



ABS-CBN Corporation

Sgt. Esguerra Avenue, Quezon City, Philippines

05 June 2013

Securities and Exchange Commission

Attn: Director Justina F. Callangan
Corporate Finance Department
SEC Building, EDSA, Mandaluyong City

Philippine Stock Exchange, Inc.

Attn: Ms. Janet A. Encarnacion
Head, Disclosure Department
3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Subject: ABS-CBN Corporation Amended 2012 SEC Form 17-A

Gentlemen / Ladies:

Please find attached ABS-CBN Corporation's Amended SEC Form 17-A for 2012 based on the attached comments made by the Securities and Exchange Commission which we received last May 29, 2013.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Aldrin M. Cerrado'.

ALDRIN M. CERRADO

Compliance Officer for Corporate Governance

SUMMARY OF SEC COMMENTS	Page No.	RESPONSE
PART I- BUSINESS AND GENERAL INFORMATION		
(2) BUSINESS OF ISSUER		
State the number of the registrant's present employees and <u>number of employees it anticipates to have within the ensuing twelve months.</u>	15	Included the projected number of employees by the end of 2013 on page 15.
PART II- OPERATIONAL FINANCIAL INFORMATION		
ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDERS' MATTERS		
3. DIVIDENDS		
(b) Describe any restrictions that limit the ability to pay dividends on common equity or that are likely to do so in the future.	21	We have stated the restrictions that limit the ability to pay dividends on common equity or that are likely to do so in the future in the previous filing. The restrictions were stated on page 21.

COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

Aldrin M. Cerrado

(Contact Person)

415-2272

(Company Telephone Number)

1	2
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Month

3	1
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Day

(Fiscal Year)

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(Form Type)

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Day

(Annual Meeting)

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

5,900

Total No. of Stockholders

₱15.8 billion

Domestic

\$0.9 million

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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

1. For the fiscal year ended December 31, 2012
2. SEC Identification Number 1803
3. BIR Tax Identification No. 301-000-406-761V
4. Exact name of issuer as specified in its charter:
ABS-CBN CORPORATION AND SUBSIDIARIES
5. Philippines
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. ABS-CBN Broadcasting Center, Sgt. Esguerra Ave cor Mo Ignacia St., Quezon City 1100
Address of principal office
8. (632) 924-41-01 to 22 / 415-2272
Issuer's telephone number, including area code
9. Not applicable
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock, Php1.00 par value	779,584,602 as at December 31, 2012
Short-term & Long-term debt (current & non-current)	<u>Php15.8 billion</u>

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

Yes [✓] No []

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

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [✓] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [✓] No []

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Business Overview

ABS-CBN Corporation (“ABS-CBN” or the “Company”) is the Philippines’ leading information and entertainment multimedia conglomerate. The Company is primarily involved in television and radio broadcasting, as well as in the production of television and radio programming for domestic and international audiences and other related businesses.

The Company produces a wide variety of engaging, world-class entertainment programs in multiple genres and balanced, credible news programs that are aired on free-to-air television via its Very High Frequency (VHF) TV network, Channel 2, and its Ultra High Frequency (UHF) TV network, Studio 23, along with a vast regional network of TV stations nationwide.

The Company’s VHF television network, anchored by Channel 2, its flagship station in Mega Manila, and several owned and operated television stations and affiliated stations throughout the country, is the highest-rating and most expansive television network in the country. The Company also owns and operates Studio 23, the leading UHF channel, with a vast network of UHF stations nationwide. Studio 23 complements Channel 2’s mass-based programming through its airing of popular foreign series and local sports programming.

The Company is also one of the leading radio broadcasters, operating 18 AM and FM radio stations throughout the key cities of the Philippines. ABS-CBN’s anchor radio stations in Manila, DZMM on the AM band and DWRR on the FM band, are among the most-listened to in Mega Manila.

In addition, ABS-CBN, through its subsidiaries, Sarimanok News Network, Inc. and Creative Programs, Inc., also provides news and entertainment programming for 9 channels on cable TV – ABS-CBN News Channel or ANC, Cinema One, Lifestyle Network, Myx, Balls, Velvet, Hero, and DZMM Teleradyo. The Company owns the leading film and music production and distribution outfits in the country, Star Cinema and Star Records, and also has business interests in content development and production, merchandising and licensing, cable and satellite television services, mobile and online multimedia services, glossy magazine publishing, video and audio post production, overseas telecommunication services, money remittance, cargo forwarding, property management and food and restaurant services, all of which complement and enhance the Company’s strength in content production and distribution.

ABS-CBN brings its content to worldwide audiences via cable, satellite, online and mobile, through its various international subsidiaries and affiliates, and its flagship channel, The Filipino Channel (TFC). TFC is available in most major territories with a significant Filipino populace such as the United States, the Middle East, Europe, Australia, Canada and Japan. With direct ties to more than 2 million viewers outside the Philippines, ABS-CBN Global also offers services vital to the overseas Filipino – long-distance telecoms, money remittance and cargo forwarding. As of end-2012, ABS-CBN Global accounts for 16% of the Company’s top line.

ABS-CBN also holds an interest in the country’s largest cable TV network, SkyCable. Cornering over half of the total pay TV subscribers in the country, SkyCable represents a major content distribution platform for the Company. Aside from providing postpaid and prepaid cable TV services, SkyCable also offers SkyBroadband, the fastest residential broadband internet service in the country, and SkyVoice, the most affordable long-distance telecommunication package available.

Throughout the years, the Company has evolved from a purely broadcasting business into a thriving multimedia content and distribution conglomerate that continues to be in the service of the Filipino. ABS-CBN has diversified its revenue sources; from relying mostly on airtime advertising revenue, the Company now sources about 40% of its sales direct from its consumers in the form of subscription and other services and goods.

ABS-CBN’s common shares and Philippine Depositary Receipts are traded in the Philippine Stock Exchange.

Historical Background

ABS-CBN 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 Corporation (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.

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.

Business Strategy

Transforming lives by changing the media landscape is both ABS-CBN's vision and passion. We are driven to pioneer and innovate because we know that we help more Filipinos discover themselves and connect to one another. We open pathways to opportunities and we bring people a step closer to their dreams. In ABS-CBN, we are firmly committed to pursuing excellence. The key elements to our business strategy are:

Anytime, anywhere, in any device or medium. As our audience demand greater control over how and when they will consume our content, we will ensure our continued relevance by distributing our content in the widest array of platforms that technology will allow. Our audience will be able to reach us anytime at any place in any medium.

Building on our core strength in content creation. While everything around us changes – the technology, the production process, the medium used to access our content – our core ability to create quality content that touches, inspires and empowers our viewers must remain constant. We will continue building on our core strength in content creation.

Maintain a strong fiscal position and bring value to our stakeholders. We will derive the most synergies possible between our content and distribution businesses. We will consciously operate more efficiently and cost-effectively, as we deliver greater value to our customers, clients, partners, and shareholders.

Subsidiaries and Affiliates

ABS-CBN Film Productions, Inc.

ABS-CBN Film Productions, Inc. (AFPI) or more popularly known as Star Cinema, is the country's leading film producer and distributor. AFPI, a 100%-owned subsidiary of ABS-CBN, produces films primarily for the domestic market and has already penetrated the international scene, having conducted several sold-out international screenings. It has been considered to be the catalyst for the re-emergence of the local cinema industry, which was once floundering due to the proliferation of piracy.

In 2012, AFPI produced 15 films, 7 of which grossed upwards of Php100 million, the local film industry's unofficial benchmark for a blockbuster hit. Of the 7, three films generated more than Php200 million.

ABS-CBN Global Ltd.

ABS-CBN pioneered international content distribution when it launched the country's first international direct-to-home (DTH) and cable channel service through ABS-CBN Global's The Filipino Channel (TFC). Launched in 1994, TFC is targeted specifically at overseas Filipinos, both immigrants and temporary workers. TFC is available in various formats (DTH, cable, Internet Protocol TV [IPTV], mobile and online through TFCNow) in all territories where there is a significant market of overseas Filipinos such as the United States, the Middle East, Europe, Australia, Canada, and Japan, among others.

In July 2005, ABS-CBN, through ABS-CBN Global's subsidiary, ASB-CBN International, signed an affiliation agreement with DirecTV, one of the leading DTH system providers in the United States. Under the deal, DirecTV has the exclusive right to distribute the TFC package on its DTH platform. In return, DirecTV will pay license fees to ABS-CBN and to ABS-CBN International.

As of end-2012, ABS-CBN Global reaches over 2.4 million viewers in over 40 countries across 4 continents worldwide.

ABS-CBN Interactive, Inc.

Realizing the emergence of new media technologies, ABS-CBN incorporated ABS-CBN Interactive, Inc. (ABSi) in January 1999 to manage the Company's new media ventures and strategies. ABSi initially undertook the development of *PinoyCentral*, an online portal for Filipino web content. Riding the wave of increased mobile phone and short message service (SMS) usage in the Philippines, ABSi developed a slew of mobile products, leveraging on ABS-CBN's content properties.

ABSi's mobile value-added service (VAS) products broke new ground, cementing ABSi's place among the top mobile content providers in the country. ABSi pioneered mobile and TV tie-ups in the Philippines, enabling the mobile phone user to send in their feedback on ABS-CBN programs, join promos, vote for their favorite reality show contestant, and keep in touch with their favorite celebrities, among others.

ABSi also developed the Company's online video streaming service, TFCNow!, which garnered international recognition for its innovativeness, marking ABS-CBN's entry into the internet space as a distribution platform for its content. ABSi also went into the gaming business, from the development of mobile games tied up to ABS-CBN content to the licensing of popular international role-playing and casual games.

As the Company's link to the online space, ABSi ensures that ABS-CBN remains relevant among the internet population through its primary websites, *abs-cbn.com* and *abs-cbnnews.com*, and through the various social networking communities, including Multiply, one of the world's largest social networks, where ABSi is an exclusive marketing, technology and mobile partner.

ABS-CBN Publishing, Inc.

Established in 1992, ABS-CBN Publishing (API) completes the Company's tri-media coverage with glossy magazine titles, anchored by one of the country's leading fashion and lifestyle magazine, *Metro*. API's glossy magazine titles serve niche upscale interests, ranging from fashion and lifestyle, celebrity, gossip and entertainment, to culinary arts, parenting and interior design. Each magazine title leverages on ABS-CBN's content and enhances the Company's other content and distribution properties.

Creative Programs, Inc.

Creative Programs, Inc. (CPI) manages and operates the Company's cable channel offerings, each delivering superior cable programming anchored on various genres. While each cable channel addresses the information and entertainment needs of a specific niche target, CPI's cable channels collectively captures all the demographic markets vital to advertisers.

Cinema One, the highest rating cable channel and the premier Filipino movie channel, brings high-quality Filipino movies to every household. Myx, the leading music channel, revolutionized music video consumption,

inviting viewers to sing along as the lyrics are shown on screen. Hero, the number one anime pioneered dubbing of all-time anime favorites in Filipino. Upscale females find the Lifestyle Network as indispensable companions for empowerment in their busy and demanding environment, while Balls promises fun and thrill to active upscale males with its sports and irreverent content.

CPI successfully delivered an enriched cable viewing experience with new features, segments and milestone live events in 2012. Balls! Is the Philippines' leading multi-sport channel and the home of premium sports properties such as the UFC, the FIFA World Cup and UEFA Champions League for football, French Open and US Open for tennis, and the PGA Championship for golf. It expanded Cinema One's offering with Asian films dubbed in Filipino, strengthening its hold as the country's number 1 cable channel. Hero, meanwhile, revitalized its mix with new and more popular titles. Lastly, through tent pole events like MYXMo!, MYX SlamJam and the MYX Music Awards, it further reinforced MYX's hold on the young males and standing as the most-watched music channel

Sarimanok News Network, Inc. / ABS-CBN News Channel

ABS-CBN News Channel, or more popularly known as ANC, is the only 24/7 Filipino cable news channel in the country. Launched in 1996, ANC brings the news that matter most to Filipinos around the world. Besides daily newscasts, ANC also produces a variety of lifestyle, business, travel and sports programming. ANC is also available worldwide via the TFC package of ABS-CBN Global.

Sky Cable Corporation

Founded in 1990, Sky Cable Corporation ("Sky Cable") is the country's largest cable TV service provider, cornering over half of the total pay TV market. Sky Cable's recent move to digitize its cable services opened new opportunities for programming and pricing flexibility, and at the same time, minimized the adverse impact of cable TV pilferage. Now offering both postpaid and prepaid packages, as well as *a la carte* programming on top of its three cable TV packages, Sky Cable ensures that every family's entertainment needs will be met.

The many combinations of Sky product innovations and pricing schemes being offered to subscribers gave them freedom to choose the package that best suited them. It introduced the first and only real triple-play service in the market in Metro Manila with Sky Bundle Plan 1099. The bundle included cable TV, broadband, and Internet phone, which gave the Filipino home the best combination of entertainment, information and communication technologies.

Beginning 2010, Sky broadband subscribers had the fortune to catch up on missed episodes of their favorite ABS-CBN shows via iWantv in the convenience of their desktops or laptops. iWantv, a revolutionary online access to entertainment, featured TV on Demand, Movies on Demand, and Live TV, with ABS-CBN shows, programs, and *teleseryes*, available anywhere, anytime. Foreign shows and movies were also made available on video-on-demand format.

In 2012, Sky Cable acquired Destiny Cable, the second largest cable operator in the country.

Star Recording, Inc. (Star Records) / Star Songs, Inc.

Star Recording Inc. was established in 1995 to address the Company's growing need for a recording outfit for its multi-talented artists. Star Songs, which handles the Company's music publishing and composing requirements, was incorporated the following year.

Studio 23, Inc.

With pay TV in its infancy in the country during the mid-1990s, Studio 23 was launched to serve the upscale market, a market clamoring for foreign content, a market that ABS-CBN needed to serve. In 1996, Studio 23 began its first broadcast in Mega Manila.

Studio 23 easily became known as the country's "free cable" channel. Studio 23 brought to the Philippines many global programming hits such as Dawson's Creek, Smallville, Buffy, Survivor, CSI, the Amazing Race, Alias, Desperate Housewives, Lost, and Grey's Anatomy, among others.

Over the years, Studio 23 has gradually re-focused its programming to capture the elusive urban youth market with programs such as the UAAP and NCAA games and popular US shows, gimmicks such as the revolutionary FUSE'd (or Fresh US Episodes, which delivered the latest seasons and episodes of the most popular US series as they are aired in the US) and events that brought large gatherings and impressive participation figures.

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 Foundation Inc. (AFI), 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 5 flagship programs:

- *E-Media*. A pioneer in educational television, E-Media produces and distributes programming geared toward helping the country's public schools improve their quality of education.
- *Bantay Bata* (Child Watch). A national child-caring program that offers a 24/7 hotline, home visits, legal/medical/educational assistance, and supplemental feeding. It is aimed to rescue children from abusive environments and promote the welfare and rights of children. Rescued children are assured of proper nurturing and care through AFI's Children's Village, established in one of the suburbs of Metro Manila.
- *Bayan Microfinance*. AFI saw the need to provide livelihood assistance and opportunities to poor but enterprising countrymen. Bayan Microfinance was established as a program to provide financial assistance to promising micro-enterprises. It was eventually spun-off as a separate non-stock, non-profit entity, ABS-CBN Bayan Foundation, Inc. in 2000.
- *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.
- *Sagip Kapamilya*. Since its inception, AFI has been in the forefront of disaster response. With the Philippines prone to natural calamities such as earthquakes, typhoons and volcanic eruptions, AFI recognized the need for a holistic approach in providing disaster relief and rehabilitation to victims.

Bayanijuan was launched in 2008, coinciding with ABS-CBN's 55th year in television, to synergize and fully utilize the different programs of AFI in rebuilding each Filipino community one at a time.

The following table lists down the Company's active subsidiaries and affiliates (as of December 31, 2012):

COMPANY	DATE OF INCORPORATION	PRINCIPAL ACTIVITIES	OWNERSHIP INTEREST
<i>Philippine Subsidiaries and Affiliates (Direct Wholly-Owned and Majority Owned)</i>			
ABS-CBN Publishing, Inc.	03 September 1992	Print publishing	100.0
Star Recording, Inc. (Star Records)	02 February 1995	Audio and video production and distribution	100.0
Roadrunner Network, Inc.	23 November 1995	Services - post production	100.0

Star Songs, Inc.	07 August 1996	Music publishing	100.0
Sarimanok News Network, Inc.	23 June 1998	Content development and programming services	100.0
ABS-CBN Interactive, Inc.	29 January 1999	Services - interactive media	100.0
The Big Dipper Digital Content & Design, Inc.	30 June 2000	Digital film archiving and central library of content licensing and transmission	100.0
Creative Programs, Inc.	24 October 2000	Content development and programming services	100.0
Studio 23, Inc.	24 October 2000	Content development and programming services	100.0
TV Food Chefs, Inc.	23 January 2001	Services -restaurant and food	100.0
ABS-CBN Film Productions, Inc.	25 March 2003	Movie production	100.0
ABS-CBN Integrated and Strategic Property Holdings, Inc.	09 October 2003	Real estate	100.0
ABS-CBN Global Cargo Corporation	04 November 2009	Non-vessel common carrier operations	100.0
Sapientis Holdings Corporation	29 June 2009	Holding company	100.0
ABS-CBN Theme Parks and Resorts Holdings, Inc. (ABS-CBN Theme Parks)	16 July 2012	Holding company	100.0

Philippine Subsidiaries and Affiliates (Indirect Wholly-Owned and Majority Owned)

Sky Cable Corporation	06 June 1990	Cable television services	57.4 thru Sky Vision Corporation
E-Money Plus, Inc.	07 August 2000	Services – money remittance	100.0 thru ABS-CBN Global Ltd.
ABS-CBN Multimedia, Inc.	25 August 2004	Digital electronic content distribution	100.0 thru ABS-CBN Interactive, Inc.
Columbus Technologies (CTI)	29 December 2011	Holding company	70.0 thru Sapientis
ABS-CBN Convergence, Inc. (ABS-C)(formerly Multi-Media Telephony, Inc.)	29 December 2011	Telecommunication	66.5 thru Sapientis, subsidiary of CTI

International Subsidiaries

ABS-CBN International	22 March 1979 California, USA	Cable and satellite programming services	100.0 thru ABS-CBN Global Hungary Kft
ABS-CBN Telecom North America, Inc.	19 April 1995 California, USA	Telecommunications	100.0 thru ABS-CBN International

ABS-CBN Global Ltd. with Branch Offices at the following countries: 1. Philippines 2. Taiwan	03 January 2002 Cayman Islands	Holding company	100.0
ABS-CBN Middle East FZ-LLC	29 April 2002 Dubai, UAE	Cable and satellite programming services	100.0 thru ABS-CBN Global, Ltd.
ABS-CBN Middle East LLC	29 April 2002 Dubai, UAE	Trading	100.0 thru ABS-CBN Middle East FZ-LLC
ABS-CBN Europe Ltd. with Branch Offices at the following countries: 1. Italy 2. Spain	08 May 2003 United Kingdom	Cable and satellite programming services	100.0 thru ABS-CBN Global, Ltd.
ABS-CBN Australia Pty. Ltd	18 May 2004 Victoria, Australia	Cable and satellite programming services	100.0 thru ABS-CBN International
ABS-CBN Japan, Inc.	22 March 2006 Japan	Cable and satellite programming services	100.0 thru ABS-CBN Europe Ltd.
ABS-CBN Canada ULC (formerly The Filipino Channel Canada ULC)	08 March 2007 Canada	Cable and satellite programming services	100.0 thru ABS-CBN International
ABS-CBN Shared Service Center PTE. Ltd. (with Regional Operating Headquarters in the Philippines)	03 July 2008 Singapore	Corporate support and administrative services for various international ABS-CBN subsidiaries and affiliates	100.0
ABS-CBN Global Hungary Kft. (with Branch Office in Luxembourg)	09 February 2009 Hungary	Holding company	100.0
ABS-CBN Global Netherlands B.V.	19 May 2009 Netherlands	Holding company	100.0 thru ABS-CBN Global Hungary Kft
ABS-CBN Global Remittance, Inc.	18 November 2009 California, USA	Services – money remittance	100.0 thru ABS-CBN International
ABS-CBN Europe Remittance Inc.	2010 , United Kingdom	Services-money remittance	100.0 , subsidiary of ABS-CBN Europe
ABS-CBN Canada Remittance Inc.	2011, Canada	Services-money remittance	100.0, thru ABS-CBN Hungary

COMPANY	DATE OF INCORPORATION	PRINCIPAL ACTIVITIES	OWNERSHIP INTEREST
<i>Philippine Affiliates</i>			
Lopez, Inc.		Holding company	Parent of ABS-CBN
First Philippine Holdings	30 June 1961	Holding company	43.0 owned by

Corporation				Lopez, Inc.
Sky Vision Corporation	18 April 1991	Investing in ventures related to cable television, cable communications, cable systems, television media and shopping networks, and film distribution	24.8 owned by ABS-CBN; 70.0 owned by Lopez, Inc.	
Lopez Holdings Corporation (formerly Benpres Holdings Corporation)	08 June 1993	Holding company	56.2 owned by Lopez, Inc.	
Bayan Telecommunications Holdings Corporation	15 October 1993	Holding company	88.3 owned by Lopez, Inc.	
AMCARA Broadcasting Network, Inc.	12 April 1994	Television and radio broadcasting	49.0	
Beyond Cable Holdings, Inc.	07 December 2001	Holding company	7.0	

Non-Stock Corporations

ABS-CBN Foundation, Inc.	05 July 1989	Charitable institution
ABS-CBN Bayan Foundation, Inc.	18 January 2000	Charitable institution
71 Dreams Foundation, Inc.	24 March 2006	Charitable institution

Competition

Free-to-Air Television

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 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 June-December 2012, are as follows:

NETWORK	CALLSIGN / FREQUENCY	Total Philippines (June-December 2012)	
		RTG%	SHR%
ABS-CBN Corporation	ABS-CBN 2	14.6%	42%
National Broadcasting Network	NBN 4	0.1%	0.2%
Associated Broadcasting Company	ABC 5 / TV5	4.3%	12%
GMA Network Inc.	GMA 7	11.0%	31%
GMA NewsTV		0.9%	3%
Intercontinental Broadcasting Corporation	IBC 13	0.5%	2%
Southern Broadcasting Network	SBN 21 / ETC	0.1%	0.2%
ABS-CBN Broadcasting Corporation	Studio 23	1.0%	3%
Eagle Broadcasting Corporation	NET 25	0.0%	0.1%
RJ Broadcasting Corporation	RJTV 29 / 2nd Avenue	0.0%	0%

*Source: Kantar Media TV Audience
Measurement- TV Homes

The Company principally competes with 9 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, where MPB will 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, competes with over 2 dozen radio stations in each band in Mega Manila. The Company's other regional/provincial radio stations (2 in the AM band and 14 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, cassette tapes and digital music players.

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 content 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 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.

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 other TFC products in other territories, such as in the Middle East, Europe, Australia, Canada and Japan, 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.

Magazine Publishing

Each of the Company's glossy magazine publications, published by its subsidiary API, competes for readership and advertising revenues with other magazines of similar format and with other forms of print and non-print media. Competition for advertising is based on circulation levels, reader demographics and advertising rates. Philippine-based publishers, such as Summit Media and Mega Magazine and Publications, churn out more than 50 glossy magazine titles combined each month.

Film Production and Distribution

The production and distribution of feature films is a highly competitive business in the Philippines. AFPI, or more commonly known as 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, video cassettes and computer games. 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.

Internet and Interactive Services

With regard to the mobile VAS products, digital advertising solutions, and online games that the Company provides through ABSi, the Company faces competition from Internet service providers, mobile content providers, telecommunications companies, online game distributors, and other internet and mobile related content and service providers.

Cable Programming and Television Operations

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.

ABS-CBN, through its subsidiaries SNN and CPI, also provides programming for 9 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.

Patents, trademarks, licenses, franchises, concessions, 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.

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 The Filipino Channel 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 ABS-CBN 2, approximately 65% of the content of Studio 23, and close to 90% for all CPI cable channels collectively.

ABS-CBN and its wholly-owned subsidiary, Sky Films, Inc. (which was merged into ABS-CBN Film Productions Inc. in November 2007), also have 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.

Star Records 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. ABSi also has such similar agreements for its musical products, such as ring-tones, digital music, that are downloaded on mobile and online applications.

Need for any governmental approval of principal products or services

The principal law governing the broadcasting industry is the 1936 Commonwealth Act. No. 146, as amended, otherwise known as the Public Service Act. This 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.

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 highly regulated by the Philippine Government. The Company’s Congressional Franchise, renewed in 1995 for a term of 25 years, allows the Company to engage in the television and radio broadcasting business.

The government departments and agencies that administer the laws governing the broadcasting industry and content are the National Telecommunications Commission (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 is the government agency which regulates the broadcasting industry. Among its specific functions is the granting of provisional authorities and certificates of public conveniences to own and operate a broadcasting station within the Philippines. The NTC also regulates the bandwidth allocation used by the different broadcasting companies through the grant of temporary permits and licenses to operate television and radio stations.

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 classifies television programs based on their content, including the showing of indecent and excessively violent scenes on television. The OMB issues permits to television stations or networks engaged in the exhibition and distribution of programs in video format.

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.

As the Company invests in facilities to improve signal quality and expand coverage of its television network, it is already preparing for Digital Terrestrial Television (DTT) service. The format for DTT service in the Philippines will be governed by the implementing rules and regulations (IRR) of the NTC. The industry is currently awaiting the release of the IRR.

Costs and effect of compliance with environmental laws

Whenever required, the Company applies for and secures proper permits, clearances or exemptions from the Department of Environment and Natural Resources, Department of Health, Air Transportation Office, and other regulatory agencies, for the installation and operation of proposed broadcast stations nationwide.

For the past 3 years, there were no costs related to the effect of compliance with environmental laws.

Employees and agreements of labor contracts, including duration

ABS-CBN Corporation has 2,041 regular employees and 1,983 non-regular employees as of December 31, 2012. It expects to have 2,372 regular employees and 2,008 non-regular employees by the end of 2013.

ABS-CBN 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 collective bargaining agreement (CBA) for the supervisory union was renewed last August 13, 2010, covering the period from August 1, 2010 until July 31, 2013, while the CBA for the rank and file employees, covering the period December 11, 2011 to December 10, 2014.

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.

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 and 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, taking over from the Audit Committee.

Item 2. Properties

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 meter ABS-CBN Broadcasting Center located at Sgt. Esguerra Avenue in 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, the newest 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 3 television soundstages, 3 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.

With the Company having made substantial investments in upgrading its production, broadcasting and transmission equipment in recent years, the Company does not anticipate any major increase in capital expenditures for the acquisition or the development of any property in the near future.

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, 2012:

VHF TV STATIONS

STATION		CH	LOCATION (Transmitter Site)
1	Manila	2	Mo. 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 Mabayan, Olongapo City
20	Iloilo*	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.**	10	Masbate, Masbate
33	MIT-RTVN**	7	Ozamis City

VHF TV STATIONS

STATION		CH	LOCATION (Transmitter Site)
34	MIT-RTVN**	9	Mt. Palpalan, Pagadian City
35	St. Jude Thaddeus Inst. of Tech**	12	Surigao City
36	Sulu Tawi-Tawi Broadcasting Corporation**	10	Jolo, Sulu
37	Calbayog Comm. Bctg. Corp.	10	Calbayog City, Western Samar
38	Palawan Bctg. Corp.	7	Puerto Princesa, Palawan

*owned by Amcara; ** Affiliate

UHF TV STATIONS

STATION		CH	LOCATION (Transmitter Site)
1	Manila**	23	Metro Manila
2	Cebu****	23	Mt. Busay, Cebu City*
3	Davao****	21	Matina Hills, Davao City*
4	Dagupan****	30	Sto. Tomas, Benguet*
5	Naga****	24	Naga City*
6	Batangas****	36	Mt. Banoy, Batangas*
7	Baguio**	32	Mt. Sto. Tomas (Baguio)*
8	Laoag****	23	San Nicolas, Laoag*
9	Bacolod****	22	Bacolod City*
10	Iloilo**	38	La Paz, Iloilo City*
11	Zamboanga****	23	Zamboanga City*
12	Gen. Santos****	36	General Santos City*
13	Tacloban***	24	Mt. Naga-Naga, Tacloban
14	Cagayan De Oro****	23	Cagayan de Oro City*
15	Dumaguete****	24	Mt. Palimpinon, Valencia, Negros Oriental*
16	Botolan****	23	Botolan, Zambales*
17	Isabela ****	23	Santiago City*
18	Bohol***	40	Jagna, Bohol
19	Marbel, Koronadal****	24	Marbel, S. Cotabato
20	Rizal***	40	Jala-Jala, Rizal
21	Legaspi***	23	Legaspi City
22	Olongapo****	24	Olongapo City*
23	Iligan ****	26	Iligan City*
24	Butuan***	22	Butuan City
25	Cotabato***	23	N. Cotabato
26	Pagadian***	24	Pagadian City
27	Palawan****	23	P. Princesa, Palawan
28	Surigao***	23	Surigao City
29	Roxas City****	21	Roxas City
30	Baler****	22	Baler, Aurora
31	Camarines Norte****	23	Daet, Camarines Norte
32	Kalibo****	23	Aklan
33	Dipolog****	42	Dipolog City
34	Lucena City****	24	Lucena City, Quezon
35	Lipa City ****	38	Lipa City, Batangas
36	Tarlac**	34	Tarlac City
37	San Miguel**	34	San Miguel, Bulacan
38	San Fernando, Pampanga**	46	San Fernando, Pampanga
39	San Pablo**	46	San Pablo, Laguna
40	Cabanatuan**	30	Cabanatuan, Nueva Ecija
41	Ilocos Sur**	34	Bantay, Ilocos Sur

* co-located with VHF TV Stations ; **owned by ABS-CBN;*** with pending application with the NTC, ****owned by Amcara

FM RADIO STATIONS

STATION		FREQ (MHz)	CALL SIGN	LOCATION
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		FREQ (MHz)	CALL SIGN	LOCATION
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.

