.7
5	ABS-CBN	Wansapanatym	29.7
6	ABS-CBN	Honesto	28.3
7	ABS-CBN	TV Patrol	27.6
8	ABS-CBN	Got to Believe	27.5
9	ABS-CBN	Aryana	26.6
10	ABS-CBN	Muling Buksan and Puso	26.0
11	ABS-CBN	Huwag Ka Lang Mawawala	25.9
12	ABS-CBN	Pilipinas Got Talent Saturday	25.8
13	ABS-CBN	The Voice of the Philippines Sunday	25.4
14	ABS-CBN	Bet on Your Baby	25.3
15-16	ABS-CBN	The Voice of the Philippines Saturday	24.8
15-16	ABS-CBN	Pilipinas Got Talent Sunday	24.8
17	ABS-CBN	Be Careful With My Heart	22.9
18	ABS-CBN	Rated K Handa Na Ba Kayo?	22.3
19	ABS-CBN	Apoy Sa Dagat	22.1
20	ABS-CBN	Annaliza	22.0

Production costs associated to broadcast operations increased by 12% or ₽1.212 billion attributed to more locally produced shows for the year including full year impact of prime time daily and noontime show namely Be Careful with my Heart and Minute to Win It, incremental election-related costs and higher amortization of program rights. More than half of production costs are personnel expenses and talent fees. Contribution margin grew to 37% from 34% in 2012.

In 2013, the Company entered into a partnership with the owners of the Mars Ravelo properties. This arrangement will bring the popular local superheroes to television sets and theaters in the Philippines and overseas.

Global

ABS-CBN Global had over 2.7 million viewers in over 40 countries across 4 continents worldwide. This is a 22% growth in viewership. Forty three percent (43%) of Global viewers are in North America while forty one percent (41%) are in the Middle East. In 2013, the Company had forged an agreement with Orbit Showtime Network which has allowed ABS-CBN to further broaden its reach to Filipinos in the Middle East, adding around 50,000 customers.

Global's primary revenue drivers for the year follow:

	Revenues			
	Contribution	**2013**	**2012**	**%**
Subscription	62%	₱3,452	₱3,349	3
Theatrical and Events	9%	454	285	59
Remittance	8%	442	332	33
Advertising Revenue	8%	472	535	(12)
Others	13%	707	735	(4)
	100%	**₱5,527**	**₱5,236**	**6**

Subscription revenues increased by 3% driven by subscriber growth in the Middle East, Canada, North America and Australia.

Theatrical and Events grew by 59% coming from the success of international screening of It Takes and A Woman and Four Sisters and A Wedding movies and from events Okay Go and Be Careful With My Heart Tour.

Remittance revenue went up by 33% driven by an increase in volume of 27%.

Cost of Sales and Services of Global operations increased by 7%. The higher cost is attributable to increase in theatrical costs related to movies shown and rental of facilities for events mounted overseas which grew by 58%. Transaction costs also increased by 25% parallel to the increase in remittance volume.

Films and Music

Total revenue of Films and Music grew by ₱119 million or 11% compared to ₱1.039 billion in 2012. Star Cinema released 16 films in 2013. Three of them – *One More Try (₱205 million), Sisterakas (₱394 million) and It takes A Man and A Woman (₱387 million)* – topped ₱200 million box office receipts, earning blockbuster status by local standards. Four Sisters and a Wedding, Bakit Di Ka Crush ng Crush Mo and She's the One grossed more than ₱100 million. In 2012, AFPI released 15 movies, seven of them grossed more than ₱100 million, the local film industry's unofficial benchmark for a blockbuster hit. Of the seven, three films generated more than ₱200M box office receipts. AFPI's local theatrical market share increased to 84% from 83% in 2012.

Total costs and expenses decreased by 14%. The decline came from a 16% decrease in the cost of production. Contribution margin also grew to 44% from 28% in 2012.

Narrowcast

Total revenues grew 12%. 50% of the increase in revenue is accounted for by the strong performance of cable channels with 17% increase in advertising revenues and 8% increase in subscription revenues. Cinema One, the Company's Filipino movie channel, remains to be the no. 1 cable channel in the country. It represents 45% of the total revenue of the segment with 67% gross profit margin. This is a 17% growth from last year. Lifestyle Channel, another cable channel of the Company, contributed 22% to the total revenue with 57% gross profit margin. Cost and expenses decreased by 1% compared in prior year. About 62% of Narrowcast's cost is amortization of program rights.

The Company further intensified its archive cable channel Jeepney TV which offers the well-loved and timeless programs of ABS-CBN, movies and program fare that define and highlights the best of Filipino TV.

B. Pay TV Networks

Pay TV business segment include local subscription base cable television services through Sky Cable Corporation and its subsidiaries. It offers postpaid and prepaid packages as well as *a la carte* programming, broadband, internet phone, among others.

Below is a breakdown of revenues:

	Revenues		
	2013	**2012**	**%**
Cable	₱5,266	₱4,563	15
Broadband	925	694	33
Advertising Revenue and Others	746	651	15
	₱6,937	**₱5,908**	**17**

Cable revenues grew by 15% driven by the increase in postpaid subscription by 16%. Broadband revenues increased by 33% driven by the growth in subscriber count by 29%.

Cost of sales and services increased by 14% or ₱554 million to ₱4.484 billion, lower than the growth of revenues of 17%. The increase was due to the growth in programming and bandwidth costs at 19% and 18%, respectively, and full year impact of Destiny acquisition.

C. New Business

ABS-CBNmobile is the newly launched wireless telecommunications product of the Company that delivers ABS-CBN content and offers traditional telecoms services such as voice, text and data through mobile phones. The product was launched in November 2013. It has more than 200,000 subscribers to date. The telecommunication business is under a network sharing agreement with Globe Telecom which took effect in May 2013.

The Company continued to invest in *Digital Terrestrial TV* equipment to improve clarity of signal particularly in Mega Manila and Central Luzon and in anticipation of the migration from analogue. To date, the Company has already invested ₱2 billion in infrastructures and programming and is ready to roll-out as soon as the implementing rules and regulations is released. In November 2013, the government approved the adaption of the Japanese standard (Terrestrial Integrated Services Digital Broadcasting or ISDB-T).

The Company has also invested in a theme park business. *Kidzania Manila* will be an indoor play center that allows children to freely explore a world their size and choose from over 100 role-playing activities in different establishments.

To complement the Company's retail and merchandising business, it entered into a joint venture agreement with CJ O Shopping Co. Ltd. of Korea to provide TV home shopping in the Philippines. The TV home shopping channel was launched in October 2013.

Capital Expenditures

Cash capital expenditures and program rights acquisitions amounted to ₱4.903 billion, 10% higher than last year's ₱4.462 billion. Program rights acquisitions amounted to ₱1.175 billion. Investments in Pay TV facilities reached ₱1.715 billion.

Statement of Financial Position Accounts

As at December 31, 2013, total consolidated assets stood at ₱57.992 billion, 13% higher than total assets of ₱51.394 billion as at December 31, 2012.

Cash and cash equivalents of ₱10.617 billion is 66% higher than the December 31, 2012 balance. The increase in cash is partly due to the payment for the newly subscribed Philippine Depository Receipts by Capital International Private Equity Fund VI, L. P. and affiliated funds (CIPEF) and subsequently for the equivalent common shares by ABS-CBN Holdings Corporation amounting to ₱2.5 billion.

Trade accounts receivables amounting to ₱8.549 billion is 11% higher than at the end of 2012.

Days sales outstanding of 75 days is 3 days lower than the 78 days as at December 31, 2012.

Total interest-bearing loans was lower by 7% at ₱14.680 billion.

Shareholders' equity stood at ₱25.923 billion, 33% higher compared as at December 31, 2012 due to the issuance of preferred shares and additional common shares, as well as the capital paid in excess of par value recognized in relation to the additional common shares issued.

The company's net debt-to-equity ratio was lower at 0.16x compared with 0.48x at the end of 2012.

FOR THE YEAR ENDED DECEMBER 31, 2012

The table below summarizes the results of operations for the period ended December 31, 2012.

	2012	2011	Variance	
			Amount	%
Consolidated Revenues	**₽28,984**	**₽25,735**	**₽3,249**	**13**
Advertising Revenues	16,240	14,793	1,447	10
Consumer Sales	12,744	10,942	1,802	16
Sale of Services	*12,199*	*10,388*	*1,811*	*17*
Sale of Goods	*421*	*468*	*(47)*	*(10)*
Other Revenues	*124*	*86*	*38*	*44*
Costs and Expenses	**27,130**	**24,295**	**2,835**	**12**
Production Costs	10,259	9,834	425	4
Cost of Sales and Services	8,338	7,096	1,242	18
GAEX	8,533	7,365	1,168	16
Financial Costs – Net	**585**	593	(8)	(1)
Equity in Net Losses of Associates	**1**	–	1	–
Loss (Gain) on Sale of Investments	**25**	(1,147)	1,172	(102)
Other Expenses (Income)	**(788)**	(687)	(101)	15
Net Income	**₽1,618**	**₽2,427**	**(₽809)**	**(33)**
EBITDA	**₽6,394**	**₽6,811**	**(₽417)**	**(6)**

Consolidated Revenues

For the year ended December 31, 2012, ABS-CBN generated consolidated net revenues of ₽28.984 billion from advertising and consumer sales, ₽3.249 billion or 13% higher than in 2011. Without the incremental revenues from new initiatives, revenues increased by 10%.

Advertising revenues contributed 56% of total consolidated net revenues while consumer sales made up the balance of 44%. Versus year ago, advertising revenues and consumer sales grew by 10% and 16% respectively.

Consolidated advertising revenues across all platforms and subsidiaries increased by 10% to ₽16.240 billion fuelled by ABS-CBN's ratings leadership and the improvement in revenue performance of Cable Channels. ABS-CBN led in national audience share and ratings for Urban and Rural audiences with prime-time audience share averaging 48% for the period June to December 2012, a 20 percentage point lead over GMA's, based on the Kantar National TV Ratings.

Consumer sales amounted to ₽12.744 billion, or a 16% increase year-on-year. The increase is largely attributable to Sky Cable's growth in revenues which grew by 32%. The increase in sales of other subsidiaries is partly attributable to the incremental sales of our new initiatives and the increase in sales of AFPI. Without the incremental revenue of new initiatives, consumer sales grew still by 13%.

Consolidated Costs and Expenses

Direct costs and expenses amounted to ₽27.130 billion or a 12% increase from previous year. Without the incremental costs of our new initiatives operating expenses grew by 7%.

Production costs grew by 4% versus last year due to higher personnel expenses and talent fees as a result of continued talent pouching by competitors and increase in local programming hours particularly in the morning time block with the launch of Be Careful With My Heart and late night comedy slot Gandang Gabi Vice.

Cost of sales and services grew by 18% vs last year mainly due from Sky Cable's digital expansion project, start of Destiny Cable operations in the Company and Star Cinema's higher theatrical cost. Removing the impact of new initiatives cost of sales and services grew by 6%.

Net Income and EBITDA

Removing the effects of the one-time gain from the sale of investment in Sky Cable of ₱1.147 billion in 2011, the Company's net income is at par with prior year while EBITDA actually increased by 13% to ₱6.394 billion.

Business Segments

The following table presents revenue and income information regarding the Company's business segment for the years 2012 and 2011:

	Revenues			Net Income			EBITDA		
	2012	**2011**	**%**	**2012**	**2011**	**%**	**2012**	**2011**	**%**
TV and Studio Entertainment	₱22,508	₱21,244	6	₱2,033	₱2,426	(16)	₱5,395	₱5,833	(8)
Pay TV Networks	5,908	4,491	32	141	140	–	1,275	1,055	21
New Business	568	–	–	(556)	(139)	(300)	(276)	(77)	(258)
	₱28,984	**₱25,735**	**13**	**₱1,618**	**₱2,427**	**(33)**	**₱6,394**	**₱6,811**	**(6)**

Seventy eight percent (78%) of the consolidated revenues are generated from TV and Studio Entertainment which grew by 6% vs last year.

A. TV and Studio

For the years 2012 and 2011, TV and Studio segment results of operations follows:

	Revenues			Direct Costs			Gross Profit		
	2012	**2011**	**%**	**2012**	**2011**	**%**	**2012**	**2011**	**%**
Broadcast	₱15,029	₱13,744	9	₱9,889	₱9,602	3	₱5,140	₱4,142	24
Global	5,236	5,379	(3)	3,132	3,136	–	2,104	2,243	(6)
Films and Music	1,039	916	13	748	574	30	291	342	(15)
Narrowcast	1,686	1,622	4	1,502	1,332	13	184	290	(37)
Others*	(482)	(417)	(16)	(945)	(534)	(77)	463	117	296
	₱22,508	**₱21,244**	**6**	**₱14,326**	**₱14,110**	**2**	**₱8,182**	**₱7,134**	**15**

**This includes intercompany eliminations*

Broadcast

Advertising revenues increased by 9% fuelled by ABS-CBN's ratings leadership. ABS-CBN led in national audience share and ratings for Urban and Rural audiences with prime-time audience share averaging 48% for the period June to December 2012, a 20 percentage point lead over GMA's, based on the Kantar National TV Ratings.

For the period June to December 2012, 17 of the Company's shows were in the Top 20 for Total Philippines (Urban and Rural), with the following occupying the Top 10 slots: Walang Hanggan, Princess and I, MMK Ang Tahanan Mo, Wansapanataym, TV Patrol (Weekday), Ina Kapatid Anak, WBO Junior Featherweight Championship, World Junior Featherweight Championship and Donaire vs Mathebula.

Rank	Channel	Program	Ratings
1	ABS-CBN	Walang Hanggan	38.4
2	*GMA*	*Pacquiao Marquez 4*	*35.9*
3	ABS-CBN	Princess and I	35.3
4	ABS-CBN	MMK Ang Tahanan Mo	33.4
5	ABS-CBN	Wansapanatym	32.5
6	ABS-CBN	TV Patrol Weekday	31.4
7	ABS-CBN	Ina Kapatid Anak	30.3
8	ABS-CBN	WBO Junior Featherweight Championship	29.7
9	ABS-CBN	World Junior Featherweight Championship	28.8
10	ABS-CBN	Donaire vs Mathebula	27.5
11	*GMA*	*Pacquiao-Bradley*	*25.5*
12	ABS-CBN	Dahil Sa Pag-Ibig	25.3
13-14	ABS-CBN	Kapamilya Deal or No Deal	25.0
13-14	ABS-CBN	Rated K Handa Na Ba Kayo?	25.0
15	ABS-CBN	Aryana	24.0
16	ABS-CBN	Goin' Bulilit	23.6
17-18	ABS-CBN	Miss Universe Las Vegas 2012	22.8
17-18	ABS-CBN	Zoren-Carmina Always, Forever A Wedding	22.8
19	ABS-CBN	Be Careful With My Heart	22.7
20	*GMA*	*Kapuso Mo, Jessica Soho Sunday*	*21.7*

**Kantar Media/ TNS National Philippines (Urban + Rural): June-December 2012*

Production costs associated to broadcast operations increased by 3% due to more locally produced shows for the year particularly in the morning and late evening time block with the launch of Be Careful With My Heart and Gandang Gabi Vice.

<u>Global</u>

	Revenues			
	Contribution	**2012**	**2011**	**%**
Subscription	64%	₱3,349	₱3,421	(2)
Theatrical and Events	6%	285	306	(7)
Remittance	6%	332	270	23
Advertising Revenue	10%	535	500	7
Others	14%	735	882	(17)
	100%	**₱5,236**	**₱5,379**	**(3)**

Excluding foreign exchange impact, Global revenues actually grew by 1% driven by improvement in the remittance and advertising revenues at 23% and 7%, respectively. Volume of remittance business increased by 30%.

Global's viewership in 2012 grew by 2% coming from Canada, Asia Pacific, Australia and North America. Nonetheless, corresponding subscription revenue went down by 2% as a result of shifting of subscribers to lower price packages particularly in Europe and Japan. This shift could be attributed to the regions' economy being into a recession over the year. The economy contracted at an annual rate of 3.5%

North America, Middle East and Canada comprise 88% of the total viewership with Canada growing steadily in double digit of 17% as of 2012.

Cost of Sales and Services of Global operations decreased coming from lower programming costs.

Films and Music
AFPI released 15 films in 2012. Three of them - Enteng ng Ina Mo, The Mistress and This Guy's In Love with U Mare grossed more than ₱200 million, earning blockbuster status by local standards. Four of them - Segunda Mano, Unofficially Yours, Kimmy Dora and the Temple of Kiyeme and The Healing - topped ₱100 million in box office receipts. All these significantly make up the 8% improvement in the theatrical revenues.

Key cost drivers for the year are theatrical cost of sales which grew by 36%. Such increase was offset by decline in co-production share by 25% due to lower number of co-produced movies at 5 versus 11 in 2011.

Narrowcast and Sports
Total Narrowcast revenues grew 4% driven by increase in advertising revenues of 9%. Revenue mix of the segment is 65% airtime and 35% subscription. Cinema One, Lifestyle Channel and Balls continue to be the driver of revenue growth.

Programming cost comprise about 30% of Narrowcast's cost. For the year cable and publishing costs increased by 6% and 4% respectively.

In 2012, the Company launched Jeepney TV to refer to Narrowcast's archive cable channel. It airs old content from ABS-CBN library and is able to generate incremental revenues at very minimal costs.

B. Pay TV Networks

	Revenues		
	2012	**2011**	**%**
Cable	₱4,563	₱3,454	32
Broadband	694	467	49
Advertising Revenue and Others	651	570	14
	₱5,908	**₱4,491**	**32**

In May 2012, Sky Cable has acquired the Cable TV and broadband business and assets of Destiny Cable. With this acquisition, total pay TV revenues grew by 32% driven by improvement in postpaid cable subscription at 34% and broadband at 49%. Cost of sales and services increased by 25%

Removing the impact of Destiny Cable acquisition, Sky Cable's total revenues increased by 12% while cost of sales only grew by 9%. Gross profit margin is at 44% which is a 2% improvement vs year ago.

C. New Business

On January 27, 2012, the Company acquired the *wireless landline (WLL)* business of Bayantel. This acquisition included the transfer of the related Code Division Multiple Access (CDMA) telecommunications equipment needed to operate the WLL Business. The transfer also included the required frequencies, licenses, interconnection trunks, subscribers and employees.

The Company continued to invest in *Digital Terrestrial TV* equipment to improve clarity of signal in particular in mega manila and central Luzon and in anticipation of the migration from analogue.

In 2012, the Company started to invest in theme park through its subsidiary, Play Innovations, Inc. Its operations include an indoor play center that allows children to freely explore a world their size and choose from over 100 role-playing activities in different establishments.

Capital Expenditures

Cash capital expenditures and program rights acquisitions for 2012 amounted to ₱4.462 billion, ₱257 million or 6% higher than last year's ₱4.205 billion.

Statement of Financial Position Accounts

As at December 31, 2012, total consolidated assets stood at ₱51.394 billion, ₱5.385 billion or 12% higher than total assets of P46.009 billion as at December 31, 2011. The significant increase in assets is attributable to the goodwill recognized upon the acquisition of Destiny Cable by Sky Cable, and capital expenditures for property and equipment, and program rights.

Cash and cash equivalents of ₱6.395 billion is ₱2.240 billion or 26% lower than the December 31, 2011 balance.

Trade and other receivables amounting to ₱7.693 billion is ₱694 million or 10% higher than the ₱6.999 billion at the end of 2011.

Days sales outstanding of 78 days is 5 days lower than the 83 days as at December 31, 2011.

ABS-CBN CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **ABS-CBN Corporation and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements as of and for the years ended December 31, 2014 and 2013 and January 1, 2013, 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 L. Lopez III
Chairman of the Board

Ma. Rosario N. Santos-Concio
President and Chief Executive Officer

Rolando P. Valdueza
Group Chief Financial Officer

Aldrin M. Cerrado
Chief Financial Officer

Signed this 5th day of March, 2015

SUBSCRIBED AND SWORN to before me this 19 day of MAR 2015, 2015. Affiants exhibiting to me their passports, as follows:

NAME	PASSPORT NO.	DATE OF EXPIRY	PLACE OF ISSUE
Eugenio L. Lopez III	EB8352063	07 June 2018	DFA, Manila
Ma. Rosario Santos- Concio	EB8799114	26 July 2018	DFA, Manila
Rolando P. Valdueza	EB9244017	25 September 2018	DFA, Manila
Aldrin M. Cerrado	EC0845195	13 April 2019	DFA, Manila

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Page No.: 64
Book No.: I
Series of: 2015

NOTARY PUBLIC

MA. CHRISTINE A. ABERIN
NOTARY PUBLIC
FOR AND IN THE CITY OF PASIG, TAGUIG AND SAN JUAN AND IN THE MUNICIPALITY OF PATEROS
UNTIL DECEMBER 31, 2015
PTR NO. 0378671; 1/8/15; PASIG CITY
IBP NO. 979170; 1/5/15; RSM
ROLL NO. 62475/APPOINTMENT NO. 251 (2014-2015)
21/F Robinsons Equitable Tower
4 ADB Ave. cor. Poveda St.
1605 Ortigas Center, Pasig City

SGV
Building a better working world

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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
ABS-CBN Corporation
ABS-CBN Broadcast Center
Sgt. Esguerra Avenue corner Mother Ignacia St.
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of ABS-CBN Corporation and Subsidiaries (collectively referred to as "the Company") as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 and have issued our report thereon dated March 5, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Catherine E. Lopez

Catherine E. Lopez
Partner
CPA Certificate No. 86447
SEC Accreditation No. 0468-AR-2 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 102-085-895
BIR Accreditation No. 08-001998-65-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751291, January 5, 2015, Makati City

March 5, 2015

ABS-CBN Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013
and Years Ended December 31, 2014, 2013 and 2012

and

Independent Auditors' Report

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1226 Makati City
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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

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, 2014 and 2013, 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, 2014, 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, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Catherine E. Lopez

Catherine E. Lopez
Partner
CPA Certificate No. 86447
SEC Accreditation No. 0468-AR-2 (Group A),
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PTR No. 4751291, January 5, 2015, Makati City

March 5, 2015

ABS-CBN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱13,238,377**	₱10,616,855
Trade and other receivables (Notes 7 and 22)	**10,717,317**	8,333,761
Program rights and other intangible assets (Note 11)	**1,315,987**	1,385,972
Other current assets (Note 8)	**3,669,314**	3,046,886
Total Current Assets	**28,940,995**	23,383,474
Noncurrent Assets		
Property and equipment (Notes 9, 10, 17 and 30)	**20,572,543**	18,535,905
Program rights and other intangible assets - net of current portion (Note 11)	**6,465,599**	5,429,192
Goodwill (Notes 4 and 15)	**5,289,956**	5,288,350
Available-for-sale (AFS) investments (Note 12)	**242,368**	219,191
Investment properties (Notes 9, 10 and 17)	**198,734**	196,916
Investments in associates and joint ventures (Note 13)	**199,874**	166,591
Deferred tax assets - net (Note 28)	**2,858,187**	2,530,164
Other noncurrent assets (Note 14)	**2,468,564**	2,580,033
Total Noncurrent Assets	**38,295,825**	34,946,342
TOTAL ASSETS	**₱67,236,820**	₱58,329,816
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 16, 22 and 29)	**₱12,788,120**	₱11,332,006
Income tax payable	**292,053**	193,216
Obligations for program rights (Note 18)	**724,266**	448,861
Interest-bearing loans and borrowings (Notes 9, 10 and 17)	**110,751**	1,345,471
Total Current Liabilities	**13,915,190**	13,319,554
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 9, 10 and 17)	**20,214,484**	13,334,579
Obligations for program rights - net of current portion (Note 18)	**224,472**	276,344
Accrued pension obligation and other employee benefits (Note 29)	**4,790,813**	4,191,082
Deferred tax liabilities - net (Note 28)	**587,654**	637,533
Convertible note (Note 19)	**190,522**	245,195
Other noncurrent liabilities (Note 20)	**438,857**	402,772
Total Noncurrent Liabilities	**26,446,802**	19,087,505
Total Liabilities	**40,361,992**	32,407,059

(Forward)

	December 31	
	2014	2013
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 21):		
Common	**₱872,124**	₱872,124
Preferred	**200,000**	200,000
Additional paid-in capital (Notes 2, 4 and 21)	**4,495,050**	4,495,050
Exchange differences on translation of foreign operations	**(456,773)**	(270,632)
Unrealized gain on AFS investments (Note 12)	**143,281**	121,766
Share-based payment plan (Note 21)	**34,349**	34,349
Retained earnings (Note 21)	**21,363,395**	19,817,957
Philippine depository receipts convertible to common shares (Note 21)	**(1,264,096)**	(1,164,146)
Equity attributable to Equity Holders of the Parent	**25,387,330**	24,106,468
Noncontrolling Interests (Notes 4 and 23)	**1,487,498**	1,816,289
Total Equity	**26,874,828**	25,922,757
TOTAL LIABILITIES AND EQUITY	**₱67,236,820**	₱58,329,816

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		
	2014	2013	2012
REVENUE			
Advertising revenue (Note 22)	**₱18,879,946**	₱19,331,908	₱16,611,731
Sale of services (Note 30)	**14,029,684**	13,287,245	11,827,501
Sale of goods (Note 22)	**351,528**	579,140	421,079
Others	**282,470**	179,611	123,329
	33,543,628	33,377,904	28,983,640
PRODUCTION COSTS (Notes 9, 11, 22, 24, 29 and 30)	**(11,007,656)**	(11,499,365)	(10,555,162)
COST OF SERVICES (Notes 8, 9, 11, 14, 22, 25, 29 and 30)	**(9,045,527)**	(8,853,440)	(8,061,381)
COST OF SALES (Notes 8, 9, 22, 25, 29 and 30)	**(201,993)**	(330,029)	(292,095)
GROSS PROFIT	**13,288,452**	12,695,070	10,075,002
GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 8, 9, 10, 11, 21, 22, 26, 29 and 30)	**(10,113,904)**	(9,614,356)	(8,221,168)
FINANCE COSTS (Note 17, 19 and 27)	**(1,165,313)**	(816,919)	(816,701)
INTEREST INCOME (Notes 6 and 22)	**153,968**	94,438	119,672
FOREIGN EXCHANGE GAINS (LOSSES) - net	**(31,704)**	(145,500)	111,784
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 13)	**3,283**	(12,397)	(58)
LOSS ON SALE OF INVESTMENTS (Note 12)	**–**	–	(24,781)
OTHER INCOME - net (Notes 14, 19, 27 and 30)	**652,352**	512,322	788,099
INCOME BEFORE INCOME TAX	**2,787,134**	2,712,658	2,031,849
PROVISION FOR INCOME TAX (Note 28)	**756,998**	684,311	413,950
NET INCOME	**₱2,030,136**	₱2,028,347	₱1,617,899
Attributable to			
Equity holders of the Parent Company (Note 33)	**₱2,387,085**	₱2,145,725	₱1,580,623
Noncontrolling interests	**(356,949)**	(117,378)	37,276
	₱2,030,136	₱2,028,347	₱1,617,899
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company (Note 33)	**₱2.867**	₱2.678	₱2.132

