

**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, 2015
2. SEC Identification Number: 1803
3. BIR Tax Identification No.: 000-406-761-000
4. Exact name of issuer as specified in its charter: ABS-CBN CORPORATION AND SUBSIDIARIES
5. Philippines  
Province, Country or other jurisdiction of incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. ABS-CBN Broadcasting Center, Sgt. Esguerra Avenue corner Mother Ignacia St. Quezon City 1100  
Address of principal office
8. (632) 924-41-01 to 22 / (632) 415-22-72  
Issuer's telephone number, including area code
9. Not applicable  
Former name, former address, and former fiscal year, if changed since last report.

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

<u>Title of Each Class</u>	<u>Number of Shares of Stock Issued</u>
Common Stock, P1.00 par value	872,123,642 shares
Preferred Stock, P0.20 par value	1,000,000,000 shares
Short-term & Long-term debt (current & non-current)	<u>P20.5 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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## ABS-CBN CORPORATION ANNUAL REPORT

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## PART I - BUSINESS AND GENERAL INFORMATION

### 1. Business Overview

#### 1.1. Historical Background

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

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

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

#### 1.2. Lines of Business

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

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

##### **TV and STUDIO**

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

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

**Global** segment, through ABS-CBN International, North America, pioneered the international content distribution through Direct to Home (DTH), cable, Internet Protocol Television (IPTV), mobile and online through The Filipino Channel (TFC). It is available in all territories where there is a significant market of overseas Filipinos such as the United States, Middle East, Europe,

Australia, Canada and Asia Pacific. Other activities include international film distribution, remittance, retail, sponsorships and events.

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

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

#### **PAY TV NETWORKS**

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

#### **NEW BUSINESS**

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

##### **Wireless Telecommunications**

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

##### **Digital Terrestrial Television**

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

##### **Theme Parks**

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

KidZania provides children and their parents a safe, unique, and very realistic educational environment that allows kids between the ages of four to twelve to do what comes naturally to them: role-playing by mimicking traditionally adult activities. As in the real world, children perform "jobs" and are either paid for their work (as a fireman, doctor, police officer, journalist,

shopkeeper, etc.) or pay to shop or to be entertained. The indoor theme park is a city built to scale for children, complete with buildings, paved streets, vehicles, a functioning economy, and recognizable destinations in the form of "establishments" sponsored and branded by leading multi-national and local brands.

### **Home Shopping**

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

## **1.3. Subsidiaries**

The following is a list of the Company's active subsidiaries which ABS-CBN controls as of December 31, 2015:

<b>Company</b>	<b>Place of Incorporation</b>	<b>Principal Activities</b>	<b>Date of Incorporation</b>	<b>Ownership (%)</b>
<b>TV and STUDIO</b>				
<b>Global:</b>				
ABS-CBN Global Ltd.	Cayman Islands	Holding company	January 3, 2002	<b>100.0</b>
ABS-CBN Europe Ltd.	United Kingdom	Cable and satellite programming services	May 8, 2003	<b>100.0</b>
ABS-CBN Europe Remittance Inc.	United Kingdom	Services - money remittance	2010	<b>100.0</b>
ABS-CBN Japan, Inc.	Japan	Cable and satellite programming services	March 22, 2006	<b>100.0</b>
ABS-CBN Middle East FZ-LLC	Dubai, UAE	Cable and satellite programming services	April 29, 2002	<b>100.0</b>
ABS-CBN Middle East LLC	Dubai, UAE	Trading	April 29, 2002	<b>100.0</b>
E-Money Plus, Inc.	Philippines	Services - money remittance	August 7, 2000	<b>100.0</b>
ABS-CBN Global Hungary Kft.	Budapest, Hungary	Holding company	February 9, 2009	<b>100.0</b>
ABS-CBN International, Inc.	California, USA	Cable and satellite programming services	March 22, 1979	<b>100.0</b>
ABS-CBN Australia Pty. Ltd.	Victoria, Australia	Cable and satellite programming services	May 18, 2004	<b>100.0</b>
ABS-CBN Canada, ULC	Canada	Cable and satellite programming services	March 8, 2007	<b>100.0</b>
ABS-CBN Global Remittance Inc.	California, USA	Services - money remittance	November 18, 2009	<b>100.0</b>
ABS-CBN Telecom North America, Inc.	California, USA	Telecommunications	April 19, 1995	<b>100.0</b>
ABS-CBN Canada Remittance Inc.	Canada	Services - money remittance	2011	<b>100.0</b>
ABS-CBN Global Netherlands B.V.	Amsterdam, Netherlands	Intermediate holding and financing company	May 19, 2009	<b>100.0</b>
<b>Films and Music:</b>				
ABS-CBN Film Productions, Inc.	Philippines	Movie production	March 25, 2003	<b>100.0</b>
<b>Narrowcast and Sports:</b>				
ABS-CBN Publishing, Inc. (API)	Philippines	Print publishing	September 3, 1992	<b>100.0</b>
Creative Programs, Inc. (CPI)	Philippines	Content development and programming services	October 24, 2000	<b>100.0</b>
<b>Others:</b>				
ABS-CBN Center for Communication Arts, Inc.	Philippines	Educational/training	June 10, 1999	<b>100.0</b>
ABS-CBN Global Cargo Corporation	Philippines	Non-vessel operations common carrier	November 4, 2009	<b>100.0</b>
ABS-CBN Integrated and Strategic Property Holdings, Inc.	Philippines	Real estate	October 09, 2003	<b>100.0</b>
ABS-CBN Shared Service Center PTE. Ltd.	Singapore	Services – support	July 3, 2008	<b>100.0</b>
Medianow Strategies, Inc. (Medianow)	Philippines	Marketing, sales and advertising	August 22, 2014	<b>79.7</b>
Professional Services for Television & Radio, Inc.	Philippines	Services - production	January 9, 1995	<b>100.0</b>
Rosetta Holdings Corporation	Philippines	Holding company	April 3, 2009	<b>100.0</b>
Sarimanok News Network, Inc. (SNN)	Philippines	Content development and programming services	June 23, 1998	<b>100.0</b>
The Big Dipper Digital Content & Design, Inc.	Philippines	Digital film archiving and central library, content licensing and transmission	June 30, 2000	<b>100.0</b>
TV Food Chefs, Inc.	Philippines	Services - restaurant and food	January 23, 2001	<b>100.0</b>
<b>PAY TV NETWORKS</b>				
Sky Vision Corporation	Philippines	Holding company	April 18, 1991	<b>75.0</b>
Sky Cable Corporation	Philippines	Cable television services	June 6, 1990	<b>59.4</b>
Bisaya Cable Television Network, Inc.	Philippines	Cable television services	April 8, 1993	<b>59.4</b>
Bright Moon Cable Networks, Inc.	Philippines	Cable television services	November 5, 1992	<b>59.4</b>