LEASED PROPERTIES:

LESSOR	Effectivity	End	Monthly Rent	PARTICULARS	
BLANCO, HAROLD	April 15, 2006	April 14, 2016	13,434.54	Rental for Botolan	w/ 5% escalation rate per annum
CO, JAIME L.	July 1, 2010	June 30, 2013	46,003.12	Rental for Isabela	w/ 5% escalation rate per annum
FEDERICO ONG	October 15, 2010	October 14, 2015	15,789.47	Aparri Rental	
JOSON, MANUEL S.	April 15, 2005	April 14, 2015	27,105.82	Rental for San Miguel	w/ 10% escalation rate per annum
LIM, MARIANO MC ARNOLD	January 1, 2011	October 31, 2012	9,345.79	Rental for Tabaco, Albay	
FORDAN, CONCEPCION	November 15, 2010	November 14, 2013	35,446.63	Rental for San Jose, Mindoro	w/ 10% escalation rate per annum
RIOS, JOSEPH	December 1, 2010	November 30, 2013	53,571.86	Rental for Tuguegarao	w/ 10% escalation rate per annum
TIU, BENEDICT	May 2, 2011	May 1, 2013	29,464.29	San Pablo Rental	
VICENTE GATO	October 15, 2010	October 14, 2015	9,843.75	Batanes Rental	w/ 5% escalation rate per annum
Virac Eastland Realty Corporation	December 1, 2010	November 30, 2013	30,823.16	Rental for Virac, Catanduanes	w/ 10% escalation rate per annum
YOLANDA TUAZON	March 15, 2005	March 14, 2015	35,153.81	Rental for San Miguel	w/ 10% escalation rate per annum

Leased Properties, Regional Network Group

STATION	LESSOR	Lease Payment (Monthly for 2011)	Date of Expiry of Lease
VISAYAS			
Dumaguete	MYRNA RUTH TAN DIZON	32,929.97	April 20, 2012
Roxas	DANTE SIGUA	Jan - Jun 2011 Php 19,096/month Jul - Dec 2011 Php 21,005.60/month	June 30, 2012
Kalibo	A.L.G. PRIME PROPERTY/ARIEL L. GARCIA	Jan 2011 - Apr 2011 = P15, 186.11/monthly May 2011 - Dec 2011 = P15, 945.42 / monthly note: w/ 5% escalation per annum	April 30, 2013
Tacloban	UYTINGKOC DEVELOPMENT CORPORATION	Jan-Oct 2011 Php 65,426.76; Nov-Dec Php 68,698.10	October 15, 2013
MINDANAO			
Butuan	BAYAN TELECOMMUNICATION, INC M. CALO STREET, BUTUAN CITY	Jan 1, 2011 to June 16, 2011 Php 99,140.26/month June 16, 2011 to Dec. 31, 2011 P104,097.27/month	June 15, 2012 **note for renewal - duration: June 16, 2012 - June 15, 2013
Iligan	ELENA TOWER INN, TIBANGA HIGHWAY, ILIGAN CITY	50,000.00	December 31, 2012
Dipolog	J.L. PAWNSHOP/HOTEL CAMILA 1	5,000.00	January 31, 2013
	J.L. PAWNSHOP/HOTEL CAMILA 1	2,000.00	January 31, 2013
	J.L. PAWNSHOP/HOTEL CAMILA 1	5,000.00	April 30, 2013
Koronadal	GREEN VALLEY MACHINERIES/ENGR. ROMEO SUSTIGUER	10,622.04	July 31, 2012
LUZON			
Batangas	THE PHILIPPINE AMERICAN LIFE AND GENERAL	122,304.00	July 15 2012;
		2,508.80	
	WENNIE BICO	5,000.00	Oct. 3, 2012
	FIESTA WORLD MALL	27,965.00	March 31, 2014
San Pablo	BENEDICT TIU	33,000.00 note:(sharing 50% RE, 50% RNG)	May 1, 2013
Isabela	JECO REAL ESTATE	69,283.09	December 31, 2012
Tuguegarao	RODOLFO VENTURA	12,000.00	July 31, 2012
Baguio	PHIL VETERANS BANK	153,774.56	August 30, 2013
Olongapo	ERNESTO TING	44,193.14	renewal, and office transferred to 2nd flr of the same bldg. with lower monthly rental effective Mar. 16, 2012 with amount of
Daet	ROBERTO & LUZ RICASIO	P15,750.00(net of w/tax)	going contract renewal for 2 years starting June 1, 2012.
Laoag	Phil. Veterans Bank FAO CAP	P67,286.41 (from May 1 - Dec. 31, 2011)	April 30, 2013
Vigan	Eduardo Palomares	P16,906.50 (fr. Jan. 1 to Aug. 31, 2011)	Aug. 31, 2012
		P17,244.63 (fr. Sept. 1 - Dec. 31, 2011)	

Item 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 panel homes in various areas in the country. 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. The Company appealed from the dismissal of the complaint by filing a petition for certiorari with the Court of Appeals and the petition is now submitted for resolution.

"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 (P15,000,000.00). GMA has completed presentation of its evidence and its documentary evidence has been admitted.

"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 and then Managing Director for TV Production, Ms. Ma. Socorro V. Vidanes.

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 has been terminated and pre-trial is set on 15 May 2013.

"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 (P11,500,000.00). 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 shall file 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 (P102,400,000.00) 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 Fonq 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. (same status)

Item 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 P1.00 each shares into 1 billion Preferred Shares with a par value of P0.20 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

Item 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 Php38.00 while the PDRs (PSE: ABSP) closed at Php40.00 on March 22, 2013.

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 since 1996

Cash Dividend (Per Share)

Amount (in Pesos)	Declaration Date	Record Date	Payment Date
Php0.60	March 28, 2001	April 25, 2001	May 25, 2001
Php0.64	July 21, 2004	July 24, 2004	August 10, 2004
Php0.45	March 28, 2007	April 20, 2007	May 15, 2007
Php0.825	March 26, 2008	April 30, 2008	May 27, 2008
Php0.90	March 25, 2009	May 5, 2009	May 29, 2009
Php1.11	March 11, 2010	March 31, 2010	April 29, 2010
Php2.10	March 4, 2011	March 25, 2011	April 19, 2011
Php0.80	March 30, 2012	April 25, 2012	May 22, 2012

High and Low Share Prices

	<u>ABS</u>		<u>ABSP</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
<u>2012</u>				
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
<u>2011</u>				
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
<u>2010</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
First Quarter	30.00	25.50	31.00	26.00
Second Quarter	38.50	29.00	40.50	28.50
Third Quarter	56.00	36.50	56.00	40.50
Fourth Quarter	56.00	43.50	56.00	45.00

The number of shareholders of record as of December 31, 2012 was 5,900. Common shares outstanding as of December 31, 2012 were 779,584,602. The number of shareholders of record for common shares as of February 28, 2013 was 5,863. Common shares outstanding as of February 28, 2013 were 779,584,602. Preferred Shares outstanding as of February 28, 2013 were 1,000,000,000.

The last traded prices as of March 22, 2013 of ABS and ABSP were Php38.00 and Php40.00, respectively.

As of February 28, 2013, the Top 20 stockholders of ABS-CBN own an aggregate of 764,614,417 or 98.09% of outstanding common shares.

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

As of February 28, 2013, the Top 20 holders of Preferred Stock of ABS-CBN are as follows:

Rank	Name	Citizenship	Record / Beneficial	No. of Shares	Percentage
1	Lopez, Inc.	Filipino	Record	987,130,246	98.71%
2	Tower Securities Inc.	Filipino	Record	3,820,994	0.38%
3	Manuel Lopez &/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	719,316	0.07%
7	Abacus Securities Corporation	Filipino	Record	699,091	0.07%
8	Value Quest Securities Corporation	Filipino	Record	662,020	0.07%
9	Tower Securities	Filipino	Record	610,493	0.06%
10	Globalinks Securities & Stocks, Inc.	Filipino	Record	240,256	0.02%
11	Manuel M. Lopez	Filipino	Record	187,518	0.02%
12	Belson Securities , Inc.	Filipino	Record	128,905	0.01%
13	Asiasec Equities, Inc.	Filipino	Record	120,000	0.01%
14	PCCI Securities Brokers Corp.	Filipino	Record	112,022	0.01%
15	Ricky See Eng Huy	Filipino	Record	103,901	0.01%
16	Noli de Castro	Filipino	Record	93,372	0.01%
17	Meridian Securities, Inc.	Filipino	Record	93,133	0.01%
18	Edmond T. Aguilar	Filipino	Record	71,961	0.01%
19	Leonardo P. Katigbak	Filipino	Record	66,702	0.01%
20	Kris Aquino	Filipino	Record	64,136	0.01%
Sub-total Top 20 Stockholders				998,993,968	99.90%
Others				1,006,032	.10%
Total Stockholders				1,000,000,000	100.00%

Employee Stock Option Plan

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

On March 29, 2000, the Board of Directors approved another ESOP covering 6,080,306 shares. In 2002, all the shares acquired by the Company covering this ESOP, were exercised by the employees. As of December 31, 2011, there are no more outstanding ESOP.

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.

Item 6. Management's Discussion and Analysis or Plan of Operation

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

KEY VARIABLE AND OTHER QUALITATIVE AND QUANTITATIVE FACTORS

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

None.

- ii. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of obligation.

The Company has contingent liabilities with respect to claims and lawsuits filed by third parties. The events that transpired last February 4, 2006, which resulted in the death of 71 people and injury to about 200 others led the Company to shoulder the burial expenses of the dead and medical expenses of the injured, which did not result in any direct or contingent financial obligation that is material to the Company. The Company has settled all of the funeral and medical expenses of the victims of the tragedy. Given the income flows and net asset base of the Company, said expenses do not constitute a material financial obligation of the Company, as the Company remains in sound financial position to meet its obligations. As of February 27, 2013, the claims in connection with the events of February 4, 2006 are still pending and remain contingent liabilities. While the funeral and medical expenses have all been shouldered by the Company, there still exist claims for compensation for the deaths and injuries, the amount of which have not been declared and cannot be determined with certainty at this time. Management is nevertheless of the opinion that should there be any adverse judgment based on these claims, this will not materially affect the Company's financial position and performance.

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 February 27, 2013, the case is still ongoing before the NTC. Another case that stemmed from the said NTC case is the complainant's petition for review on certiorari, which is also ongoing before Supreme Court. 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.

- iii. All 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.

There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

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

For 2013, ABS-CBN expects to invest approximately ₱5.0 billion for capital expenditure and acquisition of film and program rights. This funding requirement will be partly financed through internally generated funds.

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

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

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

None.

- vii. The causes for any material change from period to period:

As at December 31, 2012, total consolidated assets stood at P49.481 billion, P4.681 billion or 10% higher than total assets of P44.800 billion as at December 31, 2011. The significant increase in assets is attributable to the provisional goodwill recognized upon the acquisition of Destiny Cable by Skycable, and capital expenditures for property, plant and equipment, and program rights.

Cash and cash equivalents of P6.395 billion is P2.240 billion or 26% lower than the December 31, 2011 balance.

Trade accounts receivables amounting to P6.763 billion is P371 million or 6% higher than the P6.392 billion trade accounts receivables at the end of 2011.

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

Total interest-bearing loans was higher by P3.274 billion at P15.786 billion compared to P12.512 billion at the end of 2011.

Shareholders' equity stood at P21.519 billion, 5% higher compared with the Shareholder's equity at the end of 2011.

- viii. Any seasonal aspects that had a material effect on the financial condition or results of operations.

There are no seasonal aspects that had 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 Ms Vivian Cruz-Ruiz as the engagement partner, for the audit of the Company's books in 2012. 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 23, 2013.

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:

	2012	2011
Audit Fees	24,662,605	23,647,605
Non-Audit Fees	2,380,664	12,255,862

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.

Item 7. Financial Statements

The Statement of Management's Responsibility are in **Annex B**. Also in Annex B are the Company's Audited Financial Statements as of December 31, 2012 for Financial Statements prepared in accordance with SRC Rule 68 as amended, is attached hereto as 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.

Item 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 - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors

The following were the members of the Board of the Directors for year 2012:

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

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 their qualifications:

Eugenio L. Lopez III, Filipino, age 61
Chairman of the Board of Directors

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

Augusto Almeda-Lopez, Filipino, age 85
Vice-Chairman

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

Ma. Rosario Santos-Concio, Filipino, age 58
Board Member, President and Chief Executive Officer

Ms. Santos-Concio was appointed Chief Executive Officer in January 2013. Prior to this, she was named President and Chief Operating Officer in 2008 where she brought greater synergy between Marketing, Sales, and Production. She was also in charge of delivering profit margins, nationwide ratings, the annual programming strategy and achieving customer development targets of the Company. She was previously the Head of Channel 2 Mega Manila Management. She is also known as an award-winning actress and an accomplished film and TV producer. Onscreen, Ms. Santos-Concio hosts ABS-CBN Channel 2's longest-running drama anthology *Maalaala Mo Kaya*. As President and COO, she leads the Executive Committee and all subsidiary and division heads report to her. Ms. Santos-Concio began her career in the Company as a Television Production Consultant in 1987 after working as a line producer for BanCom, Audiovision, Vanguard Films, Regal Films and Vision Exponents. She also worked as a Film Production Manager for the Experimental Cinema of the Philippines. Ms. Santos-Concio was hailed as Best Actress in the 1978 Asian Film Festival in Sydney, Australia for her work in the film, *Itim*, and is the recipient of many cinema and broadcast industry-related awards over the years. Ms. Santos-Concio graduated *cum laude* from St. Paul's College in Manila with a Communications Arts degree. Ms. Santos-Concio also completed the Advanced Management Program at Harvard Business School in 2007.

Oscar M. Lopez, Filipino, age 83
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 78

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 52

Board Member

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

Manuel M. Lopez, age 70

Board Member

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

Salvador G. Tirona, age 58

Board Member

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

Federico M. Garcia, Filipino, age 68

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.

Justice Vicente V. Mendoza, Filipino, age 80

Independent Director

Justice Mendoza was an Associate Justice of the Supreme Court from 1994 to 2002. He was also an Associate Justice of the Court of Appeals from 1980 to 1993 and its Presiding Justice in 1994. He was an Assistant Solicitor General from 1973 to 1980. He also taught political review and gave bar review classes at the

University of the Philippines College of Law from 1978 to 1993. He graduated from the U.P. College of Law in 1957 and was admitted to the Philippine Bar in 1958. He was conferred an LL. M. degree by Yale Law School in 1971 and was a visiting scholar at the Harvard Law School in the fall term in 1976. He has authored several law books and has written several articles published in law journals.

Javier J. Calero, Filipino, age 76

Independent Director

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

Independent Directors of the Board

The Company's Independent Directors, Justice Vicente V. Mendoza and Mr. Javier J. Calero have at least one (1) share of the stock of the Company in their respective names, are college graduates and possess integrity, probity and assiduousness. They are persons who, apart from their fees as directors of the Company, are independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors of the Company.

Specifically, Justice Mendoza and Mr. Calero: (i) are not directors or officers or substantial stockholders of the Company or its related companies or any of its substantial shareholders (other than as independent directors of any of the foregoing); (ii) are not relatives of any director, officer or substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iv) have not been employed in any executive capacity by the Company, or any of its related companies or by any of its substantial shareholders within the last two (2) years; (v) are not retained as professional advisers by the Company, any of its related companies or any of its substantial shareholders within the last two (2) years, either personally or through their firms; (vi) have not engaged and do not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by themselves or with other persons or through a firm of which they are partners or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arms length and are immaterial; and (vii) do not own more than two percent of the shares of the Company and/or its related companies or any of its substantial shareholders. Justice Mendoza, and Mr. Calero do not possess any of the disqualifications enumerated under Section II (5) of the Code of Corporate Governance and Section II (D) of SEC Memorandum Circular No. 16, Series of 2002.

 **Executive / Corporate Officers**

Jose Agustin C. Benitez, Jr., Filipino, age 54

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 by helping them build their businesses and, at the same time, bring in revenues to the Company. He provides sales solutions to clients from a broad range of traditional and non-traditional media products. He was formerly Sales Head of ABC Channel 5 and of GMA Channel 7, and was instrumental in developing the Sales Units of both companies. He was one of the first Sales Heads who was able to use his media/advertising background to successfully blend "science" with the selling skills of both teams. Before becoming involved in Broadcast Sales, Mr. Benitez was formerly Media Director and Vice President of Ace Saatchi and Saatchi, where he provided leadership to a media department that handled diverse clients such as San Miguel Corporation, Procter & Gamble Distributing Philippines Inc., Nestle Philippines Inc., Johnson & Johnson Philippines Inc., and Jollibee Foods Corporation.

Here he won for the agency the first-ever Agency of Record (AOR) assignment of P&G. He was also formerly President and CEO of Zenith Optimedia, Nestle's independent media agency, and President and CEO of Optimum Media, where he was mainly responsible for winning the Smart AOR business. This Smart win triggered a streak of 14 consecutive new business wins, helping the agency become a formidable force in the industry in a span of 3 months.

Raul Pedro G. Bulaong, Filipino, age 48

Chief Technology Officer

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

Carlo L. Katigbak, Filipino, age 43

Head, Access and President/Chief Executive Officer, SkyCable

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

Rafael L. Lopez, Filipino, age 56

Head, Global

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

Mario Carlo P. Nepomuceno, Filipino, age 54

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. Outside the private sector, he has serviced clients in the government and non-government sectors as well. Mr. Nepomuceno is a graduate of the Ateneo de Manila University with a bachelor's degree in Psychology.

Ma. Regina "Ging" E. Reyes, Filipino, age 50

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, Reyes was ABS-CBN'S North

America News Bureau Chief from 2002 to 2010. A premier news personality in the Filipino community in the US, Reyes expanded the news operations of ABS-CBN in the US and Canada, contributing to the global content needs of ABS-CBN. In 2007, she was named by the Filipina Women's Network as one of the 100 Most Influential Filipino Women in the U.S.

Ma. Lourdes N. Santos, Filipino, age 56

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. Concurrent with her current position as ABS-CBN Film Production, Inc.'s Managing Director. Ms. Santos was appointed Senior Vice-President of the Television Drama Division for the Company's Entertainment Group in 2003. In 2006, she was likewise assigned to handle Star Records, Inc. Ms. Santos graduated *cum laude* in BS Hotel and Restaurant Management at the University of Santo Tomas.

Vivian Y. Tin, Filipino, age 51

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. Corporate Planning and Investor Relations are also part of Vivian's responsibilities. Ms. Tin has had extensive experience in market research, particularly in media measurement and customized research. She began her career at Trends-MBL, where she rose to become Associate Research Director in 1992. After her stint in Trends-MBL, she moved on to ACNielsen Philippines where she became Director of Customized Research that handled top local and multinational companies in home care, personal care, pharmaceutical, food, dining and financial services. Prior to joining ABS-CBN, Ms. Tin was formerly Executive Director of Nielsen Media Research, the media research division of ACNielsen Philippines. She was a director of AdBoard in 2005 and 2006 and was the President of the Marketing & Opinion Research Society of the Philippines (MORES) in 2004 and 2005. She graduated *magna cum laude* with a Bachelor of Arts degree in Political Science and had her graduate studies on Applied Statistics, both at the University of the Philippines. Ms. Tin also completed the Advanced Management Program at Harvard Business School in 2010.

Rolando P. Valdueza, Filipino, age 53

Head, Corporate Services Group 2 and Group Chief Financial Officer

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

Antonio S. Ventosa, Filipino, age 51

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, having spent more than 2 decades honing his skills in understanding and driving strategic marketing communications considerations that build leadership brands. He was an account director at Dentsu Young and Rubicam Malaysia for Colgate Palmolive Singapore and Malaysia, and regional account director at Leo Burnett in Singapore for McDonald's Asia before returning to the Philippines in 1994. He was, at one time, the chairman and the president of the Association of Accredited Advertising Agencies of the Philippines or 4A's, and a board director of AdBoard. He is the founding chairman of the Araw Values Awards, and was the director-in-charge of the first 4A's Advertising Summit in 2002. Prior to joining the Company, he was managing director of Leo Burnett Manila, where he has worked extensively to expand the agency's

capability as a holistic communications organization that provide clients with the most effective communication and brand building programs. He was also responsible for directing the total marketing communications programs for clients whose brands are now leaders in their category. He was also concurrent President of Arc Worldwide Philippines, the newly established marketing services company aligned with Leo Burnett. Mr. Ventosa graduated with a marketing degree from De La Salle University and was honored in 2004 by his alma mater as one of its alumni achievers for having made a significant contribution in the field of advertising.

Ma. Socorro V. Vidanes, Filipino, age 51

Head, Broadcast

Prior to her appointment as of Broadcast, Ms. Vidanes was named 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.

Ma. Rosario S. Bartolome, Filipino, age 42

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.

Higino Dungo, Filipino, age 52

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.

Robert G. Labayen, Filipino, age 52

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. He has always wanted to use his talents to champion the Filipino spirit that's why he joined ABS-CBN in 2004. Today, his Division articulates the ABS-CBN vision of service to the Filipino through their work in promoting our company image and our entertainment, news, sports and advocacy programs.

Martin L. Lopez, Filipino, age 40

Chief Information Officer

As Chief Information Officer, Mr. Lopez heads and exercises governance on all IT functions and activities which includes IT infrastructure and media systems management, IT standards and strategies, long-term technology and strategic technical services. Before his appointment, he was Vice President and Chief Information Officer of Manila Electric Company (Meralco), where he managed all ICT related assets of the Company covering all its computer, information system and telecommunication related resources. Concurrently, he is the President and CEO of e-Meralco Ventures, Inc. (eMVI), a wholly owned subsidiary of Meralco engaged in the Telecommunications and Broadband business. He is a graduate of Menlo College in California with a degree in Business Administration. He completed Executive MBA Program from the Asian Institute of Management.

Raymund Martin T. Miranda, Filipino, age 50

Chief Strategy Officer and Chief Risk Management Officer

Mr. Miranda has been an Asia-Pacific media executive and strategist for more than 29 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, Raymund spent a year in Manila as the President/CEO of Nation Broadcasting Corporation (92.3x FM) 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. Mr. Miranda has served on the Council of Governors of CASBAA (Cable and Satellite Broadcasters' Association of Asia) and on the International Committee of PROMAX International. He was Vice Chairman of PROMAX Asia in 1996. He has sat as a juror in the International Digital Emmys, Promax Asia, Promax International and the Asian Television Awards.

Ramon R. Osorio, Filipino, age 60

Head, Integrated Corporate Communications

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

Luis Paolo M. Pineda, Filipino, age 41

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.pinoyncentral.com where he was able to establish strong partnerships and identified potential joint ventures with companies in the same industry. His work eventually included coordination with all ABS-CBN media platforms, conceptualization, execution, and evaluation of mobile applications. He was promoted to Director in 2002 and Assistant Vice President in 2004 as he began to provide strategic direction for his business unit. In 2005, he took on the role of overall head for the company's mobile and online business while practically co-managing its video-streaming operations. His appointment to oversee the gaming business followed in August of 2005 and in December 2005, he was officially designated as Managing Director for ABS-CBN Interactive. Mr. Pineda has significantly contributed to the growth and success of the business unit, driving the group to reach its targets without fail year-on-year. Mr. Pineda is an alumnus of the Ateneo de Manila University and completed an executive management course in Kellogg University.

Mario Luza Bautista, Filipino, age 59

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. In June of 2012, he was honored by the Philippine House of Representatives in its House Resolution No. 263 for his role as the Lead Private Prosecutor in the impeachment proceedings against former Supreme Court Chief Justice Renato C. Corona

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 work force 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, 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, 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, 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, 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.

Item 10. Executive Compensation

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 most highly compensated executive officers (in alphabetical order): Eugenio L. Lopez III (CEO 2011/2012) Ma. Rosario N. Santos-Concio (CEO 2013) Carlo Joaquin Tadeo L. Katigbak Ma. Lourdes N. Santos Ma. Socorro V. Vidanes	2013E	114,426,398		
	2012	111,093,590	35,171,341	0
	2011	107,327,456	126,059,719	0
All managers and up as a group unnamed	2013E	1,032,377,147		
	2012	1,002,307,910	240,135,562	0
	2011	1,035,762,181	451,831,190	0

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Records and Beneficial Owners as of March 12, 2013:

Title Of class	Name and Address of Record Owner	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Class	Percentage of Outstanding
Common	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc. (Manuel M. Lopez, Chairman, is authorized to vote on behalf of Lopez, Inc.)	Filipino	446,231,607	57.24%	25.08%
Common	PCD Nominee Corporation G/F Makati Stock Exchange Bldg., Ayala Ave., Makati City (PCD Nominee Corporation is not related to the Company)	ABS-CBN Holdings Corp. (Oscar M. Lopez, Chairman, is authorized to vote on behalf of ABS-CBN Holdings Corp.)	Filipino	312,480,820	40.08%	17.56%
Preferred	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez Inc. (Manuel M. Lopez, Chairman is authorized to vote on behalf of Lopez, Inc.)	Filipino	987,130,246	98.71%	55.47%

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.

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

ABS-CBN Holdings Corporation is a participant of PCD. The 264,831,300 shares beneficially owned by ABS-CBN Holdings Corporation form part of the 312,480,820 shares registered in the name of PCD. ABS-CBN Holdings Corporation is owned 50% by Lopez, Inc. and 50% by Oscar M. Lopez, Manuel M. Lopez, Presentacion L. Psinakis, and Eugenio Lopez III. The shares in the Company registered and beneficially owned by it are covered by Philippine Depositary Receipts (PDRs) which gives the holder thereof the right to delivery or sale of the underlying share. The PDRs are listed with the Philippine Stock Exchange.

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

Security Ownership of Management as of February 28, 2013

As of February 28, 2013, the Company's directors and senior officers owned an aggregate of 1,504,451 shares of the Company, equivalent to 0.1930% 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 <i>Chairman</i>	Direct	Filipino	651,191	0.0835%
Common	Augusto Almeda-Lopez <i>Vice-Chairman</i>	Indirect	Filipino	249,833	0.0320%
Common	Oscar M. Lopez <i>Director</i>	Direct	Filipino	63,605	0.0082%
Common	Presentacion L. Psinakis <i>Director</i>	Direct	Filipino	1,988	0.0003%
Common	Ma. Rosario Santos-Concio <i>Director, President and Chief Executive Officer</i>	Direct	Filipino	1	0.0000%
Common	Manuel M. Lopez <i>Director</i>	Direct	Filipino	146,186	0.0188%
Common	Federico R. Lopez <i>Director</i>	Direct	Filipino	1	0.0000%
Common	Salvador G. Tirona <i>Director</i>	Direct	Filipino	2	0.0000%
Common	Federico M. Garcia <i>Director</i>	Direct	Filipino	269,517	0.0346%
Common	Vicente Mendoza <i>Independent Director</i>	Direct	Filipino	1	0.0000%
Common	Javier J. Calero <i>Independent Director</i>	Direct	Filipino	1	0.0000%
Common	Rolando P. Valdueza <i>Chief Finance Officer</i>	Direct	Filipino	48,500	0.0062%
Common	Ma. Socorro V. Vidanes <i>Head, Channel 2 Mega Manila Management</i>	Direct	Filipino	10,000	0.0013%
Common	Mario Carlo P. Nepomuceno <i>Chief Human Resources and Organization and Development Learning Officer</i>	Direct	Filipino	35,351	0.0045%
Common	Vivian Tin <i>Chief Research and Business Analysis Officer</i>	Direct	Filipino	8,600	0.0011%
Common	Raul Pedro G. Bulaong <i>Managing Director, ABS-CBN Technical Production Operations</i>	Direct	Filipino	15	0.0000%
Common	Martin L. Lopez <i>Chief Information Officer</i>	Direct	Filipino	19,659	0.0025%
	Security Ownership of Directors and Management			1,504,451	0.1930%

Changes in Control

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

Item 12. Certain Relationships and Related Transactions

Relationships and Related Transactions / Agreements with Affiliates

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

Except for transactions discussed in Notes 4 and 22 of the accompanying notes to the Company's audited consolidated financial statements, there had been no material transactions during the past 2 years, nor is any material transaction presently proposed, to which the Company was or is to be a party in which any director, executive officer of the Company, or security holder of more than 10% of the Company's voting securities, any relative or spouse of any such director or executive officer or owner of more than 10% of the Company's voting securities had or is to have direct or indirect material interest.

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

Parent Company

Lopez, Inc. is the registered owner of 57.24% of the voting stock of the Company as of December 31, 2012. 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.

Resignation of Directors Because of Disagreement with Policies

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

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

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

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

As an organization, ABS-CBN reaffirms its mission of being in the service of the Filipino, and espouses that there is no dichotomy between doing good business and practicing the right values. Through values cascading within the organization, the Company has identified the core values necessary to guide its leaders and employees in

formulating and making business decisions, which in the end must always remain consistent with this mission and goal of service.

The Mission of the ABS-CBN Board of Directors

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

The Board of Directors

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

Selection of Directors

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

Mix of Directors

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

Criteria for Independence for Independent Directors

The Board assesses the independence of each director and of each individual nominated for election to the Board as an independent director. As part of this analysis, the Board must review and conclude whether each nominee for independent director satisfies the requirements of the rules of the SEC, the by-laws and the Manual of Corporate Governance. Under the Manual of Corporate Governance, a independent directors (i) are not directors or officers or substantial stockholders of the Company or its related companies or any of its substantial shareholders (other than as independent directors of any of the foregoing); (ii) are not relatives of any director, officer or substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iv) have not been employed in any executive capacity by the Company, or any of its related companies or by any of its substantial shareholders within the last 2 years; (v) are not retained as professional advisers by the Company, any of its related companies or any of its substantial shareholders within the last 2 years, either personally or through their firms; (vi) have not engaged and do not engage in any transaction with the Company or with any of its

related companies or with any of its substantial shareholders, whether by themselves or with other persons or through a firm of which they are partners or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arms length and are immaterial; and (vii) do not own more than 2% of the shares of the Company and/or its related companies or any of its substantial shareholders. Mr. Calero and Justice Mendoza do not possess any of the disqualifications enumerated under Section II (5) of the Code of Corporate Governance and Section II (D) of SEC Memorandum Circular No. 16, Series of 2002.

Board Performance

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

From January 1, 2012 to December 31, 2012, the Board had 10 regular meetings.

Board Attendance to Meetings in 2012

	Total No. of Board Meetings	No. of Board Meetings Attended	Percentage of Attendance	Attended Annual Stockholders' Meeting? (Y/N)
Eugenio L. Lopez III	10	9	90%	Y
Ma. Rosario Santos-Concio	10	8	80%	Y
Oscar M. Lopez	10	10	100%	Y
Augusto Almeda Lopez	10	7	70%	Y
Presentacion L. Psinakis	10	7	70%	Y
Manuel M. Lopez	10	8	80%	N
Federico R. Lopez	10	9	90%	Y
Federico M. Garcia	10	6	60%	Y
Salvador Tirona	10	9	90%	Y
Justice Vicente V. Mendoza	10	8	80%	N
Javier J. Calero	10	10	100%	Y

Compensation of Directors

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

Board of Advisors

The Board of Advisors was created to provide guidance to the Board of Directors. The Board of Advisors sit in all the Board Meetings and are members of the Board Committees. Randolph S. David, Emmanuel S. de Dios and Antonio Jose U. Periquet were appointed members of the Board of Advisors on July 28, 2011.

Board Committees

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

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

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

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

The Compensation Committee for the Chairman and the Chief Executive Officer is composed of Augusto Almeda Lopez, Federico M. Garcia, and Justice Vicente V. Mendoza. Antonio Jose U. Periquet is an advisor.

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

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

To highlight the importance of risk management among the Company's strategic priorities, the Board of Directors created the Risk Management Committee to oversee the formulation and establishment of an enterprise-wide risk management system, including the review, analysis and recommendation of policies, frameworks, strategies and systems to be used by the company to manage risks, threats and liabilities. It is composed of Salvador G. Tirona, Federico M. Garcia, and Justice Vicente V. Mendoza. Emmanuel S. De Dios is an advisor.

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

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 Company 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 2012, 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.

The Internal Audit Division also worked closely with the Company's Investor Relations and Corporate Planning Group in preparing the Company's responses to the Corporate Governance Scorecard for publicly listed companies from 2008 to 2012. Beginning 2012, the Group also worked closely with the Company's Risk Management Officer.

Audit Committee Report for 2012

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

- Reasonableness of the Company's financial statements and efficiency of the financial reporting process;
- Proper management of business risks and reliability of the internal control environment;
- Independence and on 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 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 and internal auditors;
- The Committee reviewed and discussed the audited annual financial statements of the 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.

Compliance Officer

The Company has appointed a Compliance Officer who is tasked to ensure the Company's observance of corporate governance best practices and provide recommendations to the Board for continuous improvement towards full compliance and adoption of global best practices. The Compliance Officer also issues an annual certification on the compliance of the Board with the Company's Corporate Governance Manual. The Compliance Officer is Mr. Paul Michael V. Villanueva, Jr. The Company submitted to the SEC a certification of the Board's compliance with the Company's Corporate Governance Manual last January 22, 2013.