See accompanying Notes to Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
NET INCOME	**₱2,030,136**	₱2,028,347	₱1,617,899
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit and loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit plan (Note 29)	**(478,239)**	639,129	(130,921)
Income tax effect	**143,472**	(191,739)	39,276
	(334,767)	447,390	(91,645)
Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:			
Exchange differences on translation of foreign operations	**(186,141)**	367,657	(279,753)
Unrealized fair value gain (loss) on AFS investments - net (Note 12)	**21,515**	(4,910)	6,853
	(164,626)	362,747	(272,900)
OTHER COMPREHENSIVE INCOME (LOSS)	**(499,393)**	810,137	(364,545)
TOTAL COMPREHENSIVE INCOME	**₱1,530,743**	₱2,838,484	₱1,253,354
Attributable to:			
Equity holders of the Parent Company	**₱1,895,412**	₱2,906,433	₱1,413,954
Noncontrolling interests	**(364,669)**	(67,949)	(160,600)
	₱1,530,743	₱2,838,484	₱1,253,354

See accompanying Notes to Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 21)							Retained Earnings (Note 21)					
	Common	Preferred	Additional Paid-in Capital	Exchange Differences in Translation of Foreign Operations	Unrealized Gain on Available-for-Sale Investments (Note 12)	Remeasurement Gain (Loss) on Defined Benefit Plan - Net (Note 29)	Share-based Payment Plan (Note 21)	Appropriated	Unappropriated	Philippine Depository Receipts Convertible to Common Shares (Note 21)	Total	Noncontrolling Interests	Total Equity
At December 31, 2013	**₱872,124**	**₱200,000**	**₱4,495,050**	**(₱270,632)**	**₱121,766**	**₱–**	**₱34,349**	**₱16,200,000**	**₱3,617,957**	**(₱1,164,146)**	**₱24,106,468**	**₱1,816,289**	**₱25,922,757**
Net income	–	–	–	–	–	–	–	–	**2,387,085**	–	**2,387,085**	**(356,949)**	**2,030,136**
Other comprehensive income (loss)	–	–	–	**(186,141)**	**21,515**	**(327,047)**	–	–	–	–	**(491,673)**	**(7,720)**	**(499,393)**
Total comprehensive income (loss)	–	–	–	**(186,141)**	**21,515**	**(327,047)**	–	–	**2,387,085**	–	**1,895,412**	**(364,669)**	**1,530,743**
Remeasurement loss on defined benefit plan transferred to retained earnings	–	–	–	–	–	**327,047**	–	–	**(327,047)**	–	–	–	–
Cash dividends declared	–	–	–	–	–	–	–	–	**(514,600)**	–	**(514,600)**	–	**(514,600)**
Acquisition of PDRs	–	–	–	–	–	–	–	–	–	**(99,950)**	**(99,950)**	–	**(99,950)**
Additional investment (Note 2)	–	–	–	–	–	–	–	–	–	–	–	**35,878**	**35,878**
At December 31, 2014	**₱872,124**	**₱200,000**	**₱4,495,050**	**(₱456,773)**	**₱143,281**	**₱–**	**₱34,349**	**₱16,200,000**	**₱5,163,395**	**(₱1,264,096)**	**₱25,387,330**	**₱1,487,498**	**₱26,874,828**
At December 31, 2012	₱779,585	₱–	₱679,069	(₱638,289)	₱126,676	₱–	₱28,952	₱8,300,000	₱9,270,834	(₱1,164,146)	₱17,382,681	₱2,039,150	₱19,421,831
Net income	–	–	–	–	–	–	–	–	2,145,725	–	2,145,725	(117,378)	2,028,347
Other comprehensive income (loss)	–	–	–	367,657	(4,910)	397,961	–	–	–	–	760,708	49,429	810,137
Total comprehensive income (loss)	–	–	–	367,657	(4,910)	397,961	–	–	2,145,725	–	2,906,433	(67,949)	2,838,484
Remeasurement gain on defined benefit plan transferred to retained earnings	–	–	–	–	–	(397,961)	–	–	397,961	–	–	–	–
Cash dividends declared	–	–	–	–	–	–	–	–	(296,563)	–	(296,563)	–	(296,563)
Reversal of appropriation of retained earnings	–	–	–	–	–	–	–	(8,300,000)	8,300,000	–	–	–	–
Appropriation of retained earnings	–	–	–	–	–	–	–	16,200,000	(16,200,000)	–	–	–	–
Share-based payment plan	–	–	–	–	–	–	5,397	–	–	–	5,397	–	5,397
Issuance of common stock	92,539	–	3,846,962	–	–	–	–	–	–	–	3,939,501	–	3,939,501
Issuance of preferred stock	–	200,000	–	–	–	–	–	–	–	–	200,000	–	200,000
Decrease in noncontrolling interests (Note 2)	–	–	(30,981)	–	–	–	–	–	–	–	(30,981)	(154,912)	(185,893)
At December 31, 2013	₱872,124	₱200,000	₱4,495,050	(₱270,632)	₱121,766	₱–	₱34,349	₱16,200,000	₱3,617,957	(₱1,164,146)	₱24,106,468	₱1,816,289	₱25,922,757

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 21)		**Additional Paid-in Capital**	**Exchange Differences in Translation of Foreign Operations**	**Unrealized Gain on Available-for-Sale Investments** (Note 12)	**Remeasurement Gain (Loss) on Defined Benefit Plan - Net** (Note 29)	**Share-based Payment Plan** (Note 21)	**Retained Earnings** (Note 21)		**Philippine Depository Receipts Convertible to Common Shares** (Note 21)		**Noncontrolling Interests**	**Total Equity**
	Common	**Preferred**						**Appropriated**	**Unappropriated**		**Total**		
At December 31, 2011	₱779,585	₱–	₱725,274	(₱358,536)	₱119,823	₱–	₱–	₱8,300,000	₱8,177,105	(₱1,164,146)	₱16,579,105	₱2,043,807	₱18,622,912
Net income	–	–	–	–	–	–	–	–	1,580,623	–	1,580,623	37,276	1,617,899
Other comprehensive income (loss)	–	–	–	(279,753)	6,853	106,231	–	–	–	–	(166,669)	(197,876)	(364,545)
Total comprehensive income (loss)	–	–	–	(279,753)	6,853	106,231	–	–	1,580,623	–	1,413,954	(160,600)	1,253,354
Remeasurement gain on defined benefit plan transferred to retained earnings	–	–	–	–	–	(106,231)	–	–	106,231	–	–	–	–
Cash dividends declared	–	–	–	–	–	–	–	–	(593,125)	–	(593,125)	–	(593,125)
Share-based payment plan	–	–	–	–	–	–	28,952	–	–	–	28,952	–	28,952
Acquisition of noncontrolling interests (Note 4)	–	–	(57,916)	–	–	–	–	–	–	–	(57,916)	(43,635)	(101,551)
Effect of business combination under common control	–	–	11,711	–	–	–	–	–	–	–	11,711	199,578	211,289
At December 31, 2012	₱779,585	₱–	₱679,069	(₱638,289)	₱126,676	₱–	₱28,952	₱8,300,000	₱9,270,834	(₱1,164,146)	₱17,382,681	₱2,039,150	₱19,421,831

See accompanying Notes to Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,787,134**	₱2,712,658	₱2,031,849
Adjustments for:			
Depreciation and amortization (Notes 9 and 10)	**2,871,000**	2,714,199	2,825,196
Amortization of:			
Program rights and other intangibles (Note 11)	**1,327,894**	1,430,811	1,277,597
Debt issue costs (Note 27)	**122,975**	73,421	65,576
Deferred charges (Note 25)	**69,617**	52,871	53,166
Interest expense (Note 27)	**1,023,958**	716,894	731,633
Gain on settlement of liabilities (Note 27)	**(444,826)**	(13,910)	(208,564)
Interest income (Notes 6 and 22)	**(153,968)**	(94,438)	(119,672)
Net unrealized foreign exchange loss (gain)	**(69,427)**	2,836	(20,329)
Loss (gain) on sale of property and equipment	**4,167**	5,688	(89,121)
Equity in net losses (earnings) of associates and joint ventures (Note 13)	**(3,283)**	12,397	58
Impairment loss (Note 15)	**–**	20,061	–
Share-based payment expense (Note 21)	**–**	5,397	25,256
Loss on sale of investments (Note 12)	**–**	–	24,781
Income before working capital changes	**7,535,241**	7,638,885	6,597,426
Provisions for:			
Pension expense and other employee benefits (Note 29)	**785,092**	973,670	1,041,210
Doubtful accounts (Note 26)	**530,573**	432,094	389,904
Decrease (increase) in:			
Trade and other receivables	**(2,886,288)**	(814,390)	(2,239,244)
Other current assets	**(626,555)**	65,175	1,485,137
Increase (decrease) in:			
Trade and other payables	**985,677**	356,911	695,427
Obligations for program rights	**225,297**	239,177	(217,963)
Other noncurrent liabilities	**(371,221)**	(5,461)	(136,802)
Contribution to pension plan (Note 29)	**(254,000)**	(540)	(360,000)
Cash generated from operations	**5,923,816**	8,885,521	7,255,095
Income taxes paid	**(912,745)**	(830,461)	(626,732)
Net cash provided by operating activities	**5,011,071**	8,055,060	6,628,363

(Forward)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Notes 9 and 34)	**(₱4,991,980)**	(₱3,727,670)	(₱3,733,534)
Program rights and other intangible assets (Notes 11 and 34)	**(1,433,238)**	(1,772,969)	(1,495,770)
Investment properties (Notes 10 and 34)	**(2,508)**	–	–
Decrease (increase) in other noncurrent assets	**(194,505)**	(97,296)	167,840
Interest received	**140,660**	97,881	124,303
Proceeds from sale of:			
Property and equipment	**96,580**	24,629	175,861
Available-for-sale investments	**–**	–	22,863
Investments in joint ventures (Note 13)	**(30,000)**	(137,962)	–
Acquisition of subsidiaries and business, net of cash acquired (Note 4)	**–**	–	(4,993,577)
Net cash used in investing activities	**(6,414,991)**	(5,613,387)	(9,732,014)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term debt	**8,576,439**	2,000,000	792,432
Bank loans	**–**	850,000	4,000,000
Payments of:			
Long-term debt	**(2,550,619)**	(115,722)	(1,267,954)
Interest	**(983,203)**	(744,937)	(818,510)
Dividends	**(498,950)**	(298,066)	(591,989)
Bank loans	**(400,000)**	(3,850,000)	(1,000,000)
Obligations under finance lease	**(29,549)**	(37,551)	(51,179)
Acquisition of Philippine depository receipts (Note 21)	**(99,950)**	–	–
Proceeds from additional investment	**35,878**	–	–
Issuances of:			
Common shares (Note 21)	**–**	3,939,501	–
Preferred shares (Note 21)	**–**	200,000	–
Decrease in noncontrolling interests (Note 4)	**–**	(185,893)	(101,551)
Net cash provided by financing activities	**4,050,046**	1,757,332	961,249
EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(24,604)**	22,912	(97,713)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,621,522**	4,221,917	(2,240,115)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**10,616,855**	6,394,938	8,635,053
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱13,238,377**	₱10,616,855	₱6,394,938

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands Unless Otherwise Specified)

1. Corporate Information

ABS-CBN Corporation ("ABS-CBN" or "Parent Company") was incorporated in the Philippines on July 11, 1946. On July 27, 1994, the Philippine Securities and Exchange Commission (SEC) approved the extension of the corporate term of the Parent Company for another 50 years. The Parent Company's core business is television and radio broadcasting. Its subsidiaries and associates are involved in the following related businesses: cable and 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, publishing, money remittance and theme parks.

The Parent Company is 79%-owned by Lopez, Inc. a Philippine entity, the ultimate Parent Company.

In 2013, Capital International Private Equity Fund VI, L.P. (CIPEF) subscribed to ₱2.5 billion worth of new Philippine Depository Receipts (PDRs) issued by ABS-CBN Holdings Corporation (ABS-CBN Holdings) which in turn subscribed to the same number of newly issued common shares of the Parent Company. Lopez, Inc. also subscribed to 34,702,140 common shares and 987,130,246 preferred shares of the Parent Company in 2013. After the subscription, Lopez, Inc.'s economic interest in the Parent Company decreased to 56% while its voting rights increased from 57% to 79% (see Note 21).

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

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on March 5, 2015.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The consolidated financial statements of ABS-CBN and 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 Parent Company's functional and presentation currency. All values are rounded to the nearest thousand, except for number of shares, per share amounts and when otherwise indicated.

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and Philippine interpretation effective January 1, 2014. Except as otherwise indicated, the adoption of the following new and amended PFRS and Philippine interpretation has no impact on the Company's consolidated financial statements.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The Company currently offsets certain balances with the same counterparties as the Company has legal rights to set-off the amounts and intends to settle on a net basis.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. The amendments have no impact on the consolidated financial position or performance.

- *Investment Entities (Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interest in Other Entities, and PAS 27, Separate Financial Statements)*

  The amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact on the Company's consolidated financial statements.

- Philippine Interpretation IFRIC 21, *Levies*

  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

- Annual Improvements to PFRSs (2010-2012 cycle)

  In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Company's consolidated financial statements.

- Annual Improvements to PFRSs (2011-2013 cycle)

  In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not relevant to the Company as it is not a first time PFRS adopter.

Basis of Consolidation and Noncontrolling Interests
The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries.

The following is a list of the subsidiaries, which ABS-CBN controls as of December 31, 2014 and 2013:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest 2014	Effective Interest 2013
TV and Studio					
Global:					
ABS-CBN Global Ltd. (ABS-CBN Global)[a][j]	Cayman Islands	Holding company	United States dollar (USD)	**100.0**	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe)[b][c][j]	United Kingdom	Cable and satellite programming services	Great Britain pound (GBP)	**100.0**	100.0
ABS-CBN Europe Remittance Inc.[d][j]	United Kingdom	Services - money remittance	GBP	**100.0**	100.0
ABS-CBN Japan, Inc. (ABS- CBN Japan)[d][j][z]	Japan	Cable and satellite programming services	Japanese yen (JPY)	**100.0**	100.0
ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East)[b][j]	Dubai, UAE	Cable and satellite programming services	United Arab Emirates dirham (AED)	**100.0**	100.0
ABS-CBN Middle East LLC[b][j]	Dubai, UAE	Trading	AED	**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]	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	Euro (EUR)	**100.0**	100.0
Films and Music:					
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	Philippine peso	**100.0**	100.0
Star Recording, Inc. (Star Recording)[v]	Philippines	Audio and video production and distribution	Philippine peso	**–**	100.0
Star Songs, Inc. (Star Songs)[v]	Philippines	Music publishing	Philippine peso	**–**	100.0
Narrowcast and Sports:					
ABS-CBN Publishing, Inc. (ABS-CBN Publishing)	Philippines	Print publishing	Philippine peso	**100.0**	100.0
Creative Programs, Inc. (CPI)	Philippines	Content development and programming services	Philippine peso	**100.0**	100.0
Studio 23, Inc. (Studio 23)	Philippines	Content development and programming services	Philippine peso	**100.0**	100.0

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest 2014	2013
Others:					
ABS-CBN Center for Communication Arts, Inc.[e]	Philippines	Educational/training	Philippine peso	**100.0**	100.0
ABS-CBN Global Cargo Corporation[u]	Philippines	Non-vessel operations common carrier	Philippine peso	**100.0**	100.0
ABS-CBN Integrated and Strategic Property Holdings, Inc.	Philippines	Real estate	Philippine peso	**100.0**	100.0
ABS-CBN 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 Shared Service Center PTE. Ltd.[j] [m]	Singapore	Services - support	Singapore dollar (SGD)	**100.0**	100.0
Medianow Strategies, Inc. (Medianow) [y]	Philippines	Marketing, sales and advertising	Philippine peso	**78.7**	–
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine peso	**100.0**	100.0
Rosetta Holdings Corporation (RHC)[q]	Philippines	Holding company	Philippine peso	**100.0**	100.0
Sarimanok News Network, Inc.	Philippines	Content development and programming services	Philippine peso	**100.0**	100.0
The Big Dipper Digital Content & Design, Inc. (Big Dipper)	Philippines	Digital film archiving and central library, content licensing and transmission	Philippine peso	**100.0**	100.0
TV Food Chefs, Inc.	Philippines	Services - restaurant and food	Philippine peso	**100.0**	100.0
Pay TV Networks					
Sky Vision Corporation (Sky Vision)	Philippines	Holding Company	Philippine peso	**75.0[x]**	75.0[x]
Sky Cable Corporation (Sky Cable) (see Note 4)	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Bisaya Cable Television Network, Inc.[h] [i]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Bright Moon Cable Networks, Inc.[h]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Cavite Cable Corporation[h]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Cepsil Consultancy and Management Corporation[h]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Davao Cableworld Network, Inc.[h] [o]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
HM Cable Networks, Inc.[h]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
HM CATV, Inc.[h]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Hotel Interactive Systems, Inc.[h]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Isla Cable TV, Inc.[h]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Moonsat Cable Television, Inc.[h] [o]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Pilipino Cable Corporation (PCC)[h]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Satellite Cable TV, Inc.[h]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Sun Cable Holdings, Incorporated (SCHI)[h]	Philippines	Holding company	Philippine peso	**57.4**	57.4
Sun Cable Systems Davao, Inc.[h] [i]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Sunvision Cable, Inc.[h]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Tarlac Cable Television Network, Inc.[h]	Philippines	Cable television services	Philippine peso	**57.4**	57.4
Telemondial Holdings, Inc.[h] [i]	Philippines	Holding company	Philippine peso	**57.4**	57.4
JMY Advantage Corporation[h]	Philippines	Cable television services	Philippine peso	**54.6**	54.6
Cebu Cable Television, Inc.[h] [o] [p]	Philippines	Cable television services	Philippine peso	**54.0**	54.0
Suburban Cable Network, Inc.[h]	Philippines	Cable television services	Philippine peso	**53.0**	53.0
Pacific CATV, Inc. (Pacific)[h] [o] [w]	Philippines	Cable television services	Philippine peso	**55.8**	55.8
First Ilocandia CATV, Inc.[h] [o]	Philippines	Cable television services	Philippine peso	**52.2**	52.2
Mactan CATV Network, Inc.[h] [o] [p]	Philippines	Cable television services	Philippine peso	**52.2**	52.2
Discovery Mactan Cable, Inc.[h] [t]	Philippines	Cable television services	Philippine peso	**40.2**	40.2
Home-Lipa Cable, Inc.[h] [t]	Philippines	Cable television services	Philippine peso	**34.4**	34.4
New Businesses					
ABS-CBN Theme Parks and Resorts Holdings, Inc. (ABS-CBN Theme Parks)	Philippines	Holding company	Philippine peso	**100.0**	100.0
Play Innovations, Inc.[g] [aa]	Philippines	Theme park	Philippine peso	**73.0**	73.0
Play Innovations Hungary Kft. (Play Innovations)[j] [g]	Budapest, Hungary	Theme park	USD	**73.0**	73.0
iConnect Convergence, Inc.	Philippines	Service - call center	Philippine peso	**100.0**	100.0
Sapientis Holdings Corporation (Sapientis)	Philippines	Holding company	Philippine peso	**100.0**	100.0
Columbus Technologies, Inc. (CTI)[r]	Philippines	Holding company	Philippine peso	**70.0**	70.0

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest 2014	2013
ABS-CBN Convergence, Inc, (ABS-C)[r] [s]	Philippines	Telecommunication	Philippine peso	**69.3**	69.3

[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 Theme Parks*
[h] *Through Sky Cable*
[i] *Subsidiary of SCHI*
[j] *Considered as foreign subsidiary*
[k] *Subsidiary of ABS-CBN International*
[l] *With a branch in Luxembourg*
[m] *With a regional operating headquarters in the Philippines*
[n] *Through ABS-CBN Hungary*
[o] *Subsidiary of PCC*
[p] *Through Pacific*
[q] *On September 13, 2013, the Parent Company, as the assignee, entered into a Deed of Assignment with the subscribers of RHC, as the assignor, whereby the assignor assign, transfer and convey in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, unto the assignee all their rights, title to and interest in their subscription of 250,000 shares with a par value of ₱1.00 per share, or a total par value of ₱250 thousand in RHC on which the amount of ₱63 thousand has been paid.*
[r] *Through Sapientis*
[s] *Subsidiary of CTI. ABS-CBN's effective interest increased in 2013 as a result of the conversion of CTI's deposits for stock subscription into capital stock of ABS-C. The difference between the fair value of the consideration transferred and carrying value of net assets of ABS-C amounting to ₱6 million was offset against "Additional paid-in capital" account in the equity section.*
[t] *A subsidiary of Sky Cable where Sky Cable effectively owns more than 50% interest*
[u] *In liquidation*
[v] *Merged with ABS-CBN Films in 2014 (see Note 4)*
[w] *PCC acquired additional interest in 2013. The difference between the fair value of the consideration transferred and carrying value of net assets of Pacific amounting to ₱25 million was offset against "Additional paid-in capital" account in the equity section.*
[x] *ABS-CBN has an economic interest of 24.8% in Sky Vision. In 2012, Lopez, Inc. executed a proxy in favor of ABS-CBN assigning its voting rights in Sky Vision. As a result, ABS-CBN has a voting interest of 75.0% in Sky Vision. The proxy is coupled with interest and irrevocable for five years renewable upon its expiration. Sky Vision is the holding company of Sky Cable, where the Parent Company has an economic interest of 57.4%.*
[y] *In 2014, CPI and Sky Cable entered into an agreement to form a joint venture company. Medianow, which was incorporated on August 22, 2014, is 78.7% effectively owned by the Company.*
[z] *With branch in Korea*
[aa] *On December 27, 2013, Play Innovations, Inc. received deposits from the ABS-CBN Theme Parks amounting to₱97 million intended for future stock subscriptions for 97,024 shares, equivalent to 73% ownership. On January 19, 2014, Play Innovations, Inc. received ₱36 million from Kidz Edutainment Limited (Kidz Edutainment) as subscription for shares of stock equivalent to 27% equity interest. The corresponding shares of these subscriptions were issued in 2014. As of December 31, 2013, the intent of both parties is to have an equity ownership of 73% for the Parent Company and 27% for Kidz Edutainment.*

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

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

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets and liabilities, are eliminated in full on consolidation. Unrealized gains and losses are eliminated.

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

A change in the ownership interest of a subsidiary, without a loss of control, is 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 (OCI) to profit or loss or retained earnings, as appropriate.

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

Business Combination and Goodwill

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

When the 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. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. 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.

Business Combination Involving Entities under Common Control

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

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

Foreign Currency Translation and Transaction

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

The functional currency of all the subsidiaries, except foreign subsidiaries, is the Philippine peso. The functional currencies of the foreign subsidiaries are disclosed under the Basis of Consolidation section. As 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 OCI and "Exchange differences in translation of foreign operations" account within the equity section of the consolidated statement of financial position. Upon disposal of any of these foreign subsidiaries, the deferred cumulative amount recognized in equity relating to that particular foreign 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.

Fair Value Measurement
The Company measures financial instruments at fair value at each financial reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every financial reporting date.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current. A liability is current when:

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

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 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.

Day 1 Difference. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a Day 1 difference) in the consolidated statement of income. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the Day 1 difference 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, 2014 and 2013.

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 of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

This category includes the Company's cash and cash equivalents, trade and other receivables and deposits (included under "Other noncurrent assets" account) (see Notes 6, 7 and 14).

HTM Investments. HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which 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, 2014 and 2013.

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 OCI until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously reported in OCI is included in the consolidated statement of income. Unquoted equity instruments whose fair value cannot be reliably measured, are measured at cost.

The Company's AFS investments include investments in ordinary common shares and club shares (see Note 12).

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.

Classified under other financial liabilities are trade and other payables, interest-bearing loans and borrowings, obligations for program rights, convertible note and customers' deposits (included under "Other noncurrent liabilities" account) (see Notes 16, 17, 18, 19 and 20).

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, thus, were 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 (such as the probability of insolvency or significant financial difficulties of the debtor) 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). 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.

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.

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. Such impairment losses shall not be reversed.

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 OCI 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 OCI.

Derecognition of Financial Assets and Financial 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 ownership of the asset, or (b) has neither

transferred nor retained substantially all the risks and rewards of ownership 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 ownership 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.

Other Current Assets

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

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

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.

Preproduction Expenses. Preproduction expenses represent costs incurred prior to the airing of the programs or episodes. These costs include talent fees of artists and production staff and other costs directly attributable to production of programs. These are charged to expense upon airing of the related program or episodes. Costs related to previously taped episodes determined not to be aired are charged to expense.

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

Property and Equipment

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

Subscriber's initial installation costs, including materials, labor and overhead costs are capitalized as part of distribution equipment (included in the "Towers, transmission, television, radio, movie and auxiliary equipment" account) and depreciated over 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
Towers, transmission, television, radio, movie and auxiliary equipment	5 to 20
Other equipment	3 to 25

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. The liability is measured at the present value of the estimated costs of these obligations and capitalized under "Property and equipment" account in the consolidated statement of financial position and is being depreciated on a straight-line basis. This is included as part of "Other noncurrent liabilities" account in the consolidated statement of financial position. These obligations are accreted and such accretion is recognized as expense in the consolidated statement of income.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. 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 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 of intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

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

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)	Specific runs within a specific term: amortized over the specific term or usage, whichever comes first. Multiple runs within a specific term: amortized over the license term except for program rights with license term of more than five years, which are amortized after five years from acquisition date or from first airing, whichever comes first (i.e., equally over the remaining term). Multiple runs with indefinite start date of license term: amortized over the specific term or 10 years, whichever is shorter from the date of initial airing. No definite expiration date: amortized after five years from acquisition date or from first airing, whichever comes first (i.e., equally over the next 10 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

Intangible Asset	Useful Lives	Amortization Method Used	Impairment Testing/ Recoverable Amount Testing	Current and Noncurrent Classification
Music 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/Filmed Entertainment	Finite	Amortized based on accelerated method 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
Story and Publication	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
Video Rights and Record Master	Finite - six months	Amortized on a straight-line basis over six months	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Current
Customer Relationships (see Note 4)	Finite - 3 to 25 years	Amortized on a straight-line basis over the estimated customer service life	If the remaining expected benefit period is shorter than the 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
Trademarks (see Note 4)	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists.	Noncurrent
Business Support System (BSS) Integration	Finite - 12 years	Amortized on a straight line basis over the estimated useful life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Noncurrent
Licenses - Wireless Business	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists.	Noncurrent
Licenses - Franchise	Finite - 10 years	Amortized on a straight line basis over the period of 10 years	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Noncurrent

Investment Properties

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the 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 or the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies.