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Ownership (%)
Cavite Cable Corporation	Philippines	Cable television services	July 11, 1991	59.4
Cepsil Consultancy and Management Corporation	Philippines	Cable television services	November 9, 1993	59.4
Davao Cableworld Network, Inc.	Philippines	Cable television services	September 11, 1992	59.4
HM Cable Networks, Inc.	Philippines	Cable television services	August 13, 1992	59.4
HM CATV, Inc.	Philippines	Cable television services	September 2, 1992	59.4
Hotel Interactive Systems, Inc.	Philippines	Cable television services	October 9, 1995	59.4
Isla Cable TV, Inc.	Philippines	Cable television services	February 9, 1996	59.4
Moonsat Cable Television, Inc.	Philippines	Cable television services	November 4, 1992	59.4
Pilipino Cable Corporation	Philippines	Cable television services	June 10, 1998	59.4
Satellite Cable TV, Inc.	Philippines	Cable television services	April 20, 1992	59.4
Sun Cable Holdings, Incorporated	Philippines	Holding company	February 18, 1995	59.4
Sun Cable Systems Davao, Inc.	Philippines	Cable television services	September 22, 1994	59.4
Sunvision Cable, Inc.	Philippines	Cable television services	June 2, 1994	59.4
Tarlac Cable Television Network, Inc.	Philippines	Cable television services	February 17, 1993	59.4
Telemondial Holdings, Inc.	Philippines	Holding company	January 19, 1994	59.4
JMY Advantage Corporation	Philippines	Cable television services	November 20, 1996	56.4
Cebu Cable Television, Inc.	Philippines	Cable television services	June 11, 1991	57.4
Suburban Cable Network, Inc.	Philippines	Cable television services	June 7, 1991	54.9
Pacific CATV, Inc. (Pacific)	Philippines	Cable television services	April 22, 1991	58.0
First Ilocandia CATV, Inc.	Philippines	Cable television services	November 26, 1991	54.9
Mactan CATV Network, Inc.	Philippines	Cable television services	July 5, 1993	56.6
Home-Lipa Cable, Inc.	Philippines	Cable television services	September 26, 1991	35.6
<b>NEW BUSINESSES</b>				
ABS-CBN Theme Parks and Resorts Holdings, Inc.	Philippines	Holding company	July 16, 2012	100.0
Play Innovations, Inc.	Philippines	Theme park	September 11, 2012	73.0
Play Innovations Hungary Kft.	Budapest, Hungary	Theme park	October 3, 2012	73.0
iConnect Convergence, Inc.	Philippines	Services – call center	June 10, 2013	100.0
Sapientis Holdings Corporation	Philippines	Holding company	June 29, 2009	100.0
Columbus Technologies, Inc.	Philippines	Holding company	December 29, 2011	70.0
ABS-CBN Convergence, Inc.	Philippines	Telecommunication	December 29, 2011	69.3
ABS-CBN Studios, Inc.	Philippines	Production facility	April 21, 2015	100.0