Code of Conduct

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

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

Risk Management

ABS-CBN's Board of Directors and management are mindful of the potential impact of various risks to the Company's ability to deliver quality content across multiple platforms and consequently, as a result of its operations, value to shareholders. In 2009, the Audit Committee of the Board of Directors provided oversight on Enterprise Risk Management. In 2010 this responsibility was assumed by the newly created Risk Management Committee. At the same time the Board of Directors of the Company approved the appointment of 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 the new 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 enterprise risk management by continuing to establish and implement an integrated risk management framework that covers all aspects of risk across the Company's organization, and improve the Company's risk management readiness. The Company's corporate strategy formulation and business decision-making processes always take into account potential risks and the steps and costs necessary to minimize, if not eliminate, such risks. As part of its stewardship responsibility and commitment to deliver optimum value to its stakeholders, ABS-CBN ensures that it has the proper control systems in place, and to the extent possible, adopted global best practices, to identify and assess, analyze and mitigate market, operating, financial, regulatory, community, reputational, and other risks.

Disclosures and Financial Reporting

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

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

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

Dealings in Securities

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

Shareholder and Investor Relations

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

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

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

In addition, ABS-CBN's Chief Finance Officer, Head of Treasury and Compliance, and its Head of Investor Relations, meet with representatives of institutional investors and investment funds upon request and at various investor conferences throughout the year for more intimate and detailed discussions about the Company's businesses, operating and financial results, business prospects and long-term plans. Inquiries from institutional and individual investors received by regular or electronic mail are also duly acknowledged and addressed in a timely and transparent manner.

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

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

PART V – EXHIBITS AND SCHEDULES

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

For the past 12 months, the Company has filed the following SEC Form 17-C reports and financial statements:

EXHIBITS AND REPORTS FILED	DATE
<i>SEC Form 17-C</i>	
Cash Dividend Declaration and Notice of Stockholders Meeting on June 21,2012	March 30, 2012
FY2011 Analysts' and Press Briefing Schedule	March 30,2012
Press Release- FY2011 Financial Results and Briefing Presentation Materials	April 13, 2012
1Q2012 Analysts' and Press Briefing Schedule	May 4 , 2012
Execution by Sky Cable Corp of Asset Purchase Agreement with Destiny Cable Inc., Solid Broadband and Uni-cable TV	May 14, 2012
Press Release-1Q2012 Financial Results and Briefing Presentation Materials	May 14,2012
Preliminary Information Statement for Stockholders Meeting on June 21, 2012	May 16, 2012
Definitive Information Statement for Stockholders Meeting on June 21,2012	May 24, 2012
Results of Annual Stockholders Meeting and Organizational Meeting of Board of Directors	June 21, 2012
2Q2012 Analysts' and Press Briefing Schedule	August 3, 2012
Press Release-2Q2012 Financial Results and Briefing Presentation Materials	August 13, 2012
Board approval of reclassification of 200,000,000 unissued common shares into 1,000,000,000 preferred shares; Special Stockholders Meeting on November 15, 2012	October 1, 2012
Preliminary Information Statement for Special Stockholders Meeting	October 4, 2012
Definitive Information Statement for Special Stockholders Meeting	October 11, 2012
3Q2012 Analysts' and Press Briefing Schedule	November 5, 2012
Stockholders approval of reclassification of 200,000,000 unissued common shares to 1,000,000,000 preferred shares; creation of preferred shares.	November 15, 2012
Press Release-3Q2012 Financial Results and Briefing Presentation Materials	November 15, 2012
SEC approval of amendments to Articles of Incorporation re:reclassification of unissued common shares to preferred shares	December 6, 2012
Retirement/election of officers	December 11, 2012
Board approval of offering of 1,000,000,000 preferred shares to existing shareholders	December 11, 2012
<i>Quarterly and Annual Reports / Financial Statements</i>	
17-A Full Year 2011	April 27, 2012
17-Q 1st Quarter of 2012	May 15, 2012
17-Q 2nd Quarter of 2012	August 14, 2012
17-Q 3rd Quarter of 2012	November 14, 2012

ANNEX A

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2012

For the year ended December 31, 2012, ABS-CBN Corporation ("ABS-CBN" or the "Company") generated consolidated gross revenues of P31.730 billion from advertising and consumer sales, P3.530 billion or 13% higher than in 2011. Advertising revenues contributed 60% of total consolidated net revenues while consumer sales made up the balance of 40%.

Total operating and other expenses amounted to P26.233 billion, or a 12% increase from the previous year.

The company generated a net income of P1.708 billion for 2012, down by 29% compared with P2.420 billion in the previous year. Removing the effects of the one-time gain from the sale of investments recognized in 2011 amounting to P 1.032 billion, net income increased by 23%.

Reported EBITDA reached P6.524 billion or a 5% decline year-on-year. Stripping the one-time gain in 2011, EBITDA was up 15% year-on-year.

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

Key Performance Indicators (Amounts in million Pesos)	2012	2011	Variance	
			Amount	%
Consolidated Gross Revenues	31,730	28,200	3,530	13
Consolidated Advertising Revenues	19,061	17,578	1,483	8
Consolidated Consumer Sales	12,669	10,622	2,047	19
Operating and Other Expenses	26,233	23,495*	2,738	12
Net Income	1,708	2,420	(712)	(29)
EBITDA	6,524	6,838	(314)	(5)

*without the Gain on Sale of Investments

Consolidated Revenues

For 2012, ABS-CBN generated consolidated gross revenues of P31.730 billion from advertising revenues and consumer sales, P3.530 billion or 13% higher year-on-year. Without the incremental revenues from growth initiatives, revenues increased by 10%.

Consolidated Net Revenues (Amounts in million Pesos)	2012	2011	Variance	
			Amount	%
Consolidated Net Advertising Revenues	19,061	17,578	1,483	8
<i>Consumer Sales</i>				
Sale of Services	12,268	10,165	2,103	21
Sale of Goods	401	457	(56)	(12)
Consolidated Net Consumer Sales	12,669	10,622	2,047	19
Consolidated Net Revenues	31,730	28,200	3,530	13

Advertising Revenues

Consolidated net advertising revenues across all platforms and subsidiaries increased by 8% to P19.061 billion fuelled by ABS-CBN's ratings leadership and the improvement in revenue performance of Cable Channels. In the fourth quarter, advertising revenues grew by 9% compared to the same period last year.

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*.

Consumer Sales

Consumer sales amounted to P12.669 billion, or a 19% 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 growth initiatives and the increase in sales of ABS-CBN Films.

Consumer Sales (Amounts in million Pesos)	2012	2011	Variance	
			Amount	%
ABS-CBN Global	5,184	5,250	(66)	(1)
Sky Cable	5,908	4,491	1,417	32
Other subsidiaries	1,577	881	696	79
Consolidated Net Consumer Sales	12,669	10,622	2,047	19

ABS-CBN Global's revenues increased 1% in US dollar terms, but declined 1% in peso terms. The lower rate of increase in peso terms was due to a 3% or P1.09 appreciation of the Philippine peso exchange rate against the US dollar, from P43.30 in 2011 to P42.21 in 2012.

ABS-CBN Global's overall viewer count increased by 2%. Double digit growth in viewers continued to be experienced in Canada, and single digit growth in all other territories except Middle East, Japan and Europe where viewers declined.

Sky Cable's consolidated revenues for the year from cable TV and broadband services grew 32% year-on-year, driven by a 34% growth in postpaid revenues and a 49% growth in broadband revenues. The growth in revenue is partly due to Sky's acquisition of Destiny Cable. Without Destiny, Sky's total revenues increased by 12%.

ABS-CBN Film Productions, Inc. released 15 films in 2012. Seven of them—*Enteng ng Ina Mo*, *Segunda Mano*, *Unofficially Yours*, *Kimmy Dora and the Temple of Kiyeme*, *The Healing*, *The Mistress* and *This Guy's In Love with U Mare*—topped P100 million in box office receipts, earning blockbuster status by local standards. *Enteng ng Ina Mo*, *The Mistress* and *This Guy's In Love with U Mare* grossed more than P200 million.

Without the incremental revenues from our growth initiatives, consumer sales grew by 13%.

Operating and Other Expenses

Total operating and other expenses amounted to P26.233 billion, 12% higher than in 2011. Without the incremental costs of our growth initiatives, operating expenses grew by 7%.

Total Operating and Other Expenses (Amounts in million Pesos)	2012	2011	Variance	
			Amount	%
Production Costs	10,259	9,835	424	4
Cost of Sales and Services	8,079	6,796	1,283	19
General and Administrative Expenses	8,248	7,091	1,157	16
Other Expenses (Income)	(353)	(227)*	(126)	(56)
Consolidated Total Operating and Other Expenses	26,233	23,495	2,738	12

*without the Gain on Sale of Investments

Production Costs

Total production costs went up by P424 million or a mere 4% to P10.259 billion. Cash production costs went up by P637 million or 8% year-on-year, due to the increase in the number of shows produced and rising personnel expenses and talent fees.

Production Costs (Amounts in million Pesos)	2012	2011	Variance	
			Amount	%
Personnel Expenses and Talent Fees	5,286	4,370	916	21
Facilities-Related Expenses	2,037	2,164	(127)	(6)
Other Program Expenses	1,375	1,527	(152)	(10)
Sub-total: Cash Production Costs	8,698	8,061	637	8
Non-Cash Production Costs	1,561	1,774	(213)	(12)
Consolidated Production Costs	10,259	9,835	424	4

Non-cash production costs decreased by 12% to P1.561 billion, due to lower amortization of program rights.

Cost of Sales and Services

Cost of sales and services increased by 19% or P1.283 billion to P8.079 billion. Without our growth initiatives, cost of sales increased by 9%.

ABS-CBN Global's cost of sales and services decreased by 1%. Sky Cable's cost of sales and services grew by 25% although significantly slower than its 32% growth in revenue. The increase in cost of sales and services of other subsidiaries is partly attributable to the incremental costs of our growth initiatives.

Cost of Sales and Services (Amounts in million Pesos)	2012	2011	Variance	
			Amount	%
ABS-CBN Global	2,349	2,370	(21)	(1)
Sky Cable	3,744	3,003	741	25
Other Subsidiaries	1,986	1,423	563	40
Consolidated Cost of Sales and Services	8,079	6,796	1,283	19

General and Administrative Expenses

Total General and Administrative Expenses (GAEX) posted a 16% or a P1.157 billion year-on-year increase to P8.248 billion.

General and Administrative Expenses (Amounts in million Pesos)	2012	2011	Variance	
			Amount	%
Personnel Expenses	4,199	3,627	572	16
Contracted Services	999	790	209	26
Facilities-Related Expenses	607	515	92	18
Depreciation and amortization	608	614	(6)	(1)
Provision for Doubtful Accounts	390	255	135	53
Other Expenses	1,445	1,289	156	12
Consolidated GAEX	8,248	7,091	1,157	16

Cash GAEX went up by 18% or P1.164 billion to P7.640 billion, of which more than half is accounted for by personnel expenses. The increase in GAEX is partly attributable to the incremental costs brought about by our growth initiatives. Without the incremental costs of the initiatives, GAEX would have grown by 10%.

Net Income

The company generated a net income of P1.708 billion in 2012, down by 29% compared with P2.420 billion last year. Removing the effects of the one-time gain from the sale of investments recognized in 2011, net income would have been up by 23%.

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to P6.524 billion, or a 5% decline year-on-year. Stripping the one-time gain in 2011, EBITDA was up 15% year-on-year.

EBITDA for the fourth quarter of 2012 was at P1.977 billion, 19% higher than that of the same period last year.

Capital Expenditures

Cash capital expenditures and program rights acquisitions for 2012 amounted to P4.958 billion, P753 million or 18% higher than last year's P4.205 billion.

Balance Sheet Accounts

As at December 31, 2012, total consolidated assets stood at P49.481 billion, P4.681 billion or 10% higher than total assets of P44.800 billion as at December 31, 2011. The significant increase in assets is attributable to the provisional goodwill recognized upon the acquisition of Destiny Cable by Skycable, and capital expenditures for property, plant and equipment, and program rights.

Cash and cash equivalents of P6.395 billion is P2.240 billion or 26% lower than the December 31, 2011 balance.

Trade accounts receivables amounting to P6.763 billion is P371 million or 6% higher than the P6.392 billion trade accounts receivables at the end of 2011.

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

Total interest-bearing loans was higher by P3.274 billion at P15.786 billion compared to P12.512 billion at the end of 2011.

Shareholders' equity stood at P21.519 billion, 5% higher compared with the Shareholder's equity at the end of 2011.

The company's net debt-to-equity ratio was higher at 0.43x compared with 0.19x at the end of 2011.

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

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

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

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

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

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

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

Consolidated Revenues

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

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

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

Advertising Revenues

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

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

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

Consumer Sales

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

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

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

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

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

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

Operating and Other Expenses

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

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

Production Costs

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

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

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

Cost of Sales and Services

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

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

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

General and Administrative Expenses

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

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

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

Net Income

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

EBITDA

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

Capital Expenditures

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

Balance Sheet Accounts

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

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

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

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

Consolidated Revenues

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

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

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

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

Advertising Revenues

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

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

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

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

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

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

Weekday and week-end entertainment programs launched or aired in 2010— *Agua Bendita*, *Dahil May Isang Ikaw*, *Habang May Buhay*, *Imortal*, *Kokey@Ako*, *Kung Tayo'y Magkakalayo*, *Mara Clara (remake)*, *Noah*, *Pilipinas Got Talent*, *Tanging Yaman*, *Wansapanataym*, *Rosalka* and the *Agimat Series with Ang Mahiwagang*

Daigdig ni Elias Paniki, Pepeng Agimat, Tiagong Akyat and Tonyong Bayawak.—kept the audience enthralled and enjoyed national program ratings prominence in their respective timeslots.

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

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

Consumer Sales

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

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

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

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

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

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

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

ABS-CBN Film Productions, Inc., continued to produce and or co-produce compelling genres that are well received by the public. In 2010 the movie arm released a total of twelve movies with four of them – *I Love*

You, Goodbye, Miss You Like Crazy, Here Comes the Bride, and My Amnesia Girl—exceeding P100 million in box office receipts and earning local blockbuster status.

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

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

Expenses

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

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

Production Costs

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

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

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

Cost of Sales and Services

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

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

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

General and Administrative Expenses

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

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

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

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

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

Net Income

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

EBITDA

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

Capital Expenditures

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

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

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

Balance Sheet Accounts

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

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

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

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

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

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

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

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

On October 29, 2010, the Company successfully signed a syndicated term loan for P10.0 billion. The loan is intended to refinance existing debt facilities totalling P6.6 billion and to fund working capital requirements.

The loan is unsecured and unsubordinated with interest at 3-month PDST-F plus 0.65% per annum for the floating rate portion and 7-year PDSTF plus 0.65% per annum for the fixed rate portion. The loan is amortizing with a final maturity of November 9, 2017.

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

ANNEX B

Statement of Management Responsibility on the Financial Statements

Audited Financial Statements

Additional Components of Financial Statements



ABS-CBN Corporation


Sgt. Esguerra Avenue, Quezon City, Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ABS-CBN Corporation and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

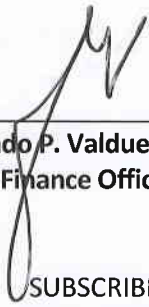
SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon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



Eugenio Lopez III
Chairman



Ma. Rosario Santos-Concio
President and Chief Executive Officer




Rolando P. Valdueza
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this 26 MAR 2013 day of _____, 20____ affiants exhibiting to me their Passports, as follows:

<u>NAMES</u>	<u>PASSPORT NO.</u>	<u>DATE OF EXPIRY</u>	<u>PLACE OF ISSUE</u>
Eugenio L. Lopez III	XX3010978	12 February 2014	DFA, Manila
Ma. Rosario Santos-Concio	XX3419776	05 April 2014	DFA, Manila
Rolando P. Valdueza	XX3283845	20 March 2014	DFA, Manila

Doc. No.: 010
Page No.: 3
Book No.: I
Series of: 2013



ZIONELLE ANN P. VARGAS
Notary Public
FOR AND IN THE MUNICIPALITY OF TAGUIG AND
SAN JUAN AND IN THE MUNICIPALITY OF PATEROS
UNTIL DECEMBER 31, 2014
PTR NO. 8411215; 1/3/13; PASIG CITY
ISP NO. 913924; 1/2/13; RSM
ROLL NO. 60946/APPOINTMENT NO. 158 (2013-2014)
21/F Robinsons-Equitable Tower
4 ADB Ave. cor. Poveda St.
1605 Ortigas Center, Pasig City



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines
Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.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

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, 2012 and 2011, 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, 2012, 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, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Maria Vivian C. Ruiz

Partner

CPA Certificate No. 83687

SEC Accreditation No. 0073-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 102-084-744

BIR Accreditation No. 08-001998-47-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 3670018, January 2, 2013, Makati City

February 27, 2013

ABS-CBN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2012	2011 (As restated - Note 4)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱6,394,938	₱8,635,053
Trade and other receivables (Notes 7 and 22)	8,379,582	8,124,473
Inventories (Note 8)	218,120	134,867
Program rights and other intangible assets (Note 12)	834,716	576,699
Other current assets (Note 9)	1,240,592	1,015,584
Total Current Assets	17,067,948	18,486,676
Noncurrent Assets		
Property and equipment (Notes 10, 18 and 30)	17,669,713	15,242,115
Goodwill (Notes 4 and 16)	5,291,873	3,279,686
Program rights and other intangible assets - net of current portion (Note 12)	5,424,711	4,061,504
Available-for-sale investments (Note 13)	224,101	264,892
Investment properties (Notes 11 and 18)	53,073	57,796
Investments in associates (Note 14)	41,026	41,084
Deferred tax assets - net (Note 28)	1,247,387	689,173
Other noncurrent assets (Note 15)	2,460,705	2,677,307
Total Noncurrent Assets	32,412,589	26,313,557
	₱49,480,537	₱44,800,233

	December 31	
	2012	2011 (As restated - Note 4)
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 17 and 22)	₱9,407,609	₱8,726,990
Interest-bearing loans and borrowings (Notes 10, 11 and 18)	3,534,027	663,101
Obligations for program rights (Note 19)	467,097	606,597
Income tax payable	84,741	171,086
Total Current Liabilities	13,493,474	10,167,774
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Notes 10, 11 and 18)	12,251,478	11,848,780
Accrued pension obligation (Note 29)	1,237,984	889,308
Deferred tax liabilities - net (Note 28)	323,126	576,326
Convertible note (Note 4)	227,674	211,389
Obligations for program rights - net of current portion (Note 19)	18,939	97,808
Other noncurrent liabilities (Note 20)	408,990	471,844
Total Noncurrent Liabilities	14,468,191	14,095,455
	27,961,665	24,263,229
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 21)	779,585	779,585
Additional paid-in capital (Notes 2 and 4)	679,069	725,274
Cumulative translation adjustments	(638,289)	(358,536)
Unrealized gain on available-for-sale investments (Note 13)	126,676	119,823
Share-based payment plan (Note 21)	28,952	—
Retained earnings (Note 21)	19,347,893	18,232,540
Philippine depository receipts convertible to common shares (Note 21)	(1,164,146)	(1,164,146)
	19,159,740	18,334,540
Noncontrolling Interests (Note 4)	2,359,132	2,202,464
Total Equity	21,518,872	20,537,004
	₱49,480,537	₱44,800,233

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		
	2012	2011	2010
REVENUES			
Airtime (Notes 22 and 23)	₱16,080,928	₱14,793,465	₱17,695,929
Sale of services (Notes 22, 23 and 30)	11,912,777	9,891,413	9,772,057
Sale of goods (Note 23)	401,231	457,658	478,897
	28,394,936	25,142,536	27,946,883
PRODUCTION COSTS			
(Notes 10, 12, 22, 24, 29 and 30)	(10,258,684)	(9,834,966)	(7,865,277)
COST OF SERVICES (Notes 10, 12, 15, 22, 25, 29 and 30)	(7,795,502)	(6,521,459)	(6,878,393)
COST OF SALES (Notes 8, 10, 22, 25, 29 and 30)	(283,085)	(274,526)	(278,396)
GROSS PROFIT	10,057,665	8,511,585	12,924,817
General and administrative expenses (Notes 7, 10, 11, 12, 22, 26, 29 and 30)	(8,248,359)	(7,091,456)	(8,192,045)
Finance costs (Notes 4, 18 and 27)	(816,701)	(726,871)	(1,042,849)
Interest income (Note 6)	119,672	177,061	106,738
Foreign exchange gain (loss) - net	111,784	(43,508)	218,231
Equity in net earnings (losses) of associates (Note 14)	(58)	(29)	142
Other income - net (Notes 4, 13, 22, 27 and 30)	938,280	1,967,810	329,887
INCOME BEFORE INCOME TAX	2,162,283	2,794,592	4,344,921
PROVISION FOR INCOME TAX (Note 28)	453,080	287,429	1,107,710
NET INCOME	₱1,709,203	₱2,507,163	₱3,237,211
Attributable to:			
Equity holders of the Parent Company (Note 33)	₱1,708,478	₱2,420,072	₱3,178,631
Noncontrolling interests	725	87,091	58,580
	₱1,709,203	₱2,507,163	₱3,237,211
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company (Note 33)	₱2.304	₱3.264	₱4.250

See accompanying Notes to Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2012	2011	2010
NET INCOME	₱1,709,203	₱2,507,163	₱3,237,211
OTHER COMPREHENSIVE INCOME (LOSS)			
Exchange differences on translation of foreign operations	(279,753)	(44,784)	(177,150)
Unrealized fair value gain on available-for-sale investments (Note 13)	6,853	9,818	11,762
OTHER COMPREHENSIVE LOSS	(272,900)	(34,966)	(165,388)
TOTAL COMPREHENSIVE INCOME	₱1,436,303	₱2,472,197	₱3,071,823
Attributable to:			
Equity holders of the Parent Company	₱1,435,578	₱2,385,106	₱3,013,243
Noncontrolling interests	725	87,091	58,580
	₱1,436,303	₱2,472,197	₱3,071,823

See accompanying Notes to Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company								Noncontrolling Interests (Note 4)	Total Equity	
	Capital Stock (Note 21)	Additional Paid-in Capital	Cumulative Translation Adjustments	Unrealized Gain on Available- for-Sale Investments (Note 13)	Share-based Payment Plan (Note 21)	Retained Earnings		Philippine Depository Receipts (PDRs) Convertible to Common Shares (Note 21)	Total		
						Appropriated (Note 21)	Unappropriated (Note 21)				
At January 1, 2012	₱779,585	₱725,274	(₱358,536)	₱119,823	₱—	₱8,300,000	₱9,932,540	(₱1,164,146)	₱18,334,540	₱2,202,464	₱20,537,004
Net income	—	—	—	—	—	—	1,708,478	—	1,708,478	725	1,709,203
Other comprehensive income (loss)	—	—	(279,753)	6,853	—	—	—	—	(272,900)	—	(272,900)
Total comprehensive income (loss)	—	—	(279,753)	6,853	—	—	1,708,478	—	1,435,578	725	1,436,303
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 acquisitions (Note 2)	—	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	₱11,047,893	(₱1,164,146)	₱19,159,740	₱2,359,132	₱21,518,872
At January 1, 2011	₱779,585	₱725,274	(₱313,752)	₱110,005	₱—	₱8,300,000	₱9,149,596	(₱1,154,064)	₱17,596,644	₱148,862	₱17,745,506
Net income	—	—	—	—	—	—	2,420,072	—	2,420,072	87,091	2,507,163
Other comprehensive income (loss)	—	—	(44,784)	9,818	—	—	—	—	(34,966)	—	(34,966)
Total comprehensive income (loss)	—	—	(44,784)	9,818	—	—	2,420,072	—	2,385,106	87,091	2,472,197
Cash dividends declared	—	—	—	—	—	—	(1,637,128)	—	(1,637,128)	—	(1,637,128)
Acquisitions of PDRs	—	—	—	—	—	—	—	(10,082)	(10,082)	—	(10,082)
Increase in noncontrolling interests	—	—	—	—	—	—	—	—	—	1,966,511	1,966,511
At December 31, 2011	₱779,585	₱725,274	(₱358,536)	₱119,823	₱—	₱8,300,000	₱9,932,540	(₱1,164,146)	₱18,334,540	₱2,202,464	₱20,537,004
At January 1, 2010	₱779,585	₱725,274	(₱136,602)	₱98,243	₱—	₱8,300,000	₱6,836,304	(₱553,724)	₱16,049,080	₱104,030	₱16,153,110
Net income	—	—	—	—	—	—	3,178,631	—	3,178,631	58,580	3,237,211
Other comprehensive income (loss)	—	—	(177,150)	11,762	—	—	—	—	(165,388)	—	(165,388)
Total comprehensive income (loss)	—	—	(177,150)	11,762	—	—	3,178,631	—	3,013,243	58,580	3,071,823
Cash dividends declared	—	—	—	—	—	—	(865,339)	—	(865,339)	—	(865,339)
Acquisitions of PDRs	—	—	—	—	—	—	—	(996,240)	(996,240)	—	(996,240)
Issuances of PDRs	—	—	—	—	—	—	—	395,900	395,900	—	395,900
Decrease in noncontrolling interests	—	—	—	—	—	—	—	—	—	(13,748)	(13,748)
At December 31, 2010	₱779,585	₱725,274	(₱313,752)	₱110,005	₱—	₱8,300,000	₱9,149,596	(₱1,154,064)	₱17,596,644	₱148,862	₱17,745,506

See accompanying Notes to Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱2,162,283	₱2,794,592	₱4,344,921
Adjustments for:			
Depreciation and amortization (Notes 10 and 11)	2,825,196	2,588,969	2,575,022
Amortization of:			
Program rights and other intangibles (Note 12)	1,277,597	1,252,183	1,020,372
Deferred charges (Notes 15 and 25)	53,166	56,271	52,578
Debt issue costs (Note 27)	18,566	16,969	99,945
Interest expense (Note 27)	778,643	698,461	915,812
Gain on settlement of liabilities (Note 27)	(208,564)	(143,616)	—
Interest income (Note 6)	(119,672)	(177,061)	(106,738)
Loss (gain) on sale of property and equipment	(79,282)	(7,316)	434
Share-based payment expense (Note 21)	25,256	—	—
Loss on sale of available-for-sale investments (Notes 13 and 27)	24,781	—	—
Net unrealized foreign exchange gain	(20,329)	(43,021)	(134,980)
Equity in net losses (earnings) of associates	58	29	(142)
Gain on sale of investments (Notes 13 and 27)	—	(1,146,716)	—
Impairment loss on of available-for-sale investments (Note 27)	—	—	53,868
Income before working capital changes	6,737,699	5,889,744	8,821,092
Provisions for:			
Pension expense (Note 29)	779,306	508,711	351,525
Doubtful accounts (Note 26)	389,904	254,947	420,236
Other employee benefits	46,608	209,133	329,780
Decline in value of inventory (Note 8)	15,067	16,608	32,092
Decrease (increase) in:			
Trade and other receivables	(556,159)	(1,097,302)	(1,912,612)
Inventories	(103,613)	3,377	(15,500)
Other current assets	517,039	(362,583)	347,471
Increase (decrease) in:			
Trade and other payables	153,848	(1,696,945)	2,095,793
Obligations for program rights	(217,963)	1,720	(374,929)
Other noncurrent liabilities	(136,802)	(54,841)	(160,054)
Contribution to pension plan (Note 29)	(360,000)	(78,894)	(527,815)
Cash generated from operations	7,264,934	3,593,675	9,407,079
Income taxes paid	(626,732)	(273,229)	(1,706,641)
Net cash provided by operating activities	6,638,202	3,320,446	7,700,438

(Forward)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries and business, net of cash acquired (Note 4)	(P4,993,577)	(P352,858)	P782
Additions to:			
Property and equipment (Notes 10 and 34)	(3,733,534)	(1,952,945)	(3,109,010)
Program rights and other intangible assets (Notes 12 and 34)	(1,495,770)	(933,863)	(716,816)
Proceeds from sale of:			
Property and equipment	166,022	26,213	96,680
Available-for-sale investments	22,863	—	—
Investments, net of cash of subsidiary disposed (Note 4)	—	1,037,283	—
Decrease (increase) in other noncurrent assets	167,840	518,906	277,021
Interest received	124,303	217,377	108,291
Net cash used in investing activities	(9,741,853)	(1,439,887)	(3,343,052)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Bank loans	4,000,000	—	532,000
Long-term debt	792,432	3,154,255	7,670,083
Payments of:			
Long-term debt	(1,267,954)	(112,432)	(7,269,106)
Bank loans	(1,000,000)	(132,000)	(400,000)
Interest	(818,510)	(610,532)	(904,723)
Dividends	(591,989)	(1,541,807)	(828,166)
Obligations under finance lease	(51,179)	(39,831)	(104,146)
Acquisition of noncontrolling interests (Note 4)	(101,551)	—	—
Acquisition of Philippine depository receipts (PDRs) (Note 21)	—	(10,082)	(996,240)
Issuances of:			
PDRs (Note 21)	—	—	395,900
Convertible note	—	211,389	—
Net cash provided by (used in) financing activities	961,249	918,960	(1,904,398)
EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS			
	(97,713)	14,200	30,595
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,240,115)	2,813,719	2,483,583
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,635,053	5,821,334	3,337,751
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	P6,394,938	P8,635,053	P5,821,334

See accompanying Notes to Consolidated Financial Statements.

ABS-CBN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands Unless Otherwise Specified)

1. Corporate Information

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

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

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

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

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

The accompanying consolidated financial statements were approved and authorized for issuance by the BOD on February 27, 2013.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

The consolidated financial statements are presented in Philippine peso, which is the functional and presentation currency of the Parent Company. All values are rounded to the nearest thousand, except for number of shares, per share amounts and when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Company were prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies and Disclosures

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

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

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

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

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment has no impact on the Company's financial position or performance.