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

Under the equity method, investment in associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the 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 tested for impairment. The consolidated statement of income reflects the share on the financial performance of an associate. When the Company’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company 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.

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

Investments in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

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

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

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

Upon loss of joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the former joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss. When the remaining investment in a joint venture constitutes significant influence, it is accounted for as an investment in an 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 in associates and joint ventures and tax credits may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the 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:

Intangible Assets with Indefinite Life. Goodwill, cable channels, trademark and licenses 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, trademarks and licenses by assessing the recoverable amount of the cash-generating units, to which the goodwill, cable channels, trademarks and licenses 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, trademarks and licenses 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, trademarks and licenses as of December 31 of each year.

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

<u>Customers' Deposits</u>
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 credits and amortized over the estimated remaining term of the deposits using the effective interest method. The current portion, if any, is included as part of "Trade and other payables" account in the consolidated statement of financial position.

<u>Paid-in Capital</u>
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 "PDRs convertible to common shares" account in the consolidated statement of financial position), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the equity holders of the Parent Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the equity holders of the Parent Company.

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

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

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

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

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

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

When an equity-settled award is cancelled with payment, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

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

Revenue
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 and incentives. 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.

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

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

Payments received before broadcast (pay before broadcast) represent customer deposits, which are realized upon airing of related advertisements. These are included in the consolidated statement of financial position as part of "Deferred revenue" under "Trade and other payables" account for the current portion and "Customer deposits" under "Other noncurrent liabilities" account for the noncurrent portion.

Sale of services comprise of the following:

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 under the accrual basis in accordance with the Deal Memorandum as discussed in Note 30.

Subscription Revenue from TFC.tv (formerly TFC Now). Payment from online streaming services of Filipino-oriented content and programming received in advance is deferred (included as "Deferred revenue" under "Trade and other payables" account in the consolidated statement of financial position) 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.

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.

b. Telecommunications revenue is recognized when earned based on agreed rates with the other telecommunications carriers under existing correspondence and interconnection agreements. Telecommunications revenue where the Company is the primary obligor is recognized at gross amount including the share of the other carriers. Interconnection costs are presented as separate line item in the expenses section under "Cost of services" account in the consolidated statement of income. 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.

   Postpaid service arrangements include fixed monthly service fees, which are recognized over the subscription period on a pro-rata basis. Monthly service fees are recognized as revenue during the period when earned. Telecommunications services provided to postpaid subscribers are billed throughout the month according to the bill cycles of subscribers. As a result of bill cycle cutoff, monthly service revenue earned but not yet billed at the end of the month are estimated and accrued. These estimates are based on the monthly recurring rate multiplied by the number days unbilled.

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.

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

h. Royalty 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. It also includes income from Parent Company's share in fees from endorsements and other external services of its talents equivalent to 10% of gross receipts.

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.

Other revenues include license fees and revenue from gate receipts and studio tours. Revenue is recognized when earned and when services are rendered.

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

Other Income
Other income is recognized when the services are rendered or goods are delivered.

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

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

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.

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 and 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.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

Borrowing Costs

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

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

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

Pension Costs and Other Employee Benefits

The Company'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.

Defined Benefit Pension Plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

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

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

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

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

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

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

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

Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax 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 tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

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

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit.

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

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

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

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

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

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 (less preferred shares, if any) attributable to equity holders of the Parent Company for the year over the weighted average number of common shares outstanding (net of PDRs) during the year, with retroactive adjustments for any stock dividends and stock split.

Diluted EPS amounts are computed in the same manner, adjusted for the dilutive effect of any potential common shares. As the 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 Period
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 consolidated financial statements.

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

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

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The 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 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 the International Accounting Standards Board (IASB) and an evaluation of the requirements of

the final Revenue standard against the practices of the Philippine real estate industry is completed.

The following new standards and amendments were already adopted by the FRSC but are still for approval by BOA.

Effective in 2015

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)

  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. It is not expected that this amendment would be relevant to the Company, since none of the entities within the Company has defined benefit plans with contributions from employees or third parties.

- Annual Improvements to PFRSs (2010-2012 cycle)
  The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards and are not expected to have a material impact on the Company:

  - PFRS 2, *Share-based Payment – Definition of Vesting Condition*

    This improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

    a. A performance condition must contain a service condition
    b. A performance target must be met while the counterparty is rendering service
    c. A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
    d. A performance condition may be a market or non-market condition
    e. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

    The Company expects that the amendments will not have significant impact on the consolidated financial statements.

  - PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*

    The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, Financial Instruments, if early adopted). The Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments clarify that:

  a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

  b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  The amendments are applied retrospectively for operating segments. The amendments affect disclosures only and have no impact on the Company's consolidated financial statements.

- PAS 16, *Property, Plant and Equipment, and* PAS 38*, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*

  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment has no impact on the Company's consolidated financial statements.

- PAS 24, *Related Party Disclosures – Key Management Personnel*

  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment affects disclosures only and has no impact on the Company's consolidated financial statements.

▪ Annual Improvements to PFRSs (2011-2013 cycle)
The following Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards and are not expected to have a material impact to the Company:

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*

  The amendment clarifies the following regarding the scope exceptions within PFRS 3:

  a. Joint arrangements, not just joint ventures, as outside the scope of PFRS 3.
  b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  The amendment has no impact on the Company's consolidated financial statements.

- PFRS 13, *Fair Value Measurement – Portfolio Exception*

  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable). This amendment has no impact on the Company's consolidated financial statements.

- PAS 40, *Investment Property*

  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment has no impact on the Company's consolidated financial statements.

Effective 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants*

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements*

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. These amendments will not have any impact on the Company's consolidated financial statements.

- PFRS 10*, Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*

  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The Company is currently assessing the impact of the amendments to PFRS 10.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*

  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. These amendments will not have any impact on the Company's consolidated financial statements.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. This amendment has no impact on the Company as it is not a first time PFRS adopter.

- Annual Improvements to PFRSs (2012-2014 cycle)
  The Annual Improvements to PFRSs (2012-2014 cycle) contain non-urgent but necessary amendments to the following standards and are not expected to have a material impact on the Company:

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*

    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment will not have significant impact on the Company's consolidated financial statements.

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*

  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. This amendment will not have any significant impact on the Company's consolidated financial statements.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. This amendment will not have any impact on the Company's consolidated financial statements.

- PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*

  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment will not have any impact on the Company's consolidated financial statements.

- PAS 34, *Interim Financial Reporting – Disclosure of Information 'Elsewhere in the Interim Financial Report'*

  The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). This amendment will not have any significant impact on the Company's consolidated financial statements.

Effective in 2018

- PFRS 9, *Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39* (2013 version)

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

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

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

- PFRS 9, *Financial Instruments* (2014 or final version)

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

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

IASB-Issued Standards not yet Adopted by the FRSC

- IFRS 15, *Revenue from Contracts with Customers*

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

- PAS 1, *Presentation of Financial Statements (Amendments)*

  In December 2014, the IASB revised the amendment to International Accounting Standard (IAS) 1. The amendments include narrow focus improvements in five areas namely, materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of OCI arising from equity accounted investment. The amendments are effective on or after January 1, 2016.

- PFRS 10, *Consolidated Statements,* PFRS 12*, Disclosure of Investments in Other Entities, and* PAS 28*, Investment in Associate and Joint Venture (Amendment)*

  In December 2014, the IASB issued *Investment Entites: Applying the Consolidation* (amendments to IFRS 10, IFRS 16 and IAS 28). The amendments address certain issues that have arisen in applying the investment entities exception under IFRS 10. The amendments are effective on or after January 1, 2016.

The Company is currently assessing the impact of IFRS 15 and the amendments to PAS 1, PFRS 10, PFRS 12 and PAS 28 and plans to adopt the new standard on the required effective date once adopted locally.

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.

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

Determination of Control or Joint Control over Investee Companies. Control is when an investor has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company has assessed it has control over its subsidiaries and joint control in all joint arrangements. The Company has rights to the net assets of the joint arrangements which are classified as joint ventures.

Determination of Significant Influence over an Investee Company. An entity that holds, directly or indirectly, 20 percent or more of the voting power of an investee company is presumed to have significant influence over the latter, unless it can be clearly demonstrated that such is not the case. Conversely, if the entity holds, directly or indirectly, less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. The Company assessed that it has significant influence over its associate as of December 31, 2014 and 2013 (see Note 13). The Company owns 49% of its associate and is represented in the BOD and participates in the policy-making process.

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.

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. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in its revenue arrangements. Revenue is stated at gross amount including the share of the other telecommunications carriers, but the final 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 subsequent period. However, there is no assurance that such use of estimates will not result in material adjustments in future periods.

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 incidental to ownership 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 asset.

Bayan Telecommunications, Inc. (Bayantel) has entered into an agreement with Sky Cable for the grant of Indefeasible Right of Use (IRU) in certain capacities in the network. The arrangement is assessed as a transaction which contains a lease on the basis that fulfilment of the arrangement is dependent on the use of a specific asset or assets and arrangement conveys a right to use the asset. Sky Cable has accounted for the arrangement as a finance lease on the basis that the lease term is for the major part of the economic life of the asset of 25 years. The IRU was included as part of "Other equipment" account (see Note 9).

The carrying amount of property and equipment under finance lease amounted to ₱235 million and ₱99 million as of December 31, 2014 and 2013, respectively (see Notes 9 and 30).

Transfer to or from Investment Properties. The Company transfers to investment properties after determining that there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are also made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investment properties at the date of change in use.

Transfer to investment properties from property and equipment amounted to ₱136 million in 2013 (see Notes 9 and 10).

Classification of Preferred Shares. The Company classifies its preferred shares as equity in the consolidated financial statements since these are redeemable at the option of the issuer and have no contractual right to a dividend not until the Company's BOD approves the declaration. The BOD has the discretion on the Company's dividend declaration. The Company is required to settle the amount per share fixed by the BOD only in the event of any voluntary or involuntary liquidation, dissolution and distribution of assets or winding up of the Company.

The carrying value of preferred shares amounted to ₱200 million as of December 31, 2014 and 2013 (see Note 21).

Estimates and Assumptions

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

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 collectability of the accounts including, but not limited to, the age and status of the receivables, collection experience and past loss experience. The review is made by management on a continuing basis to identify accounts to be provided with allowance. 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.

Provision for doubtful accounts amounted to ₱531 million, ₱432 million and ₱390 million in 2014, 2013 and 2012, respectively (see Note 26). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱10,717 million and ₱8,334 million as of December 31, 2014 and 2013, respectively (see Note 7). Allowance for doubtful accounts amounted to ₱1,516 million and ₱1,327 million as of December 31, 2014 and 2013, 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.

Inventory losses amounted to ₱35 million, ₱62 million and ₱15 million in 2014, 2013 and 2012, respectively (see Note 26). Inventories amounted to ₱544 million and ₱265 million as of December 31, 2014 and 2013, 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 or based on expected future benefits. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the aforementioned factors. The amounts and timing of recording the depreciation and amortization for any year, with regard to the property and equipment, investment properties and intangible assets would be affected by changes in these factors and circumstances. A reduction in the estimated useful life of any of the property and equipment, investment properties or intangible assets would increase the recorded expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of intangible assets and investment properties in 2014. Effective January 1, 2013, in view of the change in the expected pattern of economic benefits from the assets, the Company revised the estimated useful lives of certain property and equipment as follows:

Asset Type	From	To
	(Number of Years)	
Towers, transmission, television, radio, movie and auxiliary equipment	10 to 15	5 to 20
Other equipment:		
Transportation equipment	4	5
Electronic data processing - hardware and software	3	5
Power and electrical equipment	3	10

The estimated reduction in depreciation expense as a result of the change amounted to ₱304 million in 2013. The change is expected to result in a reduction of future monthly depreciation expense amounting to ₱25 million going forward.

The carrying values of property and equipment, investment properties and intangible assets with finite life are as follows (see Notes 9, 10 and 11):

	2014	2013
Property and equipment	**₱16,947,829**	₱16,381,918
Program rights	**3,729,454**	3,016,561
Movie in-process and filmed entertainment	**756,353**	494,726
Customer relationships	**445,384**	502,522
Music rights	**132,803**	138,758
Production and distribution business - Middle East	**68,371**	73,500
BSS Integration	**63,742**	–
License - franchise	**38,718**	40,666
Investment properties	**31,466**	29,912
Story, video and publication and record master	**9,960**	11,630

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.

The carrying value of AFS investments amounted to ₱242 million and ₱219 million as of December 31, 2014 and 2013, respectively (see Note 12). No impairment loss was recognized in 2014, 2013 and 2012.

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

Program rights amounted to ₱3,729 million and ₱3,017 million as of December 31, 2014 and 2013, respectively (see Note 11).

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

- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

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

The Company did not note of any impairment indicators in 2014. The carrying values of nonfinancial assets as of December 31, 2014 and 2013 are as follows (see Notes 8, 9, 10, 11, 13 and 14):

	2014	2013
Property and equipment	**₱20,572,543**	₱18,535,905
Program rights	**3,729,454**	3,016,561
Tax credits with tax credit certificates (TCCs) - net	**1,917,117**	2,046,069
Movie in-process and filmed entertainment	**756,353**	494,726
Customer relationships	**445,384**	502,522
Preproduction expenses	**298,557**	391,527
Investments in associates and joint venture	**199,874**	166,591
Investment properties	**198,734**	196,916
Music rights	**132,803**	138,758
Production and distribution business - Middle East	**68,371**	73,500
BSS Integration	**63,742**	–
License – franchise	**38,718**	40,666
Story, video and publication and record master	**9,960**	11,630

Impairment of Goodwill, Cable Channels, Trademarks and Licenses. The Company performs impairment testing annually or more frequently when there are indications of impairment for goodwill and intangible assets with indefinite lives. The Company has identified that cable channels of CPI, trademarks and licenses have an indefinite life. Impairment testing requires an estimation of the value in use of the cash-generating units to which goodwill, cable channels, trademarks and licenses to operate wireless business are allocated. Goodwill acquired through business combination has been allocated to one cash-generating unit which is also the operating entity acquired through business combination and to which the goodwill relates. 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, trademarks and licenses 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, trademarks and licenses are as follows:

a. Gross Revenue

   On the average, gross revenue of the subsidiaries over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, advertising spending growth had a direct correlation with economic growth. 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 rates applied to the cash flow projections are 12.67% and 14.90% in 2014 and 2013, respectively.

In 2013, impairment loss on goodwill amounted to ₱20 million (see Note 26). The carrying amount of goodwill amounted to ₱5,290 million and ₱5,288 million as of December 31, 2014 and 2013, respectively (see Note 15). The carrying amount of the cable channels amounted to ₱460 million as of December 31, 2014 and 2013 (see Note 11). The carrying amount of trademarks amounted to ₱1,112 million as of December 31, 2014 and 2013 (see Note 11). The carrying amount of licenses with indefinite life amounted to ₱965 million as of December 31, 2014 and 2013 (see Note 11).

Present Value of Pension Obligation and Other Employee Benefits. The cost of defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions such as discount rates and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 29.

Employee leave entitlements that is expected to be settled within one year from reporting date is classified as a current liability in the consolidated statement of financial position. Otherwise, this is classified as part of the noncurrent portion of other employee benefits liability. Accrued pension obligation and other employee benefits of the Company amounted to ₱5,598 million and ₱4,870 million as of December 31, 2014 and 2013, 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 ₱2,858 million and ₱2,530 million as of December 31, 2014 and 2013, respectively. Unrecognized deferred tax assets of certain subsidiaries amounted to ₱588 million and ₱638 million as of December 31, 2014 and 2013, 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 36).

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

a. Acquisition and Subscription of Sky Cable PDRs and Shares

On May 11, 2012, the Parent Company, Sampaquita Communications Pte. Ltd. (Sampaquita, a subsidiary of STT Communications Ltd.), Sky Cable and Sky Vision executed a Subscription Agreement. Under the agreement, Sky Cable shall issue 222,502,142 common shares to its existing shareholders. The Parent Company subscribed to 18,774,788 common shares while Sky Vision subscribed to 203,727,354 common shares. The consideration for the issuance of the common shares is at ₱9.6853 per share. Commensurate to its 203,727,354 common shares subscription, Sky Vision agreed to issue 114,726,497 and 89,000,857 PDRs to the Parent Company and Sampaquita, respectively, with the underlying Sky Cable common shares. Similarly, the price for issuing the PDRs is at ₱9.6853 per PDR.

The Parent Company's subscription of 18,774,788 common shares (including deposit for subscription of 1,285,958 common shares) and 114,726,497 PDRs (including 10,485,178 PDRs of other noncontrolling shareholders) increased its economic interest in Sky Cable to 57.4%. The excess of the fair value of the consideration transferred and carrying value of the noncontrolling interests in Sky Cable amounting to ₱58 million was charged against "Additional paid-in capital" in the equity section of the consolidated statements of financial position.

The proceeds from the issuance of the common shares and PDRs were used by Sky Cable to acquire the assets of Destiny Cable, Incorporated (DCI), Solid Broadband Corporation (SBC) and Uni Cable TV, Inc. (UNI) as well as an option to acquire the shareholdings of AV Value Holdings Corporation (AVHC) and Solid Group, Inc. (SGI) in DCI, SBC and UNI.

b. Sky Cable's Acquisition of Cable TV and Broadband Business and Assets

Asset Purchase Agreements. On May 11, 2012, Sky Cable entered into 3 separate Asset Purchase Agreements (APA) with DCI, SBC and UNI (collectively the "Sellers") to acquire the Sellers' cable operations business under the trade name of "Destiny Cable" with the acquisition of the Sellers' assets, equipment, material contracts, subscription contracts, intellectual property, licenses and permits. Total consideration paid by the Company to the Sellers amounted to ₱4,161 million, including the payment of certain liabilities of the Sellers as provided for in the APA.

Deed of Sale and Assignment. On May 11, 2012, Sky Cable also entered into a Deed of Sale and Assignments with DCI, SBC and UNI (Assignors) whereby the Assignors unconditionally and irrevocably assign, transfer and convey to Sky Cable all the rights, obligations, title and interest of the Assignors under (a) the Subscription Contracts and Other Contracts and (b) the Assets, Permits and Licenses and Intellectual Property.

Option Agreements. On the same date, Sky Cable also entered into an Option Agreement with AVHC and SGI wherein Sky Cable paid ₱3 million option money to AVHC which grants Sky Cable the option to acquire the shares of DCI, SBC and UNI. The option can be exercised by Sky Cable on or before December 31, 2013. The option to acquire the shares of DCI, SBC and UNI, which expired on December 31, 2013, was not exercised by Sky Cable.

	Fair Value Recognized on Acquisition
Trade and other receivables	₱93,098
Inventories	636
Other current assets	498,901
Property and equipment (see Note 9)	799,282
Customer relationships (see Note 11)	371,792
Trademark (see Note 11)	196,216
Deferred tax assets	811,938
Trade and other payables	(128,460)
Deferred output VAT	(9,975)
Net assets acquired	2,633,428
Goodwill arising on acquisition (see Note 15)	2,025,981
Consideration paid in cash	₱4,659,409

Goodwill arising from the acquisition comprises the expectation of future growth in earnings and taking advantage of business synergies that cannot be recognized separately as identifiable intangible assets at the date of acquisition.

Net cash outflow on the acquisition amounted to ₱4,659 million.

c. Merger of ABS-CBN Films with Star Recording and Star Songs

On April 21, 2014, the BOD approved the Plan of Merger of ABS-CBN Films, Star Recording and Star Songs, with ABS-CBN Films as the surviving corporation. On April 30, 2014, ABS-CBN Films filed an application with the SEC for the merger. On June 24, 2014, the Philippine SEC approved the said application effective June 30, 2014.

5. Segment Information

Segment information is prepared on the following bases:

Business Segments

For management purposes, the Company is organized into three business activities - TV and studio entertainment, pay TV networks and new businesses. This segmentation is the basis upon which the Company reports its primary segment information.

- TV and studio entertainment comprised broadcast, global operations, film and music production, cable channels and publishing. This consists of local and global content creation and distribution through television and radio broadcasting.

- Pay TV networks includes cable television services of Sky Cable and its subsidiaries in Metro Manila and in certain provincial areas in the Philippines.

- New businesses pertain to wireless telecommunications business, digital terrestrial TV and theme parks.

Geographical Segments
The Company operates in three major geographical areas namely, the Philippines, United States and Other Countries. In the Philippines, its home country, the Company is involved in TV and studio entertainment, pay TV networks and new 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.

The Company does not have a single external customer whose revenue amounts to 10% or more of the Company's revenues.

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

The Executive Committee, the Company's chief operating decision maker, monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements.

On a consolidated basis, the Company's performance is evaluated based on consolidated net income for the year, earnings before interest, taxes and depreciation and amortization (EBITDA) and EBITDA margin. EBITDA margin pertains to EBITDA divided by gross revenues.

EBITDA and EBITDA margin are non-PFRS measures.

The following table shows the reconciliation of the consolidated EBITDA to consolidated net income:

	Years Ended December 31		
	2014	2013	2012
Consolidated EBITDA	**₱7,475,786**	₱7,194,701	₱6,394,310
Depreciation and amortization	**(2,871,000)**	(2,714,199)	(2,825,196)
Finance costs*	**(1,146,933)**	(790,315)	(797,209)
Amortization of intangible assets**	**(824,687)**	(1,071,967)	(859,728)
Interest income	**153,968**	94,438	119,672
Provision for income tax	**(756,998)**	(684,311)	(413,950)
Consolidated net income	**₱2,030,136**	₱2,028,347	₱1,617,899

** Excluding bank service charges*
*** Excluding amortization of filmed entertainment and story, video and publication and record master*

Business Segment Data

The following tables present revenue and income information and certain asset and liability information regarding business segments for each of the three years in the period ended December 31:

	TV and Studio			Pay TV Networks			New Businesses			Eliminations			Consolidated		
	2014	2013	2012	**2014**	2013	2012	**2014**	2013	2012	**2014**	2013	2012	**2014**	2013	2012
Revenue															
External sales	₱25,564,039	₱26,009,699	₱22,675,659	₱7,752,018	₱6,936,709	₱5,908,310	₱449,281	₱559,684	₱627,812	₱–	₱–	₱–	₱33,765,338	₱33,506,092	₱29,211,781
Inter-segment sales	2,993,329	2,018,086	1,926,903	12,415	–	–	103,581	–	–	(3,109,325)	(2,018,086)	(1,926,903)	–	–	–
Revenue deductions	(241,092)	(176,516)	(180,323)	–	–	–	(41,024)	(15,590)	(67,452)	60,406	63,918	19,634	(221,710)	(128,188)	(228,141)
Total revenue	₱28,316,276	₱27,851,269	₱24,422,239	₱7,764,433	₱6,936,709	₱5,908,310	₱511,838	₱544,094	₱560,360	(₱3,048,919)	(₱1,954,168)	(₱1,907,269)	₱33,543,628	₱33,377,904	₱28,983,640
Results															
Operating results	₱4,726,098	₱3,374,986	₱2,132,187	₱404,416	₱513,750	₱266,478	(₱2,510,231)	(₱1,105,253)	(₱808,185)	₱554,265	₱297,231	₱263,354	₱3,174,548	₱3,080,714	₱1,853,834
Finance costs	(950,224)	(562,035)	(591,304)	(249,984)	(228,843)	(199,746)	(5,137)	(26,673)	(25,766)	40,032	632	115	(1,165,313)	(816,919)	(816,701)
Foreign exchange gains (losses) - net	(145,730)	95,999	(47,934)	(7,182)	(27,469)	6,352	(5,632)	(47,350)	38,886	126,840	(166,680)	114,480	(31,704)	(145,500)	111,784
Interest income	195,049	82,162	85,600	11,517	12,834	33,824	3,600	74	363	(56,198)	(632)	(115)	153,968	94,438	119,672
Equity in net earnings (losses) of associates and joint ventures	3,283	(12,397)	(58)	–	–	–	–	–	–	–	–	–	3,283	(12,397)	(58)
Other income - net	627,808	1,048,850	1,100,508	208,869	77,969	91,233	455,737	5,561	204,021	(640,062)	(620,058)	(607,663)	652,352	512,322	788,099
Gain (loss) on sale of investment	–	–	(24,781)	–	–	–	–	–	–	–	–	–	–	–	(24,781)
Income tax	(809,424)	(802,464)	(385,308)	(110,244)	(102,279)	(55,725)	162,670	220,432	27,083	–	–	–	(756,998)	(684,311)	(413,950)
Net income	₱3,646,860	₱3,225,101	₱2,268,910	₱257,392	₱245,962	₱142,416	(₱1,898,993)	(₱953,209)	(₱563,598)	₱24,877	(₱489,507)	(₱229,829)	₱2,030,136	₱2,028,347	₱1,617,899
EBITDA													₱7,475,786	₱7,194,701	₱6,394,310
EBITDA Margin													22%	21%	22%
Assets and Liabilities															
Operating assets	₱50,713,284	₱41,784,551	₱44,303,469	₱17,596,037	₱16,373,444	₱16,472,842	₱1,508,812	₱1,774,615	₱2,616,535	(₱5,639,374)	(₱4,299,549)	(₱14,185,850)	₱64,178,759	₱55,633,061	₱49,206,996
Investments in associates and joint ventures	17,278,935	15,934,999	15,666,143	1,562	–	–	–	–	–	(17,080,623)	(15,768,408)	(15,625,117)	199,874	166,591	41,026
Deferred tax assets - net	1,761,980	1,620,664	1,675,950	746,041	738,897	796,484	360,927	181,364	237	(10,761)	(10,761)	(10,803)	2,858,187	2,530,164	2,461,868
Total assets	₱69,754,199	₱59,340,214	₱61,645,562	₱18,343,640	₱17,112,341	₱17,269,326	₱1,869,739	₱1,955,979	₱2,616,772	(₱22,730,758)	(₱20,078,718)	(₱29,821,770)	₱67,236,820	₱58,329,816	₱51,709,890
Operating liabilities	₱13,619,292	₱12,145,518	₱21,067,976	₱6,182,471	₱5,155,948	₱5,148,755	₱2,249,059	₱1,219,951	₱1,421,448	(₱2,601,719)	(₱1,431,941)	(₱11,774,500)	₱19,449,103	₱17,089,476	₱15,863,679
Interest-bearing loans and borrowings	16,555,915	10,847,444	11,888,729	3,705,609	3,739,347	3,765,966	–	–	–	–	–	–	20,261,524	14,586,791	15,654,695
Deferred tax liabilities - net	298,656	337,735	319,015	–	–	–	288,998	299,798	319,860	–	–	–	587,654	637,533	638,875
Obligations under finance lease	55,309	82,050	117,986	8,402	11,209	12,824	–	–	–	–	–	–	63,711	93,259	130,810
Total liabilities	₱30,529,172	₱23,412,747	₱33,393,706	₱9,896,482	₱8,906,504	₱8,927,545	₱2,538,057	₱1,519,749	₱1,741,308	(₱2,601,719)	(₱1,431,941)	(₱11,774,500)	₱40,361,992	₱32,407,059	₱32,288,059
Other Segment Information															
Capital expenditures:															
Property and equipment	₱2,097,880	₱1,112,243	₱1,649,031	₱2,306,020	₱1,715,255	₱1,725,053	₱588,080	₱900,172	₱473,060	₱–	₱–	₱–	₱4,991,980	₱3,727,670	₱3,847,144
Intangible assets	2,227,409	1,938,059	1,728,891	–	–	–	66,219	42,777	–	–	–	–	2,293,628	1,980,836	1,728,891
Depreciation and amortization	3,423,000	3,517,926	3,552,781	1,253,252	1,089,035	921,612	152,619	122,778	146,709	(629,977)	(584,729)	(518,309)	4,198,894	4,145,010	4,102,793
Noncash expenses other than depreciation and amortization	287,396	55,231	87,670	313,305	327,692	252,897	44,094	71,371	67,903	–	–	–	644,795	454,294	408,470