#### 1.4. Significant Philippine Associates and Affiliates

Company	Principal Activity	Date of Incorporation	Relationship
Lopez, Inc.	Holding Company	11 August 1967	Parent of ABS-CBN
Lopez Holdings Corporation*	Holding Company	08 June 1993	52.5 owned by Lopez, Inc.
AMCARAM Broadcasting Network, Inc.	Television and radio broadcasting	11 April 1994	49.0 owned by ABS-CBN
A CJO	Home shopping	13 August 2013	50.0 owned by ABS-CBN
ALA Sports	Boxing promotions	4 December 2013	44.0 owned by ABS-CBN
Daum Kakao Corporation	Services	16 February 2015	50.0 owned by ABS-CBN
The Flagship, Inc.	Services	20 October 2015	40.0 owned by ABS-CBN

\*Formerly Benpres Holdings Corporation

## 1.5. Competition

### TV and STUDIO

#### **Broadcast**

*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 (Very High Frequency) and 4 on UHF.

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

The major free-to-air broadcasting networks in the country, their corresponding Mega Manila channels, and their respective performance in total Philippines household ratings and audience share for January-December 2015, are as follows:

Network	Call Sign/Frequency	Total Philippines (January – December 2015)	
		Rating %	Share %
ABS-CBN Corporation	ABS-CBN 2	14.5	41.5
GMA Network Inc.	GMA 7	11.9	38.0
Associated Broadcasting Company	ABC 5 / TV5	2.5	6.6
Others		4.8	13.0

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

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

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

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

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

The Company's radio network competes with other radio broadcasting entities for advertising revenues and for the services of recognized talent and qualified personnel. The Company's radio

stations also compete with other advertising media and other forms of entertainment, including music products such as CDs and digital music.

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

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

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

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

## **Global**

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

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

## **Films and Music**

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

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

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

### **Narrowcast and Sports**

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

### **PAY TV NETWORKS**

Sky Cable holds the leading position in nationwide market share at 45% as of December 2015. Sky Cable's main competitor in the pay TV business is Signal. Sky Cable also competes with other small local operators in certain cities it operates in, but no other operator has the same scale and geographic reach as Sky Cable.

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

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

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

### **NEW BUSINESS**

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

*Theme Parks:* The Company establishes its position at the forefront of the educational entertainment industry in the Philippines through Kidzania. Kidzania is the fastest growing kids' educational entertainment concept in the world and is present in 15 locations in 12 countries with ABS-CBN spearheading in the country. The business is sponsored by the leading industry partners that provide technical expertise and know-how, they help guide the content with real life business practices, making the activities as authentic as possible.

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

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

appropriate permits and licenses for its stations and any frequency in the TV or radio spectrum.

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

### **Third Party-owned Foreign and Local Film and Programs aired through the Networks**

ABS-CBN and its subsidiaries have licenses from foreign and local program and feature film owners to distribute the same through its networks. The licenses to distribute the foreign programs and foreign and local feature films grant ABS-CBN and its subsidiaries the right to distribute said programs and films on free TV, cable, and satellite in the Philippines and in territories wherein TFC is distributed. These licenses for TV rights have an average term of 2 to 3 years. Such programs comprise approximately 15% of the programming of Channel 2, approximately 65% of the content of Sports & Action, and close to 89% for all CPI cable channels collectively.

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

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

### **Music Licenses**

ABS-CBN and its subsidiaries enter into agreements for the synchronization and use of music in its films and programs with the composers, publishers and recording companies. ABS-CBN also has agreements with the Filipino Society of Composers, Authors and Publishers, Inc. (FILSCAP) and the Music and Video Performance, Inc. (MVP), the collecting societies in the Philippines, for the public performance rights of music contained in such films or programs produced by ABS-CBN. The existing agreements with FILSCAP and MVP include the subsidiaries of ABS-CBN. Fees for public performance rights of the music in films and programs outside the Philippines are paid to the relevant collecting societies in the territories where the films and programs are exhibited.

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

### **Government Regulations on Principal Products or Services**

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

The Act seeks to protect the public against unreasonable charges and inefficient service by public utilities, including companies engaged in television and radio broadcasting as well as to prevent excessive competition. Thusly, the Public Service Commission has been granted certain powers under

the Act, including the issuance of a certificate of public convenience; the fixing and determination of the rates, tolls, charges, etc.; the fixing of just and reasonable standards, classifications, regulations, etc.; the establishment of reasonable rules, regulations, instructions; to suspend or revoke certificates issued under the Act.