Basis of Consolidation and Noncontrolling Interests

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

Following is a list of the subsidiaries or companies, which ABS-CBN controls as of December 31, 2012, 2011 and 2010:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest		
				2012	2011	2010
ABS-CBN Global Ltd. (ABS-CBN Global) ^{(a) (i)}	Cayman Islands	Holding company	United States dollar (USD)	100.0	100.0	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe) ^{(b) (c) (i)}	United Kingdom	Cable and satellite programming services	Great Britain pound (GBP)	100.0	100.0	100.0
ABS-CBN Europe Remittance Inc. ^{(d) (i)}	United Kingdom	Services - money remittance	GBP	100.0	100.0	100.0
ABS-CBN Japan, Inc. (ABS-CBN Japan) ^{(d) (i)}	Japan	Cable and satellite programming services	Japanese yen (JPY)	100.0	100.0	100.0
ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East) ^{(b) (i)}	Dubai, UAE	Cable and satellite programming services	USD	100.0	100.0	100.0
ABS-CBN Middle East LLC ^{(b) (i)}	Dubai, UAE	Trading	USD	100.0	100.0	100.0
E-Money Plus, Inc. ^(b)	Philippines	Services - money remittance	Philippine peso	100.0	100.0	100.0
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary) ^{(i) (l)}	Budapest, Hungary	Holding company	USD	100.0	100.0	100.0
ABS-CBN International, Inc. (ABS-CBN International) ^{(i) (n)}	California, USA	Cable and satellite programming services	USD	100.0	100.0	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia) ^{(i) (k)}	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	100.0	100.0	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada) ^{(i) (k)}	Canada	Cable and satellite programming services	Canadian dollar (CAD)	100.0	100.0	100.0
ABS-CBN Global Remittance Inc. ^{(i) (k)}	California, USA	Services - money remittance	USD	100.0	100.0	100.0
ABS-CBN Telecom North America, Inc. ^{(i) (k)}	California, USA	Telecommunications	USD	100.0	100.0	100.0
ABS-CBN Canada Remittance Inc. ^{(i) (n) (r)}	Canada	Services - money remittance	CAD	100.0	100.0	—
ABS-CBN Global Netherlands B.V. (ABS-CBN Netherlands) ^{(i) (n)}	Amsterdam, Netherlands	Intermediate holding and financing company	European monetary union (EUR)	100.0	100.0	100.0
ABS-CBN Center for Communication Arts, Inc. ^(e)	Philippines	Educational/training	Philippine peso	100.0	100.0	100.0
ABS-CBN Global Cargo Corporation ^(u)	Philippines	Non-vessel operations common carrier	Philippine peso	100.0	100.0	100.0
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	Philippine peso	100.0	100.0	100.0
ABS-CBN Integrated and Strategic Property Holdings, Inc.	Philippines	Real estate	Philippine peso	100.0	100.0	100.0
ABS-CBN Interactive, Inc. (ABS-CBN Interactive)	Philippines	Services - interactive media	Philippine peso	100.0	100.0	100.0
ABS-CBN Multimedia, Inc. (ABS-CBN Multimedia) ^(f)	Philippines	Digital electronic content distribution	Philippine peso	100.0	100.0	100.0
ABS-CBN Publishing, Inc. (ABS-CBN Publishing)	Philippines	Print publishing	Philippine peso	100.0	100.0	100.0
Culinary Publications, Inc. (Culinary Publications) ^(g)	Philippines	Print publishing	Philippine peso	—	100.0	100.0
ABS-CBN Shared Service Center PTE. Ltd. ^{(i) (m)}	Singapore	Services - support	Singapore dollar (SGD)	100.0	100.0	100.0
ABS-CBN Theme Parks and Resorts Holdings, Inc. (ABS-CBN Theme Parks) ^(v)	Philippines	Holding company	Philippine peso	100.0	—	—

(Forward)

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest		
				2012	2011	2010
Play Innovations, Inc. ^{(v) (w)}	Philippines	Theme park	Philippine peso	73.0	—	—
Play Innovations Hungary Kft. (Play Innovations) ^{(i) (v) (w)}	Budapest, Hungary	Theme park	USD	73.0	—	—
Creative Programs, Inc. (CPI)	Philippines	Content development and programming services	Philippine peso	100.0	100.0	100.0
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine peso	100.0	100.0	100.0
Roadrunner Network, Inc. (Roadrunner) ^(x)	Philippines	Services - post production	Philippine peso	100.0	100.0	98.9
Sapientis Holdings Corporation (Sapientis) (see Note 4)	Philippines	Holding company	Philippine peso	100.0	100.0	100.0
Columbus Technologies, Inc. (CTI) ^(q) (see Note 4)	Philippines	Holding company	Philippine peso	70.0	70.0	—
ABS-CBN Convergence, Inc. (ABS-C) (formerly Multi-Media Telephony, Inc.) ^{(q) (s)} (see Note 4)	Philippines	Telecommunication	Philippine peso	66.5	66.5	—
Sarimanok News Network, Inc.	Philippines	Content development and programming services	Philippine peso	100.0	100.0	100.0
Star Recording, Inc.	Philippines	Audio and video production and distribution	Philippine peso	100.0	100.0	100.0
Star Songs, Inc.	Philippines	Music publishing	Philippine peso	100.0	100.0	100.0
Studio 23, Inc. (Studio 23)	Philippines	Content development and programming services	Philippine peso	100.0	100.0	100.0
The Big Dipper Digital Content & Design, Inc. (Big Dipper)	Philippines	Digital film archiving and central library, content licensing and transmission	Philippine peso	100.0	100.0	100.0
TV Food Chefs, Inc.	Philippines	Services - restaurant and food	Philippine peso	100.0	100.0	100.0
Sky Cable Corporation (Sky Cable) (see Note 4)	Philippines	Cable television services	Philippine peso	57.4	56.7	79.3
Bisaya Cable Television Network, Inc. ^{(h) (i)}	Philippines	Cable television services	Philippine peso	57.4	56.7	79.3
Bright Moon Cable Networks, Inc. ⁽ⁿ⁾	Philippines	Cable television services	Philippine peso	57.4	56.7	79.3
Cavite Cable Corporation ⁽ⁿ⁾	Philippines	Cable television services	Philippine peso	57.4	56.7	79.3
Cepsil Consultancy and Management Corporation ^(h)	Philippines	Cable television services	Philippine peso	57.4	56.7	79.3
Davao Cableworld Network, Inc. ^{(h) (o) (t)}	Philippines	Cable television services	Philippine peso	57.4	56.7	47.6
HM Cable Networks, Inc. ^(h)	Philippines	Cable television services	Philippine peso	57.4	56.7	79.3
HM CATV, Inc. ^(h)	Philippines	Cable television services	Philippine peso	57.4	56.7	79.3
Hotel Interactive Systems, Inc. ^(h)	Philippines	Cable television services	Philippine peso	57.4	56.7	79.3
Isla Cable TV, Inc. ^(h)	Philippines	Cable television services	Philippine peso	57.4	56.7	79.3
Moonsat Cable Television, Inc. ^{(h) (o)}	Philippines	Cable television services	Philippine peso	57.4	56.7	79.3
Pilipino Cable Corporation (PCC) ^(h)	Philippines	Cable television services	Philippine peso	57.4	56.7	79.3
Satellite Cable TV, Inc. ^(h)	Philippines	Cable television services	Philippine peso	57.4	56.7	79.3
Sun Cable Holdings, Incorporated (SCH) ^(h)	Philippines	Holding company	Philippine peso	57.4	56.7	79.3
Sun Cable Systems Davao, Inc. ^{(n) (t)}	Philippines	Cable television services	Philippine peso	57.4	56.7	79.3
Sunvision Cable, Inc. ⁽ⁿ⁾	Philippines	Cable television services	Philippine peso	57.4	56.7	79.3
Tarlac Cable Television Network, Inc. ^(h)	Philippines	Cable television services	Philippine peso	57.4	56.7	79.3
Telemondial Holdings, Inc. ^{(h) (i)}	Philippines	Holding company	Philippine peso	57.4	56.7	79.3
JMY Advantage Corporation ^(h)	Philippines	Cable television services	Philippine peso	54.6	53.9	75.3
Cebu Cable Television, Inc. ^{(h) (o) (p)}	Philippines	Cable television services	Philippine peso	54.0	53.3	74.5
Suburban Cable Network, Inc. ^(h)	Philippines	Cable television services	Philippine peso	53.0	52.4	73.7
Pacific CATV, Inc. (Pacific) ^{(h) (o)}	Philippines	Cable television services	Philippine peso	52.5	51.9	72.2
First Ilocandia CATV, Inc. ^{(h) (o)}	Philippines	Cable television services	Philippine peso	52.2	51.6	72.2

(Forward)

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest		
				2012	2011	2010
Mactan CATV Network, Inc. ^{(h) (d) (p)}	Philippines	Cable television services	Philippine peso	52.2	51.6	72.2
Discovery Cable, Inc. ^{(h) (t)}	Philippines	Cable television services	Philippine peso	40.2	39.7	55.5
Home-Lipa Cable, Inc. ^{(h) (t)}	Philippines	Cable television services	Philippine peso	34.4	34.0	47.6
Sky Vision Corporation (Sky Vision) ^(y)	Philippines	Holding company	Philippine peso	24.8	8.6	8.6

^(a) With branches in the Philippines and Taiwan

^(b) Through ABS-CBN Global

^(c) With branches in Italy and Spain

^(d) Subsidiary of ABS-CBN Europe

^(e) Nonstock ownership interest

^(f) Through ABS-CBN Interactive

^(g) Through ABS-CBN Publishing in 2011 and 2010. In 2012, Culinary Publications was merged with ABS-CBN Publishing.

^(h) Through Sky Cable

⁽ⁱ⁾ Subsidiary of SCHI

^(j) Considered as foreign subsidiary

^(k) Subsidiary of ABS-CBN International

^(l) With a branch in Luxembourg

^(m) With a regional operating headquarters in the Philippines

⁽ⁿ⁾ Through ABS-CBN Hungary

^(o) Subsidiary of PCC

^(p) Through Pacific

^(q) Through Sapientis

^(r) Incorporated and started commercial operations in 2011

^(s) Subsidiary of CTI

^(t) A subsidiary of Sky Cable where Sky Cable effectively owns more than 50% interest

^(u) In liquidation

^(v) Incorporated in 2012

^(w) Through ABS-CBN Theme Parks

^(x) The Parent Company acquired the 1.1% interest from the noncontrolling shareholders in 2011.

^(y) Considered an associate in 2011 and 2010. In 2012, ABS-CBN acquired additional 16.2% interest in Sky Vision (see Note 22). The acquisition was accounted for prospectively as pooling of interest since ABS-CBN and Sky Vision are under common control. The difference between the fair value of the consideration transferred and carrying value of net assets of Sky Vision amounting to ₱12 million was credited as part of "Additional-paid in capital" account in the equity section. After giving effect to the proxy executed by Lopez, Inc. in favor of ABS-CBN on December 28, 2012 assigning the voting rights in Sky Vision, ABS-CBN has voting interest of 75% in Sky Vision. The proxy is coupled with interest and irrevocable for five years renewable upon its expiration.

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

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

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

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

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

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

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

Prior to January 1, 2010. Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of noncontrolling interest was accounted for using the parent entity extension method, whereby, the difference between the fair value of the consideration and net book value of the share in the net assets acquired was presented as goodwill.
- Any losses applicable to the noncontrolling interest in a consolidated subsidiary in excess of the noncontrolling interest's equity in the subsidiary were charged against the noncontrolling interest to the extent that the noncontrolling interest has binding obligation to, and is able to, make good of the losses.
- Upon loss of control, the Company accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

Business Combination and Goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the acquiree, the difference is recognized directly in the consolidated statement of income. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair value to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Company accounts the combination using provisional values. Adjustment to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability, or contingent liability that is recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by the amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

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

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

Prior to January 1, 2010. In comparison to the above-mentioned requirements, the following differences applied:

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

Business combinations achieved in stages are accounted for as separate steps. Any additional acquired share of interest does not affect previously recognized goodwill. When the Company acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

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

Foreign Currency Translation and Transaction

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

The functional currency of all the subsidiaries, except foreign subsidiaries, is the Philippine peso. The functional currencies of the foreign subsidiaries are disclosed under the Basis of Consolidation section. As of financial reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Parent Company (the Philippine peso) at the rate of exchange ruling at financial reporting date and, their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to "Exchange differences on translation of foreign operations" in the consolidated statement of comprehensive income and "Cumulative translation adjustments" account within the equity section of the consolidated statement of financial position. Upon disposal of any of these foreign subsidiaries, the deferred cumulative amount recognized in equity relating to that particular foreign entity will be recognized in the consolidated statement of income.

Foreign Currency-denominated Transactions. Transactions in foreign currencies are initially recorded in the functional currency exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing exchange rate at financial reporting date.

All differences are taken to the consolidated statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisitions and that are subject to an insignificant risk of change in value.

Financial Instruments

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

Initial Recognition of Financial Instruments. All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for securities at fair value through profit or loss (FVPL). The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and AFS investments. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the instruments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this classification at every financial reporting date.

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

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

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

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

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

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

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance are evaluated on a fair value basis in accordance with a documented risk management strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis that it would not be separately recorded.

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

The Company has no financial assets and liabilities at FVPL as of December 31, 2012 and 2011.

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

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

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

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

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

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

The Company has no HTM investments as of December 31, 2012 and 2011.

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

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

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

Other Financial Liabilities. Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

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

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

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

Embedded Derivatives

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

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

Impairment of Financial Assets

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

Loans and Receivables. For loans and receivables carried at amortized cost, the Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset, together with the other assets that are not individually significant and were thus not individually assessed for impairment, is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of income. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and

the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Classification of Financial Instruments Between Liability and Equity

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

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Inventories

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

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.

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 impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Land is stated at cost, which includes initial purchase price and other cost directly attributable in bringing such asset to its working condition, less any impairment in value.

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

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

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

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

<u>Asset Type</u>	<u>Number of Years</u>
Land improvements	5 to 10
Buildings and improvements	10 to 40
Television, radio, movie and auxiliary equipment	10 to 15
Other equipment	3 to 10

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

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

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

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

Asset Retirement Obligation

The net present value of legal obligations associated with the retirement of an item of property and equipment that resulted from the acquisition, construction or development and the normal operations of property and equipment. 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

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization 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 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)	<p>Specific runs within a specific term: amortized over the specific term or usage, whichever comes first.</p> <p>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 (i.e., equally over the remaining term).</p> <p>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</p> <p>No definite expiration date: amortized after five years from acquisition date (i.e., equally over the next five years)</p>	<p>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.</p> <p>Program rights are written off when no future economic benefits are expected to flow from the assets.</p>	Based on the estimated year of usage
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	Effective January 1, 2012, new filmed entertainment is amortized based on accelerated method upon showing. Prior to January 1, 2012, full amortization upon showing.	If the unamortized film cost is higher than the fair value of the film, the asset is written down to its recoverable amount.	Based on the estimated year of usage

Intangible Asset	Useful Lives	Amortization Method Used	Impairment Testing/ Recoverable Amount Testing	Current and Noncurrent Classification
Story and Publication Rights	Finite (useful economic benefit)	Amortized on the basis of the useful economic life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Based on the estimated year of usage
Video Rights and Record Master	Finite (six months or 10,000 copies sold of video discs and tapes, whichever comes first)	Amortized on the basis of number of copies sold	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Current
Customer Relationships (see Note 4)	Finite - 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
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
Licenses (see Note 4)	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists	Noncurrent

Investment Properties

Investment properties, except land, are measured at cost, including transaction costs, less accumulated depreciation and any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the

recognition criteria are met, and excludes day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

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

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

Investments in Associates

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

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

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

Tax Credits

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

Impairment of Nonfinancial Assets

The Company assesses at each financial reporting date whether there is an indication that property and equipment, investment properties, program rights and other intangible assets with finite lives, investments in associates 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. After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investments in the associates. The Company determines at each financial reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the recoverable amount of investment in associate and the carrying value and recognizes the amount in the consolidated statement of income.

Customers' Deposits

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

Paid-in Capital

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

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

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

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), whereby employees render services as consideration for equity instruments (equity-settled transactions).

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 against “Personnel expenses” account in the consolidated statement of income represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in “Personnel expenses” under “General and administrative expenses” account.

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.

Retained Earnings

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

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

Dividends on Common Shares of the Parent Company

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

Revenue

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

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

Payments received before broadcast (pay before broadcast) are initially recognized as liability and are included as part of "Deferred revenue" under "Trade and other payables" account in the consolidated statement of financial position. These are applied against receivable upon airing and recognition of related revenue (i.e., on the dates the advertisements are aired).

Sale of Services

- a. Subscription fees are recognized as follows:

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

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

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

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

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. Telecommunication revenues where the Company is the primary obligor is recognized at gross amount including the share of the other carriers. Where the Company is the terminating carrier, revenue is recognized only to the extent of termination rates billed by the Company to the originating carrier.

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

- c. Channel lease revenue is recognized as income on a straight-line basis over the lease term.
- d. Income from film exhibition is recognized, net of theater shares, on the dates the films are shown.
- e. Income from TV rights and cable rights are recognized on the dates the films are permitted to be publicly shown as stipulated in the agreement.
- f. Pay-per-view fees are recognized on the date the movies or special programs are viewed.
- 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.

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.

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

Other Income

- a. Connection/reconnection/disconnection fees are recognized when the services are rendered.
- b. Management fees are recognized based on the terms of the management agreement.
- c. Rental income is recognized as income on a straight-line basis over the lease term.
- d. Dividends are recognized when the shareholders' right to receive payment is established.

Agency Commissions, Incentives and Discounts

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

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

Incentives include early payment, early placement and volume discounts. Early payment discount is recognized upon payment. Early placement discount, which represents discount given to agencies and advertisers as a result of early request for telecast order, is recognized upon airing. Volume discount, which represents discount for large quantities for of telecast order, is recognized upon airing.

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 or the arrangement conveys a right to use the asset.

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

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

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

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

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

The Company's pension plans are funded (Parent Company and Sky Cable) and unfunded (other subsidiaries) defined benefit pension plans, except for ABS-CBN International, which has a defined contribution pension plan. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are

recognized over the expected average remaining working lives of the employees participating in the plans.

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

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

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

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

Taxes

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

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial

recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit.

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

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

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

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

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

Value-added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

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

Earnings Per Share (EPS) attributable to the Equity Holders of the Parent Company

Basic EPS amounts are calculated by dividing the net income attributable to equity holders of the Parent Company for the year over the weighted average number of common shares outstanding (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 Date

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

Segment Reporting

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

Future Changes in Accounting Policies

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

Effective in 2013

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

The amendments to PAS 1 change the grouping of items presented in other comprehensive income. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendment affects presentation only and has therefore no impact on the Company's financial position or performance.

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

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on

asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Company has to apply the amendments retroactively to the earliest period presented.

The Company reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Company obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

	Increase (Decrease)		
	As at December 31,		As at January 1,
	2012	2011	2011
Consolidated Statement of Financial Position			
Net defined benefit obligation	₱2,083,115	₱2,132,158	₱843,195
Deferred tax asset	(624,935)	(639,647)	(252,959)
Other comprehensive income - net of tax	(1,052,209)	(962,130)	—
Retained earnings	(448,898)	(541,982)	(591,757)
Noncontrolling interests	42,927	11,601	1,521
	For the Years Ended December 31,		
	2012	2011	
Consolidated Statements of Income			
Net pension expense	(₱177,727)	(₱85,509)	
Income tax expense	53,318	25,653	
Net income for the year:			
Attributable to the equity holders of the Parent Company	93,084	49,775	
Attributable to noncontrolling interests	31,325	10,081	

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

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

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

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

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

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

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

The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

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

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. Based on the reassessment of control following the provisions of PFRS, the adoption of this revised standard will have no impact on the consolidated financial statements.

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

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

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

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

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

PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The Company is currently assessing the impact that this standard will have on the financial position and performance. The Company is currently assessing the impact that this standard will have on the financial position and performance but based on preliminary assessment, the impact is expected to be immaterial.

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

This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The Company expects that this interpretation will not have any impact on its financial position or performance.

- Improvements to PFRSs (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*

The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*

The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Company's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Company expects that this amendment will not have any impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*

The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

Effective Subsequent to 2013

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

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

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

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. 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 fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. 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 Group will

quantify the effect in conjunction with the other phases, when issued, to present a comprehensive assessment of the impact of this standard.

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

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

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

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

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

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

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

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

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

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.

The carrying amount of property and equipment under finance lease amounted to ₱31 million and ₱38 million as of December 31, 2012 and 2011, respectively (see Note 10).

Estimates and Assumptions

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

Revenue Recognition. The Company's telecommunications revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenue and receivables. 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 definite amounts are determined subsequent to financial reporting date. Thus, the Company initially estimates the amounts based on history of sharing.

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

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

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

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

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

Provision for doubtful accounts amounted to ₱390 million, ₱255 million and ₱420 million in 2012, 2011 and 2010, respectively (see Note 26). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱8,380 million and ₱8,124 million as of December 31, 2012 and 2011, respectively (see Note 7). Allowance for doubtful accounts amounted to ₱981 million and ₱669 million as of December 31, 2012 and 2011, respectively (see Note 7).

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

Provision for decline in value of inventory amounted to ₱15 million, ₱17 million and ₱32 million in 2012, 2011 and 2010, respectively. Inventories amounted to ₱218 million and ₱135 million as of December 31, 2012 and 2011, 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 property and equipment and investment properties during the year. However, in view of expected future cash flows from different and new platforms, the Company changed its method of amortization for new filmed entertainment (an intangible asset with finite life) from full amortization to accelerated amortization effective January 1, 2012. Upon airing in theaters, the Company amortized about 70% of the cost, with the remaining cost to be amortized upon airing in other platforms. This change reduced amortization expense in 2012 by ₱219 million. Subsequent to 2012, amortization expense will increase by the same amount.

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

	2012	2011
Property and equipment	₱17,669,713	₱15,242,115
Program rights	2,634,785	2,463,419
Customer relationships	559,660	128,609
Movie in-process and filmed entertainment	301,499	71,460
Music rights	143,682	26,384
Production and distribution business - Middle East	73,140	92,458
Investment properties	24,338	27,108
Story, video and publication rights and record master	9,860	14,714

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

As of December 31, 2012 and 2011, the carrying value of AFS investments amounted to ₱224 million and ₱265 million, respectively (see Note 13). No impairment loss was recognized in 2012, 2011 and 2010.

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.

As of December 31, 2012 and 2011, program rights amounted to ₱2,635 million and ₱2,463 million, respectively (see Note 12).

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

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

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

The carrying values of assets that are subjected to impairment testing when impairment indicators are present are as follows (see Notes 9, 10, 11, 12, 14 and 15):

	2012	2011
Property and equipment	₱17,669,713	₱15,242,115
Program rights	2,634,785	2,463,419
Tax credits with tax credit certificates (TCCs)	2,044,096	2,207,661
Customer relationships	559,660	128,609
Preproduction expenses	460,703	323,492
Movie in-process and filmed entertainment	301,499	71,460
Music rights	143,682	26,384
Production and distribution business - Middle East	73,140	92,458
Investment properties	53,073	57,796
Investments in associates	41,026	41,084
Story, video and publication rights and record master	9,860	14,714

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 infinite lives. The Company has identified that cable channels of CPI, trademarks and licenses have an infinite life. Impairment testing requires an estimation of the value in use of the cash-generating units to which goodwill, cable channels and trademark are allocated. 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 rate applied to the cash flow projections were 10.8% and 11.6% in 2012 and 2011, respectively.

The carrying amount of goodwill amounted to ₱5,292 million and ₱3,280 million as of December 31, 2012 and 2011, respectively (see Note 16). The carrying amount of the cable channels amounted to ₱460 million as of December 31, 2012 and 2011 (see Note 12). The carrying amount of trademarks amounted to ₱1,112 and ₱916 million as of December 31, 2012 and 2011, respectively (see Note 12). The carrying amount of licenses amounted to ₱965 million and ₱466 million as of December 31, 2012 and 2011, respectively (see Note 12).

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

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

As of December 31, 2012 and 2011, the pension obligation of the Company amounted to ₱1,238 million and ₱889 million, respectively (see Note 29). Unrecognized net actuarial loss amounted to ₱2,079 million and ₱2,139 million as of December 31, 2012 and 2011, respectively (see Note 29).

Recognition of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Recognized deferred tax assets amounted to ₱1,247 million and ₱689 million as of December 31, 2012 and 2011, respectively. Unrecognized deferred tax assets of subsidiaries amounted to ₱956 million and ₱1,010 million as of December 31, 2012 and 2011, respectively (see Note 28).

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

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

a. Conversion of Note and Advances to Sky Cable

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

The Note was subject to interest of 13.0% compounded annually and matured on June 30, 2006. The principal and accrued interest as of maturity date is mandatorily converted into common shares of the Issuer, based on the prevailing USD to Philippine peso exchange rate on maturity date, at a conversion price equivalent to a 20% discount of: (a) the market value of the shares, in the event of a public offering of the Issuer before maturity date; (b) the valuation of the shares by an independent third party

appraiser that is a recognized banking firm, securities underwriter or one of the big three international accounting firms or their Philippine affiliate jointly appointed by Lopez, Inc. and Lopez Holdings (collectively referred to as "Lopez Group") and Philippine Long Distance Telephone Company and Mediaquest Holdings, Inc. (collectively referred to as "PLDT Group") pursuant to the Master Consolidation Agreement dated July 18, 2001, as amended or supplemented.

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

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

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

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

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

The conversion of the Note is considered as a business combination and accounted for using purchase method in 2008.

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

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

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

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

b. Acquisition of Noncontrolling Interest in ABS-CBN International

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

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

The excess of the consideration over the carrying value of the noncontrolling interest in ABS-CBN International, amounting to US\$4.9 million (₱203 million in 2012 and ₱216 million in 2011) was recognized as goodwill in the consolidated statements of financial position (see Note 16). In December 2009, the Parent Company assigned its 2% share in ABS-CBN International to ABS-CBN Global in exchange for additional common shares in ABS-CBN Global. Consequently, ABS-CBN Global became the 100% owner of ABS-CBN International. Also in December 2009, ABS-CBN Global transferred its 100% ownership in ABS-CBN International to ABS-CBN Hungary. This assignment has no impact on the consolidated financial statements.

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

c. Acquisition of Sapiensis

On October 15, 2010, the Parent Company acquired from PCCI Equities, Inc. all its subscription rights over the 250,000 shares in Sapiensis, with a par value of ₱1 per share, for ₱63 thousand. Goodwill arising on acquisition amounted to ₱9 million (see Note 16).

Net cash flow on the acquisition are as follows:

Net cash acquired with the subsidiary	₱845
Cash paid	(63)
<u>Net cash inflow</u>	<u>₱782</u>

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

d. Acquisition and Assignment of Sky Cable Shares

On various date in 2010, the Parent Company purchased from noncontrolling shareholders of Sky Cable total shares of 59,024,704 totaling ₱572 million.

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

On January 13, 2011, Lopez, Inc. agreed to sell all its rights to 8,944,544 Sky Cable shares to the Parent Company for ₱87 million. On March 30, 2011, the Parent Company agreed to sell all these shares to Sky Vision for the same value.

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

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

On February 14, 2011, ABS-CBN, Lopez, Inc, Lopez Holdings, Sky Vision, Sky Cable, STT Communications Ltd. (STTC) and Sampaquita Communications Pte. Ltd. (Sampaquita, a subsidiary of STTC), entered into a Subscription and Purchase Agreement (SPA) wherein Sampaquita agreed to purchase PDRs from ABS-CBN and Lopez Holdings and to subscribe to originally issued PDRs from Sky Vision and convertible note to be issued by Sky Cable.

On March 30, 2011, ABS-CBN completed the sale of 143,107,174 PDRs with underlying Sky Cable shares to Sampaquita for ₱1,816 million. Simultaneously, Sampaquita completed the subscription of originally issued 149,711,934 PDRs with underlying Sky Cable shares from Sky Vision for ₱1,450 million and Sky Cable convertible note for ₱250 million.

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

On May 12, 2011, Sky Cable, as provided in the SPA dated February 14, 2011, completed the issuance of the ₱250 million note to Sampaquita convertible into 25,812,403 shares of Sky Cable at the option of Sampaquita any time from issue date to maturity date, which is 10 years from date of issuance.

The convertible note bears 0% interest rate for the first three years, subject to adjustment every three years upon mutual agreement of the parties, provided that the interest rate shall not exceed 10% per annum. The interest rate shall be agreed upon by Sky Cable and Sampaquita at least 30 days prior to the commencement of each 3-year period. If no such agreement is reached, the interest rate for the succeeding period shall be the same as the interest rate for the preceding 3-year period. Such interest shall accrue from and including the first day of such interest period to but not including the last day of such interest period.

The convertible note was accounted for under split accounting. The equity component of the convertible note was recognized as part of noncontrolling interests in the consolidated financial statements of ABS-CBN. The liability component is presented separately as "Convertible note" in the consolidated statements of financial position. Accretion of the convertible note recognized as part of the interest expense in the consolidated statements of income amounted to ₱16 million and ₱10 million in 2012 and 2011, respectively (see Note 27).

f. Acquisition of CTI and ABS-C

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

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

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

	Fair Value Recognized on Acquisition (Restated)	Carrying Value
Cash and cash equivalents	₱49,122	₱49,122
Trade and other receivables	18,323	18,323
Inventories	2,324	2,324
Prepaid expenses and other current assets	134,184	134,184
Property and equipment (see Note 10)	116,339	116,339
License (see Note 12)	465,623	—
Other noncurrent assets	12,591	12,591
Trade and other current liabilities	(660,948)	(660,948)
Loan payable	(27,418)	(27,418)
Deferred tax liability	(169,795)	(30,108)
Other noncurrent liabilities	(4,928)	(4,928)
Net liabilities	(64,583)	<u>(₱390,519)</u>
Noncontrolling interests (30.0% of fair value of net liabilities)	19,375	
Net liabilities acquired	(45,208)	
Goodwill arising on acquisition (see Note 16)	567,836	
Consideration paid in cash	<u>₱522,628</u>	

Net cash flow on the acquisition are as follows:

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

The net liabilities recognized in the 2011 consolidated financial statements were based on a provisional assessment of fair values. The purchase price allocation was finalized in 2012. The 2011 comparative information was restated to reflect the adjustment to the provisional amounts. Total assets (excluding goodwill and license) decreased by ₱4 million. Total liabilities (excluding deferred tax liability) decreased by ₱348 million. License amounting to ₱466 million was recognized. Deferred tax liability increased by ₱138 million. There was also a corresponding reduction in goodwill of ₱470 million resulting in ₱568 million of goodwill arising on the acquisition.

The fair value and gross amount of trade and other receivables amounted to ₱18 million. If the combination had taken place at the beginning of 2011, the Company's consolidated net income and revenue would have been ₱2,334 million and ₱25,146 million, respectively, for the year ended December 31, 2011.

The goodwill of ₱568 million comprises the fair value of expected synergies arising from acquisition.

g. Acquisition of Bayantel Wireless Land Line (WLL) Business and Related Assets through ABS-C

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

On January 27, 2012, Bayantel executed an asset purchase agreement with ABS-C. The agreement includes the transfer of the related Code Division Multiple Access (CDMA) telecommunications equipment needed to operate the WLL Business. The transfer also includes the required licenses, interconnection trunks, subscribers and employees. In addition, ABS-C assumed the related outstanding liabilities to CDMA telecommunications equipment amounting to ₱918 million. On February 1, 2012, Bayantel successfully transferred all its rights, titles, interests and obligations related to the WLL Business to ABS-C.

The acquisition of Bayantel WLL Business and related assets was accounted for as an acquisition of a business. The fair values of the identifiable assets and liabilities of Bayantel at acquisition date were:

	Fair Value Recognized on Acquisition
Input VAT	₱134,168
Property and equipment (see Note 10)	692,873
License (see Note 12)	499,426
Customer relationships (see Note 12)	108,000
Accounts payable	(918,071)
Deferred tax liability	(182,228)
Net assets acquired	₱334,168

There was no goodwill recognized arising on the acquisition.

Net cash outflow on the acquisition amounted to ₱334 million.

From the acquisition date up to December 31, 2012, Bayantel WLL Business has net loss of ₱525 million. If the combination had taken place at the beginning of 2012, the Company's consolidated net income would have been ₱1,696 million for the year ended December 31, 2012.

h. Acquisition of Sky Cable PDRs and Shares

i) 2011

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

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

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

	Fair Value Recognized on Acquisition	Carrying Value
Cash and cash equivalents	₱779,270	₱779,270
Trade and other receivables	2,047,695	2,047,695
Inventories	15,443	15,443
Other current assets	437,917	437,917
Property and equipment (see Note 10)	4,469,987	4,355,649
Goodwill	—	1,080,328
Trademark (see Note 12)	915,568	—
Customer relationships (see Note 12)	133,148	—
Deferred tax asset	404,789	404,789
Other noncurrent assets	1,071,627	1,071,627
Trade and other current liabilities	(2,583,229)	(2,583,229)
Unearned revenue	(190,323)	(190,323)
Long-term debt	(1,440,338)	(1,489,843)
Income tax payable	(46,275)	(46,275)
Accrued pension obligation	(389,699)	(389,699)
Deferred tax liability	(363,768)	—
Other noncurrent liabilities	(328,241)	(328,241)
Net assets	4,933,571	<u>₱5,165,108</u>
Consideration transferred	658,622	
Noncontrolling interests (43.3% of fair value of net assets)	2,134,710	
Fair value of previously held interest	4,606,075	
	<u>7,399,407</u>	
Goodwill arising on acquisition (see Note 16)	<u>₱2,465,836</u>	

Net cash flow on the acquisition are as follows:

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

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

From the acquisition date, Sky Cable has contributed ₱132 million to the 2011 consolidated net income of the Company.