Geographical Segment Data

The following tables present revenue and expenditure and certain asset information regarding geographical segments for each of the three years in the period ended December 31:

	Philippines			United States			Others			Eliminations			Consolidated		
	2014	2013	2012	**2014**	2013	2012	**2014**	2013	2012	**2014**	2013	2012	**2014**	2013	2012
Revenue															
External sales	**₱28,494,396**	₱28,414,142	₱24,351,974	**₱3,645,001**	₱2,600,028	₱2,409,799	**₱1,625,941**	₱2,491,922	₱2,450,008	**₱–**	₱–	₱–	**₱33,765,338**	₱33,506,092	₱29,211,781
Inter-segment sales	**3,109,325**	2,018,086	1,926,903	**–**	–	–	**–**	–	–	**(3,109,325)**	(2,018,086)	(1,926,903)	**–**	–	–
Revenue deductions	**(282,116)**	(192,106)	(247,775)	**–**	–	(17,342)	**–**	–	17,342	**60,406**	63,918	19,634	**(221,710)**	(128,188)	(228,141)
Total revenue	**₱31,321,605**	₱30,240,122	₱26,031,102	**₱3,645,001**	₱2,600,028	₱2,392,457	**₱1,625,941**	₱2,491,922	₱2,467,350	**(₱3,048,919)**	(₱1,954,168)	(₱1,907,269)	**₱33,543,628**	₱33,377,904	₱28,983,640
Assets															
Operating assets	**₱62,003,730**	₱52,585,900	₱57,303,139	**₱2,190,247**	₱2,656,700	₱2,637,935	**₱5,624,156**	₱4,690,010	₱3,451,772	**(₱5,639,374)**	(₱4,299,549)	(₱14,185,850)	**₱64,178,759**	₱55,633,061	₱49,206,996
Investments in associates and joint ventures	**17,280,497**	15,934,999	15,666,143	**–**	–	–	**–**	–	–	**(17,080,623)**	(15,768,408)	(15,625,117)	**199,874**	166,591	41,026
Deferred tax assets - net	**2,704,371**	2,405,376	2,360,035	**164,577**	116,842	110,847	**–**	18,707	1,789	**(10,761)**	(10,761)	(10,803)	**2,858,187**	2,530,164	2,461,868
Total assets	**₱81,988,598**	₱70,926,275	₱75,329,317	**₱2,354,824**	₱2,773,542	₱2,748,782	**₱5,624,156**	₱4,708,717	₱3,453,561	**(₱22,730,758)**	(₱20,078,718)	(₱29,821,770)	**₱67,236,820**	₱58,329,816	₱51,709,890
Liabilities															
Operating liabilities	**₱20,718,747**	₱17,014,915	₱26,141,353	**₱2,535,152**	₱685,490	₱68,773	**(₱1,203,077)**	₱821,012	₱1,428,053	**(₱2,601,719)**	(₱1,431,941)	(₱11,774,500)	**₱19,449,103**	₱17,089,476	₱15,863,679
Interest-bearing loans and borrowings	**20,223,847**	14,547,657	15,617,006	**37,677**	39,134	37,689	**–**	–	–	**–**	–	–	**20,261,524**	14,586,791	15,654,695
Deferred tax liabilities - net	**587,654**	637,533	638,875	**–**	–	–	**–**	–	–	**–**	–	–	**587,654**	637,533	638,875
Obligations under finance lease	**63,711**	93,259	130,810	**–**	–	–	**–**	–	–	**–**	–	–	**63,711**	93,259	130,810
Total liabilities	**₱41,593,959**	₱32,293,364	₱42,528,044	**₱2,572,829**	₱724,624	₱106,462	**(₱1,203,077)**	₱821,012	₱1,428,053	**(₱2,601,719)**	(₱1,431,941)	(₱11,774,500)	**₱40,361,992**	₱32,407,059	₱32,288,059
Other Segment Information															
Capital expenditures:															
Property and equipment	**₱4,926,332**	₱3,616,665	₱3,725,946	**₱50,249**	₱48,396	₱44,344	**₱15,399**	₱62,609	₱76,854	**₱–**	₱–	₱–	**₱4,991,980**	₱3,727,670	₱3,847,144
Intangible assets	**2,293,628**	1,980,836	1,728,891	**–**	–	–	**–**	–	–	**–**	–	–	**2,293,628**	1,980,836	1,728,891

6. Cash and Cash Equivalents

	2014	2013
Cash on hand and in banks	**₱3,385,550**	₱6,159,544
Cash equivalents	**9,852,827**	4,457,311
	₱13,238,377	₱10,616,855

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 ₱145 million, ₱94 million and ₱120 million in 2014, 2013 and 2012, respectively.

7. Trade and Other Receivables

	2014	2013
Trade:		
Airtime	**₱5,525,584**	₱5,130,100
Subscriptions	**2,087,136**	1,789,349
Others	**2,151,085**	1,630,346
Due from related parties (see Note 22)	**1,721,604**	464,983
Advances to employees and talents (see Note 22)	**390,281**	298,984
Others	**357,754**	346,660
	12,233,444	9,660,422
Less allowance for doubtful accounts	**1,516,127**	1,326,661
	₱10,717,317	₱8,333,761

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.

Advances to employees and talents are usually settled within one year (see Note 22).

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

Movements in the allowance for doubtful accounts are as follows:

	Trade				
	Airtime	Subscriptions	Others	Nontrade	Total
Balance at January 1, 2013	₱548,849	₱274,329	₱107,024	₱51,184	₱981,386
Provisions (see Note 26)	14,147	323,000	90,912	4,035	432,094
Write-offs and others	(6,075)	(47,043)	(5,810)	(27,891)	(86,819)
Balance at December 31, 2013	556,921	550,286	192,126	27,328	1,326,661
Provisions (see Note 26)	24,905	301,373	168,592	35,703	530,573
Write-offs and others	(122,195)	(105,835)	(72,632)	(40,445)	(341,107)
Balance at December 31, 2014	**₱459,631**	**₱745,824**	**₱288,086**	**₱22,586**	**₱1,516,127**

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 airtime and subscription receivables follows:

	2014	2013
Less than 30 days	**₱572,006**	₱966,325
31 to 60 days	**166,937**	27,530
	₱738,943	₱993,855

8. Other Current Assets

	2014	2013
Creditable withholding and prepaid taxes	**₱1,605,909**	₱1,570,697
Advances to suppliers	**762,274**	539,701
Inventories	**544,362**	265,221
Preproduction expenses	**298,557**	391,527
Prepaid licenses	**256,572**	74,526
Prepaid rent	**72,800**	45,874
Prepaid transponder services	**27,873**	14,582
Prepaid insurance	**18,473**	20,173
Other prepayments	**82,494**	124,585
	₱3,669,314	₱3,046,886

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

Inventories are broken down as follows:

	2014	2013
At net realizable value:		
Merchandise inventory	**₱94,569**	₱156,907
Materials, supplies and spare parts	**93,917**	62,189
At cost:		
Merchandise inventory	**348,379**	38,384
Office supplies	**7,497**	7,741
	₱544,362	₱265,221

Merchandise inventory consists mainly of set-up boxes, records and other consumer products held for sale by the Parent Company and subsidiaries. Materials, supplies and spare parts comprise mainly of cable, construction and installation supplies of Sky Cable and Parent Company's spare parts and supplies.

Inventory losses amounted to ₱35 million, ₱62 million and ₱15 million in 2014, 2013 and 2012, respectively (see Note 26). The cost of inventories carried at net realizable value amounted to ₱296 million and ₱364 million as of December 31, 2014 and 2013, respectively. Inventory costs, recognized under “Cost of sales and services” amounted to ₱142 million, ₱238 million and ₱115 million in 2014, 2013 and 2012, respectively (see Note 25).

Other prepayments mainly pertain to membership dues and subscription.

9. Property and Equipment

	December 31, 2014					
	Land and Land Improvements	**Buildings and Improvements**	**Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment**	**Other Equipment**	**Construction in Progress**	**Total**
Cost						
Balance at beginning of year	**₱702,942**	**₱10,942,592**	**₱16,985,422**	**₱9,946,047**	**₱1,481,963**	**₱40,058,966**
Additions	**754,613**	**42,740**	**1,826,776**	**858,413**	**1,509,438**	**4,991,980**
Disposals/retirements	**–**	**(4,905)**	**(1,291,393)**	**(347,526)**	**(95)**	**(1,643,919)**
Reclassifications	**9,233**	**239,092**	**294,842**	**255,764**	**(798,931)**	**–**
Translation adjustments	**582**	**316**	**2,118**	**2,163**	**3,922**	**9,101**
Balance at end of year	**1,467,370**	**11,219,835**	**17,817,765**	**10,714,861**	**2,196,297**	**43,416,128**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**16,365**	**5,494,287**	**9,276,082**	**6,736,327**	**–**	**21,523,061**
Depreciation and amortization (see Notes 24, 25 and 26)	**5,186**	**476,437**	**1,674,730**	**713,517**	**–**	**2,869,870**
Disposals/retirements	**–**	**(857)**	**(1,211,852)**	**(334,907)**	**–**	**(1,547,616)**
Reclassifications	**–**	**–**	**(1,939)**	**1,939**	**–**	**–**
Translation adjustments	**148**	**470**	**7,344**	**(9,692)**	**–**	**(1,730)**
Balance at end of year	**21,699**	**5,970,337**	**9,744,365**	**7,107,184**	**–**	**22,843,585**
Net Book Value	**₱1,445,671**	**₱5,249,498**	**₱8,073,400**	**₱3,607,677**	**₱2,196,297**	**₱20,572,543**

	December 31, 2013					
	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱636,808	₱10,713,747	₱14,628,588	₱9,775,900	₱994,975	₱36,750,018
Additions	166,439	32,044	1,746,585	566,852	1,215,750	3,727,670
Transfer to investment properties (Note 10)	(135,927)	–	–	–	–	(135,927)
Disposals/retirements	–	(2,937)	(201,620)	(194,698)	–	(399,255)
Reclassifications	29,699	186,617	785,084	(268,603)	(732,797)	–
Translation adjustments	5,923	13,121	26,785	66,596	4,035	116,460
Balance at end of year	702,942	10,942,592	16,985,422	9,946,047	1,481,963	40,058,966
Accumulated Depreciation and Amortization						
Balance at beginning of year	9,569	4,996,969	7,426,980	6,646,787	–	19,080,305
Depreciation and amortization (see Notes 24, 25 and 26)	6,790	489,041	1,595,556	621,732	–	2,713,119
Disposals/retirements	–	(2,500)	(173,789)	(192,649)	–	(368,938)
Reclassifications	–	–	403,784	(403,784)	–	–
Translation adjustments	6	10,777	23,551	64,241	–	98,575
Balance at end of year	16,365	5,494,287	9,276,082	6,736,327	–	21,523,061
Net Book Value	₱686,577	₱5,448,305	₱7,709,340	₱3,209,720	₱1,481,963	₱18,535,905

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. As part of the refinancing of the restructured long-term debt of Sky Cable in 2010, creditors of Sky Cable, executed a deed of release of property from indenture lien and cancellation of mortgage. As of March 5, 2015, the cancellation of mortgage annotations with the remaining register of deeds located in some provinces is still in process.

Certain property and equipment with cost amounting to ₱16,379 million and ₱15,063 million as of December 31, 2014 and 2013, respectively, were fully depreciated but are still being used by the Company.

Unamortized borrowing costs capitalized as part of property and equipment amounted to ₱807 million and ₱742 million as of December 31, 2014 and 2013, respectively. Borrowing costs capitalized in 2014 amounted to ₱93 million. There were no borrowing costs capitalized in 2013.

As of December 31, 2014, certain CDMA assets of ABS-C with carrying value totaling ₱442 million were dismantled and are not in active use. These assets are not held for sale and are being depreciated over the remaining useful life.

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

	2014	2013
Cost capitalized under finance lease	**₱626,535**	₱504,482
Accumulated depreciation	**(391,128)**	(405,655)
Net book value	**₱235,407**	₱98,827

10. Investment Properties

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

	December 31, 2014		
	Land	**Building**	**Total**
Cost:			
Balance at beginning of year	**₱167,004**	**₱35,797**	**₱202,801**
Additions	–	**2,508**	**2,508**
Translation adjustments	**264**	**228**	**492**
Balance at end of year	**167,268**	**38,533**	**205,801**
Accumulated depreciation:			
Balance at beginning of year	–	**5,885**	**5,885**
Depreciation (see Note 26)	–	**1,130**	**1,130**
Translation adjustments	–	**52**	**52**
Balance at end of year	–	**7,067**	**7,067**
Net book value	**₱167,268**	**₱31,466**	**₱198,734**

	December 31, 2013		
	Land	Building	Total
Cost:			
Balance at beginning of year	₱28,735	₱28,735	₱57,470
Transfer from property and equipment (see Note 9)	135,927	–	135,927
Additions	–	4,720	4,720
Translation adjustments	2,342	2,342	4,684
Balance at end of year	167,004	35,797	202,801
Accumulated depreciation:			
Balance at beginning of year	–	4,397	4,397
Depreciation (see Note 26)	–	1,080	1,080
Translation adjustments	–	408	408
Balance at end of year	–	5,885	5,885
Net book value	₱167,004	₱29,912	₱196,916

In May 2013, the Parent Company transferred land with a carrying value of ₱136 million from property and equipment to investment properties as it intends to hold the land for capital appreciation (see Note 9).

Land and building with carrying value of ₱56 million as of December 31, 2014 and 2013, respectively, pertain 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 a loan from Citibank, North America amounting to US$1 million (₱50 million) for which the property was pledged as collateral (see Note 17).

As of December 31, 2014 and 2013, the fair market value of land and building of ABS-CBN International, which is based on market price of similar properties within the area, amounted to ₱66 million and ₱65 million, respectively. The fair value of these investment properties is categorized under Level 3 of the fair value hierarchy as the market for the identical or similar properties is not active. Management believes that the carrying value of the remaining investment properties amounting to ₱143 million and ₱141 million approximates their fair values as of December 31, 2014 and 2013, respectively.

Rental income derived from the investment properties amounted to ₱2 million in 2014, 2013 and 2012. Direct operating expenses, which consist mainly of depreciation, amounted to ₱1 million in 2014, 2013 and 2012.

11. Program Rights and Other Intangible Assets

December 31, 2014

	Program Rights	**Music Rights**	**Movie In-Process and Filmed Entertainment**	**Story, Video and Publication and Record Master**	**Trademarks**	**Licenses**	**Customer Relationships**	**Cable Channels - CPI**	**BSS Integration**	**Production and Distribution Business - Middle East**	**Total**
Balance at beginning of year	**₱3,016,561**	**₱138,758**	**₱494,726**	**₱11,630**	**₱1,111,784**	**₱1,005,715**	**₱502,522**	**₱459,968**	**₱–**	**₱73,500**	**₱6,815,164**
Additions	**1,464,246**	**–**	**749,215**	**13,949**	**–**	**–**	**–**	**–**	**66,218**	**–**	**2,293,628**
Amortization (see Notes 24, 25 and 26)	**(751,353)**	**(5,955)**	**(487,588)**	**(15,619)**	**–**	**(2,111)**	**(57,138)**	**–**	**(2,476)**	**(5,654)**	**(1,327,894)**
Translation adjustments	**–**	**–**	**–**	**–**	**–**	**163**	**–**	**–**	**–**	**525**	**688**
Balance at end of year	**3,729,454**	**132,803**	**756,353**	**9,960**	**1,111,784**	**1,003,767**	**445,384**	**459,968**	**63,742**	**68,371**	**7,781,586**
Less current portion	**1,019,710**	**132,803**	**156,433**	**7,041**	**–**	**–**	**–**	**–**	**–**	**–**	**1,315,987**
Noncurrent portion	**₱2,709,744**	**₱–**	**₱599,920**	**₱2,919**	**₱1,111,784**	**₱1,003,767**	**₱445,384**	**₱459,968**	**₱63,742**	**₱68,371**	**₱6,465,599**

December 31, 2013

	Program Rights	Music Rights	Movie In-Process and Filmed Entertainment	Story, Video and Publication and Record Master	Trademarks	Licenses	Customer Relationships	Cable Channels - CPI	Production and Distribution Business - Middle East	Total
Balance at beginning of year	₱2,634,785	₱143,682	₱301,499	₱9,860	₱1,111,784	₱965,049	₱559,660	₱459,968	₱73,140	₱6,259,427
Additions	1,383,218	1,000	546,368	7,473	–	42,777	–	–	–	1,980,836
Amortization (see Notes 24, 25 and 26)	(1,001,442)	(5,924)	(353,141)	(5,703)	–	(2,111)	(57,138)	–	(5,352)	(1,430,811)
Translation adjustments	–	–	–	–	–	–	–	–	5,712	5,712
Balance at end of year	3,016,561	138,758	494,726	11,630	1,111,784	1,005,715	502,522	459,968	73,500	6,815,164
Less current portion	1,174,274	138,758	67,007	5,933	–	–	–	–	–	1,385,972
Noncurrent portion	₱1,842,287	₱–	₱427,719	₱5,697	₱1,111,784	₱1,005,715	₱502,522	₱459,968	₱73,500	₱5,429,192

Costs and related accumulated amortization of other intangible assets with finite life (except cable channels) are as follows:

	December 31, 2014						December 31, 2013					December 31, 2012			
	Licenses	**Customer Relationships**	**Cable Channels - CPI**	**Production and Distribution Business - Middle East**	**BSS Integration**	**Total**	Licenses	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	**₱42,777**	**₱612,940**	**₱574,960**	**₱212,358**	**₱66,218**	**₱1,509,253**	₱42,777	₱612,940	₱574,960	₱212,358	₱1,443,035	₱612,940	₱574,960	₱212,358	₱1,400,258
Accumulated amortization	**(4,059)**	**(167,556)**	**(114,992)**	**(143,987)**	**(2,476)**	**(433,070)**	(2,111)	(110,418)	(114,992)	(138,858)	(366,379)	(53,280)	(114,992)	(139,218)	(307,490)
Net book value	**₱38,718**	**₱445,384**	**₱459,968**	**₱68,371**	**₱63,742**	**₱1,076,183**	₱40,666	₱502,522	₱459,968	₱73,500	₱1,076,656	₱559,660	₱459,968	₱73,140	₱1,092,768

Program rights include the acquired rights of the Company to air foreign and local films or programs for a certain period of time. The remaining useful life of program rights range from one to nine years. Licenses with finite life include franchise of KidZania brand in the Philippines by Play Innovations, Inc. The remaining useful life of the license is approximately eight years.

The customer relationships acquired in a business combination relate to the core subscribers of the following:

- Sky Cable postpaid, prepaid and platinum, broadband and other subcribers at conversion date who have sustained their relationship with Sky Cable for more than a year
- DCI, SBC and UNI cable postpaid, prepaid and broadband subscribers (see Note 4)
- Bayantel postpaid wireless landline subscribers

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.

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. Effective November 1, 2013, ABS-CBN Middle East awarded the rights of distribution of its content to Orbit Showtime Network, a new sponsor. The remaining useful life of this intangible asset is approximately nine years.

Other intangible assets assessed to have indefinite life include trademarks and licenses to operate the wireless business. Trademarks pertain to DCI and Sky Cable distinctive sign to promote and distinguish its products and services from those of other entities. Based on the 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, these were assessed to have an indefinite life.

12. **Available-for-Sale Investments**

	2014	2013
Balance at beginning of year	**₱219,191**	₱224,101
Unrealized fair value gain (loss) on AFS investments	**23,177**	(4,910)
Balance at end of year	**₱242,368**	₱219,191

AFS investments consist mainly of investments in quoted (₱165 million in 2014 and ₱128 million in 2013) and unquoted (₱77 million in 2014 and ₱91 million in 2013) ordinary shares.

The unrealized gain (loss) on AFS investments amounting to ₱22 million, (₱5) million and ₱7 million in 2014, 2013 and 2012, respectively, were recognized in OCI, net of deferred tax liabilities. Loss on sale of AFS investments amounted to ₱25 million in 2012.

13. Investments in Associates and Joint Ventures

The following are the associate and joint ventures of the Company with remaining carrying value as of December 31, 2014 and 2013:

Entity	Principal Activities	Percentage of Ownership
Associate -		
Amcara Broadcasting Network, Incorporated (Amcara)	Services	49.0
Joint ventures:		
A CJ O Shopping Corporation (A CJ O)	Home shopping	50.0
ALA Sports Promotions International, Inc. (ALA Sports)	Boxing promotions	44.0

Details and movement in the account are as follows:

	2014	2013
Acquisition costs:		
Balance at beginning of year	**₱699,490**	₱561,528
Additions	**30,000**	137,962
Balance at end of year	**729,490**	699,490
Accumulated equity in net losses:		
Balance at beginning of year	**(532,899)**	(520,502)
Equity in net income (loss) during the year	**3,283**	(12,397)
Balance at end of year	**(529,616)**	(532,899)
	₱199,874	₱166,591
Investments in:		
Joint ventures	**₱158,917**	₱125,600
Associates	**40,957**	40,991
	₱199,874	₱166,591

All the associates and joint ventures are incorporated in the Philippines. The associates and joint ventures have no contingent liabilities or capital commitments as of December 31, 2014 and 2013.

a. Investments in Joint Ventures

i. A CJ O

In February 2013, the Parent Company entered into a joint venture agreement with CJ O Shopping Co. Ltd. of Korea to form a joint venture company, A CJ O. The joint venture operates O Shopping Channel which broadcasts company-produced shopping programs 24/7 via Sky Cable and Destiny Cable. It also airs programs through ABS-CBN's Channel 2. The TV home shopping channel was launched in October 2013.

ii. ALA Sports

On June 28, 2013, the Parent Company entered into a joint venture agreement with ALA Promotions, Inc. to form a joint venture corporation, ALA Sports. The primary purpose of ALA Sports, which was incorporated in December 2013, is to organize, stage and promote boxing matches, and provide, distribute and market products and services that are otherwise connected to the operations of said business, in the Philippines and other territories. In 2014, the Company made additional investments in ALA Sports amounting to ₱30 million. In 2013, the Company did not recognize its equity in net loss of ALA Sports because it is immaterial.

Condensed financial information of the joint ventures follows:

	2014	2013
Current assets	**₱382,333**	₱294,363
Noncurrent assets	**108,404**	18,006
Current liabilities	**(157,540)**	(72,223)
Net equity	**₱333,197**	₱240,146
Revenue	**₱472,171**	₱74,254
Costs and expenses	**(466,536)**	(98,784)
Net income (loss)	**₱5,635**	(₱24,530)
Equity in net earnings (losses) of joint ventures	**₱3,317**	(₱12,363)

Below is the reconciliation of the summarized financial information of the joint venture to the carrying amount of the Parent Company's investments therein:

	2014	2013
Net assets of A CJ O	**₱205,170**	₱191,200
Interest of the Parent Company in the net assets of A CJ O	**50%**	50%
	102,585	95,600
Investment in ALA Sports	**56,332**	30,000
Carrying amount of investments in joint ventures	**₱158,917**	₱125,600

b. Investments in Associates

As of December 31, 2014 and 2013, the remaining carrying value of investments in associates pertains to Amcara. Investment in the other associate, Star Cinema Productions, Inc., a 45%-owned associate of the Company, has been reduced to zero due to accumulated equity in net losses. The net cumulative unrecognized net losses amounted to ₱17 million as of December 31, 2014 and 2013.

Condensed financial information of the associate follows:

	2014	2013
Current assets	**₱25,925**	₱24,652
Noncurrent assets	**207,790**	208,887
Current liabilities	**(150,128)**	(149,883)
Net equity	**₱83,587**	₱83,656

	Years Ended December 31		
	2014	2013	2012
Revenue	**₱33,438**	₱32,383	₱33,351
Costs and expenses	**(33,507)**	(32,452)	(33,409)
Net loss	**(₱69)**	(₱69)	(₱58)

Below is the reconciliation of the summarized financial information of the associate to the carrying amount of the Parent Company's investment therein:

	2014	2013
Net assets of associate	**₱83,587**	₱83,656
Interest of the Parent Company in the net assets of the associate	**49%**	49%
Carrying amount of investments in associate	**₱40,957**	₱40,991

14. **Other Noncurrent Assets**

	2014	2013
Tax credits with TCCs - net	**₱1,917,117**	₱2,046,069
Deposits and bonds	**208,854**	168,271
Deferred charges	**137,250**	186,775
Others	**205,343**	178,918
	₱2,468,564	₱2,580,033

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 2024.

On January 9, 2012, the Department of Finance issued a favorable ruling on the request of the Parent Company to utilize the tax credits in the payment of duties and taxes on the importation of digital terrestrial television boxes which will be subsequently distributed or made available to its customers and end-users.

PCC recognized provision for unrecoverable tax credits amounting to ₱25 million, ₱68 million ₱14 million for the years ended December 31, 2014, 2013 and 2012, respectively (see Note 27).

Deferred charges pertain to excess of cost over revenue from installation of decoders and set-top boxes. Amortization of deferred charges amounted to ₱70 million in 2014 and ₱53 million in 2013 and 2012 (see Note 25).

15. **Goodwill**

Analysis of movement in goodwill follows:

	2014	2013
Balance at beginning of year	**₱5,288,350**	₱5,291,873
Impairment loss (see Note 26)	–	(20,061)
Translation adjustment	**1,606**	16,538
Balance at end of year	**₱5,289,956**	₱5,288,350

Goodwill arose from the following acquisitions and business combination:

	2014	2013
Sky Cable (see Note 4)	**₱4,491,817**	₱4,491,817
CTI and ABS-C	**567,836**	567,836
ABS-CBN International	**221,102**	219,496
Sapientis	**9,201**	9,201
	₱5,289,956	₱5,288,350

In 2013, goodwill pertaining to investment in ABS-CBN Interactive and ABS-CBN Multimedia amounting to ₱13 million and ₱7 million, respectively, was impaired (see Notes 3 and 26).

16. Trade and Other Payables

	2014	2013
Trade	**₱2,549,490**	₱1,929,302
Accrued expenses:		
Production costs and other expenses	**4,374,926**	4,137,246
Salaries and other employee benefits (see Note 29)	**2,258,528**	1,734,725
Taxes	**1,307,110**	1,130,477
Interest	**145,796**	269,830
Deferred revenue	**1,451,597**	1,209,093
Dividend payable	**177,485**	161,835
Due to related parties (see Note 22)	**110,708**	210,606
Installment payable	**–**	278,029
Others	**412,480**	270,863
	₱12,788,120	₱11,332,006

Trade payables are noninterest-bearing and are normally settled on 30 to 90-day term.

Accrued expenses are normally settled within the next financial year.

Accrued production costs and other expenses represent accruals for various expenses related to the production of programs.

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 valued at Parent Company's share price as of December 31, 2014 and 2013. This will be paid in full after the holding period of 5 or 6 years from date of grant which is January 1, 2011. Notional shares totaling 1,000,000 were cancelled during the year.

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 ABS-C in 2004 with a supplier for the purchase of certain equipment amounting to US$12 million which bears interest of 5% per annum. In December 2008, ABS-C 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 ABS-C has paid up to 40% of the contract price. As of December 31, 2013, outstanding balance amounted to ₱278 million (US$6 million) and accrued interest amounted ₱165 million. ABS-C fully settled the contract price in 2014 (see Note 27).

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

Other current liabilities include statutory liabilities which are payable within the next financial year.

17. Interest-bearing Loans and Borrowings

	December 31, 2014			December 31, 2013		
Borrower	**Current Portion**	**Noncurrent Portion**	**Total**	Current Portion	Noncurrent Portion	Total
Parent Company	**₱72,277**	**₱16,501,269**	**₱16,573,546**	₱1,307,204	₱9,583,156	₱10,890,360
Sky Cable	**29,715**	**2,901,191**	**2,930,906**	29,588	2,930,906	2,960,494
PCC	**6,922**	**776,183**	**783,105**	6,956	783,105	790,061
ABS-CBN International	**1,837**	**35,841**	**37,678**	1,723	37,412	39,135
	₱110,751	**₱20,214,484**	**₱20,325,235**	₱1,345,471	₱13,334,579	₱14,680,050

Parent Company

The details of interest-bearing loans and borrowings of the Parent Company are as follows:

	December 31, 2014			December 31, 2013		
	Current Portion	**Noncurrent Portion**	**Total**	Current Portion	Noncurrent Portion	Total
Term loans:						
Loan agreements	**₱51,098**	**₱10,532,886**	**₱10,583,984**	₱75,077	₱9,525,060	₱9,600,137
Bonds payable	**–**	**5,934,253**	**5,934,253**	–	–	–
Syndicated loans	**–**	**–**	**–**	808,173	–	808,173
Obligations under finance lease (see Note 30)	**21,179**	**34,130**	**55,309**	23,954	58,096	82,050
Bank loans	**–**	**–**	**–**	400,000	–	400,000
	₱72,277	**₱16,501,269**	**₱16,573,546**	₱1,307,204	₱9,583,156	₱10,890,360

a. *Loan Agreements*

(i) On October 29, 2010, the Parent Company signed a syndicated loan for ₱10 billion with Allied Banking Corporation, Allied Savings Bank, Banco de Oro (BDO) Unibank, Inc., BDO Unibank, Inc. - Trust and Investment Group, Bank of the Philippine Islands (BPI), Insular Life Assurance Company Ltd., Philippine National Bank (PNB), PNB Life Insurance, Inc., Security Bank Corporation (Security Bank) (collectively, the "Lenders"), BPI Capital Corporation (the "Lead Arranger"), BDO Capital & Investment Corporation and Security Bank (collectively, the "Arrangers") and PNB Capital & Investment Corporation and Insular Life Assurance Company Ltd. (collectively the "Co-Arranger"). BPI - Asset Management and Trust Group 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.

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.

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.

On June 29, 2012, the Company signed a Supplemental Agreement between and among the lenders of the ₱10 billion syndicated loan agreement to amend the financial ratios as follows:

- Deletion of Maximum Total Debt-to-Annualized EBITDA;
- Increase in threshold of the Debt Service Coverage Ratio (DSCR) from 1.1:1 to 1.2:1 in the years 2012, 2013 and 2014 and to 1.5:1 from 2015 until its final maturity in year in 2017; and
- Utilization of the amount of projected capital expenditure and program rights based on approved capital expenditure and program rights acquisition budget in calculating the cash available for debt service instead of using the actual amount of capital expenditure and program rights actually paid in cash during the period.

On December 5, 2012, the Company signed a Second Supplemental Agreement between and among the lenders of the ₱10 billion syndicated loan to amend the definition of "Business." The amendment expanded the definition to include "entertainment and amusement center development and management services and product sales and distribution services." The expansion of the definition allows the Company to invest in ABS-CBN Theme Parks, Play Innovations and/or Play Innovations, Inc.

Under the same agreement, the majority lenders, likewise, permitted to extend a guarantee in favor of Play Innovations and/or Play Innovations, Inc.

On January 30, 2014 and October 30, 2014, the BOD approved the refinancing of the fixed rate portions of the ₱10 billion loan, which amounted to ₱4.9 billion in principal. Break cost incurred for prepaying the loan amounted to ₱178 million in 2014 (see Note 27). Thereafter, on February 28, 2014 and November 10, 2014, the Parent Company entered into loan agreements with local banks for principal amounts of ₱1.7 billion and ₱3.2 billion, respectively. The loan is intended to refinance existing indebtedness and to fund working capital requirements. The ₱1.7 billion loan, which was availed from Security Bank, bears interest of 4.25% p.a. and a term of four years. The ₱3.2 billion loan, which was secured from BPI, bears interest of 3.88% p.a and a term of three years. Transaction cost incurred in availing the 2014 loans amounted to ₱105 million.

(ii) On March 7, 2014, the Parent Company secured a ₱1 billion loan from Philippine American Life and General Insurance Company to partially finance the Borrower's capital expenditure requirements and general working capital purposes. The loan has a term of ten years and a fixed rate of 5.40% p.a.

As of December 31, 2014 and 2013, the Parent Company is in compliance with the provisions of its loan agreements.

Unamortized debt issue cost, presented as a deduction from the Parent Company's loan agreements, amounted to ₱66 million and ₱100 million as of December 31, 2014 and 2013, respectively.

Amortization of debt issue costs amounted to about ₱66 million, ₱15 million and ₱13 million for the period ended December 31, 2014 and 2013, respectively (see Note 27).

b. *Bonds Payable*
On January 23, 2014, the Philippine SEC approved the Parent Company's offering of debt securities in the aggregate principal amount of up to ₱10 billion to be issued in one or two tranches as approved by the BOD on November 29, 2013. The first tranche comprised of fixed rate bonds amounting to ₱5 billion and an overallotment option of ₱1 billion with BDO Capital & Investment Corporation, BPI Capital and Hongkong and Shanghai Banking Corporation as joint-issue managers. The term of the bonds is seven years with a fixed interest rate of 5.335% p.a.. Interest on the bonds shall be payable quarterly in arrears starting on May 10, 2014 for the first interest payment date.

On the same date, the Parent Company listed the ₱6 billion worth of retail bonds in the Philippine Dealing and Exchange Corporation. The bonds were rated PRS Aaa by the Philippine Rating Services Corporation on December 27, 2013.

As of December 31, 2014, the Parent Company is in compliance with the provisions of this facility.

Unamortized debt issue cost, presented as a deduction from the Parent Company's bonds payable, amounted to ₱66 million as of December 31, 2014.

Amortization of debt issue costs amounted to about ₱8 million for the period ended December 31, 2014 (see Note 27).

c. *Syndicated Loans*
On September 18, 2007, ABS-CBN 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.

On February 21, 2008, ABS-CBN and the remaining third party creditors of Sky Cable approved the second amendment of this 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.

The ₱854 million syndicated loan facility contains 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.

On December 5, 2012, the Company entered into supplemental agreements with the lenders to amend the financial ratios and definition of "Business" in the contract.

As of December 31, 2013, the Company is in compliance with the provisions of this facility. On March 7, 2014, the Company fully settled the syndicated loan and fully amortized the debt discount and transaction cost totaling ₱44 million.

Amortization of debt issue costs amounted to about ₱44 million, ₱56 million and ₱51 million for the period ended December 31, 2014 and 2013, respectively (see Note 27).

Breakdown of the Company's term loans as of December 31, 2014 and 2013 follows:

	December 31, 2014			December 31, 2013		
	Loan Agreements	**Bonds Payable**	**Total**	Loan Agreements	Syndicated Loans	Total
Principal	**₱10,650,000**	**₱6,000,000**	**₱16,650,000**	₱9,700,000	₱852,499	₱10,552,499
Less unamortized transaction costs	**66,016**	**65,747**	**131,763**	99,863	44,326	144,189
	10,583,984	**5,934,253**	**16,518,237**	9,600,137	808,173	10,408,310
Less current portion	**51,098**	**–**	**51,098**	75,077	808,173	883,250
Noncurrent portion	**₱10,532,886**	**₱5,934,253**	**₱16,467,139**	₱9,525,060	₱–	₱9,525,060

Details of unamortized debt issue cost of the loan agreements, bonds payable and syndicated loan follows:

	2014	2013
Transaction costs	**₱131,763**	₱104,081
Debt discount	**–**	40,108
	₱131,763	₱144,189

Debt issue costs as of December 31, 2014 are amortized over the term of the loans using the effective interest method as follows:

Year	Loan Agreements	Bonds Payable	Total
2015	₱20,952	₱9,273	₱30,225
2016	21,654	9,833	31,487
2017	19,533	10,370	29,903
2018	3,877	36,271	40,148
	₱66,016	₱65,747	₱131,763

Amortization of debt issue costs are as follows (see Note 27):

	Years Ended December 31		
	2014	2013	2012
Debt discount	**₱40,108**	₱51,221	₱47,010
Transaction costs	**77,944**	19,606	16,554
	₱118,052	₱70,827	₱63,564

Repayments of loan agreements and bonds payable based on nominal values are scheduled as follows:

Year	Loan Agreements	Bonds Payable	Total
2015	₱66,500	₱–	₱66,500
2016	66,500	–	66,500
2017	7,916,500	–	7,916,500
2018	2,600,500	6,000,000	8,600,500
	₱10,650,000	₱6,000,000	₱16,650,000

d. *Bank Loans*
Bank loans represent unsecured short-term peso-denominated loans obtained from local banks and bear an average annual interest rates of 2.70% and 2.89% in 2014 and 2013, respectively. In October and November 2013, the Parent Company prepaid a total amount of ₱1 billion. The remaining balance of ₱400 million as of December 31, 2013 was fully settled on January 17, 2014.

Sky Cable
The details of interest-bearing loans and borrowings of the Sky Cable are as follows:

	December 31, 2014			December 31, 2013		
	Current Portion	**Noncurrent Portion**	**Total**	Current Portion	Noncurrent Portion	Total
Term Loans						
Unsubordinated loan	**₱18,107**	**₱1,948,802**	**₱1,966,909**	₱18,200	₱1,966,909	₱1,985,109
Restructured loan	**8,510**	**947,085**	**955,595**	8,581	955,595	964,176
Obligations under finance lease (see Note 30)	**3,098**	**5,304**	**8,402**	2,807	8,402	11,209
	₱29,715	**₱2,901,191**	**₱2,930,906**	₱29,588	₱2,930,906	₱2,960,494

a. *Unsubordinated Loan*
On December 27, 2012, Sky Cable availed of a short-term ₱1 billion loan from BPI at 3.25% per annum. Proceeds were used to pay a ₱1 billion loan from Australia and New Zealand Banking Group Limited, Manila Branch (ANZ).

On February 4, 2013, Sky Cable availed of an additional short-term ₱850 million loan from BPI, at 3.75% interest per annum. The proceeds were used to fully pay the remaining bridge loan from ANZ.

On October 17, 2013, Sky Cable executed an unsecured and unsubordinated loan agreement with BPI and Security Bank for ₱1.8 billion with interest at 7-year PDST-F plus 1% per annum subject to a floor rate of 5.40% and Robinsons Bank for ₱200 million with interest at 10-year PDST-F plus 0.9% per annum subject to a floor rate of 5.40%. The proceeds were used to repay the existing short-term loan of Sky Cable with BPI amounting to ₱1.85 billion. The remaining ₱150 million will be used for working capital purposes.

b. *Restructured Loan*
On October 26, 2010, there was a refinancing made for a new loan with principal amounting to ₱1 billion for the full payment of Sky Cable's existing restructured long-term debt and the Post Moratorium Interest (which is the unpaid accrued interest on the principal) amounting to ₱863 million and ₱79 million, respectively.

The loan was obtained from various local banks and bears a fixed rate based on the previous banking day's 5-year PDST-F rate at the time of agreement plus 1%. The loan is unsecured and is payable in annual installment commencing on October 26, 2011 with a final maturity on October 26, 2017. It has an interest rate step-up feature in case the loan is extended for another two years.

The loan is supported by a Fixed Rate Corporate Notes Facility Agreement.

The loan agreements provided for certain requirements and restrictions with respect to, among others, the use of the proceeds, maintenance of certain financial ratios, incurrence of additional debt, sale or lease of all or substantially all of Sky Cable's assets, declaration of cash dividends or enter into merger or consolidation, except where Sky Cable is the surviving entity and it does not result to a change in control.

c. *Short-term Loans*
On June 8, 2012 and August 15, 2012, Sky Cable availed of short-term loans from ANZ for working capital purposes totaling ₱2 billion at a fixed rate of 4.21%.

The loan is not supported by any lien, pledge or security. However, ABS-CBN provided a Letter of Comfort. The short-term bank loans were fully paid in 2013.

As of December 31, 2014 and 2013, Sky Cable is in compliance with the provisions and all of the financial ratios required by its creditors in the agreement.

Unamortized debt issue costs, presented as a deduction from the unsubordinated and restructured loans, amounted to ₱17 million and ₱21 million as of December 31, 2014 and 2013, respectively. Using the effective interest method, unamortized debt issue costs as of December 31, 2014 will be amortized as follows:

Year	Unsubordinated Loan	Restructured Loan	Total
2015	₱1,893	₱1,490	₱3,383
2016	1,993	1,566	3,559
2017	2,100	1,349	3,449
2018	7,105	–	7,105
	₱13,091	₱4,405	₱17,496

Amortization of debt issue costs amounted to about ₱4 million, ₱2 million and ₱1 million in 2014, 2013 and 2012, respectively (see Note 27).

Based on nominal values, the schedule of debt repayments of the unsubordinated and restructured loans is as follows:

Year	Amount
2015	₱30,000
2016	30,000
2017	960,000
2018	20,000
2019 and onwards	1,900,000
	₱2,940,000

PCC
On April 10, 2012, PCC signed an omnibus notes facility and security agreement with BDO in the amount of ₱800 million with the interest rate using the BSP overnight borrowing rate of 4.0%, multiplied by 97/100. The net proceeds from the issuance of the Notes pursuant to the Tranche A amounting to ₱500 million is used to refinance the existing long-term bank loans. The proceeds of the Tranche A was used to settle the long term-debt of PCC as of December 31, 2011 amounting to ₱499 million.

The loan is supported by deed of pledge executed by Sky Cable and the Continuing Suretyship Agreement executed by Sky Vision. It is payable in quarterly installments commencing on July 16, 2013 with a maturity on April 1, 2019.

The agreement provided for certain requirements and restrictions with respect to, among others, the use of the proceeds, maintenance of certain financial ratios, incurrence of additional debt, sale or lease of all or substantially all of PCC's assets, declaration of cash dividends or enter into merger or consolidation, except where PCC is the surviving entity and it does not result to a change in control. As of December 31, 2014 and 2013, PCC is in compliance with the provisions and all of the financial ratios required by its creditors in the agreement.

Debt issue costs on the loan amounting to ₱5 million and ₱6 million as of December 31, 2014 and 2013, respectively are deferred and amortized using the effective interest method. Amortization of debt issue costs amounted to about ₱1 million in 2014, 2013 and 2012 (see Note 27).

Debt issue costs are amortized over the term of the loan using the effective interest method as follows:

Year	Amount
2015	₱1,078
2016	1,118
2017	1,153
2018	1,546
	₱4,895

The schedule of debt repayment of the loan is as follows:

Year	Amount
2015	₱8,000
2016	8,000
2017	8,000
2018	8,000
2019 onwards	756,000
	₱788,000

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 loan bears interest at a fixed rate per annum equal to 125 basis points in excess of Citibank's 15-year Cost of Funds in effect three business days prior to the funding of the loan, which Cost of Funds rate is based on the applicable term Libor Swap Rate.

The investment property acquired for which the loan was availed was pledged as collateral (see Note 10).

The schedule of debt repayment is as follows:

Year	Amount
2015	₱1,837
2016	1,946
2017	2,060
2018	2,182
2019–2028	29,653
	₱37,678

18. Obligations for Program Rights

This account represents liabilities to foreign and local film suppliers for program rights purchased by the Company. The liabilities are noninterest-bearing and are payable in equal monthly, quarterly or semiannual installments over a period of one to six 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 ₱38 million and ₱49 million as of December 31, 2014 and 2013, respectively.

The schedule of repayments is as follows:

Within one year	₱731,625
More than one year to five years	255,283
	₱986,908

19. Convertible Note

On February 14, 2011, ABS-CBN , Lopez, Inc, Lopez Holdings, Sky Vision, Sky Cable, STT Communications Ltd. (STTC) and Sampaquita, entered into a Subscription and Purchase Agreement (SPA) wherein Sampaquita agreed to purchase PDRs from ABS-CBN and Lopez Holdings and to subscribe to originally issued PDRs from Sky Vision and convertible note to be issued by Sky Cable.

On March 30, 2011, ABS-CBN completed the sale of 143,107,174 PDRs with underlying Sky Cable shares to Sampaquita for ₱1,816 million. Simultaneously, Sampaquita completed the subscription of originally issued 149,711,934 PDRs with underlying Sky Cable shares from Sky Vision for ₱1,450 million and Sky Cable convertible note for ₱250 million.

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.

On May 12, 2011, Sky Cable, as provided in the SPA dated February 14, 2011, completed the issuance of the ₱250 million note to Sampaquita convertible into 25,812,403 shares of Sky Cable at the option of Sampaquita any time from issue date to maturity date, which is 10 years from date of issuance.

The convertible note bears 0% interest rate for the first three years, subject to adjustment every three years upon mutual agreement of the parties, provided that the interest rate shall not exceed 10% per annum. The interest rate shall be agreed upon by Sky Cable and Sampaquita at least 30 days prior to the commencement of each 3-year period. If no such agreement is reached, the interest rate for the succeeding period shall be the same as the interest rate for the preceding 3-year period. Such interest shall accrue from and including the first day of such interest period but not including the last day of such interest period.

The convertible note was accounted for under split accounting. The equity component of the convertible note amounting to ₱27 million (net of transaction costs of ₱2 million and tax of ₱12 million) was recognized as part of noncontrolling interests in the consolidated financial statements of ABS-CBN. The liability component is presented separately as “Convertible note” in the consolidated statements of financial position.

In 2014, Sampaquita and Sky Cable agreed to retain the interest rate at 0% for the next three year period. Accordingly, Sky Cable recalculated the carrying amount of the convertible note to reflect the actual and revised estimated cash flows. The difference between the carrying values computed at the original effective interest rate and the revised effective interest rate amounting to ₱70 million is recognized as gain in 2014. The amount is shown as “Gain on remeasurement of convertible note” in the 2014 consolidated statement of comprehensive income (see Note 27).

Accretion of the convertible note recognized as part of interest expense in the consolidated statements of income amounted to ₱14 million, ₱18 million and ₱16 million in 2014, 2013 and 2012, respectively (see Note 27).

20. Other Noncurrent Liabilities

	2014	2013
Customers’ deposits	**₱293,985**	₱269,616
Deferred credits	**40,988**	62,730
Others	**103,884**	70,426
	₱438,857	₱402,772

Customers’ deposits related to Sky Cable’s subscription agreements with customers 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.

Others include asset retirement obligation, outstanding transmission liability and other long term payables.

21. **Equity**

Capital Stock
Details of authorized and issued capital stock as of December 31, 2014 and 2013 are as follows:

	December 31, 2014		December 31, 2013	
	Number of Shares	**Amount**	Number of Shares	Amount
	(Amounts in Thousands, Except Number of Shares)			
Common Shares - ₱1.0 par value				
Authorized:				
Balance at beginning of year	**1,300,000,000**	**₱1,300,000**	1,500,000,000	₱1,500,000
Reclassification to preferred shares	–	–	(200,000,000)	(200,000)
Balance at end of year	**1,300,000,000**	**₱1,300,000**	1,300,000,000	₱1,300,000
Issued:				
Balance at beginning of year	**872,123,642**	**₱872,124**	779,584,602	₱779,585
Issuances	–	–	92,539,040	92,539
Balance at end of year	**872,123,642**	**₱872,124**	872,123,642	₱872,124

	December 31, 2014		December 31, 2013	
	Number of Shares	**Amount**	Number of Shares	Amount
	(Amounts in Thousands, Except Number of Shares)			
Preferred Shares - ₱0.2 par value				
Authorized:				
Balance at beginning of year	**1,000,000,000**	**₱200,000**	–	₱–
Reclassification from common shares	–	–	1,000,000,000	200,000
Balance at end of year	**1,000,000,000**	**₱200,000**	1,000,000,000	₱200,000
Issued:				
Balance at beginning of year	**1,000,000,000**	**₱200,000**	–	₱–
Issuances	–	–	1,000,000,000	200,000
Balance at end of year	**1,000,000,000**	**₱200,000**	1,000,000,000	₱200,000

Below is the Parent Company’s track record of the registration of securities:

Date of SEC Order Rendered Effective or Permit to Sell	Event	Authorized Capital Stock	Issued Shares	Issue Price
	Registered and Listed Shares (Original Shares)	₱200,000	111,327,200	₱1.00
March 31, 1992	Initial Public Offering (Primary)	200,000	12,428,378	15.00
	Secondary *	200,000	18,510,517	15.00
	ESOP*	200,000	1,403,500	15.00
June 16, 1993	40% stock dividends	200,000	49,502,074	1.00
August 18, 1994	50% stock dividends	500,000	86,620,368	1.00
July 25, 1995	100% stock dividends	1,500,000	259,861,104	1.00
July 2, 1996	50% stock dividends	1,500,000	259,861,104	1.00
January 7, 2014	Issuance	1,500,000	57,836,900	43.125
January 7, 2014	Issuance	1,500,000	34,702,140	43.225

**Included in the 111,327,200 shares existing at the time of the IPO*

The Parent Company’s total number of common stockholders is 5,641 and 5,741 as of December 31, 2014 and 2013, respectively.

Common Shares. On May 15, 2013, CIPEF agreed to subscribe to ₱2.5 billion worth of new PDRs to be issued by ABS-CBN Holdings which will in turn subscribe to the same number of newly issued common shares of the Parent Company. The new PDRs to be issued to CIPEF were priced at ₱43.225 per PDR. This equals to 57,836,900 common shares to be issued by the Parent

Company to ABS-CBN Holdings and an equivalent number of PDRs to be issued to CIPEF upon full payment of its subscription.

On the same date, Lopez, Inc. also agreed to subscribe to ₱1.5 billion worth of common shares of the Parent Company. This equals to 34,702,140 common shares to be issued by the Parent Company to Lopez, Inc. upon full payment of its subscription.

On June 5, 2013, CIPEF and ABS-CBN Holdings completed its subscription to the PDRs and common shares, respectively, with the payment of the subscription price of ₱2.5 billion.

On June 25, 2013, Lopez, Inc. subscribed to 34,702,140 common shares of the Parent Company and paid 25% of the subscription price. Under the terms of the subscription, Lopez, Inc. shall pay the remaining 75% of the subscription price on or before December 31, 2013. On December 20, 2013, Lopez, Inc. fully paid the subscription price to 34,702,140 common shares. Consequently, the Parent Company issued the common shares to Lopez, Inc.

Costs directly attributable to the issuance of new common shares in 2013 amounting to ₱55 million were charged against additional paid-in capital.

Preferred Shares. In a special meeting on September 28, 2012, the BOD approved the amendment of the Articles of Incorporation of the Parent Company to reclassify 200 million common shares with a par value of ₱1.00 per share into 1 billion cumulative, voting, non-participating, redeemable and non-convertible preferred shares with a par value of ₱0.20 per share. Such reclassification was approved by the stockholders in a special meeting on November 15, 2012.

On November 29, 2012, the Philippine SEC approved the amendment of the Articles of Incorporation to reclassify 200 million common shares into 1 billion preferred shares.

On February 28, 2013, the Company issued the 1 billion preferred shares at par. Lopez, Inc. subscribed to a total of 987,130,246 preferred shares. The preferred share has a dividend rate of 2%. Lopez, Inc.'s subscription of the preferred shares increased their voting interest to 79%.

The Parent Company's total number of preferred shareholders is 191 as of December 31, 2014 and 2013.

Share-based Payment Plan

Lopez Holdings, a commonly controlled entity, has an Employee Stock Purchase Plan (ESPP) that was approved by the BOD and stockholders on February 28, 2011. The terms of ESPP, include among others, a limit as to the number of shares a qualified regular employee, officer or qualified director of Lopez Holdings and Lopez, Inc. or a qualified officer of Lopez Holdings' subsidiaries and associates, may purchase and the manner of payment based on equal semi-monthly installments over a period of two years through salary deductions. All qualified participants are given until 10 years from grant date to exercise the stock options.

The primary terms of the grant are as follows:

Grant date	May 2011
Number of options granted allocable to the Company	21,974,257
Offer price per share	₱4.573
Option value per share	₱1.65

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes Option Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the option grants:

Expected volatility	42.6%
Weighted average share price	₱4.573
Risk-free interest rate	4.3%
Expected life of option	5 years
Dividend yield	2.5%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which likewise, may not necessarily be the actual outcome. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. No other features of options grant were incorporated into the measurement of the fair value of the options.

Total number of options exercisable under ESPP is as follows:

	2014	2013
Balance at beginning of year	**16,658,472**	21,196,544
Exercised during the year	**(887,939)**	(3,955,893)
Cancelled during the year	**(200,000)**	(582,179)
Balance at end of year	**15,570,533**	16,658,472

Total share-based payment expense recognized by the Company as part of "Personnel expenses" under "General and administrative expenses" account in the consolidated statements of income amounted to nil, ₱5 million and ₱37 million in 2014, 2013 and 2012, respectively (see Note 26). A corresponding "Share-based payment plan" account, net of applicable tax, under equity section of the consolidated statements of financial position was also recognized.