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

ii) Subscription of Sky Cable PDRs/Shares

On May 11, 2012, the Parent Company, Sampaquita, Sky Cable and Sky Vision executed a Subscription Agreement. Under the agreement, Sky Cable shall issue about 222,502,142 common shares to its existing shareholders. The Parent Company subscribed to about 18,774,788 common shares while Sky Vision subscribed to about 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) brings 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.

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. in DCI, SBC and UNI until December 31, 2013.

i. 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 exercise price of the Option is ₱7 million for DCI, ₱7 million for SBC and ₱6 million for UNI.

	Fair Value Recognized on Acquisition
Trade and other receivables	₱93,098
Merchandise inventory	636
Other current assets	498,901
Property and equipment (see Note 10)	799,282
Customer relationships (see Note 12)	371,792
Trademark (see Note 12)	196,216
Deferred tax assets	811,938
Trade and other current liabilities	(128,460)
Deferred output VAT	(9,975)
Net assets acquired	2,633,428
Goodwill arising on acquisition (see Note 16)	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.

From the acquisition date up to December 31, 2012, DCI, SBC and UNI have net income of ₱119 million. If the combination had taken place at the beginning of 2012, the Company's consolidated net income would have been ₱1,814 million for the year ended December 31, 2012.

The fair value and gross amount of trade and other receivables amounted to ₱93 million.

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

5. Segment Information

Segment information is prepared on the following bases:

Business Segments

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

- Broadcasting segment is principally the television and radio broadcasting activities which generates revenue from sale of national and regional advertising time.
- Cable and satellite business primarily develops and produces programs for cable television, including delivery of television programming outside the Philippines through its DTH satellite service, cable television channels and blocked time on television stations. The cable and satellite business includes cable television services of Sky Cable and its subsidiaries in Metro Manila and in certain provincial areas in the Philippines.
- Other businesses include movie production, consumer products and services.

Geographical Segments

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

Inter-segment Transactions

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

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

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

The following table shows the reconciliation of the core net income to consolidated net income for the years ended December 31, 2012, 2011 and 2010:

	2012	2011	2010
Core net income*	₱1,733,000	₱2,468,884	₱3,300,762
PFRS 3 adjustments:			
Depreciation and amortization	(28,764)	(59,896)	(153,287)
Amortization of customer relationships (see Note 12)	(6,267)	(9,835)	(21,186)
Income tax effect	10,509	20,919	52,342
Consolidated net income attributable to equity holders of the Parent Company	₱1,708,478	₱2,420,072	₱3,178,631

* Excluding net income attributable to noncontrolling interests

The following table shows the reconciliation of the consolidated EBITDA to consolidated net income for the years ended December 31, 2012, 2011 and 2010:

	2012	2011	2010
Consolidated EBITDA*	₱6,524,019	₱6,837,846	₱8,642,520
Depreciation and amortization	(2,825,196)	(2,588,969)	(2,575,023)
Amortization of intangible assets**	(859,728)	(1,003,007)	(872,137)
Finance costs***	(797,209)	(715,430)	(1,015,757)
Interest income	119,672	177,061	106,738
Provision for income tax	(453,080)	(287,429)	(1,107,710)
Consolidated net income attributable to equity holders of the Parent Company	₱1,708,478	₱2,420,072	₱3,178,631

* Excluding net income attributable to noncontrolling interests

** Excluding amortization of story, video and publication rights and record masters and movie in-process and filmed entertainment

*** Excluding bank service charges

Business Segment Data

The following tables present revenue and income information and certain asset and liability information regarding business segments for each of the three years in the period ended December 31, 2012:

	Broadcasting			Cable and Satellite			Other Businesses			Eliminations			Consolidated		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
Revenue															
External sales	₱17,815,837	₱16,410,687	₱20,427,712	₱11,668,358	₱10,316,852	₱10,450,113	₱2,245,954	₱1,472,409	₱1,413,175	₱-	₱-	₱-	₱31,730,149	₱28,199,948	₱32,291,000
Inter-segment sales	207,077	188,277	148,525	348,629	351,668	334,886	1,371,197	1,357,920	1,520,572	(1,926,903)	(1,897,865)	(2,003,983)	-	-	-
Revenue deductions	(2,859,384)	(2,685,186)	(3,941,304)	(411,408)	(386,893)	(442,993)	(84,056)	(19,858)	(16,186)	19,635	34,525	56,366	(3,335,213)	(3,057,412)	(4,344,117)
Total revenue	₱15,163,530	₱13,913,778	₱16,634,933	₱11,605,579	₱10,281,627	₱10,342,006	₱3,533,095	₱2,810,471	₱2,917,561	(₱1,907,268)	(₱1,863,340)	(₱1,947,617)	₱28,394,936	₱25,142,536	₱27,946,883
Results															
Operating results	₱188,702	(₱463,199)	₱3,090,341	₱982,904	₱1,151,147	₱1,145,993	₱374,347	₱863,660	₱1,002,235	₱263,353	(₱131,479)	(₱505,797)	₱1,809,306	₱1,420,129	₱4,732,772
Finance costs	(580,591)	(557,464)	(967,922)	(208,337)	(167,780)	(140,131)	(27,888)	(5,087)	(3,777)	115	3,460	68,981	(816,701)	(726,871)	(1,042,849)
Foreign exchange gains (losses) - net	84,151	(29,086)	57,877	(10,916)	62,586	88,044	(75,931)	14,266	(51,480)	114,480	(91,274)	123,790	111,784	(43,508)	218,231
Interest income	76,551	118,111	154,921	36,950	57,942	17,715	6,286	4,468	3,083	(115)	(3,460)	(68,981)	119,672	177,061	106,738
Equity in net earnings (losses) of associates	(58)	(29)	142	-	-	-	-	-	-	-	-	-	(58)	(29)	142
Other income - net	982,854	2,081,133	663,847	136,119	162,680	(71,470)	426,970	220,734	166,349	(607,663)	(496,737)	(428,839)	938,280	1,967,810	329,887
Income tax	(209,011)	(32,087)	(911,126)	(161,158)	(128,809)	(97,508)	(82,911)	(126,533)	(99,076)	-	-	-	(453,080)	(287,429)	(1,107,710)
Net income	₱542,598	₱1,117,379	₱2,088,080	₱775,562	₱1,137,766	₱942,643	₱620,873	₱971,508	₱1,017,334	(₱229,830)	(₱719,490)	(₱810,846)	₱1,709,203	₱2,507,163	₱3,237,211
Core Net Income													₱1,733,000	₱2,468,884	₱3,300,762
EBITDA													₱6,524,019	₱6,837,846	₱8,642,520
EBITDA Margin													21%	24%	27%
Assets and Liabilities															
Operating assets	₱24,303,301	₱22,442,259	₱20,106,664	₱23,911,502	₱19,860,916	₱15,287,402	₱14,163,171	₱5,941,181	₱4,031,279	(₱14,185,850)	(₱4,174,380)	(₱1,468,999)	₱48,192,124	₱44,069,976	₱37,956,346
Investments in associates - at equity	15,666,143	15,365,149	13,505,574	-	-	-	-	-	-	(15,625,117)	(15,324,065)	(13,464,461)	41,026	41,084	41,113
Deferred tax assets	534,795	424,373	347,900	613,663	183,941	571,877	109,732	112,078	66,466	(10,803)	(31,219)	(24,852)	1,247,387	689,173	961,391
Total assets	₱40,504,239	₱38,231,781	₱33,960,138	₱24,525,165	₱20,044,857	₱15,859,279	₱14,272,903	₱6,053,259	₱4,097,745	(₱29,821,770)	(₱19,529,664)	(₱14,958,312)	₱49,480,537	₱44,800,233	₱38,958,850
Operating liabilities	₱6,566,325	₱6,433,354	₱6,683,814	₱5,653,286	₱5,139,546	₱4,829,210	₱11,407,922	₱1,833,442	₱1,026,948	(₱11,774,499)	(₱2,231,320)	(₱1,412,022)	₱11,853,034	₱11,175,022	₱11,127,950
Interest-bearing loans and borrowings	11,851,040	10,921,712	7,869,520	3,803,654	1,521,789	1,532,982	-	-	132,000	-	-	-	15,654,694	12,443,501	9,534,502
Deferred tax liabilities	-	-	-	-	402,690	438,586	323,126	173,636	4,095	-	-	-	323,126	576,326	442,681
Obligations under finance lease	117,987	53,363	108,211	12,824	15,017	-	-	-	-	-	-	-	130,811	68,380	108,211
Total liabilities	₱18,535,352	₱17,408,429	₱14,661,545	₱9,469,764	₱7,079,042	₱6,800,778	₱11,731,048	₱2,007,078	₱1,163,043	(₱11,774,499)	(₱2,231,320)	(₱1,412,022)	₱27,961,665	₱24,263,229	₱21,213,344
Other Segment Information															
Capital expenditures:															
Property and equipment	₱1,779,215	₱1,795,418	₱1,838,587	₱1,518,015	₱58,619	₱1,235,511	₱549,114	₱119,181	₱80,248	₱-	₱-	₱-	₱3,847,144	₱1,973,218	₱3,154,346
Intangible assets	1,155,951	869,454	483,593	568,008	1,272,185	339,589	1,180,366	697,766	239,520	-	-	-	2,904,325	2,839,405	1,062,702
Depreciation and amortization	1,959,723	2,219,092	1,992,112	1,987,501	1,662,401	1,470,544	673,878	345,667	327,037	(518,309)	(386,008)	(194,298)	4,102,793	3,841,152	3,595,395
Noncash expenses other than depreciation and amortization	22,376	40,517	136,493	286,855	220,787	384,148	99,239	11,812	14,609	-	-	-	408,470	273,116	535,250

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, 2012:

	Philippines			United States			Others			Eliminations			Consolidated		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
Revenue															
External sales	P26,839,758	P23,633,800	P26,946,010	P2,435,230	P3,412,628	P4,500,629	P2,455,161	P1,153,520	P844,361	P-	P-	P-	P31,730,149	P28,199,948	P32,291,000
Inter-segment sales	1,926,902	1,897,865	2,003,983	-	-	-	-	-	-	(1,926,902)	(1,897,865)	(2,003,983)	-	-	-
Revenue deductions	(3,116,455)	(2,865,252)	(4,156,706)	(133,283)	(111,269)	(117,628)	(105,110)	(115,416)	(126,148)	19,635	34,525	56,365	(3,335,213)	(3,057,412)	(4,344,117)
Total revenue	P25,650,205	P22,666,413	P24,793,287	P2,301,947	P3,301,359	P4,383,001	P2,350,051	P1,038,104	P718,213	(P1,907,267)	(P1,863,340)	(P1,947,618)	P28,394,936	P25,142,536	P27,946,883
Assets															
Operating assets	P56,299,836	P42,603,069	P33,994,455	P2,635,602	P2,734,800	P4,992,548	P3,442,536	P2,906,487	P438,342	(P14,185,850)	(P4,174,380)	(P1,468,999)	P48,192,124	P44,069,976	P37,956,346
Investments in associates - at equity	15,666,143	15,365,149	13,505,574	-	-	-	-	-	-	(15,625,117)	(15,324,065)	(13,464,461)	41,026	41,084	41,113
Deferred tax assets	1,145,554	622,753	879,248	110,847	97,639	91,469	1,789	-	15,526	(10,803)	(31,219)	(24,852)	1,247,387	689,173	961,391
Total assets	P73,111,533	P58,590,971	P48,379,277	P2,746,449	P2,832,439	P5,084,017	P3,444,325	P2,906,487	P453,868	(P29,821,770)	(P19,529,664)	(P14,958,312)	P49,480,537	P44,800,233	P38,958,850
Liabilities															
Operating liabilities	P22,142,276	P11,685,891	P10,884,657	P66,440	P871,182	P817,653	P1,418,817	P849,269	P837,662	(P11,774,499)	(P2,231,320)	(P1,412,022)	P11,853,034	P11,175,022	P11,127,950
Interest-bearing loans and borrowings	15,617,005	12,401,735	9,491,304	37,689	41,766	43,198	-	-	-	-	-	-	15,654,694	12,443,501	9,534,502
Deferred tax liabilities	323,126	576,326	442,681	-	-	-	-	-	-	-	-	-	323,126	576,326	442,681
Obligations under finance lease	130,811	68,380	108,211	-	-	-	-	-	-	-	-	-	130,811	68,380	108,211
Total liabilities	P38,213,218	P24,732,332	P20,926,853	P104,129	P912,948	P860,851	P1,418,817	P849,269	P837,662	(P11,774,499)	(P2,231,320)	(P1,412,022)	P27,961,665	P24,263,229	P21,213,344
Other Segment Information															
Capital expenditures:															
Property and equipment	P3,725,946	P1,768,728	P2,891,094	P44,344	P91,653	P162,358	P76,854	P112,837	P100,894	P-	P-	P-	P3,847,144	P1,973,218	P3,154,346
Intangible assets	2,904,325	2,839,405	1,062,702	-	-	-	-	-	-	-	-	-	2,904,325	2,839,405	1,062,702

6. Cash and Cash Equivalents

	2012	2011
Cash on hand and in banks	₱4,779,751	₱3,531,105
Cash equivalents	1,615,187	5,103,948
	₱6,394,938	₱8,635,053

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

Interest earned from cash and cash equivalents amounted to ₱120 million, ₱177 million and ₱107 million in 2012, 2011 and 2010, respectively.

7. Trade and Other Receivables

	2012	2011 (As restated - see Note 4)
Trade:		
Airtime	₱5,071,841	₱5,049,461
Subscriptions	1,233,205	768,248
Others	1,387,731	1,182,149
Advances to suppliers	524,675	1,103,880
Advances to employees and talents (see Note 22)	249,860	261,834
Due from related parties (see Note 22)	466,265	171,328
Others	427,391	256,502
	9,360,968	8,793,402
Less allowance for doubtful accounts	981,386	668,929
	₱8,379,582	₱8,124,473

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

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

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

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

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

Movements in the allowance for doubtful accounts are as follows:

	Trade Subscriptions			Nontrade	Total
	Airtime		Others		
Balance at January 1, 2011	₱491,246	₱54,719	₱22,271	₱59,614	₱627,850
Provisions (see Note 26)	38,863	132,199	83,731	154	254,947
Write-offs and others	(4,666)	(128,390)	(82,181)	1,369	(213,868)
Balance at December 31, 2011	525,443	58,528	23,821	61,137	668,929
Provisions (see Note 26)	25,275	251,989	110,780	1,860	389,904
Write-offs and others	(1,869)	(36,188)	(27,577)	(11,813)	(77,447)
Balance at December 31, 2012	₱548,849	₱274,329	₱107,024	₱51,184	₱981,386

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:

	2012	2011
Less than 30 days	₱618,392	₱780,702
31 to 60 days	23,792	2,479
61 to 90 days	64,198	29,342
	₱706,382	₱812,523

8. Inventories

	2012	2011
At net realizable value:		
Merchandise inventory	₱151,653	₱90,405
Materials, supplies and spare parts	59,930	43,769
At cost -		
Office supplies	6,537	693
	₱218,120	₱134,867

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

Provision for decline in value of inventory amounted to ₱15 million, ₱17 million and ₱32 million in 2012, 2011 and 2010, respectively. The cost of inventories carried at net realizable value amounted to ₱303 million and ₱260 million as of December 31, 2012 and 2011, respectively. Inventory costs, recognized under "Cost of sales", amounted to ₱35 million, ₱42 million and ₱50 million in 2012, 2011 and 2010, respectively (see Note 25).

9. Other Current Assets

	2012	2011 (As restated - see Note 4)
Creditable withholding and prepaid taxes	₱497,580	₱463,656
Preproduction expenses	460,703	323,492
Prepaid expenses and others	282,309	228,436
	₱1,240,592	₱1,015,584

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

10. Property and Equipment

	2012					
	Land and Land Improvements	Buildings and Improvements	Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱630,008	₱10,560,896	₱12,242,643	₱8,656,803	₱660,765	₱32,751,115
Additions	2,193	13,535	1,873,878	807,262	1,150,276	3,847,144
Effect of business combination (see Note 4)	—	—	795,384	696,771	—	1,492,155
Disposals/retirements	(963)	(89,179)	(738,641)	(434,929)	(8,428)	(1,272,140)
Reclassifications	10,510	237,452	475,893	88,928	(812,783)	—
Translation adjustments	(4,940)	(8,957)	(20,569)	(38,935)	5,145	(68,256)
Balance at end of year	636,808	10,713,747	14,628,588	9,775,900	994,975	36,750,018
Accumulated Depreciation and Amortization						
Balance at beginning of year	5,110	4,600,354	6,822,746	6,080,790	—	17,509,000
Depreciation and amortization (see Notes 24, 25 and 26)	4,465	476,100	1,348,371	995,186	—	2,824,122
Disposals/retirements	—	(70,656)	(726,416)	(388,328)	—	(1,185,400)
Reclassifications	(6)	(534)	(35,071)	35,611	—	—
Translation adjustments	—	(8,295)	17,350	(76,472)	—	(67,417)
Balance at end of year	9,569	4,996,969	7,426,980	6,646,787	—	19,080,305
Net Book Value	₱627,239	₱5,716,778	₱7,201,608	₱3,129,113	₱994,975	₱17,669,713

2011						
	Land and Land Improvements	Buildings and Improvements	Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱505,611	₱10,298,092	₱13,622,658	₱6,238,789	₱490,370	₱31,155,520
Additions	41,312	112,218	370,495	919,271	529,922	1,973,218
Effect of business combination and deconsolidation (see Note 4)	(3,132)	180,062	(1,488,419)	1,323,112	—	11,623
Disposals/retirements	(1,233)	(86,123)	(198,294)	(87,688)	—	(373,338)
Reclassifications	87,450	57,753	(57,689)	266,567	(354,081)	—
Translation adjustments	—	(1,106)	(6,108)	(3,248)	(5,446)	(15,908)
Balance at end of year	630,008	10,560,896	12,242,643	8,656,803	660,765	32,751,115
Accumulated Depreciation and Amortization						
Balance at beginning of year	4,066	4,012,738	7,855,073	4,088,350	—	15,960,227
Depreciation and amortization (see Notes 24, 25 and 26)	3,391	467,704	1,351,320	765,451	—	2,587,866
Effect of business combination and deconsolidation (see Note 4)	(3,132)	178,776	(2,099,151)	1,208,059	—	(715,448)
Disposals/retirements	—	(64,665)	(193,432)	(96,344)	—	(354,441)
Reclassifications	—	(783)	(92,865)	93,648	—	—
Translation adjustments	785	6,584	1,801	21,626	—	30,796
Balance at end of year	5,110	4,600,354	6,822,746	6,080,790	—	17,509,000
Net Book Value	₱624,898	₱5,960,542	₱5,419,897	₱2,576,013	₱660,765	₱15,242,115

Certain property and equipment of Sky Cable and PCC with a carrying value of ₱492 million as of December 31, 2009 were pledged as collateral to secure the long-term debt of Sky Cable and PCC. On October 26, 2010, the loans were fully paid. As of February 27, 2013, the release of security interest on the pledged properties is still in process (see Note 18).

Certain property and equipment with cost amounting to ₱13,812 million and ₱13,547 million as of December 31, 2012 and 2011, respectively, were fully depreciated but are still being used by the Company.

Unamortized borrowing costs capitalized as part of property and equipment amounted to ₱760 million and ₱802 million as of December 31, 2012 and 2011, respectively. There were no borrowing costs capitalized in 2012 and 2011.

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

	2012	2011
Cost - capitalized finance lease	₱517,116	₱531,761
Accumulated depreciation	(486,290)	(494,160)
Net book value	₱30,826	₱37,601

11. Investment Properties

This account pertains to a parcel of land purchased by ABS-CBN International, with a two-storey house constructed thereon, located in Redwood City, California, USA. The real property which was acquired in July 2008 at a purchase price of US\$1.4 million (P67 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 (P50 million) for which the property was pledged as collateral (see Note 18).

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

2012			
	Land	Building	Total
Cost:			
Balance at beginning	P30,688	P30,688	P61,376
Translation adjustments	(1,953)	(1,953)	(3,906)
Balance at end of year	28,735	28,735	57,470
Accumulated depreciation:			
Balance at beginning of year	–	3,580	3,580
Depreciation (see Note 26)	–	1,074	1,074
Translation adjustments	–	(257)	(257)
Balance at end of year	–	4,397	4,397
Net book value	P28,735	P24,338	P53,073

2011			
	Land	Building	Total
Cost -			
Balance at beginning and end of year	P30,688	P30,688	P61,376
Accumulated depreciation:			
Balance at beginning of year	–	2,464	2,464
Depreciation (see Note 26)	–	1,103	1,103
Translation adjustments	–	13	13
Balance at end of year	–	3,580	3,580
Net book value	P30,688	P27,108	P57,796

As of December 31, 2012 and 2011, the fair market value of land and building, which is based on market price of similar properties within the area, amounted to P58 million and P59 million, respectively.

Rental income derived from the investment properties amounted to P2 million in 2012, 2011 and 2010. Direct operating expenses, which consist mainly of depreciation, amounted to P1 million in 2012, 2011 and 2010.

12. Program Rights and Other Intangible Assets

2012										
	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	₪2,463,419	₪26,384	₪71,460	₪14,714	₪915,568	₪465,623	₪128,609	₪459,968	₪92,458	₪4,638,203
Additions	961,748	124,089	642,805	249	—	—	—	—	—	1,728,891
Effect of business combination (see Note 4)	—	—	—	—	196,216	499,426	479,792	—	—	1,175,434
Amortization and write-off (see Notes 24, 25 and 26)	(790,382)	(6,791)	(412,766)	(5,103)	—	—	(48,741)	—	(13,814)	(1,277,597)
Translation adjustments	—	—	—	—	—	—	—	—	(5,504)	(5,504)
Balance at end 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
Less current portion	618,405	143,682	68,466	4,163	—	—	—	—	—	834,716
Noncurrent portion	₪2,016,380	₪—	₪233,033	₪5,697	₪1,111,784	₪965,049	₪559,660	₪459,968	₪73,140	₪5,424,711
2011 (As restated - see Note 4)										
	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	₪2,375,958	₪1,020	₪97,621	₪15,599	₪—	₪—	₪471,391	₪459,968	₪89,359	₪3,510,916
Additions	1,077,572	25,364	214,452	7,678	—	—	—	—	—	1,325,066
Effect of business combination (see Note 4)	—	—	—	—	915,568	465,623	133,148	—	—	1,514,339
Amortization and write-off (see Notes 24, 25 and 26)	(990,111)	—	(240,613)	(8,563)	—	—	(9,835)	—	(3,061)	(1,252,183)
Disposals	—	—	—	—	—	—	(466,095)	—	—	(466,095)
Translation adjustments	—	—	—	—	—	—	—	—	6,160	6,160
Balance at end of year	2,463,419	26,384	71,460	14,714	915,568	465,623	128,609	459,968	92,458	4,638,203
Less current portion	481,051	26,384	60,501	8,763	—	—	—	—	—	576,699
Noncurrent portion	₪1,982,368	₪—	₪10,959	₪5,951	₪915,568	465,623	₪128,609	₪459,968	₪92,458	₪4,061,504

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

	2012				2011			
	Customer Relationships	Cable Channels - CPI	Production and Distribution Business - Middle East	Total	Customer Relationships	Cable Channels - CPI	Production and Distribution Business - Middle East	Total
Cost	₪612,940	₪574,960	₪212,358	₪1,400,258	₪133,148	₪574,960	₪212,358	₪920,466
Accumulated amortization	(53,280)	(114,992)	(139,218)	(307,490)	(4,539)	(114,992)	(119,900)	(239,431)
Net book value	₪559,660	₪459,968	₪73,140	₪1,092,768	₪128,609	₪459,968	₪92,458	₪681,035

The customer relationships acquired in a business combination relate to the core subscribers of the following (see Note 4):

- Sky Cable postpaid, prepaid and platinum, broadband and other Sky Cable's subscribers 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
- 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. The average remaining useful life of this intangible asset is 11 years.

Other intangible assets assessed to have indefinite life includes trademarks and licenses. Trademarks pertain to Destiny Cable and Sky Cable distinctive sign to promote and distinguish its products and services from those of other entities. Licenses pertain to the Company's right to operate the wireless business. 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.

13. Available-for-Sale Investments

	2012	2011
Balance at beginning of year	₱264,892	₱265,066
Additions	—	21,993
Disposals	(47,644)	(31,985)
Unrealized fair value gain on AFS investments	6,853	9,818
Balance at end of year	₱224,101	₱264,892

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

The unrealized fair value gain on AFS investments amounting to ₱7 million, ₱10 million and ₱12 million in 2012, 2011 and 2010, respectively, were recognized in other comprehensive income.

On November 12, 2008, ABS-CBN Global, a subsidiary, purchased a total of 2,524,488 unquoted shares of Series P common stock of Multiply, Inc. (Multiply), a Delaware, US corporation engaged in independent social networking site, equivalent to 5% equity interest. ABS-CBN Global purchased the investment at US\$1.98 per share for an aggregate purchase price of US\$5 million. The Stock Purchase Agreement provides that during the two-year period immediately following the Initial Closing date, Multiply may issue additional 1,964,051 shares of Series P common stock at the same price per share as the original purchase for an aggregate purchase price of up to US\$4 million, in exchange for in-kind contributions of marketing and advertising supplied by ABS-CBN Global, intended to be used to acquire new users of Multiply's services.

On August 29, 2010, ABS-CBN Global sold 1,390,993 shares of Series P common stock comprising approximately 3.25% of the outstanding shares of Multiply. The remaining equity of ABS-CBN Global in Multiply represents 2.64% with a carrying value of ₱48 million in 2011.

In December 2012, ABS-CBN Global sold its remaining shares in Multiply (see Note 27).

14. Investments in Associates

The following are the associates of the Company as of December 31, 2012 and 2011:

Entity	Principal Activities	Percentage of Ownership
Amcara Broadcasting Network, Incorporated (Amcara)	Services	49.0
Star Cinema Productions, Inc. (Star Cinema)	Movie production	45.0
Sky Vision (see Note 2)*	Investment holding	8.6

**2011 only. Sky Vision became a subsidiary in 2012.*

Details of the account are as follows:

	2012	2011
Acquisition costs:		
Balance at beginning and end of year	₱561,528	₱541,292
Addition	—	20,236
Balance at end of year	561,528	561,528
Accumulated equity in net losses:		
Balance at beginning of year	(520,444)	(500,179)
Equity in net losses during the year	(58)	(29)
Dividends	—	(20,236)
Balance at end of year	(520,502)	(520,444)
	₱41,026	₱41,084

All the associates are incorporated in the Philippines.

In 2011, the BOD of Amcara approved the declaration of cash dividends to all stockholders of record as of June 15, 2011. The Parent Company's dividends were subsequently applied as payment for the additional investment in Amcara.

ABS-CBN discontinued the recognition of its share in the losses of Sky Vision and Star Cinema starting 2008. The accumulated losses in Sky Vision and Star Cinema reduced the carrying value of the Parent Company's investment in Sky Vision and Star Cinema to zero. If Star Cinema subsequently reports profits, the Parent Company will resume recognizing its share on these profits if the Parent Company's share on the cumulative unrecognized net profits exceeded the cumulative unrecognized net losses. The net cumulative unrecognized net losses amounted to ₱17 million and ₱14 million as of December 31, 2012 and 2011, respectively.

As of December 31, 2012 and 2011, the remaining carrying value of investments in associates pertains to Amcara. Investments in Star Cinema and Sky Vision (in 2011) have been reduced to zero due to accumulated equity in net losses.

Condensed financial information of the associates follows:

	2012	2011
Current assets	₱22,827	₱14,726
Noncurrent assets	210,069	7,311,348
Current liabilities	(151,139)	(66,892)
Noncurrent liabilities	—	(7,084,197)
Net equity	₱81,757	₱174,985

	2012	2011	2010
Revenue	₱33,351	₱39,937	₱30,614
Cost and expenses	(33,409)	(32,009)	(30,960)
Net income (loss)	(₱58)	₱7,928	(₱346)

15. Other Noncurrent Assets

	2012	2011 (As restated - see Note 4)
Tax credits with TCCs	₱2,044,096	₱2,207,661
Deposits and bonds	149,296	204,400
Deferred charges	90,456	119,572
Others	176,857	145,674
	₱2,460,705	₱2,677,307

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 2022.

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 subsequently be distributed or made available to its customers and end-users.

Deferred charges pertain to excess of cost over revenue from installation of decoders and set-top boxes. Amortization of deferred charges amounted to ₱53 million, ₱56 million and ₱53 million in 2012, 2011 and 2010, respectively (see Note 25).

16. Goodwill

Analysis of movement in goodwill follows:

	2012	2011 (As restated - see Note 4)
Balance at beginning of year	₱3,279,686	₱2,143,832
Effect of business combination (see Note 4)	2,025,981	3,033,672
Translation adjustment	(13,794)	(11,668)
Disposal (see Note 4)	—	(1,886,150)
Balance at end of year	₱5,291,873	₱3,279,686

Goodwill arose from the following acquisitions and business combination:

	2012	2011 (As restated - see Note 4)
Sky Cable (see Note 4)	₱2,465,836	₱2,465,836
DCI, SBC, UNI (see Note 4)	2,025,981	—
CTI and ABS-C (see Note 4)	567,836	567,836
ABS-CBN International (see Note 4)	202,958	216,752
ABS-CBN Interactive	13,389	13,389
Sapientis (see Note 4)	9,201	9,201
ABS-CBN Multimedia	6,672	6,672
	₱5,291,873	₱3,279,686

Goodwill pertaining to investment in Roadrunner amounting to ₱23 million was impaired.

17. Trade and Other Payables

	2012	2011 (As restated - see Note 4)
Trade	₱2,087,406	₱984,641
Accrued expenses:		
Production cost and other expenses	3,711,153	3,164,157
Salaries and other employee benefits	1,164,023	1,361,094
Interest	246,654	221,015
Taxes	46,311	454,670
Deferred revenue	1,248,513	1,283,434
Installment payable	339,180	362,233
Dividend payable	164,474	163,338
Due to related parties (see Note 22)	29,929	339,345
Others	369,966	393,063
	₱9,407,609	₱8,726,990

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 shows.

Accrual for salaries and other employee benefits includes accrual for the Company's retention program. The Company allocated specified number of notional shares for selected key employees. This will be paid in full after the holding period of 5 or 6 years from date of grant which is January 1, 2011.

Deferred revenue pertains to payments received before broadcast and subscription fees billed or received in advance.

Installment payable relates to a contract entered into by ABS-C in 2004 with a supplier for the purchase of certain equipment amounting to \$12 million which bears interest of 5% per annum. In December 2008, 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, 2012 and 2011, ABS-C has only paid 31% of the contract price. Outstanding balance as of December 31, 2012 and 2011 amounted to ₱339 million (US\$8 million) and ₱362 million (US\$8 million), respectively. Accrued interest amounted to ₱134 and ₱122 million as of December 31, 2012 and 2011, respectively.

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.