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 ₱1,117 million and ₱1,459 million as of December 31, 2014 and 2013, respectively.

Further, the Parent Company's loan agreement with its creditors limits the declaration of dividends up to 50% of the net income after tax for the immediately preceding financial year. This limitation has been in effect since 2004 resulting to an accumulation of unappropriated retained earnings (see Note 17).

On January 30, 2014, the BOD approved the declaration and payment of 2% per annum cash dividend on the Parent Company's preferred shares with a record date set for February 14, 2014 and payable on February 28, 2014.

On March 27, 2014, the BOD also approved the declaration of cash dividend of ₱0.60 per common share or an aggregate amount of ₱511 million to all common stockholders of record as of April 16, 2014 payable on May 7, 2014.

On April 23, 2013, the BOD approved the declaration of cash dividend of ₱0.40 per share or an aggregate amount of ₱297 million to all stockholders of record as of May 10, 2013 payable on June 6, 2013.

On February 27, 2013, the BOD approved the reversal of appropriated retained earnings amounting to ₱8,300 million to unappropriated retained earnings. On the same date, the Company's BOD approved the appropriation of retained earnings of ₱16,200 million, including the specific projects and timeline. The appropriated retained earnings is set aside for capital expenditures particularly for the purchase of Parent Company's property and equipment needed for business operations and expansion over a period of five years.

On March 30, 2012, the BOD approved the declaration of cash dividend of ₱0.80 per share or an aggregate amount of ₱593 million to all stockholders of record as of April 25, 2012 payable on May 22, 2012.

PDRs Convertible to Common Shares
Details of PDRs convertible to common shares as of December 31, 2014 and 2013 are as follows:

	2014		2013	
	Number of Shares	**Amount**	Number of Shares	Amount
Balance at beginning of year	**38,178,206**	**₱1,164,146**	38,178,206	₱1,164,146
Acquisitions of PDRs	**3,376,400**	**99,950**	–	–
Balance at end of year	**41,554,606**	**₱1,264,096**	38,178,206	₱1,164,146

This account represents ABS-CBN PDRs held by the Parent Company which are convertible into ABS-CBN shares. Each PDR grants the holders, upon payment of the exercise price and subject to certain other conditions, the delivery of one ABS-CBN share or the sale of and delivery of the proceeds of such sale of one ABS-CBN share. The ABS-CBN shares are still subject to ownership restrictions on shares of corporations engaged in mass media and ABS-CBN may reject the transfer of shares to persons other than Philippine nationals. The PDRs were listed in the PSE on October 7, 1999 and may be exercised at any time from said date. Any cash dividends or other cash distributions in respect of the underlying ABS-CBN shares shall be applied by ABS-CBN Holdings, issuer of PDRs, towards payment of operating expenses and any amounts remaining shall be distributed pro-rata among outstanding PDR holders.

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 17, significant transactions of the Company with its associates and related parties follow:

	Nature	Years Ended December 31 2014	2013	2012
Associate and Joint Venture				
Blocktime fees paid by the Parent Company and Studio 23 to Amcara	Blocktime fees	**₱33,776**	₱32,660	₱32,475
Advances to ALA	Advances	**30,000**	–	–
Entities under Common Control				
Loan to Lopez Holdings	Loan and interest	**1,109,330**	–	–
Expenses paid by Sky Cable to Bayantel, a subsidiary of Lopez, Inc., and other related parties	Bandwith cost and utilities expenses	**225,295**	118,083	148,699
Expenses paid by ABS-C to Bayantel, a subsidiary of Lopez, Inc., and other related parties	Rent and utilities	**222,820**	280,586	431,236
Expenses paid by the Parent Company and subsidiaries to Goldlink Securities and Investigative Services, Inc. (Goldlink), Bayantel and other related parties	Service fees and utilities expenses	**141,180**	186,625	184,573
Airtime revenue from Bayantel and A CJ O	Airtime fees	**37,740**	19,720	19,862
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	Rent and utilities	**30,855**	38,652	221,867
Termination cost charges of Bayantel to ABS-CBN Global	Termination cost	**15,203**	33,917	56,973
Others				
Donation to ABS-CBN Lingkod Kapamilya Foundation,Inc. (ABS-CBN Lingkod Kapamilya, formerly ABS-CBN Foundation, Inc.)	Donations for Typhoon Yolanda victims	**6,436***	120,631*	–

**Net proceeds from sale of "Tulong Na, Tabang Na, Tayo Na" shirts*

The related receivables from related parties, presented under "Trade and other receivables" account and payables to related parties, presented under "Trade and other payables" account in the consolidated statements of financial position, are as follows:

	Relationship*	Terms	Conditions	December 31, 2014	December 31, 2013
Due from (see Note 7)					
Lopez Holdings	Affiliate	7 months, interest-bearing	Unsecured, no impairment	**₱1,100,000**	₱–
		30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**4,356**	11,468
Bayantel	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**314,550**	177,868
Amcara	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**142,311**	146,031
First Philippine Holdings Corporation (FPHC)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**44,805**	27,753

(Forward)

	Relationship*	Terms	Conditions	**December 31, 2014**	December 31, 2013
ALA Sports	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**₱30,000**	₱–
INAEC Aviation Corporation	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**22,454**	120
ABS-CBN Lingkod Kapamilya	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**17,570**	66,013
A CJ O	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**12,741**	10,797
Star Cinema	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**7,924**	7,923
Goldlink	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**5,703**	3,783
Rockwell Land Corporation (Rockwell Land)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	**2,914**	2,545
Others	Affiliate	30 days upon receipt; noninterest-bearing	Unsecured, no impairment	**16,276**	10,682
Total				**₱1,721,604**	₱464,983

	Relationship*	Terms	Conditions	**December 31, 2014**	December 31, 2013
Due to (see Note 16)					
Sky Cable Net, Inc.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	**₱55,858**	₱55,858
Lopez, Inc.	Ultimate parent	30 days upon receipt of billings; noninterest-bearing	Unsecured	**26,046**	7,415
ABS-CBN Bayan Foundation	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured	**6,234**	–
ABS-CBN Lingkod Kapamilya	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured	**–**	120,631
Beyond Cable Holdings, Inc.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	**–**	16,690
Others	Affiliates	30 days upon receipt of billings; noninterest-bearing	Unsecured	**22,570**	10,012
Total				**₱110,708**	₱210,606

**Affiliate pertains to various entities under common control of Lopez, Inc., ultimate parent company*

a. 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.

b. Due from Amcara pertains substantially to the outstanding receivable for funds transferred by ABS-CBN to Amcara in 2012 to fund the purchase of an intangible asset.

c. Sky Cable has entered into an agreement with Bayantel for the grant of IRU in certain capacities in the network. Operation and maintenance fees paid by Sky Cable to Bayantel amounted to ₱4 million and ₱5 million as of December 31, 2014 and 2013, respectively (see Note 30).

d. Advances to employees and talents amounted to ₱390 million and ₱299 million as of December 31, 2014 and 2013, respectively (see Note 7).

e. Share-based payment amounted to ₱34 million as of December 31, 2014 and 2013 (see Note 21).

f. On October 16, 2014, the Parent Company granted a loan to Lopez Holdings with principal amounting to ₱1.1 billion. The loan has a term of one year and bears fixed interest rate equivalent to 4.02% p.a. Interest income from the loan amounted to ₱9 million in 2014.

g. In 2014, the Parent Company made additional investments in ALA Sports amounting to ₱30 million.

h. Due from INAEC pertains to fee for air chartering services.

i. 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. Except for transactions identified in the previous section as interest-bearing, outstanding balances as of year-end are generally unsecured, interest-free and settlement occurs in cash, and are collectible or payable on demand. For the years ended December 31, 2014, 2013 and 2012, 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

	Years Ended December 31		
	2014	2013	2012
Compensation (see Notes 24, 25 and 26)	**₱1,867,933**	₱1,425,841	₱1,245,385
Pension benefits (see Note 29)	**104,722**	100,618	114,063
Vacation leaves and sick leaves	**45,343**	31,028	71,955
Termination benefits	**30,636**	210	101
Share-based payment (see Note 21)	–	5,397	37,140
	₱2,048,634	₱1,563,094	₱1,468,644

23. Material Noncontrolling Interests

Financial information of subsidiaries that have material noncontrolling interests is provided below.

Proportion of Equity Interest Held By Noncontrolling Interests

Company	Place of Incorporation	Percentage
Sky Cable Corporation and Subsidiaries	Philippines	42.6%
Sapientis Holdings Corporation and Subsidiaries	Philippines	30.7%

Accumulated Earnings (Losses) of Material Noncontrolling Interests

Company	**2014**	2013
Sky Cable Corporation and Subsidiaries	**₱2,045,696**	₱2,041,861
Sapientis Holdings Corporation and Subsidiaries	**(656,690)**	(208,988)

Net Income (Loss) Attributable to Noncontrolling Interests

	Years Ended December 31		
Company	**2014**	2013	2012
Sky Cable Corporation and Subsidiaries	**₱111,337**	₱107,874	₱57,158
Sapientis Holdings Corporation and Subsidiaries	**(447,702)**	(214,479)	(76,147)

The summarized financial information of Sky Cable and Sapientis are provided below. This information is based on amounts before intercompany eliminations and after fair value adjustments.

a. *Sky Cable*

Summarized Consolidated Statements of Financial Position

	2014	2013
Cash and cash equivalents	**₱3,207,877**	₱1,289,820
Other current assets	**1,848,653**	1,588,285
Goodwill	**4,491,817**	4,491,817
Trademarks	**1,111,784**	1,111,784
Customer relationships	**442,384**	463,523
Other noncurrent assets	**9,447,790**	8,429,890
Current liabilities	**(7,801,075)**	(4,915,003)
Noncurrent liabilities	**(4,757,298)**	(4,999,856)

Summarized Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2014	2013	2012
Revenue	**₱7,764,433**	₱6,936,709	₱5,908,310
Cost of services	**(5,014,304)**	(4,483,667)	(3,929,706)
General and administrative expenses	**(2,345,713)**	(1,939,292)	(1,712,126)
Finance costs	**(249,984)**	(228,843)	(165,922)
Other income - net	**213,204**	63,334	97,585
Income before income tax	**367,636**	348,241	198,141
Provision for income tax	**110,244**	102,279	55,725
Net income	**₱257,392**	₱245,962	₱142,416

	Years Ended December 31		
	2014	2013	2012
Attributable to equity holders of the Parent Company	**₱262,676**	₱240,571	₱148,533
Attributable to noncontrolling interests	**(₱5,284)**	₱5,391	(₱6,117)
Total comprehensive income	**₱238,873**	₱362,437	(₱281,538)
Attributable to equity holders of the Parent Company	**₱244,016**	₱357,046	(₱275,421)
Attributable to noncontrolling interests	**(₱5,143)**	₱5,391	(₱6,117)

Summarized Consolidated Statements of Cash Flows

	Years Ended December 31		
	2014	2013	2012
Operating	**₱2,492,465**	₱1,994,283	₱1,521,787
Investing	**(2,282,090)**	(1,713,194)	(6,398,623)
Financing	**1,707,682**	(294,803)	4,160,608

b. *Sapientis*

Summarized Consolidated Statements of Financial Position

	2014	2013
Cash and cash equivalents	**₱20,160**	₱19,165
Other current assets	**728,578**	565,205
Goodwill	**567,836**	567,836
Customer relationships	**3,000**	36,000
Other noncurrent assets	**2,271,511**	2,314,404
Current liabilities	**(1,976,544)**	(1,189,105)
Noncurrent liabilities	**(6,365,831)**	(6,054,480)

Summarized Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2014	2013	2012
Revenue	**₱409,694**	₱544,094	₱563,624
Cost of services	**(619,292)**	(645,054)	(639,585)
General and administrative expenses	**(1,836,308)**	(755,527)	(478,813)
Finance costs	**(211)**	(21,634)	(25,457)
Other income (loss) – net	**458,005**	(34,651)	253,586
Loss before income tax	**(1,588,112)**	(912,772)	(326,645)
Provision for income tax	**(129,720)**	(205,323)	(26,593)
Net loss	**(₱1,458,392)**	(₱707,449)	(₱300,052)
Attributable to equity holders of the Parent Company	**(₱1,010,690)**	(₱492,970)	(₱223,905)
Attributable to noncontrolling interests	**(₱447,702)**	(₱214,479)	(₱76,147)
Total comprehensive loss	**(₱1,078,494)**	(₱706,578)	(₱302,043)
Attributable to equity holders of the Parent Company	**(₱747,420)**	(₱492,367)	(₱225,284)
Attributable to noncontrolling interests	**(₱331,074)**	(₱214,211)	(₱76,759)

Summarized Consolidated Statements of Cash Flows

	Years Ended December 31		
	2014	2013	2012
Operating	**(₱805,969)**	(₱604,901)	₱296,359
Investing	**(106,035)**	(535,620)	(334,522)
Financing	**912,999**	1,148,089	–

24. Production Costs

	Years Ended December 31		
	2014	2013	2012
Personnel expenses and talent fees (see Notes 22 and 29)	**₱6,060,858**	₱6,438,019	₱5,597,826
Facilities-related expenses (see Notes 22 and 30)	**1,560,649**	1,628,792	1,741,900
Depreciation and amortization (see Note 9)	**905,525**	959,283	1,104,535
Travel and transportation	**592,155**	595,179	634,887
Amortization of program rights (see Note 11)	**566,201**	646,315	456,745
License and royalty	**389,707**	402,547	401,187
Set requirements	**272,638**	362,558	256,465
Catering and food expenses	**153,222**	183,143	178,751
Advertising and promotions	**55,721**	63,970	53,125
Stationery and office supplies	**45,811**	40,289	43,850
Other program expenses (see Notes 11 and 22)	**405,169**	179,270	85,891
	₱11,007,656	₱11,499,365	₱10,555,162

Other program expenses consist of production expenses including, but not limited to, prizes and other expenses related to the promotional activities of various projects during the year.

25. Cost of Sales and Services

Cost of services consists of the following:

	Years Ended December 31		
	2014	2013	2012
Facilities-related expenses (see Notes 22 and 30)	**₱2,457,789**	₱2,627,000	₱2,410,561
Programming costs	**1,742,264**	1,512,779	1,246,447
Depreciation and amortization (see Note 9)	**1,420,323**	1,251,225	1,142,205
Personnel expenses (see Notes 22 and 29)	**1,299,429**	1,287,670	1,304,828
Advertising and promotions	**364,549**	233,842	109,021
License fees and royalties	**270,137**	68,386	168,372
Bandwidth costs	**268,760**	183,294	151,810
Interconnection costs (see Note 22)	**212,396**	88,940	75,326
Amortization of program rights (see Note 11)	**187,139**	355,127	333,637
Transportation and travel	**179,477**	138,784	165,119
Transaction costs	**161,427**	176,802	149,058
Freight and delivery	**78,257**	74,235	99,861
Inventory costs (see Note 8)	**73,561**	97,408	72,676
Stationery and office supplies	**71,894**	73,339	50,001

(Forward)

	Years Ended December 31		
	2014	2013	2012
Amortization of deferred charges (see Note 14)	**₱69,617**	₱52,871	₱53,166
Set requirements	**35,244**	20,167	22,677
Installation costs	**30,958**	45,575	60,422
Amortization of other intangible assets (see Note 11)	**32,187**	41,924	39,791
Catering and food expenses	**24,376**	23,783	26,068
Taxes and licenses	**21,385**	15,679	17,705
Others (see Note 22)	**44,358**	484,610	362,630
	₱9,045,527	₱8,853,440	₱8,061,381

Amortization of movie in-process and filmed entertainment are recorded as part of "Cost of services" under each applicable expense account.

Cost of sales consists of the following:

	Years Ended December 31		
	2014	2013	2012
Inventory costs (see Note 8)	**₱68,532**	₱140,225	₱41,996
Printing and reproduction	**47,076**	74,675	103,135
Personnel expenses (see Notes 22 and 29)	**42,948**	55,841	67,098
Handling and processing costs	**11,782**	13,465	11,926
Freight and delivery	**4,837**	10,863	15,302
Advertising and promotions	**3,538**	8,166	8,549
Transportation and travel	**2,197**	3,200	4,296
Facilities related expenses (see Notes 22 and 30)	**2,128**	7,914	15,991
Depreciation and amortization (see Note 9)	**20**	171	313
Others (see Note 22)	**18,935**	15,509	23,489
	₱201,993	₱330,029	₱292,095

26. General and Administrative Expenses

	Years Ended December 31		
	2014	2013	2012
Personnel expenses (see Notes 21, 22 and 29)	**₱5,148,871**	₱4,661,333	₱3,944,572
Contracted services	**1,123,980**	1,044,109	999,441
Facilities related expenses (see Notes 22 and 30)	**741,108**	698,922	606,945
Advertising and promotion	**694,405**	614,854	436,977
Depreciation and amortization (see Notes 9 and 10)	**545,132**	503,520	578,143
Provision for doubtful accounts (see Note 7)	**530,573**	432,094	389,904
Taxes and licenses	**446,883**	432,742	360,576
Transportation and travel	**282,440**	333,079	119,420
Research and survey	**256,546**	302,885	235,926
Entertainment, amusement and recreation	**95,281**	62,657	71,006
Donations and contributions	**53,792**	72,527	120,004
Inventory losses (see Note 8)	**35,220**	62,094	15,067
Amortization of other intangible assets (see Note 11)	**28,903**	28,601	29,555
Impairment loss on goodwill (see Notes 3 and 15)	**–**	20,061	–
Others (see Note 22)	**130,770**	344,878	313,632
	₱10,113,904	₱9,614,356	₱8,221,168

Others consist mainly of stationery and office supplies and other expenses.

27. **Other Income and Expenses**

Finance Costs

	Years Ended December 31		
	2014	2013	2012
Interest expense (see Notes 17 and 19)	**₱845,478**	₱716,894	₱731,633
Break cost (see Note 17)	**178,480**	–	–
Amortization of debt issue costs (see Note 17)	**122,975**	73,421	65,576
Bank service charges	**18,380**	26,604	19,492
	₱1,165,313	₱816,919	₱816,701

The following are the sources of the Company's interest expense:

	Years Ended December 31		
	2014	2013	2012
Long-term debt (see Note 17)	**₱536,582**	₱613,046	₱666,639
Bonds payable (see Note 17)	**288,090**	–	–
Convertible note (see Note 19)	**14,031**	17,521	16,284
Obligations under finance lease (see Note 17)	**6,265**	11,786	16,349
Bank loans (see Note 17)	**510**	74,541	32,361
	₱845,478	₱716,894	₱731,633

Other Income (Charges)

	Years Ended December 31		
	2014	2013	2012
Gain on settlement of liabilities (see Note 16)	**₱444,826**	₱13,910	₱208,564
Leasing operations (see Note 30)	**120,926**	231,823	250,976
Gain on remeasurement of convertible note (see Note 19)	**70,184**	–	–
Management fees	**18,630**	54,370	39,678
Revenue from workshops	**–**	11,508	9,969
Dividend income	**7,070**	13,119	7,793
Gain (loss) on sale of property and equipment	**(4,167)**	(5,688)	89,121
Recovery of receivables written-off	**–**	10,921	16,433
Others - net (see Note 14)	**(5,117)**	182,359	165,565
	₱652,352	₱512,322	₱788,099

In 2014, ABS-C and its creditor agreed to settle its outstanding liability at a lower amount, which resulted to a gain of ₱445 million (see Note 16).

In March 2012, ABS-C and its creditors agreed to settle all its outstanding liabilities at a lower amount, which resulted to a gain of ₱209 million.

Others mainly consist of income from installation services, unclaimed deposits, service fees and miscellaneous income and expenses.

28. Income Tax and Registration with the Philippine Economic Zone Authority (PEZA)

The provision for (benefit from) income tax follows:

	Years Ended December 31		
	2014	2013	2012
Current	**₱993,754**	₱1,060,075	₱540,387
Deferred	**(236,756)**	(375,764)	(126,437)
	₱756,998	₱684,311	₱413,950

The components of consolidated net deferred tax assets and liabilities of the Company are as follows:

	2014	2013
Deferred tax assets - net:		
Accrued pension obligation and other employee benefits	**₱1,405,598**	₱1,173,192
NOLCO	**328,857**	190,655
Allowance for doubtful accounts	**284,198**	288,389
Accrued expenses	**248,157**	216,860
Excess of the purchase price over the fair value of net assets acquired	**207,921**	306,958
Customers' deposits	**143,579**	153,329
MCIT	**41,014**	24,763
Allowance for impairment loss on property and equipment	**39,680**	54,608
Unearned revenue	**30,080**	51,668
Net unrealized foreign exchange loss	**16,470**	11,018
Allowance for inventory obsolescence	**3,017**	8,078
Others	**109,616**	50,646
	₱2,858,187	₱2,530,164
Deferred tax liabilities - net:		
Excess of the fair value over the book value of net assets acquired	**₱288,998**	₱299,798
Capitalized interest, duties and taxes (net of accumulated depreciation)	**214,120**	222,666
Imputed discount	**84,536**	84,536
Net unrealized foreign exchange gain	–	30,533
	₱587,654	₱637,533

The details of the deductible temporary differences, NOLCO and MCIT of certain subsidiaries for which no deferred tax assets were recognized are as follows:

	2014	2013
Allowance for doubtful accounts	**₱1,268,517**	₱1,052,820
NOLCO	**200,401**	386,752
Allowance for decline in value of inventories	**72,257**	144,315
Unearned revenue	**19,703**	4,077
MCIT	**7,979**	9,167
Allowance for impairment loss on property and equipment	**6,860**	104,736
Accretion of interest expense	**–**	165,249
Accrued pension obligation and others	**196,505**	153,421

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 2014, MCIT and NOLCO amounting to ₱2 million and ₱179 million expired and were written off, respectively. MCIT and NOLCO amounting to ₱1 million each, were claimed as deduction against RCIT due and taxable income.

In 2013, MCIT and NOLCO amounting to ₱1 million and ₱232 million expired and were written off, respectively. MCIT and NOLCO amounting to ₱152 million and ₱41 million, respectively, were claimed as deduction against RCIT due and taxable income.

MCIT of the subsidiaries amounting to ₱49 million can be claimed as tax credit against future RCIT as follows:

Year Paid	Expiry Dates	Amount
2012	December 31, 2015	₱28,717
2013	December 31, 2016	1,919
2014	December 31, 2017	18,357
		₱48,993

NOLCO of the subsidiaries amounting to ₱1,297 million can be claimed as deductions from future taxable income as follows:

Year Incurred	Expiry Dates	Amount
2012	December 31, 2015	₱215,288
2013	December 31, 2016	66,780
2014	December 31 ,2017	1,014,523
		₱1,296,591

As of December 31, 2014 and 2013, deferred tax liability on undistributed earnings of ABS-CBN Global, holding company of the Parent Company's foreign subsidiaries, amounting to ₱1,395 million and ₱1,299 million, respectively, has not been recognized because the Parent Company has control over such earnings, which have been earmarked for expansion in the Company's foreign operations and are not expected to reverse in the foreseeable future.

The reconciliation of statutory tax rate to effective tax rates applied to income before income tax is as follows:

	Years Ended December 31		
	2014	2013	2012
Statutory tax rate	**30%**	30%	30%
Additions to (reduction in) income taxes resulting from the tax effects of:			
Interest income subjected to final tax	**(6)**	(3)	(6)
Nondeductible interest expense	**2**	1	2
Others (mainly income subject to different tax rates and change in tax rates - net)	**1**	(3)	(6)
Effective tax rates	**27%**	25%	20%

Registration with the PEZA
On July 14, 2009, the PEZA approved the application of Big Dipper for registration as an Ecozone Information Technology (IT) Enterprise to provide digital film archiving, digital central library, content licensing and transmission at the 3rd Floor, Eugenio Lopez, Jr. Communications Center, Eugenio Lopez Drive, Quezon City.

On February 13, 2014, the PEZA approved the application of Big Dipper for entitlement to Pioneer Status. Consequently, Big Dipper's income tax holiday period shall be extended until October 31, 2015.

Total income tax holiday incentives availed by Big Dipper amounted to ₱216 million, ₱226 million and ₱188 million in 2014, 2013 and 2012, respectively.

29. Pension and Other Employee Benefits

Accrued pension obligation and other employee benefits consist of:

	2014	2013
Pension obligation	**₱3,806,907**	₱3,371,676
Other employee benefits	**1,791,531**	1,498,364
	₱5,598,438	₱4,870,040

These are presented in the consolidated statements of financial position as follows:

	2014	2013
Current (see Note 16)	**₱807,625**	₱678,958
Noncurrent	**4,790,813**	4,191,082
	₱5,598,438	₱4,870,040

a. Pension Plan

The Company's pension plans are composed of funded (Parent Company and Sky Cable) and unfunded (other subsidiaries), noncontributory and actuarially computed defined benefit pension plans, except for ABS-CBN International (contributory), covering substantially all of its employees. The benefits are based on years of service and compensation during the last year of employment. Actuarial valuation is performed every year-end.

The following tables summarize the components of consolidated net pension expense recognized in the consolidated statements of income and accrued pension obligation recognized in the consolidated statements of financial position:

Net Pension Expense

	Years Ended December 31		
	2014	2013	2012
Current service cost	**₱346,687**	₱447,128	₱451,717
Net interest cost	**135,762**	211,768	201,986
Past service cost	**(15,047)**	–	103,006
Curtailment loss/settlement cost	**–**	9,198	–
Net pension expense	**₱467,402**	₱668,094	₱756,709

Accrued Pension Obligation

	2014	2013
Present value of obligation	**₱6,197,871**	₱4,952,976
Fair value of plan assets	**(2,390,964)**	(1,581,300)
Accrued pension obligation	**₱3,806,907**	₱3,371,676

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

	2014	2013
Defined benefit obligation at beginning of year	**₱4,952,976**	₱5,739,991
Current service cost	**346,687**	447,128
Interest cost	**209,204**	321,231
Past service cost	**(15,047)**	–
Curtailment loss/settlement	**–**	9,198
Effects of curtailment	**(4,342)**	(19,733)
Actuarial losses (gains) arising from:		
Experience adjustments	**581,191**	(910,215)
Change in financial assumptions	**322,672**	(577,047)
Change in demographic assumptions	**56,598**	404,886
Benefits paid	**(252,068)**	(462,463)
Defined benefit obligation at end of year	**₱6,197,871**	₱4,952,976

Changes in the fair value of plan assets of the Parent Company and Sky Cable are as follows:

	2014	2013
Fair value of plan assets at beginning of year	**₱1,581,300**	₱1,914,544
Interest income included in net interest cost	**73,442**	109,463
Return on plan assets excluding amount included in net interest cost	**482,222**	(443,247)
Actual contributions	**254,000**	540
Fair value of plan assets at end of year	**₱2,390,964**	₱1,581,300

The Parent Company and Sky Cable expect to contribute ₱200 million and ₱97 million, respectively, to the retirement fund in 2015.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2014	2013
	(Percentage)	
Investment in fixed/floating rate treasury note	**9.7**	16.9
Investment in government securities and bonds	**4.2**	6.2
Investment in stocks	**72.4**	72.9
Others	**13.7**	4.0
	100.0	100.0

The ranges of principal assumptions used as of January 1, 2014 and 2013 in determining pension benefit obligations for the Company's plans are shown below:

	2014	2013
Discount rate	**4.6%–4.8%**	4.6%–6.1%
Future salary rate increases	**4.0%–11.0%**	4.0%–11.0%

ABS-CBN

On March 11, 2010, the BOD approved the re-constitution of the retirement committee who will actively manage the pension fund.