18. Interest-bearing Loans and Borrowings

Borrower	2012			2011		
	Current Portion	Long-term Portion	Total	Current Portion	Long-term Portion	Total
Parent Company	₱1,516,101	₱10,452,925	₱11,969,026	₱529,391	₱10,445,684	₱10,975,075
Sky Cable	2,012,423	973,211	2,985,634	12,193	984,345	996,538
PCC	4,000	789,156	793,156	120,000	378,500	498,500
ABS-CBN International	1,503	36,186	37,689	1,517	40,251	41,768
	₱3,534,027	₱12,251,478	₱15,785,505	₱663,101	₱11,848,780	₱12,511,881

Parent Company

The details of interest-bearing loans and borrowings of the Parent Company are as follows:

	2012			2011		
	Current Portion	Long-term Portion	Total	Current Portion	Long-term Portion	Total
Bank loans	₱1,400,000	₱—	₱1,400,000	₱400,000	₱—	₱400,000
Term loans:						
Loan agreement	80,121	9,617,292	9,697,413	87,698	9,731,649	9,819,347
Syndicated loans	—	753,627	753,627	—	702,364	702,364
Obligations under finance lease (see Note 30)	35,980	82,006	117,986	41,693	11,671	53,364
	₱1,516,101	₱10,452,925	₱11,969,026	₱529,391	₱10,445,684	₱10,975,075

Bank Loans. This represents unsecured peso-denominated loans obtained from local banks which bear an average annual interest rates of 3.5% in 2012 and 2011.

In 2012, the Parent Company availed short-term loans totaling ₱1 billion for working capital purposes.

Loan Agreement. On October 29, 2010, the Parent Company successfully signed a syndicated loan for ₱10 billion with Allied Banking Corporation, Allied Savings Bank, Banco de Oro Unibank, Inc., Banco de Oro Unibank, Inc. - Trust and Investment Group, Bank of the Philippine Islands (BPI), Insular Life Assurance Company Ltd., Philippine National Bank, PNB Life Insurance, Inc., Security Bank Corporation (collectively, the “Lenders”), Bank of the Philippine Islands (BPI) Capital Corporation (the “Lead Arranger”), Banco de Oro (BDO) Capital & Investment Corporation and Security Bank Corporation (collectively, the “Arrangers”) and PNB Capital & Investment Corporation and Insular Life Assurance Company Ltd. (collectively the “Co-Arranger”). Bank of the Philippine Islands - Asset Management and Trust Group shall serve as the loan’s facility agent. The loan is intended to refinance existing indebtedness and fund working capital requirements.

The loan is unsecured and unsubordinated with interest at 3-month PDST-F plus 0.65% per annum for the floating rate portion and 7-year PDST-F plus 0.65% per annum for the fixed rate portion. The loan is payable annually with a lump sum payment of the remaining balance on November 9, 2017. The loan is pre-payable subject to a break cost.

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 successfully signed a Supplemental Agreement between and among the lenders of the ₱10 billion syndicated loan agreement to amend the financial ratios as follows:

- a. Deletion of Maximum Total Debt-to-Annualized EBITDA;
- b. Increase in threshold of the Debt Service Coverage Ratio (DSCR) from 1.1:1 to 1.2:1 in the years 2012, 2013 and 2014 and to 1.5:1 from 2015 until its final maturity in year in 2017; and
- c. Utilization of the amount of projected capital expenditure and program rights based on approved capital expenditure and program rights acquisition budget in calculating the cash available for debt service instead of using the actual amount of capital expenditure and program rights actually paid in cash during the period.

On December 5, 2012, the Company successfully signed a Second Supplemental Agreement between and among the lenders of the ₱10 billion syndicated loan to amend to 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.

As of December 31, 2012 and 2011, the Parent Company is in compliance with the provisions of this facility.

Syndicated Loan. On September 18, 2007, ABS-CBN successfully signed a syndicated loan for ₱854 million with the previous lenders of Sky Cable, namely, United Coconut Planters Bank, BPI, Mega International Commercial Bank Co., Ltd., Olga Vendivel and Wise Capital Investment & Trust Company, Inc., with BDO - EPCI, Inc. acting as the facility agent. The loan is unsecured and unsubordinated with a fixed coupon of 2.11% with final maturity on September 18, 2014.

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 contain provisions regarding the maintenance of certain financial ratios and limiting, among others, the incurrence of additional debt, the payment of dividends, making investments, the issuing or selling of the Company's capital stock or some of its subsidiaries, the selling or exchange of assets, creation of liens and effecting mergers.

On June 29, 2012, the Company successfully signed a Supplemental Agreement between and among the lenders of the ₱854 million syndicated loan agreement to amend the financial ratios as follows:

- a. Inclusion of Total Debt-to-Annualized EBITDA ratio of 2.5:1;
- b. Replacement of the minimum EBIT-to-financing costs ratio with a minimum DSCR of 1.2:1 as at each Quarter Date in 2012, 2013 and 2014; and
- c. Inclusion of Sky Cable in the combined group when computing the financial ratios.

On December 5, 2012, the Company successfully signed a Second Supplemental Agreement between and among the lenders of the ₱854 million syndicated loan to amend to 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.

As of December 31, 2012 and 2011, the Company is in compliance with the provisions of the ₱854 million syndicated loan facility.

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

Debt discount which represents the difference between the nominal value and fair value of the debt issued related to the syndicated loan amounted to ₱298 million.

Details of unamortized debt issue cost, presented as a deduction from the Company’s long-term debt, as of December 31 are as follows:

	2012	2011
Debt discount	₱91,329	₱138,339
Transaction costs	111,839	94,157
	₱203,168	₱232,496

Debt issue costs are amortized over the term of the loans using the effective interest method as follows:

Year	Loan Agreement	Syndicated Loans	Debt Discount	Total
2013	₱19,879	₱5,037	₱51,221	₱76,137
2014	21,078	4,215	40,108	65,401
2015	20,518	—	—	20,518
2016	21,852	—	—	21,852
2017	19,260	—	—	19,260
	₱102,587	₱9,252	₱91,329	₱203,168

Amortization of debt issue costs are as follows (see Note 27):

	2012	2011	2010
Debt discount (charged to interest expense)	P47,010	P42,913	P39,386
Transaction costs	16,554	15,279	98,398
	P63,564	P58,192	P137,784

The 2010 amortization includes unamortized transaction costs of P63 million as of prepayment date of the debt facilities, namely, the SCA facility, the BDO facility, the P800 million Syndicated Loan facility and the Combined Facility Agreement. These should have been amortized until the final maturity of the respective debt facilities had it not been prepaid in November 2010.

Schedule of Maturities and Repayments. Repayments of long-term debt based on nominal values are scheduled as follows:

Year	Loan Agreement	Syndicated Loans	Total
2013	P100,000	P—	P100,000
2014	100,000	854,208	954,208
2015	100,000	—	100,000
2016	100,000	—	100,000
2017	9,400,000	—	9,400,000
	P9,800,000	P854,208	P10,654,208

Sky Cable

Fixed Rate Corporate Notes Facility Agreement. On October 26, 2010, Sky Cable availed a P1 billion syndicated loan from BDO, Union Bank of the Philippines and Robinsons Bank. The loan is intended to refinance the loan under the Debt Restructuring Agreement (DRA).

The loan is unsecured and unsubordinated with interest at 5-year PDST-F plus 1% per annum. The loan is amortizing with a final maturity of October 26, 2017. It has an interest rate step up feature in case the loan is extended for another two years.

The agreement also requires a certain restrictions with respects to the maintenance of financial ratios. As of December 31, 2012 and 2011, Sky Cable is in compliance with the provisions of this facility.

Unamortized debt issue cost, presented as a deduction from the Company's long-term debt amounted to P7 million and P8 million as of December 31, 2012 and 2011, respectively.

Debt issue costs are amortized over the term of the loan using the effective interest method as follows:

Year	Amount
2013	₱1,366
2014	1,419
2015	1,490
2016	1,566
2017	1,349
	₱7,190

Amortization of debt issue costs amounted to ₱1 million in 2012 and 2011 and ₱190 thousand in 2010.

The schedule of debt repayment based on the Facility Agreement is as follows:

Year	Amount
2013	₱10,000
2014	10,000
2015	10,000
2016	10,000
2017	940,000
	₱980,000

Loan Facility Agreement. On May 30, 2012, Sky Cable availed a loan facility agreement from Australia and New Zealand Banking Group Limited, Manila Branch (ANZ) to partially bridge finance the acquisition of Destiny. Facility Limit is ₱2 billion. On June 8, 2012 and August 15, 2012, Sky Cable availed the short term loans totaling ₱2 billion for working capital purposes with interest rates of 4.21% per annum.

This loan is not supported by any lien, pledge or security. However, ABS-CBN has provided a Letter of Comfort to ANZ.

On December 27, 2012, the Company availed of a short-term ₱1 billion loan from BPI at 3.25% per annum. Proceeds were used to partially pay its ₱1 billion loan from ANZ.

The agreement provided for certain requirements and restrictions, with respect to, among others, the maintenance of certain financial ratios. As of December 31, 2012, Sky Cable is in compliance with the provisions and all of the financial ratios required by its creditors in the agreement.

In addition, Sky Cable has obligation under finance lease amounting to ₱13 million and ₱15 million in 2012 and 2011, respectively (see Note 30).

PCC

On April 7, 2009, PCC acquired a term loan from BDO, in which half of the loan bears a MART1 rate plus 2.5% and the other half bears fixed rate of 8.5%. Both are payable in installments commencing on April 16, 2010.

Effective January 1, 2011, both loans bears an interest based on higher of 3-month PDST-F plus 1% spread or Banko Sentral ng Pilipinas (BSP) overnight rate less 15 basis points.

The loan is supported by deed of pledge of Sky Cable's shares of stocks in PCC and Continuing Suretyship Agreement executed by Sky Vision.

On April 10, 2012, PCC successfully 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.

Debt issue costs on the loan amounting to ₱7 million as of December 31, 2012 are deferred and amortized using the effective interest method. Amortization of debt issue costs amounted to ₱1 million in 2012.

Debt issue costs are amortized over the term of the loan using the effective interest method as follows:

Year	Amount
2013	₱905
2014	1,044
2015	1,078
2016	1,118
2017	2,699
	₱6,844

The schedule of payment of the loan is as follows:

Year	Amount
2013	₱4,000
2014	8,000
2015	8,000
2016	8,000
2017–2019	772,000
	₱800,000

ABS-CBN International

On August 19, 2008, ABS-CBN International availed of a loan from Citibank, North America amounting to US\$1 million (P50 million). The loan has a term of 20 years and can be prepaid starting on the 15th year.

The investment property acquired for which the loan was availed was pledged as collateral (see Note 11).

The schedule of debt repayment is as follows:

Year	Amount
2013	P1,503
2014	1,592
2015	1,686
2016	1,786
2017–2028	31,122
	<u>P37,689</u>

19. Obligations for Program Rights

This account represents liabilities to foreign and local film suppliers for program rights purchased by the Company. The liabilities are noninterest-bearing and are payable in equal monthly, quarterly or semiannually installments over a period of one to two years. The amounts presented in the consolidated statements of financial position represent the face amounts of the obligations, net of unamortized discounts, which represent the difference between the face amounts and the fair values of the obligations upon initial recognition. Unamortized discounts amounted to P400 thousand and P2 million as of December 31, 2012 and 2011, respectively.

20. Other Noncurrent Liabilities

	2012	2011 (As restated - see Note 4)
Customers' deposits	P217,764	P207,849
Deferred credits	62,258	43,058
Installment payable	3,627	67,198
Asset retirement obligation	1,444	1,215
Others	123,897	152,524
	<u>P408,990</u>	<u>P471,844</u>

Customers' deposits relate 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.

Installment payable represents payable to suppliers for the importation and purchase of set-top boxes and decoders which are deferred over 36-month payment term.

21. Equity

Capital Stock

Details of authorized and issued capital stock as of December 31, 2012, 2011 and 2010 are as follows:

	Number of Shares	Amount
Authorized -		
Common shares - ₱1 par value	1,500,000,000	₱1,500,000
Issued -		
Common shares	779,584,602	₱779,585

Below are the Parent Company's track record of the registration of securities:

Date of SEC Order Rendered Effective or Permit to Sell	Event	Authorized Capital Stock	Issued Shares	Issue Price
	Registered and Listed Shares			
	(Original Shares)	₱200,000	111,327,200	₱1.00
March 31, 1992	Initial Public Offering (Primary)	200,000	12,428,378	15.00
	Secondary *	200,000	18,510,517	15.00
	ESOP*	200,000	1,403,500	15.00
June 16, 1993	40% stock dividends	200,000	49,502,074	1.00
August 18, 1994	50% stock dividends	500,000	86,620,368	1.00
July 25, 1995	100% stock dividends	1,500,000	259,861,104	1.00
July 2, 1996	50% stock dividends	1,500,000	259,861,104	1.00

**Included in the 111,327,200 shares existing at the time of the IPO*

The Parent Company's total number of stockholders is 5,900 and 6,062 as of December 31, 2012 and 2011, respectively.

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 SEC approved the amendment of the Articles of Incorporation to reclassify 200 million common shares into 1 billion preferred shares.

On December 10, 2012, the BOD of the Parent Company fixed the cumulative interest rate of the preferred shares at 2% per annum payable on each anniversary date from issue date and set the offer dates from January 7, 2013 to January 25, 2013.

As of February 27, 2013, the preferred shares have not been issued.

Share-based Payment Plan

Lopez Holdings 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.

The primary terms of the grant are as follow:

Grant date	May 2011
Number of options granted	19,284,027
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.

In 2012, total number of options exercisable under ESPP is 19,284,027 shares.

Total share-based payment expense recognized by the Company as part of "Personnel expenses" under "General and administrative expenses" account in the 2012 consolidated statement of income amounted to ₱37 million. A corresponding "Share-based payment plan" account, net of applicable tax, under equity section of the 2012 consolidated statement 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 ₱1,446 million and ₱2,090 million as of December 31, 2012 and 2011, 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 18).

On February 27, 2013, the Company's 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 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. On March 4, 2011, the BOD approved the declaration of cash dividend of ₱2.10 per share or an aggregate amount of ₱1,637 million to all stockholders of record as of March 25, 2011 payable on April 19, 2011. On March 11, 2010, the BOD approved the declaration of cash dividend of ₱1.11 per share or an aggregate amount of ₱865 million to all stockholders of record as of March 31, 2010 payable on April 29, 2010.

PDRs Convertible to Common Shares

	2012		2011		2010	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
	<i>(Amounts in Thousands, Except Number of Shares)</i>					
Balance at beginning of year	38,178,209	₱1,164,146	37,954,209	₱1,154,064	21,793,742	₱553,724
Acquisitions	—	—	224,000	10,082	23,560,467	996,240
Issuances	—	—	—	—	(7,400,000)	(395,900)
Balance at end of year	38,178,209	₱1,164,146	38,178,209	₱1,164,146	37,954,209	₱1,154,064

This account represents ABS-CBN PDRs held by the Parent Company which are convertible into ABS-CBN shares. These PDRs were listed in the PSE on October 7, 1999. Each PDR grants the holders, upon payment of the exercise price and subject to certain other conditions, the delivery of one ABS-CBN share or the sale of and delivery of the proceeds of such sale of one ABS-CBN share. The ABS-CBN shares are still subject to ownership restrictions on shares of corporations engaged in mass media and ABS-CBN may reject the transfer of shares to persons other than Philippine nationals. The PDRs may be exercised at any time from October 7, 1999 until the expiry date as defined in the terms of the offering. Any cash dividends or other cash distributions in respect of the underlying ABS-CBN shares shall be applied by ABS-CBN Holdings Corporation, issuer of PDRs, towards payment of operating expenses and any amounts remaining shall be distributed pro-rata among outstanding PDR holders.

In 2011, the Parent Company acquired 224,000 PDRs and common shares for ₱10 million. In 2010, the Parent Company acquired 23,560,467 PDRs and common shares for ₱996 million.

In 2010, the Parent Company issued ₱396 million of these PDRs, which are convertible into 7,400,000 ABS-CBN shares, as contribution to the retirement fund (see Note 29). The PDRs issued were based on quoted prices at the time of issuance.

22. Related Party Transactions

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

Transactions with Related Parties

In addition to the related party transactions discussed in Notes 4 and 18, significant transactions of the Company with its associates and related parties follow:

	Nature	2012	2011	2010
Associate -				
Blocktime fees paid by the Parent Company and Studio 23 to Amcara	Blocktime fees	₱32,475	₱31,322	₱30,595
Entities under common control:				
Expenses paid by ABS-C to Bayantel, a subsidiary of Lopez, Inc., and other related parties	Rent and utilities	431,236	—	—
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	Rent and utilities	221,867	30,023	40,426
Expenses paid by the Parent Company and subsidiaries to Manila Electric Company (Meralco)*, Bayantel and other related parties	Service fees and utilities expenses	184,573	116,326	388,497
Expenses paid by Sky Cable to Bayantel and other related parties	Bandwith cost and utilities expenses	148,699	142,828	204,170
Termination cost charges of Bayantel to ABS-CBN Global	Termination cost	56,973	10,440	57,213
Management and other service fees	Management fee	39,678	37,805	41,880
Airtime revenue from Bayantel and Meralco*	Airtime fees	19,862	26,496	57,548

*2010 only

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	2012	2011
Due from:					
Bayantel	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	₱245,255	₱113,342
Amcara	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	145,052	—
ABS-CBN Foundation, Inc.**	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	39,862	17,796
First Philippine Holdings Corporation (FPHC)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	10,264	1,990
Goldlink Securities and Investigative Services Incorporated	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	5,772	5,713
Rockwell Land Corporation (Rockwell Land)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	4,254	2,882
Lopez Holdings	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	3,095	10,686
Star Cinema	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	2,153	2,092
Others	Affiliate	30 days upon receipt; noninterest-bearing	Unsecured, no impairment	10,558	16,827
				₱466,265	₱171,328
Due to:					
Lopez Holdings	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	8,305	8,331
Lopez, Inc.	Parent	30 days upon receipt of billings; noninterest-bearing	Unsecured	578	653
Sky Vision	Subsidiary	30 days upon receipt of billings; noninterest-bearing	Unsecured	—	157,617
Others	Affiliates	30 days upon receipt of billings; noninterest-bearing	Unsecured	21,046	172,744
Total				₱29,929	₱339,345

*Affiliate pertains to various entities under common control of Lopez, Inc., ultimate parent company

**Corporate social responsibility sector of ABS-CBN

- a. Blocktime Fees Paid by the Parent Company and Studio 23 to Amcara.

The Parent Company and Studio 23 own the program rights being aired in UHF Channel 23 of Amcara. The Parent Company and Studio 23 has an existing blocktime agreement with Amcara for its provincial operations.

- b. On December 28, 2012, ABS-CBN acquired 162,463,400 Sky Vision shares from Lopez Holdings amounting to ₱9 million.
- c. In 2012, ABS-CBN funded Amcara's purchase of an intangible asset amounting to ₱220 million.
- d. Other transactions with related parties include cash advances for working capital requirements.
- e. Advances to employees and talents amounted to ₱250 million and ₱262 million as of December 31, 2012 and 2011, respectively (see Note 7).

Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances as of year-end are unsecured, interest-free and settlement occurs in cash, and are collectible or payable on demand. For the years ended December 31, 2012, 2011 and 2010, 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

	2012	2011	2010
Compensation (see Notes 24, 25 and 26)	₱1,245,385	₱1,127,893	₱866,636
Pension benefits (see Note 29)	96,489	113,259	53,564
Share-based payment (see Note 21)	37,140	—	—
Vacation leaves and sick leaves	29,261	25,494	24,619
Termination benefits	101	1,102	6,794
	₱1,408,376	₱1,267,748	₱951,613

23. Revenues

	2012	2011	2010
Airtime (see Note 22)	₱19,061,077	₱17,577,677	₱21,739,339
Sale of services (see Notes 22 and 30)	12,267,740	10,164,613	10,072,764
Sale of goods	401,332	457,658	478,897
	31,730,149	28,199,948	32,291,000
Less:			
Agency commissions	2,661,912	2,465,452	3,154,571
Incentives and discounts	673,301	591,960	1,189,546
	₱28,394,936	₱25,142,536	₱27,946,883

Industry rules allow ABS-CBN to sell up to 18 minutes of commercial spots per hour of television programming. These spots are sold mainly through advertising agencies which act as the buying agents of advertisers, and to a lesser extent, directly to advertisers. Substantially, all gross airtime revenue, including airtime sold directly to advertisers, is subject to a standard 15% agency commission.

Incentives include early payment, early placement and volume discounts.

24. Production Costs

	2012	2011	2010
Personnel expenses and talent fees (see Notes 22 and 29)	₱5,285,504	₱4,369,772	₱3,512,650
Facilities related expenses (see Notes 22 and 30)	2,037,050	2,163,531	1,682,964
Depreciation and amortization (see Note 10)	1,104,535	1,099,187	920,544
Amortization of program rights (see Note 12)	456,745	675,531	476,975
Travel and transportation	339,737	279,285	236,568
Set and set requirements	256,465	241,799	215,298
License and royalty	254,403	279,333	111,508
Catering and food expenses	178,751	146,887	109,522
Advertising and promotions	53,287	45,600	45,349
Stationery and office supplies	43,850	52,903	53,130
Other program expenses (see Notes 12 and 22)	248,357	481,138	500,769
	₱10,258,684	₱9,834,966	₱7,865,277

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:

	2012	2011	2010
Facilities related expenses (see Notes 22 and 30)	₱2,410,561	₱1,671,735	₱1,488,985
Personnel expenses (see Notes 22 and 29)	1,262,834	1,074,712	1,205,914
Programming costs	1,246,447	931,396	909,128
Depreciation and amortization (see Note 10)	1,142,205	888,726	985,367
Amortization of program rights (see Note 12)	333,637	314,580	368,450
Transportation and travel	165,119	147,730	130,648
License fees and royalties	163,010	118,344	124,601
Bandwidth costs	151,810	118,711	143,527
Transaction costs	149,058	128,356	116,078
Advertising and promotions	108,851	306,600	245,403
Freight and delivery	99,861	85,919	104,324
Interconnection costs (see Note 22)	75,326	139,894	231,148
Inventory costs	72,676	80,394	104,724
Installation costs	60,422	82,726	69,336
Amortization of deferred charges (see Note 15)	53,166	56,271	52,578
Stationery and office supplies	50,001	45,139	34,217
Commission and incentives	44,358	44,129	65,399
Amortization of other intangible assets (see Note 12)	39,791	—	—
Catering and food expenses	26,068	22,612	20,157
Set requirements	22,677	26,325	24,143
Taxes and licenses	17,705	19,386	21,556
Others (see Notes 15 and 22)	99,919	217,774	432,710
	₱7,795,502	₱6,521,459	₱6,878,393

Cost of sales consists of the following:

	2012	2011	2010
Printing and reproduction	₱103,135	₱100,804	₱109,123
Personnel expenses (see Notes 22 and 29)	68,395	69,836	71,907
Inventory costs (see Note 8)	35,281	42,041	50,432
Facilities related expenses (see Notes 22 and 30)	15,991	16,534	4,900
Freight and delivery	15,302	14,884	14,909
Handling and processing costs	11,926	9,919	11,986
Advertising and promotions	8,549	11,163	12,744
Depreciation and amortization (see Note 10)	313	301	187
Others (see Notes 10 and 22)	24,193	9,044	2,208
	₱283,085	₱274,526	₱278,396

26. General and Administrative Expenses

	2012	2011	2010
Personnel expenses (see Notes 22 and 29)	₱4,198,575	₱3,627,287	₱4,471,114
Contracted services	999,441	790,455	782,349
Facilities related expenses (see Notes 22 and 30)	606,945	515,014	535,825
Depreciation and amortization (see Notes 10 and 11)	578,143	600,755	668,924
Provision for doubtful accounts (see Note 7)	389,904	254,947	420,236
Taxes and licenses	360,576	393,623	351,128
Research and survey	235,926	215,001	246,683
Advertising and promotions	210,163	130,659	136,537
Donations and contributions	120,004	149,810	153,462
Entertainment, amusement and recreation	71,006	68,600	117,322
Amortization of other intangible assets (see Note 12)	29,555	12,897	26,712
Others (see Note 22)	448,121	332,408	281,753
	₱8,248,359	₱7,091,456	₱8,192,045

Others consist mainly of transportation and travel expenses and stationery and office supplies.

27. Other Income and Expenses**Finance Costs**

	2012	2011	2010
Interest expense (see Notes 4 and 18)	₱778,643	₱698,461	₱915,812
Bank service charges	19,492	11,441	27,092
Amortization of debt issue costs (see Note 18)	18,566	16,969	99,945
	₱816,701	₱726,871	₱1,042,849

The following are the sources of the Company's interest expense:

	2012	2011	2010
Long-term debt (see Note 18)	₱713,649	₱657,366	₱822,195
Bank loans (see Note 18)	32,361	13,839	33,113
Obligations under finance lease (see Note 18)	16,349	17,600	60,504
Convertible note (see Note 4)	16,284	9,656	—
	₱778,643	₱698,461	₱915,812

Other Income (Charges)

	2012	2011	2010
Gain on settlement of liabilities (see Note 4)	P208,564	P143,616	P—
Rental income (see Note 30)	144,004	138,327	142,853
Royalty income	63,795	57,404	40,113
Management fees	39,678	37,805	41,880
Loss on sale of available-for-sale investments (see Note 13)	(24,781)	—	—
Gain on sale of investments (see Note 4)	—	1,146,716	—
Impairment loss (see Note 13)	—	—	(53,868)
Other income - net (see Note 22)	507,020	443,942	158,909
	P938,280	P1,967,810	P329,887

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 P209 million.

In 2012, other income includes gain on sale of property and equipment amounting to P79 million.

Other income mainly consists of income from gate receipts, studio tours and other miscellaneous income and expense.

28. Income Tax and Registration with the Philippine Economic Zone Authority (PEZA)

The provision for (benefit from) income tax follows:

	2012	2011	2010
Current	P540,387	P415,119	P1,495,805
Deferred	(87,307)	(127,690)	(388,095)
	P453,080	P287,429	P1,107,710

The components of consolidated net deferred tax assets and liabilities of the Company are as follows:

	2012	2011 As restated - Note 4)
Deferred tax assets - net:		
Accrued pension obligation and other employee benefits	₱503,362	₱361,985
Excess of the selling price over the fair value of net assets acquired	353,274	—
Capitalized interest, duties and taxes (net of accumulated depreciation)	(231,213)	(239,761)
MCIT	174,261	168,835
Accrued expenses	157,574	166,569
Customers' deposits	155,256	181,976
Allowance for doubtful accounts	154,887	99,611
Gain on acquisition and exchange of debt (net of accretion)	(84,536)	(126,294)
Unearned revenue	54,459	2,663
NOLCO	12,096	135,992
Net unrealized foreign exchange loss	4,532	11,043
Allowance for inventory obsolescence	317	1,089
Others	(6,882)	(74,535)
	₱1,247,387	₱689,173
Deferred tax liabilities - net:		
Excess of the fair value over the book value of net assets acquired	₱310,598	₱405,583
Unrealized foreign exchange gain	13,449	31,622
Others	(921)	139,121
	₱323,126	₱576,326

The details of the deductible temporary differences, NOLCO and MCIT of certain subsidiaries for which no deferred tax assets were recognized follow:

	2012	2011
Allowance for doubtful accounts	₱1,491,130	₱1,570,583
Allowance for impairment loss on property and equipment	896,401	—
NOLCO	616,085	686,797
Allowance for decline in value of inventories	120,000	955,935
Accretion of interest expense	23,477	23,984
MCIT	3,584	13,916
Unearned revenue	2,303	42,259
Accrued retirement expense and others	26,787	40,251
	₱3,179,767	₱3,333,725

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 2012, MCIT and NOLCO amounting to ₱16 million and ₱333 million expired and were written off, respectively. MCIT and NOLCO amounting to ₱7 million and ₱61 million were claimed as deduction against RCIT due and taxable income, respectively.

In 2011, MCIT and NOLCO amounting to ₱19 million and ₱68 million expired and were written off, respectively. MCIT and NOLCO amounting to ₱4 million and ₱63 million were claimed as deduction against RCIT due and taxable income, respectively.

MCIT of the subsidiaries amounting to ₱178 million can be claimed as tax credit against future RCIT as follows:

Year Paid	Expiry Dates	Amount
2010	December 31, 2013	₱1,653
2011	December 31, 2014	152,633
2012	December 31, 2015	23,559
		₱177,845

NOLCO of the subsidiaries amounting to ₱656 million can be claimed as deductions from future taxable income as follows:

Year Incurred	Expiry Dates	Amount
2010	December 31, 2013	₱271,851
2011	December 31, 2014	181,503
2012	December 31, 2015	203,051
		₱656,405

As of December 31, 2012 and 2011, deferred tax liability on undistributed earnings of ABS-CBN Global, holding company of the Parent Company's foreign subsidiaries, amounting to ₱1,036 million and ₱762 million, respectively, has not been recognized since the Parent Company is able to control the reversal of the temporary difference. The undistributed earnings are earmarked for expansion in the Company's foreign operations.

The reconciliation of statutory tax rate to effective tax rates applied to income before income tax is as follows:

	2012	2011	2010
Statutory tax rates	30%	30%	30%
Additions to (reduction in) income taxes resulting from the tax effects of:			
Interest income subjected to final tax	(6)	(6)	(2)
Nondeductible interest expense	2	2	1
Gains subject to capital gains tax	—	(8)	—
Others (mainly income subject to different tax rates and change in tax rates - net)	(5)	(8)	(4)
Effective tax rates	21%	10%	25%

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.

Total income tax holiday incentives availed by Big Dipper amounted to ₱188 million and ₱204 million in 2012 and 2011, respectively.

29. Pension Plan

The Company's pension plans are composed of funded (Parent Company and Sky Cable) and unfunded (other subsidiaries), noncontributory and actuarially computed pension plans, except for ABS-CBN International (contributory) covering substantially all of its employees. The benefits are based on years of service and compensation during the last year of employment.

The Parent Company's retirement plan is a non-contributory defined benefit plan covering all regular employees. Benefits are based on the employee's years of service and final monthly salary. Actuarial valuation is performed every year-end.

The following tables summarize the components of consolidated net benefit expense recognized in the consolidated statements of income and accrued pension obligation recognized in the consolidated statements of financial position:

Net Pension Expense

	2012	2011	2010
Current service cost	₱488,858	₱278,386	₱183,927
Interest cost	256,565	246,504	168,084
Expected return on plan assets	(64,848)	(63,978)	(29,488)
Net actuarial loss	97,756	48,675	23,236
Past service cost	975	(876)	5,766
Net pension expense	₱779,306	₱508,711	₱351,525

Accrued Pension Obligation

	2012	2011
Present value of obligation	₱5,235,643	₱4,317,365
Fair value of plan assets	(1,914,544)	(1,295,899)
Unfunded obligation	3,321,099	3,021,466
Unrecognized net actuarial loss	(2,079,440)	(2,138,854)
Unrecognized amortization of past service cost	(3,675)	6,696
Accrued pension obligation	₱1,237,984	₱889,308

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

	2012	2011
Defined benefit obligation at beginning of year	₱4,317,365	₱2,764,389
Current service cost	488,858	278,386
Interest cost	256,565	246,504
Actuarial loss on obligation	284,297	1,151,949
Benefits paid	(111,929)	(125,123)
Past service cost	487	1,260
Defined benefit obligation at end of year	₱5,235,643	₱4,317,365

Changes in the fair value of plan assets of the Parent Company and Sky Cable are as follows:

	2012	2011
Fair value of plan assets at beginning of year	₱1,295,899	₱1,295,788
Actual contribution	360,000	78,894
Actuarial gains (losses)	193,797	(142,761)
Expected return on plan assets	64,848	63,978
Fair value of plan assets at end of year	₱1,914,544	₱1,295,899
Actual return on plan assets	₱258,645	(₱78,783)

The Parent Company and Sky Cable expect to contribute ₱300 million and ₱116 million, respectively, to the retirement fund in 2013.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2012	2011
	(Percentage)	
Investment in fixed/floating rate treasury note	12.0	34.4
Investment in government securities and bonds	6.5	10.1
Investment in stocks	69.6	50.0
Others	11.9	5.5
	100.0	100.0

The principal assumptions used as of January 1, 2012, 2011 and 2010 in determining pension benefit obligations for the Company's plans are shown below:

	2012	2011	2010
		(Percentage)	
Discount rate	6.0	8.9	9.8
Expected rate of return on plan assets	5.9	5.0	5.0
Future salary rate increases	6.7	5.0	7.2

Amounts for the current and previous four years are as follows:

	2012	2011	2010	2009	2008
Defined benefit obligation	(P5,235,643)	(P4,317,365)	(P2,764,389)	(P1,762,280)	(P569,414)
Fair value of plan assets	1,914,544	1,295,899	1,295,788	610,528	356,425
Deficit	(3,321,099)	(3,021,466)	(1,468,601)	(1,151,752)	(212,989)
Experience adjustments on defined benefit obligation	193,797	25,103	(78,496)	491,849	(223,203)
Experience adjustments on plan assets	219,746	(142,761)	127,957	67,370	(15,706)

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 73% and 27% investment in equity and fixed income securities, respectively. In 2012, the Company contributed P360 million fund and no withdrawals were made.

On July 27, 2010, the retirement committee of the retirement fund approved the following:

- Acquisition of ABS-CBN securities to fully fund the retirement fund deficiency;
- Allow the acquisition of Lopez Holdings shares and shares of other listed companies;
- Migrate to an investment management account arrangement in lieu of a "Trusteed" arrangement with BDO; and
- Appoint an investment officer of the retirement plan.

The market value of ABS-CBN asset allocation as at December 31, 2012 follows:

Fixed Income:	
Short-term	P178,900
Medium and long-term:	
Government securities	233,750
Corporate bonds	54,090
Preferred shares	22,995
Equities:	
Investment in shares of stock and other securities of related parties	1,147,894
Common shares and unit investment trust fund (UITF)	161,807
	<u>P1,799,436</u>

Short-term Fixed Income. Short-term fixed income investment includes time deposit, special deposit account and special savings account with interest ranging from 2% to 4%.

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 5% to 11%. These securities are fully guaranteed by the government of the Republic of the Philippines.

Investment in corporate bonds has a total cost of ₱49 million unsecured bonds with terms ranging from 5 to 15 years. Yield to maturity rate ranges from 7% to 8% with a total gain of about ₱850 thousand for the year ended December 31, 2012.

Investment in preferred stock refers to 220,000 shares with a total cost of ₱22 million. The market value is ₱23 million with total gain from investment of about ₱1 million for the year ended December 31, 2012.

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.

	Number of Shares	Cost	Market Value	Unrealized Gain (Loss)
ABS-CBN common shares	23,800	₱704	₱806	₱102
ABS-CBN PDRs	19,627,158	762,080	667,323	(94,757)
Lopez Holdings	69,777,680	230,136	438,204	208,068
Rockwell Land	17,103,433	34,476	41,561	7,085
	106,532,071	₱1,027,396	₱1,147,894	₱120,498

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

In 2010, the Company contributed 7,400,000 ABS-CBN PDRs to the retirement fund. The contribution was made in open market at an average price of ₱53.59 each (see Note 21). Additional PDRs were acquired in 2011 and 2012 in open market at an average price of ₱29.92 each. This brings the average price of all PDRs acquired to about ₱39.08 each. As of December 31, 2012, the value of each PDR is at ₱33.85.

Total gain from investments in shares of stock and other securities of related parties for the year ended December 31, 2012 amounted to ₱120 million.

Investments in Common Shares and UITF. Common shares pertain to 6,473,495 shares listed in the PSE with market value of ₱149 million. UITF has a market value of ₱13 million. Total gain from these investments amounted to ₱39 million as of December 31, 2012.

Sky Cable

Sky Cable's retirement benefit fund is being maintained by trustee banks, BDO and Rizal Commercial Banking Corporation.

The carrying value of Sky Cable asset allocation as at December 31, 2012 follows:

Short-term fixed income	₱27,439
Investment in medium and long-term fixed income:	
Government securities	59,529
Corporate bonds	15,218
Investment in shares of stock of related parties:	
First Gen Corporation (First Gen)	6,955
FPHC	725
Common shares	5,242
	<u>₱115,108</u>

Short-term Fixed Income. Short-term fixed income investment includes time deposit, special deposit account and special savings account with interest ranging from 2% to 4%.

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 5.4% to 11.5%. These securities are fully guaranteed by the government of the Republic of the Philippines.

Investment in Corporate Bonds. A total cost of ₱14 million unsecured bonds with terms ranging from 2 to 8 years. Yield to maturity rate ranges from 5.6% to 8.5% with a gain of ₱1 million for the year ended December 31, 2012.

Investments in Shares of Stock of Related Parties. These refer to investments in preferred shares of First Gen and FPHC, which are 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, 2012. Total cost and market value of investments in shares of stock of FPHC amounted to ₱1 million as of December 31, 2012. Total gain from investments in preferred shares for the year ended December 31, 2012 amounted to ₱480 thousand.

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 ₱622 million, ₱671 million and ₱765 million in 2012, 2011 and 2010, 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:

	2012	2011
Within one year	₱458,230	₱410,769
After one year but not more than five years	1,610,791	1,158,596
	₱2,069,021	₱1,569,365

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:

	2012	2011
Within one year	₱233,252	₱241,855
After one year but not more than five years	187,212	247,347
	₱420,464	₱489,202

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:

	2012	2011
Within one year	₱46,438	₱48,270
After one year but not more than five years	104,411	25,270
Total minimum lease payments	150,849	73,540
Less amounts representing finance charges	20,038	5,160
Present value of minimum lease payments	130,811	68,380
Less current portion	38,403	43,886
	₱92,408	₱24,494

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*
2013	₱474,424
2014-2015	272,843

** Includes variable fees based on the number of active subscribers as of December 31, 2012.*

The estimated fees include channel license fees contracted by Sky Cable for its subsidiaries, amounting to ₱296 million, for which Sky Cable will be reimbursed.

31. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents, AFS investments and interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The BOD reviews and agrees on the policies for managing each of these risks and they are summarized below.

Cash Flow Interest Rate Risk

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

To manage this mix in a cost-efficient manner, it is the Company's policy to enter into interest rate swaps whenever the need arises. Without the existence of any swaps, the Company's loan with fixed rate of interest is at about 42% and 56% of the total loans at the end of 2012 and 2011, respectively. As of December 31, 2012 and 2011, 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	Transactio n Costs and Discount	Total
2012								
Interest-bearings loans and borrowings:								
Fixed rate	P98,403	P941,463	P85,229	P85,760	P1,004,164	P4,650,000	(P159,184)	P6,705,835
Floating rate	3,455,503	59,592	59,686	59,786	89,121	5,414,000	(58,018)	9,079,670
2011								
Interest-bearings loans and borrowings:								
Fixed rate	P122,681	P162,833	P1,006,453	P63,165	P63,345	P5,640,000	(P200,723)	P6,857,754
Floating rate	553,209	167,041	137,185	51,801	51,907	4,733,236	(40,252)	5,654,127

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, 2012, benchmark interest rates, 3-month PDST-F, decreased by 117 basis points since the end of 2011. 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	
	2012	2011
Parent Company:		
Increase by 2%	(P98,990)	(P101,010)
Decrease by 2%	98,990	101,010
PCC:		
Increase by 1%	(P8,000)	(P4,985)
Decrease by 1%	8,000	4,985

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, 2012 and 2011, there are no freestanding derivative contracts and all the Company's long-term loan obligations are generally in Philippine currency.

The Company, however has transactional currency exposures. Such exposure arises when the transaction is denominated in currencies other than the functional currency of the operating unit or the counterparty.

The following tables show the Company's significant foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as of December 31, 2012 and 2011:

2012															
Original Currency															
	USD	EUR	JPY	CAD	GBP	AUD	United Arab Emirates Dirham (AED)	Swiss Franc (CHF)	Norway Kroner (NOK)	Denmark Kroner (DKK)	Sweden Kroner (SEK)	Saudi Arabia Riyal (SAR)	Taiwan Dollar (TWD)	Israeli New Shekel (ILS)	Peso Equivalent
Financial assets:															
Cash and cash equivalents	46,853	30,302	5,918	1,900	12,283	183	104,885	119	846	419	138	243,021	—	—	8,312,491
Trade and other receivables	77,309	11,855	41,084	3,327	11,095	796	50,481	1,004	1,705	47	257	112,823	4,950	390	6,657,763
	124,162	42,157	47,002	5,227	23,378	979	155,366	1,123	2,551	466	395	355,844	4,950	390	14,970,254
Financial liabilities:															
Trade and other payables	101,241	9,280	45,996	2,866	6,021	1,078	172,120	225	—	—	170	10,777	317	—	7,297,846
Obligations for program rights	8,105	(19)	—	—	—	—	—	—	—	—	—	—	—	—	331,671
	109,346	9,261	45,996	2,866	6,021	1,078	172,120	225	—	—	170	10,777	317	—	7,629,517
Net foreign currency-denominated financial assets (liabilities)	14,816	32,896	1,006	2,361	17,357	(99)	(16,754)	898	2,551	466	225	345,067	4,633	390	7,340,737

2011															
Original Currency															
	USD	EUR	JPY	CAD	GBP	AUD	United Arab Emirates Dirham (AED)	Swiss Franc (CHF)	Norway Kroner (NOK)	Denmark Kroner (DKK)	Sweden Kroner (SEK)	Saudi Arabia Riyal (SAR)	Taiwan Dollar (TWD)	Israeli New Shekel (ILS)	Peso Equivalent
Financial assets:															
Cash and cash equivalents	18,428	23,871	6,386	1,219	24,059	11	11,840	119	757	287	138	34,313	—	—	4,401,396
Trade and other receivables	283,815	9,345	41,424	2,510	44,309	5,232	44,848	629	1,496	23	241	138,523	841	308	18,538,078
	302,243	33,216	47,810	3,729	68,368	5,243	56,688	748	2,253	310	379	172,836	841	308	22,939,474
Financial liabilities:															
Trade and other payables	363,320	8,104	39,687	4,219	65,672	36	150,673	179	—	—	170	795	317	—	22,848,208
Obligations for program rights	7,151	(19)	—	—	—	—	—	—	—	—	—	—	—	—	312,416
	370,471	8,085	39,687	4,219	65,672	36	150,673	179	—	—	170	795	317	—	23,160,624
Net foreign currency-denominated financial assets (liabilities)	(68,228)	25,131	8,123	(490)	2,696	5,207	(93,985)	569	2,253	310	209	172,041	524	308	(221,150)

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the Company used the following exchange rates:

Currency	2012	2011
USD	41.05	43.84
EUR	54.20	56.79
JPY	0.48	0.56
CAD	41.13	42.96
GBP	66.28	67.55
AUD	42.54	44.42
AED	11.17	11.93
CHF	44.89	46.60
NOK	7.34	7.29
DKK	7.27	7.65
SEK	6.29	6.36
SAR	10.94	11.68
TWD	1.41	1.45
ILS	10.98	11.51

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.

	2012		2011	
	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	2.3% (1.7%)	₱14,075 10,334	2.2% (4.2%)	(₱65,499) 125,540
EUR	4.1% (5.6%)	73,994 (100,688)	11.6% (1.0%)	165,764 (14,850)
JPY	13.2% (5.7%)	63 (27)	2.8% (7.9%)	127 (360)
CAD	2.4% (2.8%)	2,328 (2,678)	5.5% (2.4%)	(1,147) 494
GBP	3.1% (5.0%)	35,471 (57,909)	5.9% (0.5%)	10,732 (95)
AUD	1.3% (1.3%)	(53) 55	5.7% (4.3%)	13,256 (9,971)
AED	3.0% (1.7%)	(5,485) 3,039	0.6% (3.6%)	(6,661) 40,249
CHF	5.2% (3.7%)	2,078 (1,495)	13.0% (1.5%)	3,457 (394)
NOK	3.1% (2.9%)	588 (541)	13.8% (1.3%)	2,265 (213)
DKK	4.1% (5.7%)	138 (191)	17.7% (1.9%)	419 (46)

	2012		2011	
	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
SEK	3.8%	₱54	14.7%	₱196
	(5.3%)	(75)	(1.8%)	(24)
SAR	2.4%	91,447	5.3%	106,160
	(1.7%)	(62,837)	(3.7%)	(74,501)
TWD	6.3%	410	10.7%	81
	(4.4%)	(285)	(3.1%)	(23)
ILS	5.0%	213	10.4%	367
	(5.6%)	(238)	(4.4%)	(156)

The change in currency rate is based on the Company's best estimate of expected change considering historical trends and experiences. Positive change in currency rate reflects a weaker peso against foreign currency.

The Company computes for the percentages of changes in exchange rates for the foreign currency-denominated accounts by comparing the year-end closing rates or existing foreign currency exchange rates with the forward foreign currency exchange rates three months before and after financial reporting date. The Company assumes the trend for the six months period to be its exposure on foreign currency fluctuations.

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.

There is no requirement for collateral over trade receivables since the Company trades only with recognized and accredited counterparties.

The maximum exposure to credit risk is partly represented by the carrying amounts of the financial assets that are reported in the consolidated statements of financial position.

Credit Risk Exposures. The table below shows the gross maximum exposure to on- and off-balance sheet credit risk exposures of the Company, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques as of December 31:

	2012	2011
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	₱6,322,546	₱8,572,754
Trade and other receivables - net (excluding advances to suppliers)	7,854,907	7,020,593
Deposits	104,347	102,327
AFS investments	224,101	264,892
	₱14,505,901	₱15,960,566

Credit Quality per Class of Financial Asset. The credit quality of financial assets is being managed by the Company using internal credit ratings. The following tables below shows the credit quality by class of financial assets based on the Company's credit rating system as of December 31, 2012 and 2011:

	2012					
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High	Moderate	Low			
Loans and receivables:						
Cash and cash equivalents:						
Cash in banks	₱4,707,359	₱—	₱—	₱—	₱—	₱4,707,359
Cash equivalents	1,615,187	—	—	—	—	1,615,187
Trade receivables:						
Airtime	2,303,405	717,761	51,294	1,318,061	681,320	5,071,841
Subscriptions	95,173	64,672	125,192	670,931	277,237	1,233,205
Others	307,916	29,615	29,161	859,572	161,467	1,387,731
Nontrade receivables	345,769	12,004	13,463	204,777	101,238	677,251
Due from related parties	—	—	—	466,265	—	466,265
Deposits	69,517	34,830	—	—	—	104,347
AFS investments	224,101	—	—	—	—	224,101
	₱9,668,427	₱858,882	₱219,110	₱3,519,606	₱1,221,262	₱15,487,287

	2011					
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High	Moderate	Low			
Loans and receivables:						
Cash and cash equivalents:						
Cash in banks	₱3,468,806	₱—	₱—	₱—	₱—	₱3,468,806
Cash equivalents	5,103,948	—	—	—	—	5,103,948
Trade receivables:						
Airtime	2,037,388	618,902	11,638	1,591,995	789,538	5,049,461
Subscriptions	246,373	38,969	58,436	372,177	52,293	768,248
Others	317,140	33,677	32,330	635,137	163,865	1,182,149
Nontrade receivables	270,608	891	1,856	167,485	77,496	518,336
Due from related parties	—	—	—	171,328	—	171,328
Deposits	66,889	35,438	—	—	—	102,327
AFS investments	264,892	—	—	—	—	264,892
	₱11,776,044	₱727,877	₱104,260	₱2,938,122	₱1,083,192	₱16,629,495

The credit quality of the financial assets was determined as follows:

- High Credit Quality

This includes deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers, as of financial reporting date, accounts of good paying customers, with good credit standing and with no history of account treatment for a defined period. This also includes claims from Elite subscribers, advance payers, airtime and channel lease with advance payment arrangements, related parties with offsetting arrangement and existing employees.

- Moderate Credit Quality

For receivables, this covers accounts of standard paying customers, those whose payments are within the credit term, and new customers for which sufficient credit history has not been established. This also includes claims from Superior subscribers, airtime and channel lease and related parties without offsetting arrangement.

- Low Credit Quality

For receivables, this covers accounts of slow paying customers and those whose payments are received upon demand at financial reporting date. This also includes claims from Special subscribers.

Trade Receivables

These represent amounts collectible from advertising agencies, advertisers or trade customers arising from the sale of airtime, subscription, services and/or goods in the ordinary course of business.

Airtime. This account refers to revenue generated from the sale of time or time block within the on-air broadcast hours on television and radio.

Subscriptions. This account refers to revenue generated from regular subscriber's fees for either: (1) access to programs aired through DTH and cable television systems, or (2) direct sale of publications to subscribers.

Others. This account refers to other revenue generated from the sale of goods and services.

Nontrade Receivables

These represent claims, arising from sources other than the sale of airtime, subscriptions, services and goods in the ordinary course of business, that are reasonably expected to be realized in cash.

The following tables below show the aging analysis of past due but not impaired receivables per class that the Company held as of December 31, 2012 and 2011. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

2012						
	Neither Past Due nor Impaired	Past Due but not Impaired				
		Less than 30	30 Days and Over	Impaired	Allowance	Total
Trade receivables:						
Airtime	₱3,072,460	₱1,034,682	₱283,379	₱681,320	(₱548,849)	₱4,522,992
Subscriptions	285,037	177,659	493,272	277,237	(274,329)	958,876
Others	366,692	113,043	746,529	161,467	(107,024)	1,280,707
Nontrade receivables	371,236	23,102	181,675	101,238	(51,184)	626,067
Due from related parties	—	—	466,265	—	—	466,265
	₱4,095,425	₱1,348,486	₱2,171,120	₱1,221,262	(₱981,386)	₱7,854,907

2011						
	Neither Past Due nor Impaired	Past Due but not Impaired				
		Less than 30	30 Days and Over	Impaired	Allowance	Total
Trade receivables:						
Airtime	₱2,667,928	₱1,121,334	₱470,661	₱789,538	(₱525,443)	₱4,524,018
Subscriptions	343,778	119,306	252,871	52,293	(58,528)	709,720
Others	383,147	117,760	517,377	163,865	(23,821)	1,158,328
Nontrade receivables	273,355	23,382	144,103	77,496	(61,137)	457,199
Due from related parties	—	—	171,328	—	—	171,328
	₱3,668,208	₱1,381,782	₱1,556,340	₱1,083,192	(₱668,929)	₱7,020,593

Based on the cash flow projection, past due receivables are expected to be collected within 2013.

Liquidity Risk

The Company seeks to manage its funds through cash planning on a weekly basis. This undertaking specifically considers the maturity of both the financial investments and financial assets and projected operational disbursements. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. As a general rule, cash balance should be equal to ₱2 billion at any given time to compensate for 2 months of operational exigencies amidst occasional fluctuation of cash inflows.

It is the Company's objective to maintain a balance between continuity of funding and flexibility through the use of bank credit and investment facilities. As such, the Company continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. In 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 envisions to replace this with long-term funding in 2013. The Company did not carry out any fund or capital raising activity in 2011. Currently, the debt maturity profile of the Company ranges from 1.75 to 4.80 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.

2012						
	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	More than Four Years	Total
Cash and cash equivalents	P6,394,938	P—	P—	P—	P—	P6,394,938
Trade receivables:						
Airtime	4,522,992	—	—	—	—	4,522,992
Subscription	958,876	—	—	—	—	958,876
Others	1,280,707	—	—	—	—	1,280,707
Nontrade receivables	626,067	—	—	—	—	626,067
Due from related parties	466,265	—	—	—	—	466,265
	P14,249,845	P—	P—	P—	P—	P14,249,845
Trade and other payables*	P8,090,963	P—	P—	P—	P—	P8,090,963
Obligations for program rights	467,097	18,939	—	—	—	486,036
Interest-bearing loans and borrowings	3,957,908	3,243,106	619,796	564,538	9,870,333	18,255,681
Convertible note	—	—	—	—	250,000	250,000
Customers' deposits	—	—	217,764	—	—	217,764
	P12,515,968	P3,262,045	P837,560	P564,538	P10,120,333	P27,300,444

*Excluding deferred revenue, accrued taxes and other payables to government agencies.

2011						
	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	More than Four Years	Total
Cash and cash equivalents	P8,635,053	P—	P—	P—	P—	P8,635,053
Trade receivables:						
Airtime	4,524,018	—	—	—	—	4,524,018
Subscription	709,720	—	—	—	—	709,720
Others	1,158,328	—	—	—	—	1,158,328
Nontrade receivables	457,199	—	—	—	—	457,199
Due from related parties	171,328	—	—	—	—	171,328
	P15,655,646	P—	P—	P—	P—	P15,655,646
Trade and other payables*	P6,787,584	P—	P—	P—	P—	P6,787,584
Obligations for program rights	606,597	97,808	—	—	—	704,405
Interest-bearing loans and borrowings	985,073	828,629	1,745,534	800,243	10,533,218	14,892,697
Convertible note	—	—	—	—	250,000	250,000
Customers' deposits	—	—	207,849	—	—	207,849
	P8,379,254	P926,437	P1,953,383	P800,243	P10,783,218	P22,842,535

*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 2012 and 2011 as follows:

2012 Financial Ratios	Required	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Loan Agreement					
Debt to equity	Less than or equal to 2.50	1.26	1.38	1.42	1.30
Debt to earnings before income tax, depreciation and amortization	Less than or equal to 2.25	2.01	–	–	–
Debt service coverage ratio	Greater than or equal to 1.10	10.71	10.20	10.67	7.72
SCA Facility, BDO Facility, Syndicated Loan Facility, Combined Facility Agreements					
Debt to equity	Less than or equal to 2.50	–	1.38	1.42	1.30
Debt to earnings before income tax, depreciation and amortization	Less than or equal to 2.25	2.08	–	–	–
Earnings before income tax to financing cost	Greater than or equal to 3.00	4.29	–	–	–
Debt service coverage ratio	Greater than or equal to 1.10	–	10.20	10.67	7.72
2011 Financial Ratios					
	Required	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Loan Agreement					
Debt to equity	Less than or equal to 2.50	1.32	1.20	1.15	1.20
Debt to earnings before income tax, depreciation and amortization	Less than or equal to 2.25	1.68	1.83	1.98	2.02
Debt service coverage ratio	Greater than or equal to 1.10	15.87	7.51	7.70	11.04
SCA Facility, BDO Facility, Syndicated Loan Facility, Combined Facility Agreements					
Debt to earnings before income tax, depreciation and amortization	Less than or equal to 2.25	1.61	1.86	1.93	2.07
Earnings before income tax to financing cost	Greater than or equal to 3.00	5.00	4.00	3.88	4.48
Debt service coverage ratio	Greater than or equal to 1.10	–	–	–	–

The following table shows the financial ratios that Sky Cable is required to maintain in accordance with the DRA:

Financial ratios	Required	2012	2010
Total liabilities to equity	Maintain at all times not exceeding 2:1	0.71	0.64
Debt service coverage ratio	Maintain at least 1.5 times	2.18	2.55

32. Financial Assets and Liabilities

The following tables set forth the carrying amounts and estimated fair values of consolidated financial assets and liabilities recognized as of December 31, 2012 and 2011. There are no material unrecognized financial assets and liabilities as of December 31, 2012 and 2011.

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱6,394,938	₱6,394,938	₱8,635,053	₱8,635,053
Trade and other receivables - net (excluding advances to suppliers)	7,854,907	7,854,907	7,020,593	7,020,593
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	104,347	96,268	102,327	94,307
AFS investments	224,101	224,101	264,892	264,892
	₱14,578,293	₱14,570,214	₱16,022,865	₱16,014,845
Financial Liabilities				
Other financial liabilities at amortized cost:				
Trade and other payables*	₱8,090,963	₱8,090,963	₱6,787,584	₱6,787,584
Interest-bearing loans and borrowings	15,785,505	16,132,494	12,511,881	12,569,879
Obligations for program rights	486,036	485,655	704,405	700,688
Convertible note	227,674	273,017	211,389	239,211
Customers' deposits (included as part of "Other noncurrent liabilities")	217,764	262,518	207,849	256,400
	₱24,807,942	₱25,244,647	₱20,423,108	₱20,553,762

*Excluding deferred revenue, accrued taxes and other payables to government agencies.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Trade and Other Receivables and Trade and Other Payables. Due to the short-term nature of transactions, the fair values of these instruments approximate the carrying amounts as of financial reporting date.

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 0.3% to 4.1%.
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 1.0% to 4.4% and 2.1% to 6.5% in 2012 and 2011, respectively.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2012 and 2011, the Company's AFS financial assets amounting to ₱133 million and ₱126 million (see Note 13), respectively, are measured at fair value under Level 1 of the fair value hierarchy. There are no other financial assets and liabilities recognized at fair value. Also, as of December 31, 2012 and 2011, there were no transfers between levels in the fair value hierarchy.

As of December 31, 2012 and 2011, the Company has no financial instruments carried at fair value which is based on Levels 2 and 3.

33. EPS Computations

Basic EPS amounts are calculated by dividing the net income for the period attributable to common shareholders by the weighted average number of common shares outstanding (net of PDRs) during the period.

The following table presents information necessary to calculate EPS:

	2012	2011	2010
(a) Net income attributable to equity holders of the Parent Company	₱1,708,478	₱2,420,072	₱3,178,631
(b) Weighted average of shares outstanding:			
At beginning of year	741,406,393	741,630,393	757,790,860
Acquisitions of PDRs (see Note 21)	–	(224,000)	(12,926,116)
Issuances of PDRs (see Note 21)	–	–	3,083,333
At end of year	741,406,393	741,406,393	747,948,077
Basic/diluted EPS (a/b)	₱2.304	₱3.264	₱4.250

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

	2012	2011	2010
Noncash investing activities:			
Acquisitions of program rights on account	₱233,121	₱391,203	₱345,886
Acquisitions of property and equipment under finance lease	113,610	20,273	45,336

35. Other Matters

- a. In 1972, the Parent Company discontinued its operations when the government took possession of its property and equipment. In the succeeding years, the property and equipment were used without compensation to the Parent Company by Radio Philippines Network, Inc. (RPN) from 1972 to 1979, and Maharlika Broadcasting System (MBS) from 1980 to 1986. A substantial portion of these property and equipment was also used from 1986 to 1992 without compensation to the Parent Company by People's Television 4, another government entity. In 1986, the Parent Company resumed commercial operations and was granted temporary permits by the government to operate several television and radio stations.

The Parent Company, together with Chronicle Broadcasting System, filed a civil case on January 14, 1988 against Ferdinand E. Marcos and his family, RPN, MBS, et. al, before the Sandiganbayan to press collection of the unpaid rentals for the use of its facilities from September 1972 to February 1986 totaling ₱305 million plus legal interest compounded quarterly and exemplary damages of ₱100 million.

The BOD resolved on June 27, 1991 to declare as scrip dividends, in favor of all stockholders of record as of that date, whatever amount that may be recovered from the foregoing pending claims and the rentals subsequently settled in 1995. The scrip dividends were declared on March 29, 2000. In 2003, additional scrip dividends of ₱13 million were recognized for the said stockholders.

On April 28, 1995, the Parent Company and the government entered into a compromise settlement of rental claims from 1986 to 1992. The compromise agreement includes payment to the Parent Company of ₱30 million (net of the government's counterclaim against the Parent Company of ₱68 million) by way of TCCs or other forms of noncash settlement as full and final settlement of the rentals from 1986 to 1992. The TCCs were issued in 1998.

- b. The 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 February 27, 2013, the claims in connection with the events of February 4, 2006 are still pending and remain contingent liabilities. While the funeral and medical expenses have all been shouldered by the 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 February 27, 2013, the case is still ongoing before the NTC. Another case that stemmed from the said NTC case is the complainant's petition for review on certiorari, which is also ongoing before Supreme Court. 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.



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

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.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
Sgt. Esguerra Avenue corner Mother Ignacia Street
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of ABS-CBN Corporation and Subsidiaries (collectively referred to as "the Company") as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012, included in this Form 17-A, and have issued our report thereon dated February 27, 2013. 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.

Maria Vivian C. Ruiz
Partner

CPA Certificate No. 83687

SEC Accreditation No. 0073-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 102-084-744

BIR Accreditation No. 08-001998-47-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 3670018, January 2, 2013, Makati City

February 27, 2013

ABS-CBN CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES DECEMBER 31, 2012

- I. Supplementary Schedules required by Annex 68-E
 - Schedule A. Financial Assets
 - Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
 - Schedule C. Amounts Receivable/Payable from/to Related Parties which are Eliminated during the Consolidation of Financial Statements
 - Schedule D. Intangible Assets - Other Assets
 - Schedule E. Long-Term Debt
 - Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)
 - Schedule G. Guarantees of Securities of Other Issuers
 - Schedule H. Capital Stock
- II. Reconciliation of Retained Earnings Available for Dividend Declaration
- III. Schedule of Effective Standards and Interpretations
- IV. Map of the Relationships of the Companies within the Group
- V. Financial Ratios

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2012

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & accrued
Loans and Receivables :				
(Amounts in Thousands)				
Cash and Cash Equivalents				
Cash on hand and in banks		₱ 4,779,751	₱ 4,779,751	₱ 102,181
Cash equivalents		1,615,187	1,615,187	17,491
Subtotal		6,394,938	6,394,938	119,672
Trade and other receivables (excluding advances to suppliers)				
Airtime		5,071,841	5,071,841	-
Subscriptions		1,233,205	1,233,205	-
Others		1,387,731	1,387,731	-
Advances to employees and talents		249,860	249,860	-
Due from related parties (see Note 22)		466,265	466,265	-
Others		427,391	427,391	-
Allowance for doubtful accounts		(981,386)	(981,386)	-
Subtotal		7,854,907	7,854,907	-
Deposits				
		Not Applicable		
AFS investments				
		Not Applicable		
Total	-	₱ 14,249,845	₱ 14,249,845	₱ 119,672

ABS-CBN CORPORATION and SUBSIDIARIES

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)

December 31, 2012

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Not current	Balance at end of period
			Amounts collected	Amounts written off			

NONE

Note: Receivables from officers and employees are within the ordinary course of business.