The retirement committee is composed of five members, four of whom are executive staff of the Parent Company and beneficiaries of the plan.

The retirement committee of the beneficial trust fund uses an investment approach with the objective of maximizing the long-term expected return of plan assets. The plan's investment portfolio seeks to achieve regular income, long-term capital growth and consistent performance over its own portfolio benchmark. In order to attain this objective, the Trustee's mandate is to invest in a diversified portfolio of fixed income and equities. The investment portfolio consists of investment in equity and fixed income securities of 76% and 24% as of December 31, 2014, respectively, and 78% and 22% as of December 31, 2013, respectively. In 2014, the Parent Company contributed ₱254 million to the retirement fund and no withdrawals were made during the year. In 2013, PCC contributed ₱540 thousand to the retirement fund and no withdrawals were made during the year.

On July 27, 2010, the retirement committee of the retirement fund approved the following:

a. Acquisition of ABS-CBN securities to fully fund the retirement fund deficiency;
b. Allow the acquisition of Lopez Holdings shares and shares of other listed companies;
c. Migrate to an investment management account arrangement in lieu of a "Trusteed" arrangement with BDO; and
d. Appoint an investment officer of the retirement plan.

The market value of ABS-CBN asset allocation as at December 31, 2014 and 2013 are as follows:

	2014	2013
Fixed Income:		
Short-term	**₱293,678**	₱29,279
Medium and long-term:		
Government securities	**172,034**	202,755
Corporate bonds	**73,646**	78,353
Preferred shares	**8,118**	5,450
Equities:		
Investment in shares of stock and other securities of related parties	**1,414,620**	935,900
Common shares and unit investment trust fund (UITF)	**302,026**	206,584
	₱2,264,122	₱1,458,321

Short-term Fixed Income. Short-term fixed income investment includes time deposit, special deposit account and special savings account with interest ranging from 3% to 2% in 2014 and 2013.

Medium and Long-term Fixed Income. Investments in medium and long-term fixed income include Philippine peso-denominated bonds, such as government securities, corporate bonds, notes and debt securities and equity investment in preferred shares.

Government securities include treasury bills and fixed-term treasury notes bearing interest ranging from 3% to 9% and 2% to 9% in 2014 and 2013, respectively. These securities are fully guaranteed by the government of the Republic of the Philippines.

Investment in unsecured corporate bonds has a total cost of ₱76 million and ₱77 million with terms ranging from 5 years to 15 years as of December 31, 2014 and 2013, respectively. Yield to maturity rate ranges from 4% to 8% with a total loss of ₱2 million and 7% to 8% with a total gain of ₱1 million in 2014 and 2013, respectively.

In 2014, investment in preferred stock refers to 55,000 shares with a total cost of ₱8 million and ₱118 thousand gain. In 2013, investment in preferred stock refers to 50,000 shares with a total cost of ₱5 million and ₱450 thousand gain. The market value of preferred stock is ₱8 million and ₱5 million as of December 31, 2014 and 2013, respectively.

Equities. These pertain to investments in shares of stock and other securities of related parties and other companies listed in the PSE.

Investments in Shares of Stock and Other Securities of Related Parties. These pertain to investments in ABS-CBN PDRs and common shares and Lopez Holdings and Rockwell Land common shares.

	December 31, 2014			
	Number of Shares	**Cost**	**Market Value**	**Unrealized Gain (Loss)**
ABS-CBN common shares	**23,800**	**₱704**	**₱1,107**	**₱403**
ABS-CBN PDRs	**19,704,158**	**765,281**	**916,243**	**150,962**
Lopez Holdings	**69,777,680**	**230,137**	**467,510**	**237,373**
Rockwell Land	**17,103,433**	**34,476**	**29,760**	**(4,716)**
	106,609,071	**₱1,030,598**	**₱1,414,620**	**₱384,022**

	December 31, 2013			
	Number of Shares	Cost	Market Value	Unrealized Gain (Loss)
ABS-CBN common shares	23,800	₱704	₱772	₱68
ABS-CBN PDRs	19,704,158	765,281	630,533	(134,748)
Lopez Holdings	69,777,680	230,137	279,111	48,974
Rockwell Land	17,103,433	34,476	25,484	(8,992)
	106,609,071	₱1,030,598	₱935,900	(₱94,698)

In 2013, the retirement fund purchased 76,000 shares of PDRs at ₱42.12, which increased total PDRs shares held in trust with BDO to 580,058 shares. As of December 31, 2014 and 2013, the value of each PDR is at ₱46.50 and ₱32.00, respectively.

Total gain (loss) from investments in shares of stock and other securities of related parties amounted to ₱384 million and (₱95) million in 2014 and 2013, respectively.

Investments in Common Shares and UITF. Common shares pertain to 15,779,855 shares and 6,610,649 shares listed in the PSE in 2014 and 2013, respectively, with market value of ₱292 million and ₱198 million as of December 31, 2014 and 2013, respectively. UITF has a market value of ₱10 million and ₱9 million as of December 31, 2014 and 2013. Total gain from these investments amounted to ₱40 million and ₱12 million in 2014 and 2013, respectively.

Sky Cable

Sky Cable's retirement benefit fund is being maintained by trustee banks, BDO and Rizal Commercial Banking Corporation.

The market value of Sky Cable asset allocation as of December 31, 2014 and 2013 are as follows:

	2014	2013
Short-term fixed income	**₱23,273**	₱20,258
Investment in medium and long-term fixed income:		
Government securities	**61,027**	66,869
Corporate bonds and debt securities	**27,943**	23,128
Investment in shares of stock of First Gen Corporation (First Gen)	**7,320**	7,270
Preferred shares	**7,279**	5,454
	₱126,842	₱122,979

Short-term Fixed Income. Short-term fixed income investment includes time deposit, special deposit account and special savings account with interest of 2.5% and 2% as of December 31, 2014 and 2013, respectively.

Medium and Long-term Fixed Income. Investment in medium and long-term fixed income include Philippine peso-denominated bonds, such as government securities, corporate bonds, notes and debt securities.

Investment in Government Securities. Investment in government securities include treasury bills and fixed-term treasury notes bearing interest ranging from 3.17% to 11.14% and 3.3% to 11.1% as of December 31, 2014 and 2013, respectively. These securities are fully guaranteed by the government of the Republic of the Philippines. Total gain from investments in government securities amounted to ₱5 million and ₱6 million for the year ended December 31, 2014 and 2013, respectively.

Investment in Corporate Bonds. These pertain to ₱23 million unsecured bonds with terms ranging from 6 to10 years and 3 to 25 years as of December 31, 2014 and 2013. Yield to maturity rate ranges from 4.6% to 6.8% and 4.6% to 8.5% with a loss of ₱57 thousand and a gain of ₱628 thousand in 2014 and 2013, respectively.

Investment in Debt Securities. This refers to a ₱5 million unsecured subordinated note with a term of 5 years and yield to maturity of 6.7% as of December 31, 2014. Accrued interest receivable amounted to ₱58 thousand as of December 31, 2014.

Investments in Shares of Stock of First Gen. These refer to investments in preferred shares of First Gen which is listed in the PSE.

Total cost and market value of investments in shares of stock of First Gen amounted to ₱7 million as of December 31, 2014 and 2013. Total gain from these investments amounted to ₱900 thousand in 2014 and 2013.

Investments in Shares. These refer to investments in shares of stock other than those of the related parties.

b. Other Employee Benefits

Other employee benefits consists of accumulated employee sick and vacation leave entitlement.

Net Benefit Expense

	Years Ended December 31		
	2014	2013	2012
Current service cost	**₱157,882**	₱370,456	₱217,662
Interest cost	**62,940**	67,352	61,441
Net actuarial loss	**96,868**	(132,232)	5,398
Net benefit expense	**₱317,690**	₱305,576	₱284,501

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

	2014	2013
Defined benefit obligation at beginning of year	**₱1,498,364**	₱1,238,328
Current service cost	**157,882**	370,456
Actuarial loss	**96,868**	(132,232)
Interest cost	**62,940**	67,352
Benefits paid	**(24,523)**	(45,540)
Defined benefit obligation at end of year	**₱1,791,531**	₱1,498,364

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2014	2013
	Increase (Decrease) in Defined Benefit Obligation	Increase (Decrease) in Defined Benefit Obligation
Discount rate:		
Increase by 1%	**(₱785,659)**	(₱615,231)
Decrease by 1%	**934,543**	724,800
Future salary increases:		
Increase by 1%	**₱876,237**	₱616,239
Decrease by 1%	**(745,710)**	(530,890)

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

Year	**December 31, 2014**
2015	**₱504,891**
2016 to 2019	**1,337,996**
2020 to 2024	**1,276,912**
2025 and beyond	**18,938,783**

Year	December 31, 2013
2014	₱293,437
2015 to 2018	751,362
2019 to 2023	2,730,221
2024 and beyond	29,240,963

The average duration of the defined benefit obligation at the end of the period is 20 years.

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 ₱634 million, ₱589 million and ₱622 million in 2014, 2013 and 2012, 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:

	2014	2013
Within one year	**₱532,074**	₱509,199
After one year but not more than five years	**190,585**	618,230
	₱722,659	₱1,127,429

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:

	2014	2013
Within one year	**₱115,166**	₱111,913
After one year but not more than five years	**106,121**	157,931
	₱221,287	₱269,844

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:

	2014	2013
Within one year	**₱28,146**	₱32,574
After one year but not more than five years	**41,921**	72,852
Total minimum lease payments	**70,067**	105,426
Less amounts representing finance charges	**6,356**	12,167
Present value of minimum lease payments	**63,711**	93,259
Less current portion (see Note 17)	**24,277**	26,761
Noncurrent portion (see Note 17)	**₱39,434**	₱66,498

Sky Cable has entered into an agreement with Bayantel for the grant of IRU in certain capacities in the network. As of December 31, 2014 and 2013, Sky Cable has fully paid Bayantel for the grant of IRU amounting to ₱48 million and ₱82 million (see Note 22). There are no future lease payments expected from this agreement.

Purchase Commitments
Sky Cable has commitments with various program suppliers for a period of 1 to 5 years. Channel license fees are based on fixed and variable rates. Estimated fees for the next four years are as follows:

Year	Amount*
Within one year	₱539,118
After one year but not more than five years	1,773,279

**Includes variable fees based on the number of active subscribers as of December 31, 2014.*

The estimated fees include channel license fees contracted by Sky Cable for its subsidiaries, amounting to ₱116 million, for which Sky Cable will be reimbursed.

Network Sharing Agreement
On May 28, 2013, ABS-CBN announced its network sharing agreement with Globe Telecom, Inc. (Globe). This partnership enables ABS-CBN to deliver ABS-CBN content and offer traditional telecommunication services on mobile devices. Through the network-sharing agreement, Globe will provide capacity and coverage on its existing cellular mobile telephony network to ABS-C on a nationwide basis. The parties may also share assets such as servers, towers, and switches.

Construction Contracts
Play Innovations, Inc., a subsidiary of ABS-CBN Theme Parks, entered into various construction contracts for the development of an educational theme park under the franchise license of KidZania brand in the Philippines. The contract value committed for the significant construction contracts amounted to ₱985 million and ₱820 million as of December 31, 2014 and 2013, respectively.

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. Without the existence of any swaps, the Company's loan with fixed rate of interest is at about 63% and 59% of the total loans at the end of 2014 and 2013, respectively. As of December 31, 2014 and 2013, 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
2014								
Interest-bearings loans and borrowings:								
Fixed rate	**₱50,777**	**₱52,536**	**₱4,169,681**	**₱1,600,717**	**₱–**	**₱7,000,000**	**(₱98,844)**	**₱12,774,867**
Floating rate	**79,837**	**79,946**	**3,291,350**	**45,652**	**1,953,123**	**2,155,770**	**(55,310)**	**7,550,368**
2013								
Interest-bearings loans and borrowings:								
Fixed rate	₱959,261	₱105,370	₱105,913	₱1,024,997	₱1,970,217	₱4,600,000	(₱115,116)	₱8,650,642
Floating rate	459,723	59,824	59,931	60,045	89,612	5,356,000	(55,727)	6,029,408

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, 2014, benchmark interest rates, 3-month PDST-F, increased by 200 basis points since the end of 2013. 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	
	2014	2013
Parent Company:		
Increase by 2%	**(₱96,970)**	(₱97,980)
Decrease by 2%	**96,970**	97,980
PCC:		
Increase by 1%	**(7,880)**	(7,960)
Decrease by 1%	**7,880**	7,960

Foreign Currency Risk

It is the Company's policy to enter into cross currency swaps whenever the need arises to manage foreign currency risk and eliminate the variability of cash flows due to changes in the fair value of the foreign-currency denominated debt with maturity of more than one year.

As of December 31, 2014 and 2013, there are no freestanding derivative contracts and the Company's long-term loan obligations are generally in Philippine currency.

The Company, however has transactional currency exposures. Such exposure arises when the transaction is denominated in currencies other than the functional currency of the operating unit or the counterparty.

The following tables show the Company’s significant foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as of December 31, 2014 and 2013:

	Original Currency														
	USD	EUR	JPY	CAD	GBP	AUD	AED	Swiss Franc (CHF)	Norway Kroner (NOK)	Denmark Kroner (DKK)	Sweden Kroner (SEK)	Saudi Arabia Riyal (SAR)	Taiwan Dollar (TWD)	Israeli New Shekel (ILS)	Peso Equivalent
December 31, 2014															
Financial assets:															
Cash and cash equivalents	**69,516**	**28,319**	**1,204**	**2,185**	**12,891**	**1,123**	**1,355**	**119**	**846**	**534**	**138**	**1,305**	**30,118**	**164**	**5,759,214**
Trade and other receivables	**137,504**	**11,743**	**26,535**	**25,120**	**4,966**	**2,242**	**55,427**	**877**	**1,417**	**230**	**–**	**24,335**	**660**	**1,064**	**9,220,977**
	207,020	**40,062**	**27,739**	**27,305**	**17,857**	**3,365**	**56,782**	**996**	**2,263**	**764**	**138**	**25,640**	**30,778**	**1,228**	**14,980,191**
Financial liabilities:															
Trade and other payables	**106,198**	**1,780**	**183**	**20,326**	**2,684**	**379**	**37,171**	**1**	**98**	**2**	**–**	**451**	**–**	**155**	**5,527,037**
Obligations for program rights	**(8,393)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(375,337)**
	97,805	**1,780**	**183**	**20,326**	**2,684**	**379**	**37,171**	**1**	**98**	**2**	**–**	**451**	**–**	**155**	**5,151,700**
Net foreign currency-denominated financial assets (liabilities)	**109,215**	**38,282**	**27,556**	**6,979**	**15,173**	**2,986**	**19,611**	**995**	**2,165**	**762**	**138**	**25,189**	**30,778**	**1,073**	**9,828,491**
December 31, 2013															
Financial assets:															
Cash and cash equivalents	52,334	6,474	5,785	2,347	62	287	1,429	223	838	1,477	119	2,825	–	83	2,915,766
Trade and other receivables	98,320	4,744	30,425	6,835	5,404	934	320,031	387	1,423	230	146	213,031	2,613	255	11,810,725
	150,654	11,218	36,210	9,182	5,466	1,221	321,460	610	2,261	1,707	265	215,856	2,613	338	14,726,491
Financial liabilities:															
Trade and other payables	66,078	4,427	1,637	10,287	1,556	3,465	302,745	(403)	–	–	–	185,068	4	–	9,708,833
Obligations for program rights	9,399	(19)	–	–	–	–	–	–	–	–	–	–	–	–	416,099
	75,477	4,408	1,637	10,287	1,556	3,465	302,745	(403)	–	–	–	185,068	4	–	10,124,932
Net foreign currency-denominated financial assets (liabilities)	75,177	6,810	34,573	(1,105)	3,910	(2,244)	18,715	1,013	2,261	1,707	265	30,788	2,609	338	4,601,559

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the Company used the following exchange rates:

Currency	**2014**	2013
USD	**44.72**	44.40
EUR	**54.35**	61.02
JPY	**0.37**	0.42
CAD	**38.44**	41.45
GBP	**69.40**	73.14
AUD	**36.37**	39.36
AED	**12.18**	12.08
CHF	**45.19**	49.79
NOK	**5.99**	7.22
DKK	**7.30**	8.18
SEK	**5.69**	6.81
SAR	**11.91**	11.83
TWD	**1.41**	1.48
ILS	**10.09**	12.72

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.

	2014		2013	
	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	**2.7%**	**₱132,867**	3.6%	₱120,660
	(1.9%)	**(92,187)**	(3.1%)	(104,873)
EUR	**3.4%**	**71,541**	3.2%	13,580
	(3.4%)	**(71,541)**	(3.3%)	(13,841)
JPY	**10.0%**	**1,025**	3.3%	481
	(10.0%)	**(1,025)**	(3.3%)	(481)
CAD	**3.6%**	**9,713**	1.8%	(835)
	(3.6%)	**(9,713)**	(1.8%)	835
GBP	**3.2%**	**33,228**	5.8%	16,753
	(3.2%)	**(33,228)**	(0.3%)	(883)
AUD	**8.6%**	**9,354**	3.0%	(2,625)
	(8.6%)	**(9,354)**	(5.1%)	4,513
AED	**2.5%**	**6,001**	3.4%	7,774
	(2.6%)	**(6,226)**	(4.2%)	(9,545)
CHF	**4.1%**	**1,858**	6.4%	3,232
	(4.1%)	**(1,858)**	(2.8%)	(1,404)
NOK	**9.1%**	**1,177**	2.6%	427
	(9.1%)	**(1,177)**	(3.7%)	(598)
DKK	**3.4%**	**188**	3.3%	457
	(3.4%)	**(188)**	(3.3%)	(457)
SEK	**5.9%**	**95**	5.4%	98
	(5.9%)	**(95)**	(1.8%)	(32)
SAR	**2.5%**	**7,405**	3.4%	12,487
	(2.1%)	**(6,216)**	(4.2%)	(15,350)
TWD	**1.5%**	**654**	1.9%	75
	(5.1%)	**(2,220)**	(1.9%)	(72)
ILS	**6.7%**	**827**	5.5%	235
	(3.4%)	**(827)**	(4.2%)	(54)

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 two months before and after financial reporting date. The Company assumes the trend for the six months period to be its exposure on foreign currency fluctuations.

Credit Risk

The Company is exposed to credit risk from operational and certain of its financing activities. On the Company's credit risk arising from operating activities, the Company only extends credit 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, with a maximum exposure equal to the carrying amount of these instruments.

There is no requirement for collateral over trade receivables since the Company trades only with recognized and accredited counterparties, thus, maximum exposure to credit risk is equal to the carrying value of the financial instruments.

Credit Risk Exposures. The table below shows the maximum exposure to on- and off-balance sheet credit risk exposures of the Company, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques as of December 31:

	2014	2013
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	**₱13,181,350**	₱10,544,776
Trade and other receivables - net	**10,717,317**	8,333,761
Deposits	**139,328**	121,934
AFS investments	**242,368**	219,191
	₱24,280,363	₱19,219,662

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 show the credit quality by class of financial assets based on the Company's credit rating system as of December 31, 2014 and 2013:

	December 31, 2014					
	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	**₱3,328,523**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,328,523**
Cash equivalents	**9,852,827**	**–**	**–**	**–**	**–**	**9,852,827**
Trade receivables:						
Airtime	**2,351,183**	**838,642**	**63,144**	**1,309,397**	**963,218**	**5,525,584**
Subscriptions	**169,144**	**89,743**	**113,301**	**503,016**	**1,211,932**	**2,087,136**
Others	**479,079**	**11,712**	**1,355**	**1,191,357**	**467,582**	**2,151,085**
Nontrade receivables	**365,205**	**18,834**	**17,100**	**285,937**	**60,959**	**748,035**
Due from related parties	**–**	**–**	**–**	**1,721,604**	**–**	**1,721,604**
Deposits	**139,328**	**–**	**–**	**–**	**–**	**139,328**
AFS investments	**242,368**	**–**	**–**	**–**	**–**	**242,368**
	₱16,927,657	**₱958,931**	**₱194,900**	**₱5,011,311**	**₱2,703,691**	**₱25,796,490**

	December 31, 2013					
	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	₱6,087,465	₱–	₱–	₱–	₱–	₱6,087,465
Cash equivalents	4,457,311	–	–	–	–	4,457,311
Trade receivables:						
Airtime	2,346,287	714,557	61,332	1,369,068	638,856	5,130,100
Subscriptions	455,603	85,160	99,749	572,352	576,485	1,789,349
Others	571,345	13,031	19,586	852,682	173,702	1,630,346
Nontrade receivables	299,253	–	2,623	250,788	92,980	645,644
Due from related parties	–	–	–	464,983	–	464,983
Deposits	121,934	–	–	–	–	121,934
AFS investments	219,191	–	–	–	–	219,191
	₱14,558,389	₱812,748	₱183,290	₱3,509,873	₱1,482,023	₱20,546,323

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 show the aging analysis of past due but not impaired receivables per class that the Company held as of December 31, 2014 and 2013. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

	December 31, 2014					
	Neither Past Due nor Impaired	**Past Due but not Impaired**				
		Less than 30	**30 Days and Over**	**Impaired**	**Allowance**	**Total**
Trade receivables:						
Airtime	**₱3,252,969**	**₱912,435**	**₱396,962**	**₱963,218**	**(₱459,631)**	**₱5,065,953**
Subscriptions	**372,188**	**112,235**	**390,781**	**1,211,932**	**(745,824)**	**1,341,312**
Others	**492,146**	**69,867**	**1,121,490**	**467,582**	**(288,086)**	**1,862,999**
Nontrade receivables	**401,139**	**49,469**	**236,468**	**60,959**	**(22,586)**	**725,449**
Due from related parties	**–**	**–**	**1,721,604**	**–**	**–**	**1,721,604**
	₱4,518,442	**₱1,144,006**	**₱3,867,305**	**₱2,703,691**	**(1,516,127)**	**₱10,717,317**

	December 31, 2013					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		Less than 30	30 Days and Over	Impaired	Allowance	Total
Trade receivables:						
Airtime	₱3,122,176	₱1,240,859	₱128,209	₱638,856	(₱556,921)	₱4,573,179
Subscriptions	640,512	153,451	418,901	576,485	(550,286)	1,239,063
Others	603,962	129,352	723,330	173,702	(192,126)	1,438,220
Nontrade receivables	301,876	16,495	234,293	92,980	(27,328)	618,316
Due from related parties	–	–	464,983	–	–	464,983
	₱4,668,526	₱1,540,157	₱1,969,716	₱1,482,023	(₱1,326,661)	₱8,333,761

Based on the cash flow projection, past due receivables are expected to be collected within 2015.

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 ₱3.5 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 2012, the Company tapped its short-credit facilities to borrow ₱1 billion in order to subscribe to additional common shares and PDRs of Sky Cable and Sky Vision, respectively. As a funding strategy, the Company replaced this with long-term funding in 2013. The Company also issued bonds amounting to ₱6 billion in 2014. Currently, the debt maturity profile of the Company ranges from 0.20 to 10 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.

	December 31, 2014					
	Within One Year	**One to Two Years**	**Two to Three Years**	**Three to Four Years**	**More than Four Years**	**Total**
Cash and cash equivalents	**₱13,238,377**	**₱–**	**₱–**	**₱–**	**₱–**	**₱13,238,377**
Trade receivables:						
Airtime	**5,065,953**	–	–	–	–	**5,065,953**
Subscription	**1,341,312**	–	–	–	–	**1,341,312**
Others	**1,862,999**	–	–	–	–	**1,862,999**
Nontrade receivables	**725,449**	–	–	–	–	**725,449**
Due from related parties	**1,721,604**	–	–	–	–	**1,721,604**
	₱23,955,694	**₱–**	**₱–**	**₱–**	**₱–**	**₱23,955,694**
Trade and other payables*	**₱10,008,777**	**₱–**	**₱–**	**₱–**	**₱–**	**₱10,008,777**
Obligations for program rights	**738,020**	**62,222**	**62,222**	**62,222**	**62,222**	**986,908**
Interest-bearing loans and borrowings	**1,044,920**	**1,165,091**	**9,708,621**	**2,222,552**	**10,985,240**	**25,126,424**
Customers' deposits	**–**	**2,341**	**83,540**	**32,953**	**175,151**	**293,985**
	₱11,791,717	**₱1,229,654**	**₱9,854,383**	**₱2,317,727**	**₱11,222,613**	**₱36,416,094**

**Excluding deferred revenue, accrued taxes and other payables to government agencies.*

	December 31, 2013					
	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	More than Four Years	Total
Cash and cash equivalents	₱10,616,855	₱–	₱–	₱–	₱–	₱10,616,855
Trade receivables:						
Airtime	4,573,179	–	–	–	–	4,573,179
Subscription	1,239,063	–	–	–	–	1,239,063
Others	1,438,220	–	–	–	–	1,438,220
Nontrade receivables	618,316	–	–	–	–	618,316
Due from related parties	464,983	–	–	–	–	464,983
	₱18,950,616	₱–	₱–	₱–	₱–	₱18,950,616
Trade and other payables*	₱8,974,841	₱–	₱–	₱–	₱–	₱8,974,841
Obligations for program rights	463,124	62,222	62,222	62,222	124,445	774,235
Interest-bearing loans and borrowings	2,012,142	915,349	914,232	5,006,349	9,299,913	18,147,985
Customers' deposits	–	2,463	89,410	29,129	148,614	269,616
	₱11,450,107	₱980,034	₱1,065,864	₱5,097,700	₱9,572,972	₱28,166,677

**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 2014 and 2013 as follows:

2014 Financial Ratios	**Required**	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Loan Agreement					
Debt to equity	**Less than or equal to 2.50**	**1.51**	**1.47**	**1.48**	**1.50**
Debt service coverage ratio	**Greater than or equal to 1.10**	**15.73**	**14.80**	**15.89**	**13.41**

2013 Financial Ratios	Required	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Loan Agreement					
Debt to equity	Less than or equal to 2.50	1.31	1.17	1.14	1.24
Debt service coverage ratio	Greater than or equal to 1.10	8.08	11.64	7.32	6.46
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	2.17
Earnings before income tax to financing cost	Greater than or equal to 3.00	5.00	4.00	3.88	4.23

The following table shows the financial ratios that Sky Cable is required to maintain in accordance with the DRA:

Financial ratios	Required	**2014**	2013
Total liabilities to equity	Maintain at all times not exceeding 2:1	**1.71**	0.97
Debt service coverage ratio	Maintain at least 1.5 times	**6.41**	6.04

32. Financial Assets and Financial Liabilities

The following tables set forth the carrying amounts and estimated fair values of consolidated financial assets and liabilities recognized as of December 31, 2014 and 2013. There are no material unrecognized financial assets and liabilities as of December 31, 2014 and 2013.