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule C.1 Amounts Receivable from Related Parties which are eliminated during Consolidation of Financial Statements
December 31, 2012

Name and Designation of debtor	DEDUCTIONS						
	Balance at beginning of period	Additions	Amounts Collected	Amounts Written Off	Current	Non Current	Balance at end of Period
ABS-CBN CORPORATION	₱ 2,683,444,744.42	₱ -	₱ (1,739,128,548.89)	₱ -	₱ 944,316,195.53	₱ -	₱ 944,316,195.53
ABS-CBN CONSUMER PRODUCTS	15,258.88		(15,258.88)		-	-	-
ABS-CBN FILM PRODUCTIONS, INC.	379,663,587.78	461,084,571.18	(57,682,500.90)	-	783,065,658.06	-	783,065,658.06
ABS-CBN HUNGARY KFT.	366,621.00	-	(366,478.56)	-	142.44	-	142.44
ABS-CBN GLOBAL PHILS	122,192,243.76	58,923,032.75	-	-	181,115,276.51	-	181,115,276.51
ABS-CBN INTL JAPAN, K.K.	-	149,141.30		-	149,141.30	-	149,141.30
ABS-CBN INTERNATIONAL - NA	-	109,054,631.47		-	109,054,631.47	-	109,054,631.47
ABS-CBN INTEGRATED AND STRATEGIC	-	9,729,604.42		-	9,729,604.42	-	9,729,604.42
ABS-CBN INTERACTIVE, INC.	168,634,134.03	91,183,549.15	-	-	259,817,683.18	-	259,817,683.18
ABS-CBN AUSTRALIA PTY LTD	374,170.18	1,189,743.52	-	-	1,563,913.70	-	1,563,913.70
ABS-CBN INTERNATIONAL - ME	1,400,688.00	-	(971,254.12)	-	429,433.88	-	429,433.88
ABS-CBN INTL EUROPE LTD - ITALY	178,300.17	-	-	-	178,300.17	-	178,300.17
ABS-CBN CANADA,ULC	139,464,537.56	9,051.72	(139,464,537.56)	-	9,051.72	-	9,051.72
ABS-CBN MULTIMEDIA, INC.	341,798.27	-	(15,000.00)	-	326,798.27	-	326,798.27
ABS-CBN PUBLISHING, INC.	19,074,273.07	11,950,074.11	-	-	31,024,347.18	-	31,024,347.18
ABS-CBN GLOBAL CARGO CORPORATION	4,859,010.26		(161,611.15)	-	4,697,399.12	-	4,697,399.12
ABS-CBN SSC PTE. LTD-SG	10,339,648.52	452,114.63		-	10,791,763.15	-	10,791,763.15
ABS-CBN SHARED SERVICE CENTER PTE., (ROHQ)	106,868,594.18	26,068.00	(106,868,594.18)	-	26,068.00	-	26,068.00
ABS-CBN NEWS CHANNEL INC.	5,024,165.75	2,602.71	(43,023.57)	-	4,983,744.89	-	4,983,744.89
CENTRAL CATV, INC. (SKY CABLE INC.)	35,415,190.88	51,396,694.26	(30,336,760.49)	-	56,475,124.65	-	56,475,124.65
ABS-CBN TELECOM	-	4,778.85	-	-	4,778.85	-	4,778.85
CENTER FOR COMMUNICATION ARTS, INC	8,612,227.70	180,529.47	-	-	8,792,757.17	-	8,792,757.17
CREATIVE PROGRAMS, INC.	110,555,611.26	18,154,517.65	(109,917,223.07)	-	18,792,905.84	-	18,792,905.84
E-MONEY PLUS, INC.	-	96,186.60		-	96,186.60	-	96,186.60
PROSTAR, INC.	5,015,861.59	-		-	5,015,861.59	-	5,015,861.59
ROADRUNNER NETWORK INC.	15,490,708.70	-	(11,637,896.67)	-	3,852,812.03	-	3,852,812.03
SAPIENTIS HOLDINGS CORPORATION	538,041,512.33	1,077,035,884.00		-	1,615,077,396.33	-	1,615,077,396.33
STAR RECORDINGS, INC.	23,237,149.68	401,648.32	(536,682.16)	-	23,102,115.84	-	23,102,115.84
STAR SONGS INC	25,309,682.06	259,026.75	(68,140.76)	-	25,500,568.05	-	25,500,568.05
PLAY INNOVATIONS	-	2,934,005.09	-	-	2,934,005.09	-	2,934,005.09
ABS CONVERGENCE	-	26,997,478.90	-	-	26,997,478.90	-	26,997,478.90
THE BIG DIPPER DIGITAL CONTENT	-	36,337,828.02	-	-	36,337,828.02	-	36,337,828.02
ABS-CBN SPAIN	-	4,269.35	-	-	4,269.35	-	4,269.35
ABS-CBN THEME PARKS	-	44,978,928.66	-	-	44,978,928.66	-	44,978,928.66
LOPEZ INC.	1,311,213.63	74,585.93	-	-	1,385,799.56	-	1,385,799.56
STUDIO 23, INC.	1,703,469.87	19,977.71	(129,497.09)	-	1,593,950.49	-	1,593,950.49
OTHERS	95,642,336.47	3,694,718.59	(95,553,344.67)	-	3,783,710.39	-	3,783,710.39
	₱ 4,502,576,740.00	₱ 2,006,325,243.12	₱ (2,292,896,352.72)	₱ -	₱ 4,216,005,630.40	₱ -	₱ 4,216,005,630.40

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule C.2 Amounts Payable from Related Parties which are eliminated during Consolidation of Financial Statements
December 31, 2012

Name and Designation of creditor	DEDUCTIONS						
	Balance at beginning of period	Additions	Amounts Paid	Amounts Written Off	Current	Non-Current	Balance at end of Period
ABS-CBN CORPORATION	₱ (1,028,803,674.78)	₱ (1,624,869,433.72)	₱ 153,219,566.64	₱ -	₱ (2,500,453,541.86)	₱ -	₱ (2,500,453,541.86)
ABS-CBN CONSUMER PRODUCTS	(111,794.50)	-	-	-	(111,794.50)	-	(111,794.50)
ABS-CBN FILM PRODUCTIONS, INC.	-	(15,305,385.07)	-	-	(15,305,385.07)	-	(15,305,385.07)
ABS-CBN HUNGARY KFT.	-	(18,999,206.03)	-	-	(18,999,206.03)	-	(18,999,206.03)
ABS-CBN GLOBAL PHILS	(3,117,485.59)	-	-	-	(3,117,485.59)	-	(3,117,485.59)
ABS-CBN INTL JAPAN, K.K.	(1,271,497.07)	-	1,271,430.74	-	(66.33)	-	(66.33)
ABS-CBN INTEGRATED AND STRATEGIC	(70,779,795.04)	-	70,779,795.04	-	-	-	-
ABS-CBN INTERACTIVE, INC.	(108,777,708.28)	(17,914,493.92)	1,353,934.44	-	(125,338,267.76)	-	(125,338,267.76)
ABS-CBN AUSTRALIA PTY LTD	(0.01)	-	0.01	-	-	-	-
ABS-CBN INTL UK	(3,096,440.04)	(2,902,143.99)	-	-	(5,998,584.03)	-	(5,998,584.03)
ABS-CBN INTERNATIONAL - ME	(4,486,291.81)	(4,447,137.49)	-	-	(8,933,429.30)	-	(8,933,429.30)
ABS-CBN INTERNATIONAL - NA	(26,497,800.99)	(10,784,883.94)	30,520.34	-	(37,252,164.59)	-	(37,252,164.59)
ABS-CBN INTL EUROPE LTD - ITALY	-	(1,697,570.00)	-	-	(1,697,570.00)	-	(1,697,570.00)
ABS-CBN CANADA,ULC	-	(344,608.38)	-	-	(344,608.38)	-	(344,608.38)
ABS-CBN PUBLISHING, INC.	(1,654,367.88)	(75,960.85)	1,363,672.69	-	(366,656.04)	-	(366,656.04)
ABS-CBN GLOBAL CARGO CORPORATION	-	-	-	-	-	-	-
ABS-CBN SHARED SERVICE CENTER PTE., (ROHQ)	(5,456.64)	(1,579,337.69)	-	-	(1,584,794.33)	-	(1,584,794.33)
ABS-CBN NEWS CHANNEL INC.	(346,275,690.32)	(131,499.40)	59,426,911.40	-	(286,980,278.32)	-	(286,980,278.32)
AMCARA BROADCASTING CORPORATION	(82,417,872.12)	-	82,417,872.12	-	-	-	-
BENPRES HOLDINGS	(8,330,576.61)	-	25,600.00	-	(8,304,976.61)	-	(8,304,976.61)
BENPRES PUBLISHING, INC. (FORMER GUIDE MAGAZINE)	(465,742.43)	-	-	-	(465,742.43)	-	(465,742.43)
CENTRAL CATV, INC. (SKY CABLE INC.)	(764,670.49)	(31,031,379.01)	64,870.49	-	(31,731,179.01)	-	(31,731,179.01)
CENTER FOR COMMUNICATION ARTS, INC	-	-	-	-	-	-	-
CREATIVE PROGRAMS, INC.	(316,388,778.12)	(1,410,519.04)	312,790,891.60	-	(5,008,405.56)	-	(5,008,405.56)
E-MONEY PLUS, INC.	(8,394,431.97)	(441,526.69)	157,080.45	-	(8,678,878.21)	-	(8,678,878.21)
PROSTAR, INC.	-	-	-	-	-	-	-
ROADRUNNER NETWORK INC.	(61,108.66)	-	-	-	(61,108.66)	-	(61,108.66)

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule D. Intangible Assets - Other Assets
December 31, 2012

Description	Beginning balance	Additions at cost	Deductions			Ending balance
			Charged to Cost and Expenses	Charged to other accounts (Disposal)	Other changes additions (deductions)	
<i>(Amounts in Thousands)</i>						
Program Rights	₱ 2,463,419	₱ 961,748	₱ (790,382)	₱ -	₱ -	₱ 2,634,785
Music Rights	26,384	124,089	(6,791)	-	-	143,682
Movie In- Process and Filmed Entertainment	71,460	642,805	(412,766)	-	-	301,499
Story, Video and Publication and Record Master	14,714	249	(5,103)	-	-	9,860
Trademarks	915,568	-	-	-	196,216	1,111,784
Licenses	465,623	-	-	-	499,426	965,049
Customer Relationships	128,609	-	(48,741)	-	479,792	559,660
Cable Channels - CPI	459,968	-	-	-	-	459,968
Production and Distribution Business-ME	92,458	-	(13,814)	-	(5,504)	73,140
Total	₱ 4,638,203	₱ 1,728,891	₱ (1,277,597)	₱ -	₱ 1,169,930	₱ 6,259,427

Note: Charge to other accounts and other changes represent effect of business combination

ABS-CBN CORPORATION and SUBSIDIARIES

Schedule E. Long-Term Debt

December 31, 2012

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
<i>(Amounts in Thousands)</i>			
Bank Loans	₱ 1,400,000	₱ 1,400,000	₱ -
Term Loans : Loan Agreement	10,528,257	85,624	10,442,633
Term Loans : Syndicated loans	3,739,261	2,012,423	1,726,838
Term Loans : Obligations under finance lease	117,987	35,980	82,007
Total	₱ 15,785,505	₱ 3,534,027	₱ 12,251,478

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule F. Indebtedness to Related Parties
December 31, 2012

Name of Related Parties	Balance at beginning of period	Balance at end of period
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NOT APPLICABLE

ABS-CBN CORPORATION and SUBSIDIARIES
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2012

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, 2012

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 -P1 Par value	1,500,000,000	741,406,393*	-	447,012,602	1,561,102	292,832,689

* Net of Philippine depository receipts

ABS-CBN CORPORATION**SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION****AS OF DECEMBER 31, 2012****(Amounts in Thousands)**

Unappropriated retained earnings at beginning of year	₱6,517,152
Adjustment - Unrealized foreign exchange loss - net	39,227
Unappropriated retained earnings, as adjusted, beginning	6,556,379
Net income for the year	2,875,781
Unrealized foreign exchange gain - net	(51,682)
Net income actually earned during the year	2,824,099
Recognized deferred tax assets	(881,131)
Dividend declarations during the year	(593,125)
	₱7,906,222

ABS-CBN CORPORATION AND SUBSIDIARIES

SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2012

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		3		
PFRSs Practice Statement Management Commentary				3
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	3		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			3
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			3
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			3
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			3
	Amendments to PFRS 1: Government Loans			3
PFRS 2	Share-based Payment	3		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	3		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	3		
PFRS 3 (Revised)	Business Combinations	3		
PFRS 4	Insurance Contracts			3
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			3
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			3
PFRS 6	Exploration for and Evaluation of Mineral Resources			3
PFRS 7	Financial Instruments: Disclosures	3		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			3
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			3
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	3		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			3
	Amendments to PFRS 7: Disclosures - Offsetting Financial	Not early adopted		

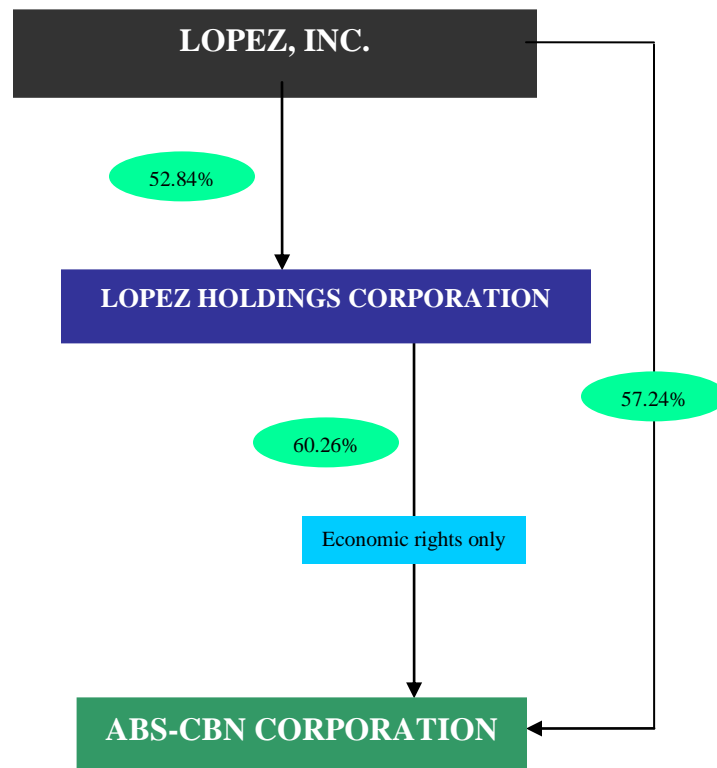
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Assets and Financial Liabilities			
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 8	Operating Segments	3		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	Not early adopted		
PFRS 11	Joint Arrangements	Not early adopted		
PFRS 12	Disclosure of Interests in Other Entities	Not early adopted		
PFRS 13	Fair Value Measurement	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	3		
	Amendment to PAS 1: Capital Disclosures	3		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			3
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Not early adopted		
PAS 2	Inventories	3		
PAS 7	Statement of Cash Flows	3		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	3		
PAS 10	Events after the Reporting Date	3		
PAS 11	Construction Contracts			3
PAS 12	Income Taxes	3		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	3		
PAS 16	Property, Plant and Equipment	3		
PAS 17	Leases	3		
PAS 18	Revenue	3		
PAS 19	Employee Benefits	3		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	3		
PAS 19 (Amended)	Employee Benefits	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			3
PAS 21	The Effects of Changes in Foreign Exchange Rates	3		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendment: Net Investment in a Foreign Operation			3
PAS 23 (Revised)	Borrowing Costs	3		
PAS 24 (Revised)	Related Party Disclosures	3		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	3		
PAS 27	Consolidated and Separate Financial Statements	3		
PAS 27 (Amended)	Separate Financial Statements	Not early adopted		
PAS 28	Investments in Associates	3		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Not early adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			3
PAS 31	Interests in Joint Ventures	3		
PAS 32	Financial Instruments: Disclosure and Presentation	3		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			3
	Amendment to PAS 32: Classification of Rights Issues			3
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Not early adopted		
PAS 33	Earnings per Share	3		
PAS 34	Interim Financial Reporting			3
PAS 36	Impairment of Assets	3		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	3		
PAS 38	Intangible Assets	3		
PAS 39	Financial Instruments: Recognition and Measurement	3		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	3		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			3
	Amendments to PAS 39: The Fair Value Option			3
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			3
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			3
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			3
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			3

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 39: Eligible Hedged Items			3
PAS 40	Investment Property	3		
PAS 41	Agriculture			3
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			3
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			3
IFRIC 4	Determining Whether an Arrangement Contains a Lease			3
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			3
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			3
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			3
IFRIC 8	Scope of PFRS 2			3
IFRIC 9	Reassessment of Embedded Derivatives			3
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			3
IFRIC 10	Interim Financial Reporting and Impairment			3
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			3
IFRIC 12	Service Concession Arrangements			3
IFRIC 13	Customer Loyalty Programmes			3
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			3
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			3
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			3
IFRIC 17	Distributions of Non-cash Assets to Owners			3
IFRIC 18	Transfers of Assets from Customers			3
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			3
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not early adopted		
SIC-7	Introduction of the Euro			3
SIC-10	Government Assistance - No Specific Relation to Operating Activities			3
SIC-12	Consolidation - Special Purpose Entities			3
	Amendment to SIC - 12: Scope of SIC 12			3
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by			3

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Venturers			
SIC-15	Operating Leases - Incentives			3
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			3
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			3
SIC-29	Service Concession Arrangements: Disclosures.			3
SIC-31	Revenue - Barter Transactions Involving Advertising Services	3		
SIC-32	Intangible Assets - Web Site Costs			3

ABS-CBN CORPORATION AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
DECEMBER 31, 2012

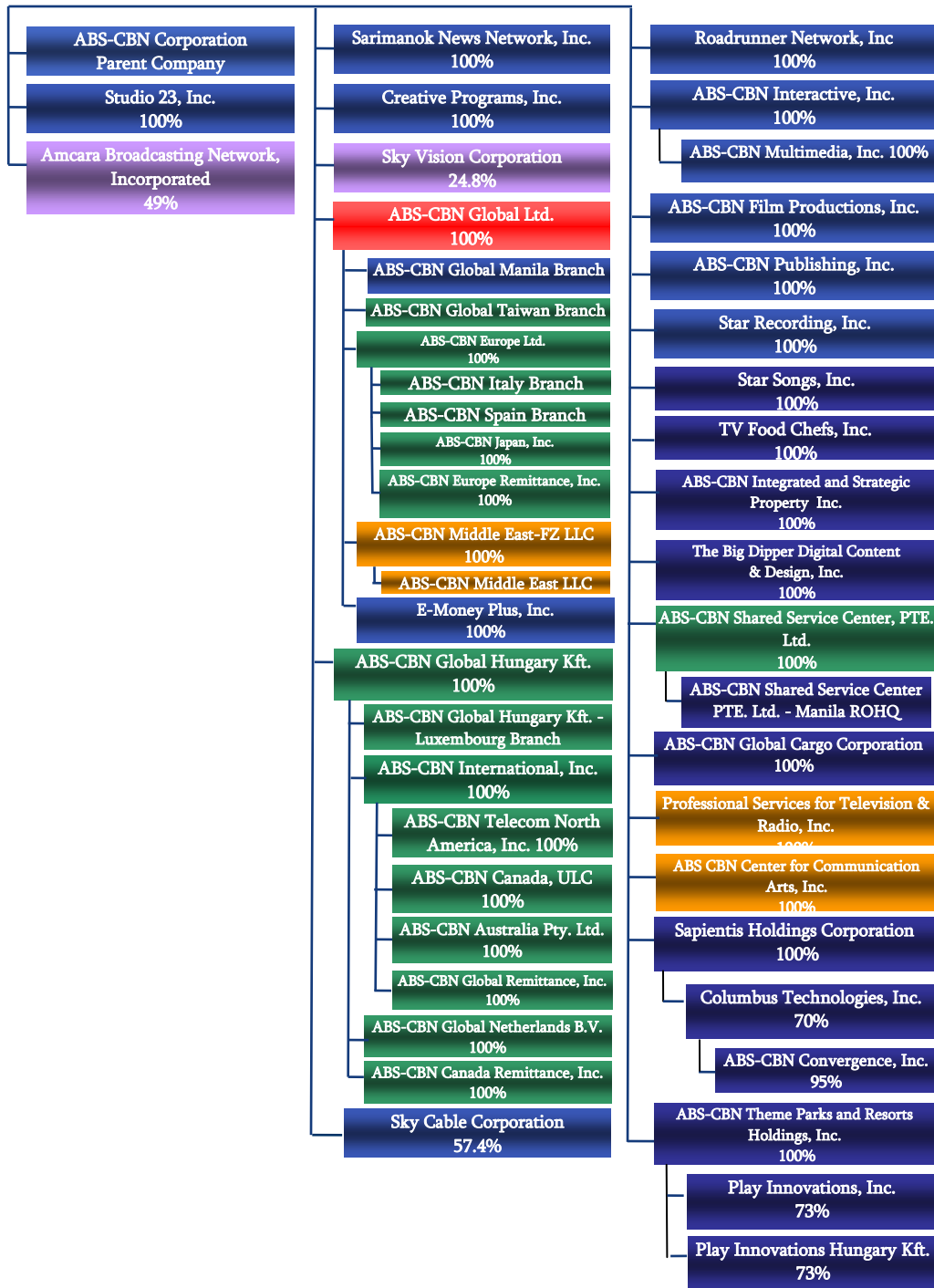


ABS-CBN Corporation

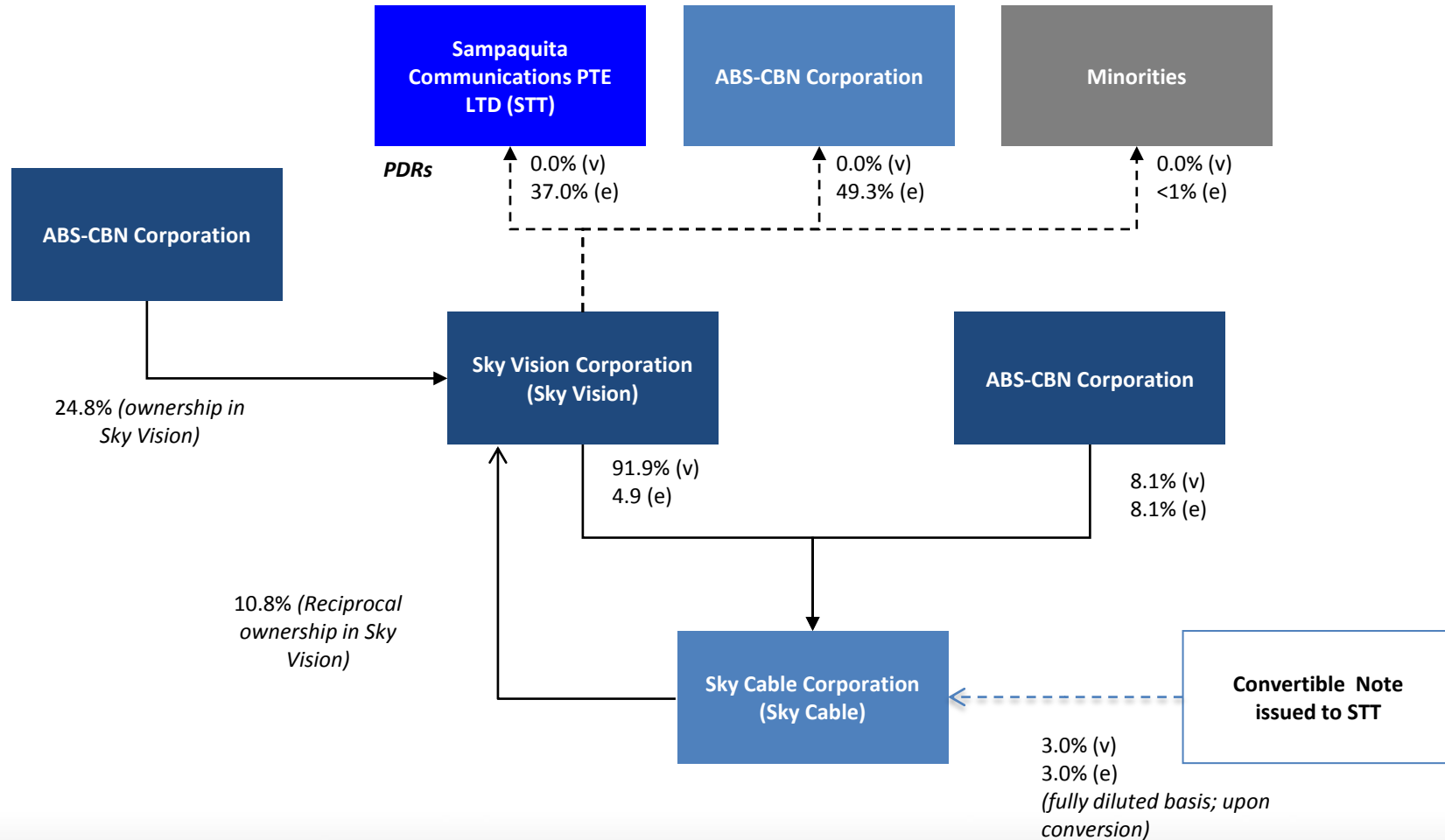
Broadcasting

Cable and Satellite

Others



Sky Cable Shareholders



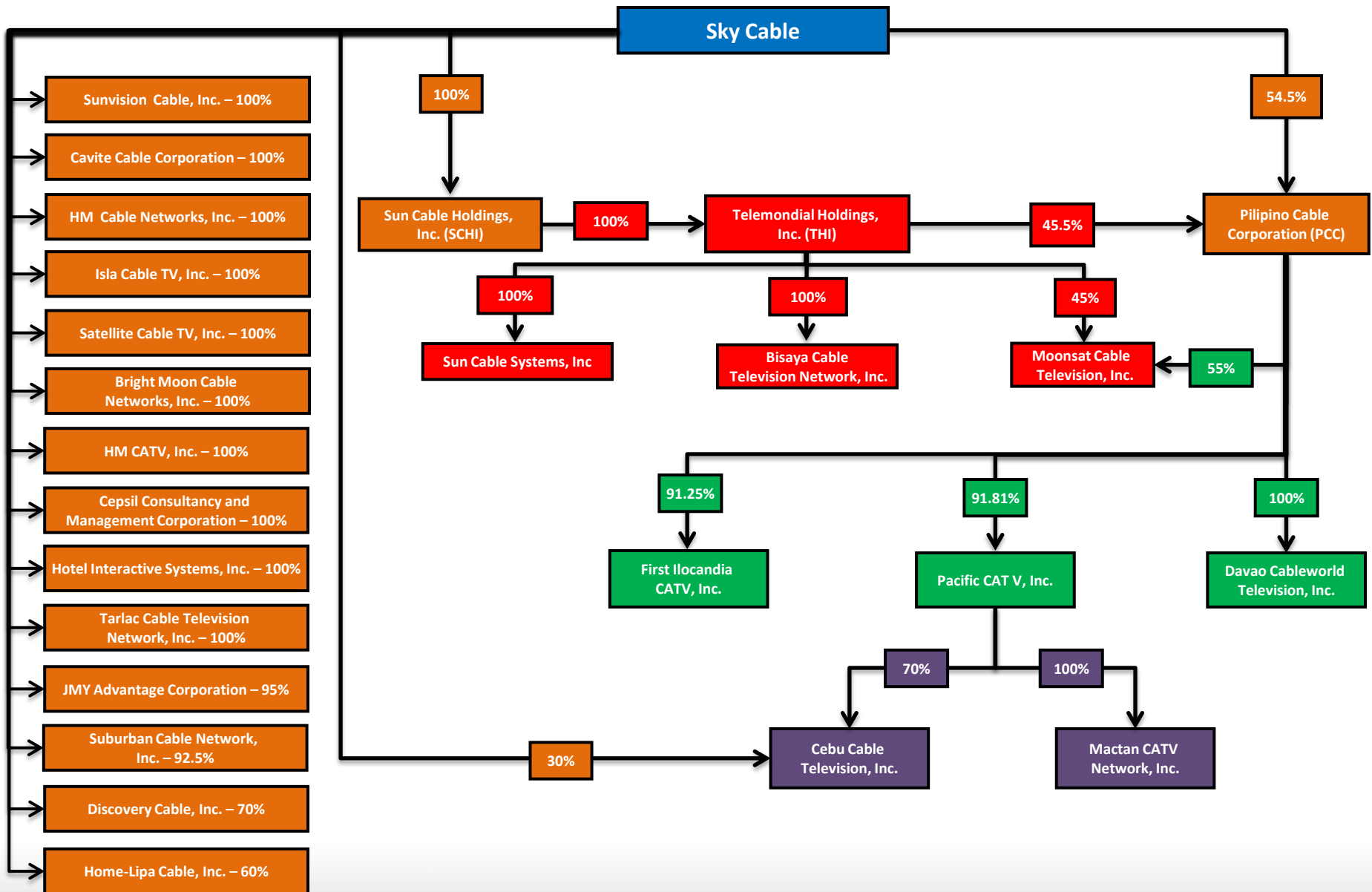
Imagine what you can do.

cable

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iWantTV!
AT MY OWN TIME

voice



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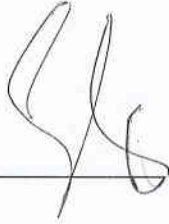
ABS-CBN CORPORATION and SUBSIDIARIES
Financial Ratios
December 31, 2012

RATIOS	Formula	In Php ('000s)	2012	2011
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	17,067,948 13,493,474	1.26	1.82
Net Debt-to-equity ratio	$\frac{\text{Interest-bearing loans and borrowings less Cash and Cash equivalent}}{\text{Total Stockholders' Equity}}$	9,390,567 21,518,872	0.44	0.19
Asset-to-equity ratio	$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$	49,480,537 21,518,872	2.30	2.18
Interest rate coverage ratio	$\frac{\text{EBIT}}{\text{Interest Expense}}$	2,840,020 778,643	3.65	4.64
Profitability ratios				
Gross Profit Margin	$\frac{\text{Gross Profit}}{\text{Net Revenue}}$	10,057,665 28,394,936	35%	34%
Net Income Margin	$\frac{\text{Net Income}}{\text{Net Revenue}}$	1,709,203 28,394,936	6%	10%

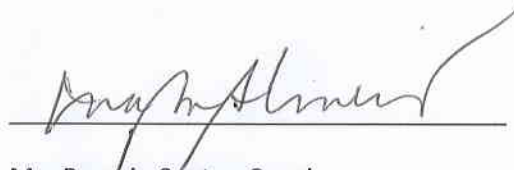
SIGNATURES

Pursuant to the requirements 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 26 MAR 2013 20 .

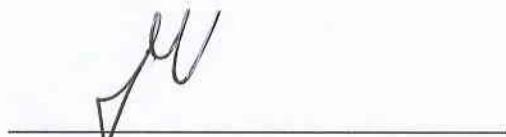
By:



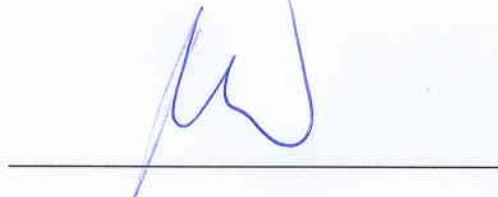
Eugenio L. Lopez III
Chairman



Ma. Rosario Santos-Concio
President and Chief Operating Officer



Rolando P. Valdueza
Chief Finance Officer




Manuel L. M. Torres
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 26 MAR 2013 day of 26 MAR 2013, 20 affiants exhibiting to me their Passports, as follows:

<u>NAMES</u>	<u>PASSPORT NO.</u>	<u>DATE OF EXPIRY</u>	<u>PLACE OF ISSUE</u>
Eugenio L. Lopez III	XX3010978	12 February 2014	DFA, Manila
Ma. Rosario Santos-Concio	XX3419776	05 April 2014	DFA, Manila
Rolando P. Valdueza	XX3283845	20 March 2014	DFA, Manila
Manuel L. M. Torres	XX3587386	27 April 2014	DFA, Manila

Doc. No.: 009
Page No.: 3
Book No.: I
Series of: 2013


ZIONELLE ANN P. VARGAS
Notary Public
FOR AND IN THE CITY OF PASIG, TAGUIG AND
SAN JUAN AND IN THE MUNICIPALITY OF PATEROS
UNTIL DECEMBER 31, 2014
PTR NO. 8411215; 1/3/13; PASIG CITY
IBP NO. 813824; 1/2/13; RSM
ROLL NO. 60946/APPOINTMENT NO. 158 (2013-2014)
21/F Robinsons-Equitable Tower
4 ADS Ave. cor. Poveda St.
1605 Ortigas Center, Pasig City