	December 31, 2014				
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
Loans and receivables:					
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**₱139,328**	**₱128,149**	**₱–**	**₱128,149**	**₱–**
AFS investments – quoted	**165,183**	**165,183**	**165,183**	**–**	**–**
	₱304,511	**₱293,332**	**₱165,183**	**₱128,149**	**₱–**
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	**₱20,325,235**	**₱21,390,982**	**₱–**	**₱–**	**₱21,390,982**
Obligations for program rights	**948,738**	**986,908**	**–**	**986,908**	**–**
Convertible note	**190,522**	**225,507**	**–**	**–**	**225,507**
Customers' deposits (included as part of "Other noncurrent liabilities")	**293,985**	**270,835**	**–**	**–**	**270,835**
	₱21,758,480	**₱22,874,232**	**₱–**	**₱986,908**	**₱21,887,324**

	December 31, 2013				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
Loans and receivables:					
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	₱121,934	₱109,892	₱–	₱109,892	₱–
AFS investments - quoted	128,359	128,359	128,359	–	–
	₱250,293	₱238,251	₱128,359	₱109,892	₱–
Financial Liabilities					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	₱14,680,050	₱16,306,382	₱–	₱–	₱16,306,382
Obligations for program rights	725,205	774,205	–	774,205	–
Convertible note	245,195	281,678	–	–	281,678
Customers' deposits (included as part of "Other noncurrent liabilities")	269,616	290,445	–	–	290,445
	₱15,920,066	₱17,652,710	₱–	₱774,205	₱16,878,505

<u>Fair Value of Financial Instruments</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade and Other Receivables and Trade and Other Payables. Due to the short-term nature of transactions, the fair values of these instruments approximate the carrying amounts as of financial reporting date.

Deposits. 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.

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.

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 0.4% to 3.7%.
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.

Convertible Note. Fair value was computed based on the discounted value of future cash flows using the PDST-R2 rate plus 1% credit spread.

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 3.1% to 4.7% and 1.0% to 4.8% in 2014 and 2013, respectively.

There were no transfers between levels in the fair value hierarchy as of December 31, 2014 and 2013.

Offsetting of Financial Assets and Financial Liabilities

There is no offsetting of financial assets and financial liabilities as of December 31, 2014 and 2013.

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 (net of PDRs) during the period.

The following table presents information necessary to calculate EPS:

	Years Ended December 31		
	2014	2013	2012
Net income attributable to equity holders of the Parent Company	**₱2,387,085**	₱2,145,725	₱1,580,623
Dividends on preferred shares	**(3,667)**	(3,333)	–
(a) Net income attributable to common equity holders of the Parent Company	**₱2,383,418**	₱2,142,392	₱1,580,623

	Years Ended December 31		
	2014	2013	2012
(b) Weighted average of shares outstanding:			
At beginning of year	**833,945,433**	741,406,393	741,406,393
Issuances of common shares (see Note 21)	**–**	58,472,470	–
Acquisitions of PDRs (see Note 21)	**(2,725,145)**	–	–
At end of year	**831,220,288**	799,878,863	741,406,393
Basic/diluted EPS (a/b)	**₱2.867**	₱2.678	₱2.132

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

	Years Ended December 31		
	2014	2013	2012
Noncash investing activities:			
Acquisitions of program rights on account	**₱860,390**	₱207,867	₱233,121
Collection of receivable through transfer of investment property	–	4,720	–
Acquisitions of property and equipment under finance lease	–	–	113,610

35. Events After the Reporting Period

The following are the significant transactions that occurred after December 31, 2014:

a. On March 5, 2015, the BOD approved the merger of ABS-CBN Interactive, ABS-CBN Multimedia, Sarimanok News Network, Inc., Sapientis and Studio 23 with the Parent Company as the surviving corporation.

b. On March 5, 2015, the BOD approved the declaration and payment of ₱0.60 cash dividends per common share to all common stockholders of record as of March 20, 2015 payable on or before April 20, 2015.

36. Contingent Liabilities and 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 Parent 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 Parent 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 Parent Company. The Parent 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 Parent Company, said expenses do not constitute a material financial obligation of the Parent Company, as the Parent Company remains in sound financial position to meet its obligations.

   As of March 5, 2015, the claims, including those 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 Parent 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 Parent 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 5, 2015, the case is still pending 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, 2014

ABS-CBN CORPORATION AND SUBSIDIARIES
Schedule A – Financial Assets
December 31, 2014

Name of Issuing Entity and Description of Each Issue	Amount Shown in the Balance Sheet		Value Based on Market Quotations at end of reporting period		Income received and accrued	
(Amounts in Thousands)						
Cash and Cash Equivalents						
Cash on hand and in banks	PHP	3,385,550	PHP	3,385,550	PHP	67,031
Cash equivalents		9,852,827		9,852,827		77,608
Subtotal		**13,238,377**		**13,238,377**		**144,638**
Loans and Receivables						
Trade						
Airtime		5,525,584		5,525,584		-
Subscriptions		2,087,136		2,087,136		-
Others		2,151,085		2,151,085		-
Due from related parties		1,721,604		1,721,604		-
Advances to employees and talents		390,281		390,281		-
Others		357,754		357,754		-
Allowance for doubtful accounts		(1,516,127)		(1,516,127)		-
Subtotal		**10,717,317**		**10,717,317**		**-**
Deposits			Not Applicable			
AFS investments			Not Applicable			
Total	**PHP**	**23,955,694**	**PHP**	**23,955,694**	**PHP**	**144,638**

ABS-CBN CORPORATION AND SUBSIDIARIES
Schedule B – Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
December 31, 2014

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 the Consolidation of Financial Statements

December 31, 2014

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	PHP 4,376,258,672	PHP 5,990,987,958	PHP (570,966,899)	PHP -	PHP 9,796,279,731	PHP -	PHP 9,796,279,731
ABS-CBN FILM PRODUCTIONS, INC.	107,029,216	8,249,664	(107,026,530)	-	8,252,350	-	8,252,350
ABS-CBN GLOBAL	10,176,791	118,375,973	(2,949,933)	-	125,602,831	-	125,602,831
ABS-CBN INTERACTIVE, INC.	59,485,781	1,184,491	(38,947,393)	-	21,722,879	-	21,722,879
TV FOOD CHEFS, INC.	5,304,674	2,457	(516,858)	-	4,790,273	-	4,790,273
ABS-CBN PUBLISHING, INC.	4,151,939	15,280,755	(858,833)	-	18,573,861	-	18,573,861
ABS-CBN GLOBAL CARGO CORPORATION	1,326,329	-	-	-	1,326,329	-	1,326,329
ABS-CBN SHARED SERVICE CENTER PTE., (ROHQ	1,360	71,432	(481)	-	72,311	-	72,311
SARIMANOK NEWS NETWORK, INC.	224,397,263	3,721,847	(86,485,834)	-	141,633,276	-	141,633,276
SKY CABLE CORPORATION	14,901,530	55,699,400	(56,512)	-	70,544,418	-	70,544,418
CREATIVE PROGRAMS, INC.	18,047,250	3,354,109	(12,577,586)	-	8,823,773	-	8,823,773
SAPIENTIS HOLDINGS CORPORATION	852,898	230,336,050	(852,898)	-	230,336,050	-	230,336,050
THE BIG DIPPER DIGITAL CONTENT	46,667	144,457,644	-	-	144,504,311	-	144,504,311
SKY VISION CORPORATION	116,276,286	1,829	(6,859,869)	-	109,418,246	-	109,418,246
STUDIO 23, INC.	16,641,029	47,005,119	(16,596,306)	-	47,049,842	-	47,049,842
	PHP 4,954,897,685	**PHP 6,618,728,728**	**PHP (844,695,932)**	**PHP -**	**PHP 10,728,930,481**	**PHP -**	**PHP 10,728,930,481**

ABS-CBN CORPORATION AND SUBSIDIARIES

Schedule C.2 – Amounts Payables to Related Parties which are eliminated during the Consolidation of Financial Statements

December 31, 2014

Name and Designation of creditor	Balance at beginning of period	Additions	Amounts Paid	Amounts Written Off	Current	Non-Current	Balance at end of Period
ABS-CBN CORPORATION	PHP (327,044,924)	PHP (268,520,314)	PHP 144,158,965	PHP -	PHP (451,406,273)	PHP -	PHP (451,406,273)
ABS-CBN FILM PRODUCTIONS, INC.	(137,485,953)	(2,882,161)	132,098,795	-	(8,269,319)	-	(8,269,319)
ABS-CBN GLOBAL	(385,628,365)	(3,168,494)	246,724,053	-	(142,072,806)	-	(142,072,806)
ABS-CBN GLOBAL CARGO CORPORATION	(4,632,879)	(4,718,691)	4,632,879	-	(4,718,691)	-	(4,718,691)
ABS-CBN INTEGRATED AND STRATEGIC	(11,792,536)		7,035,976	-	(4,756,560)	-	(4,756,560)
ABS-CBN INTERACTIVE, INC.	(346,643,265)		201,052,322	-	(145,590,943)	-	(145,590,943)
ABS-CBN NEWS CHANNEL INC.	(3,643,705)	(773,552)	3,117,486	-	(1,299,771)	-	(1,299,771)
ABS-CBN PUBLISHING, INC.	(19,635,206)	(60,205)	18,941,849	-	(753,562)	-	(753,562)
ABS-CBN SHARED SERVICE CENTER PTE., (ROHQ)	(11,672,943)		17,203	-	(11,655,740)	-	(11,655,740)
CENTER FOR COMMUNICATION ARTS, INC	(8,792,757)		-	-	(8,792,757)	-	(8,792,757)
CAPTAN SERVICES	(23,835,012)	(3,107,830)		-	(26,942,842)	-	(26,942,842)
SKY CABLE CORPORATION	(201,797,041)	(2,134,620,725)	162,797,639	-	(2,173,620,127)	-	(2,173,620,127)
CREATIVE PROGRAMS, INC.	(2,081,148)	(83,965,767)	1,098,890	-	(84,948,025)	-	(84,948,025)
I CONNECT CONVERGENCE	(7,624,226)	(55,331,837)		-	(62,956,063)	-	(62,956,063)
PROSTAR, INC.	(5,015,862)		-	-	(5,015,862)	-	(5,015,862)
ROSETTA HOLDINGS	(145,220,240)	(742,246,862)			(887,467,102)	-	(887,467,102)
SAPIENTIS HOLDINGS CORPORATION	(3,040,392,544)	(1,011,465,982)	5,500	-	(4,051,853,026)	-	(4,051,853,026)
PANAY MARINE	(250,314,764)	(122,147,661)		-	(372,462,425)	-	(372,462,425)
SKY VISION CORPORATION	(62,804,986)	(62,804,986)	62,725,788	-	(62,884,184)	-	(62,884,184)
STAR RECORDINGS, INC.	(22,244,428)		22,244,428	-	-	-	-
STAR SONGS INC	(16,780,809)		16,780,809	-	-	-	-
STUDIO 23, INC.	(1,736,997)	(992,138)	1,059,061	-	(1,670,074)	-	(1,670,074)
THE BIG DIPPER DIGITAL CONTENT	(870,856)		870,786	-	(70)	-	(70)
THEME PARKS	(42,246,007)	(506,347,058)		-	(548,593,065)	-	(548,593,065)
	PHP (5,079,937,453)	**PHP (5,003,154,263)**	**PHP 1,025,362,429**	**PHP -**	**PHP (9,057,729,287)**	**PHP -**	**PHP (9,057,729,287)**

ABS-CBN CORPORATION AND SUBSIDIARIES
Schedule D – Intangible Assets - Other Assets
December 31, 2014

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	PHP 3,016,561	PHP 1,464,246	PHP (751,353)	PHP -	PHP -	PHP 3,729,454
Music Rights	138,758	-	(5,955)	-	-	132,803
Movie In-Process and Filmed Entertainment	494,726	749,215	(487,588)	-	-	756,353
Story, Video and Publication and Record Master	11,630	13,949	(15,619)	-	-	9,960
Trademarks	1,111,784	-	-	-	-	1,111,784
Licenses	1,005,715	-	(2,111)	-	163	1,003,767
Customer Relationships	502,522	-	(57,138)	-	-	445,384
Cable Channels - CPI	459,968	-	-	-	-	459,968
BSS Integration	-	66,218	(2,476)	-	-	63,742
Production and Distribution Business-Middle East	73,500	-	(5,654)	-	525	68,371
Total	**PHP 6,815,164**	**PHP 2,293,628**	**PHP (1,327,894)**	**PHP -**	**PHP 688**	**PHP 7,781,586**

ABS-CBN CORPORATION AND SUBSIDIARIES
Schedule E – Long-term Debt
December 31, 2014

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)						
Term Loans : Loan Agreement	PHP	14,327,271	PHP	86,474	PHP	14,240,797
Term Loans : Obligations under finance lease		63,711		24,277		39,434
Term Loans : Bonds Payable		5,934,253		-		5,934,253
Total	**PHP**	**20,325,235**	**PHP**	**110,751**	**PHP**	**20,214,484**

ABS-CBN CORPORATION AND SUBSIDIARIES
Schedule F – Indebtedness to Related Parties
December 31, 2014

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, 2014

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, 2014

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	1,300,000,000	850,999,481	-	447,012,602	1,409,238	402,577,641
Preferred Shares - ₱.2 Par value	1,000,000,000	1,000,000,000		987,130,246	1,830,550	11,039,204

ABS-CBN CORPORATION AND SUBSIDIARIES
V. FINANCIAL RATIOS
December 31, 2014

RATIOS	FORMULA	In Php ('000s)	Dec-14	Dec-13
Current ratio	Current Assets	28,940,995	2.08	1.76
	Current Liabilities	13,915,190		
Net Debt-to-equity ratio	Interest-bearing loans and borrowings less Cash and Cash equivalent	7,086,858	0.26	0.16
	Total Stockholders' Equity	26,874,828		
Asset-to-equity ratio	Total Assets	67,236,820	2.50	2.25
	Total Stockholders' Equity	26,874,828		
Interest rate coverage ratio	EBIT	3,780,099	4.47	4.75
	Interest Expense	845,478		
Return on Equity	Net Income	2,030,136	7.6%	7.8%
	Total Stockholders' Equity	26,874,828		
Return on Assets	Net Income	2,030,136	3.0%	3.5%
	Total Assets	67,236,820		
Profitability ratios				
Gross Profit Margin	Gross Profit	13,288,452	40%	38%
	Net Revenue	33,543,628		
Net Income Margin	Net Income	2,030,136	6.1%	6.1%
	Net Revenue	33,543,628		

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Supplementary Schedules

- Schedule of Retained Earnings Available for Dividend Declaration
- Philippine Financial Reporting Standards and Interpretations Effective as of December 31, 2014
- Map of Relationships of the Companies within the Group

ABS-CBN CORPORATION

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2014

(Amounts in Thousands)

Retained earnings, beginning	₱2,215,203
Adjustment:	
Remeasurement gain on defined benefit plan from previous years	(997,875)
Retained earnings, beginning, as adjusted to amount available for dividend declaration, beginning	1,217,328
Add: Net income actually realized during the year	
Net income during the year closed to retained earnings	1,340,224
Add (deduct):	
Unrealized fair exchange loss – net of effects of cash and cash equivalents	20,578
Remeasurement loss on defined benefit plan for the year	262,371
Movement of recognized deferred tax assets for the year	(107,198)
Net income actually realized during the year	1,515,975
Less: Dividends declared during the year	(514,600)
Retained earnings available for dividend declaration, end	₱2,218,703

ABS-CBN CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER SRC RULE 68, AS AMENDED (2011)

A. List of Philippine Financial Reporting Standards (PFRSs) effective as at December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	X		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	X		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			X
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			X
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			X
	Amendments to PFRS 1: Government Loans			X
	Amendment to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards – Meaning of 'Effective PFRSs'			X
PFRS 2	Share-based Payment	X		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	X		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	X		
	Amendments to PFRS 2: Share-based Payment – Definition of Vesting Condition*	Not Early Adopted		
PFRS 3 (Revised)	Business Combinations	X		
	Business Combinations – Accounting for Contingent Consideration in a Business Combination*	Not Early Adopted		
	Business Combinations – Scope Exceptions for Joint Arrangements*	Not Early Adopted		
PFRS 4	Insurance Contracts			X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			X
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	X		
	Amendments to PFRS 5: Changes in Methods of Disposal*	Not Early Adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources			X
PFRS 7	Financial Instruments: Disclosures	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	X		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	X		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	X		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	X		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	X		
	Amendments to PFRS 7: Disclosures – Servicing Contracts*	Not Early Adopted		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*	Not Early Adopted		
PFRS 8	Operating Segments	X		
	Amendments to PFRS 8: Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*	Not Early Adopted		
PFRS 9	Financial Instruments*	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	X		
	Amendments to PFRS 10: Investment Entities			X
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
PFRS 11	Joint Arrangements	X		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	Not Early Adopted		
PFRS 12	Disclosure of Interests in Other Entities	X		
	Amendments to PFRS 12: Investment Entities			X
PFRS 13	Fair Value Measurement	X		
	Amendment to PFRS 13: Short-term Receivables and Payables	X		
	Amendment to PFRS 13: Fair Value Measurement – Portfolio Exception*	Not Early Adopted		
PFRS 14	Regulatory Deferral Accounts*	Not Early Adopted		
PFRS 15	Revenue from Contracts with Customers*	Not Early Adopted		
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	X		
	Amendment to PAS 1: Capital Disclosures	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			X
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	X		
PAS 2	Inventories	X		
PAS 7	Statement of Cash Flows	X		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X		
PAS 10	Events after the Reporting Period	X		
PAS 11	Construction Contracts			X
PAS 12	Income Taxes	X		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	X		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	X		
	Amendment to PAS 16: Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*	Not Early Adopted		
	Amendment to PAS 16: Agriculture - Bearer Plants*	Not Early Adopted		
PAS 17	Leases	X		
PAS 18	Revenue	X		
PAS 19 (Revised)	Employee Benefits	X		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	X		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions*	Not Early Adopted		
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate*	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X		
	Amendment: Net Investment in a Foreign Operation	X		
PAS 23 (Revised)	Borrowing Costs	X		
PAS 24 (Revised)	Related Party Disclosures	X		
	Amendments to PAS 24: Key Management Personnel*	Not Early Adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			X
PAS 27 (Amended)	Separate Financial Statements	X		
	Amendments to PAS 27: Investment Entities			X
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not Early Adopted		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	X		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			X
PAS 31	Interests in Joint Ventures			X
PAS 32	Financial Instruments: Disclosure and Presentation	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	X		
	Amendment to PAS 32: Classification of Rights Issues			X
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			X
PAS 33	Earnings per Share	X		
PAS 34	Interim Financial Reporting	X		
	Amendments to PAS 34: Disclosure of information ‘elsewhere in the interim financial report*	Not Early Adopted		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

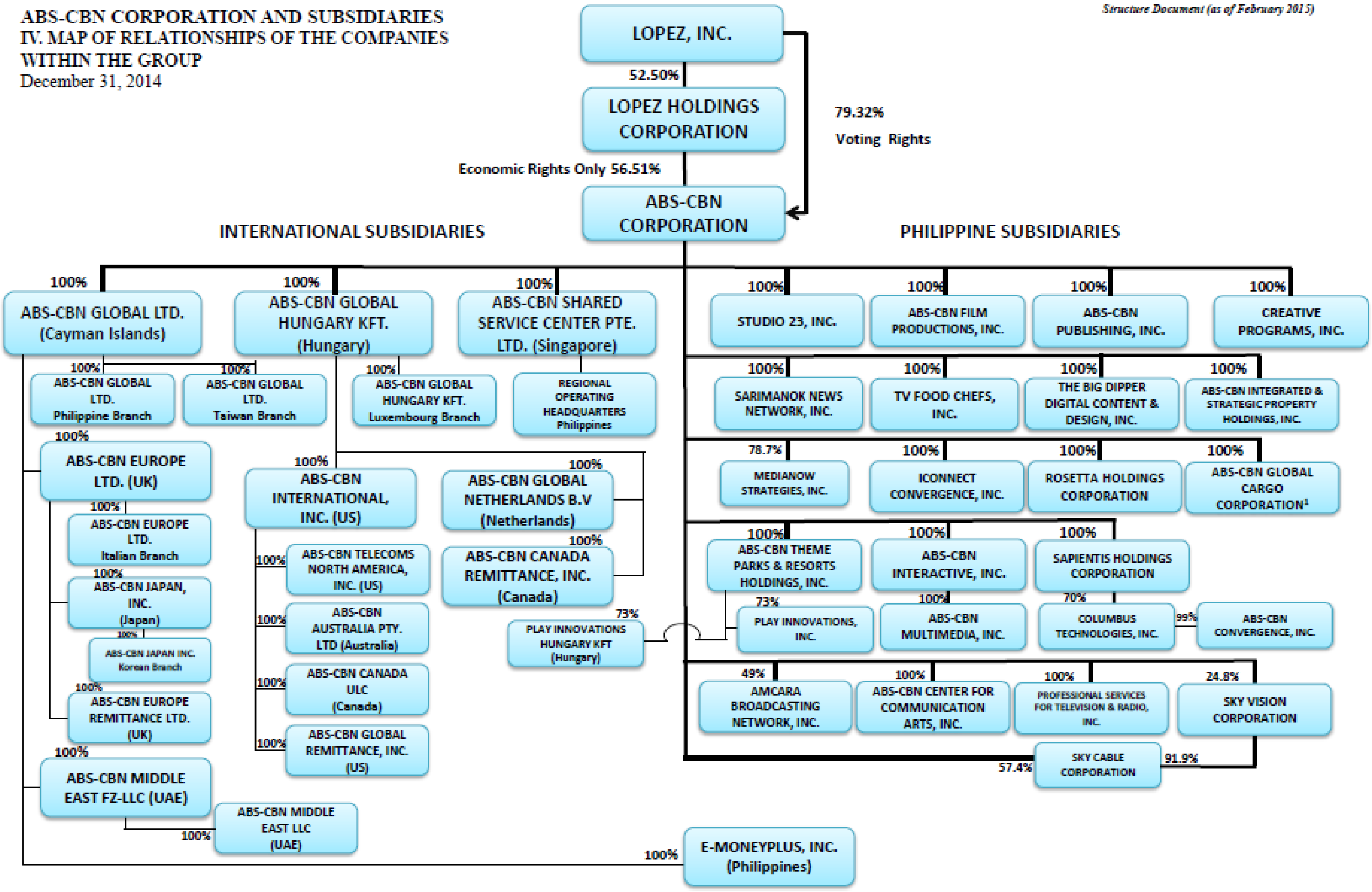
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	X		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	X		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X		
PAS 38	Intangible Assets	X		
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization*	Not Early Adopted		
PAS 39	Financial Instruments: Recognition and Measurement	X		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	X		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			X
	Amendments to PAS 39: The Fair Value Option			X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	X		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	X		
	Amendment to PAS 39: Eligible Hedged Items			X
	Amendment to PAS 39: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			X
PAS 40	Investment Property	X		
	Amendment to PAS 40*	Not Early Adopted		
PAS 41	Agriculture			X
	Amendment to PAS 41: Agriculture - Bearer Plants*	Not Early Adopted		
Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			X
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			X
IFRIC 4	Determining Whether an Arrangement Contains a Lease	X		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			X
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			X
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			X
IFRIC 8	Scope of PFRS 2	X		
IFRIC 9	Reassessment of Embedded Derivatives	X		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	X		
IFRIC 10	Interim Financial Reporting and Impairment	X		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	X		
IFRIC 12	Service Concession Arrangements			X

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 13	Customer Loyalty Programmes	X		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	X		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	X		
IFRIC 15	Agreements for the Construction of Real Estate*	Not Early Adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	X		
IFRIC 17	Distributions of Non-cash Assets to Owners	X		
IFRIC 18	Transfers of Assets from Customers	X		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	X		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			X
IFRIC 21	Levies	X		
SIC-7	Introduction of the Euro			X
SIC-10	Government Assistance - No Specific Relation to Operating Activities			X
SIC-12	Consolidation - Special Purpose Entities			X
	Amendment to SIC - 12: Scope of SIC 12			X
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	X		
SIC-15	Operating Leases - Incentives	X		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			X
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	X		
SIC-29	Service Concession Arrangements: Disclosures			X
SIC-31	Revenue - Barter Transactions Involving Advertising Services	X		
SIC-32	Intangible Assets - Web Site Costs	X		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

ABS-CBN CORPORATION AND SUBSIDIARIES
IV. MAP OF RELATIONSHIPS OF THE COMPANIES
WITHIN THE GROUP
December 31, 2014



SIGNATURES

Pursuant to the requirement of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of PASIG CITY on 19 MAR 2015.

Eugenio L. Lopez III Chairman of the Board	**Ma. Rosario N. Santos-Concio** President and Chief Executive Officer
Rolando P. Valdueza Group Chief Financial Officer	**Aldrin M. Cerrado** Chief Financial Officer
Manuel L. M. Torres Corporate Secretary	

SUBSCRIBED AND SWORN to before me this ____ day of 19 MAR 2015, 2015. Affiants exhibiting to me their passports, as follows:

NAME	PASSPORT NO.	DATE OF EXPIRY	PLACE OF ISSUE
Eugenio L. Lopez III	EB8352063	07 June 2018	DFA, Manila
Ma. Rosario Santos- Concio	EB8799114	26 July 2018	DFA, Manila
Rolando P. Valdueza	EB9244017	25 September 2018	DFA, Manila
Aldrin M. Cerrado	EC0845195	13 April 2019	DFA, Manila
Manuel L. M. Torres	EB9810045	12 December 2018	DFA NCR Central

NOTARY PUBLIC

MA. CHRISTINE A. ABERIN
NOTARY PUBLIC
FOR AND IN THE CITY OF PASIG, TAGUIG AND SAN JUAN AND IN THE MUNICIPALITY OF PATEROS
UNTIL DECEMBER 31, 2015
PTR NO. 0378671; 1/8/15; PASIG CITY
IBP NO. 979170; 1/5/15; RSM
ROLL NO. 62475/APPOINTMENT NO. 251 (2014-2015)
21/F Robinsons-Equitable Tower
4 ADB Ave. cor. Poveda St.
1605 Ortigas Center, Pasig City

Doc. No. : 315
Page No. : 64
Book No. : I
Series of: 2015