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

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

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

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

Notably, the NTC has issued a memorandum circular in November 2013, to begin the groundwork for the country’s shift from analog to ISDB-T, the digital TV using the Japanese standard. This was prompted by the goal to help the country prepare for calamities. While the implementing rules and

regulations are not yet effective, ABS-CBN has invested in facilities to improve signal quality and expand coverage of its television network, in preparation for this shift. DTT is considered the Company's next frontier in media and will provide its existing core media business accelerated growth through both enhanced content experience and opportunities to introduce other products and services to TV households.

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

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

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

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

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

### **Costs and Effect of Compliance with Environmental Laws**

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

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

operation of a project, and in some cases, during the abandonment phase of the project to mitigate identified environmental impact.

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

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

### **Employees and agreements of labor contracts, including duration**

ABS-CBN Corporation and Subsidiaries had 5,926 regular employees, 1,301 non-regular employees and 2,934 talents and project-based employees as of December 31, 2015. ABS-CBN's expected headcount growth is 11% within the next twelve months.

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

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

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

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

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private-sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan,

and who have rendered at least five years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least six months being considered as one whole year. For the purpose of computing the retirement pay, "one-half month's salary" shall include all of the following: fifteen days salary based on the latest salary rate; in addition, one-twelfth of the thirteenth month pay and the cash equivalent of five days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement (CBA).

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

ABS-CBN's management recognizes two labor unions, one for the supervisory employees and another for the rank and file employees. The Supervisory Union represents approximately 6% of the total regular employees of ABS-CBN, while 24% of belong to the Rank & File Union. The current CBA for the supervisory union covers the period August 1, 2015 to July 31, 2017, while the CBA for the rank and file employees covers the period December 11, 2014 to December 10, 2016.

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

### **1.7. Corporate Social Responsibility (CSR)**

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

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

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

- *Sagip Kapamilya*. Sagip Kapamilya provides relief assistance to victims of calamities and natural disasters. It is likewise engaged in the rehabilitation of typhoon damaged public schools and several disaster risk reduction projects all over the country.
- *Bantay Bata* (Child Watch). Bantay Bata 163 evolved from being a national call center to an institution that provides holistic and comprehensive programs and services. It provides medical assistance, supplemental feeding and educational scholarships to disadvantaged children. On a larger scale, Bantay Bata works on increasing awareness on the rights of the child by conducting various community and school outreaches geared towards preventing abuse and violence on children.
- *Bayanijuan*. Bayanijuan was launched in 2008, to synergize and fully utilize the different programs of ALKFI in rebuilding each Filipino community one at a time. It supports a resettlement community in Calauan, Laguna for families displaced by typhoon Ondoy and the rehabilitation of the Pasig River.
- *Bantay Kalikasan* (Nature Watch). Bantay Kalikasan promotes the cause of the environment. It endeavors to preserve biodiversity, secure livelihood, community cohesion and participation and advocacy. It has three flagship projects namely – Puno ng Buhay, The Green Initiative and Kapit Bisig Para sa Ilog Pasig. Puno ng Buhay is a reforestation project coupled with livelihood opportunities for participating communities. The Green Initiative orchestrates

partnerships with different sectors to promote and protect biodiversity using poverty alleviation as a strategy. It is now present in 12 sites nationwide. Kapit Bisig para sa Ilog Pasig which advocates the rehabilitation of the Pasig River through the clean-up of its tributaries in partnership with the Pasig River Rehabilitation Commission and other partners.

- *Programa Genio.* Launched in 2012, Programa Genio is a school intervention program involved in curriculum enhancement, teacher training and resource development. Named in honor of ABS-CBN Founder and Chairman Eugenio Lopez Jr., the program provides supplementary instructional materials, consultancy and parental involvement seminars in public schools.
- *Kapit Bisig para sa Ilog Pasig:* Kapit Bisig para sa Ilog Pasig was launched in 2009 to rehabilitate the Pasig River through the clean-up of its tributaries. In partnership with the Pasig River Rehabilitation Commission and other partners, KBPIP transformed Estero de Paco, San Sebastian, San Miguel, Aviles, Uli-Uli, Sampaloc, Valencia, Pandacan Concordia and Santibañez. It has likewise redeveloped the 100-year old Paco Market which was key to the rehabilitation of Estero de Paco.

## **1.8. Principal Competitive Strengths of the Company**

### **Diversified businesses**

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

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

ABS-CBN is also one of the leading radio broadcast companies, operating 20 radio stations throughout the key cities of the Philippines. The Company's anchor radio stations in Mega Manila, DZMM and DWRR, are among the highest-rated stations in Mega Manila, in the AM and FM bands, respectively.

The Company delivers television programming outside of the Philippines to over 3.1 million viewers in North America, the Middle East, Europe, Japan, Australia, Canada, and other countries in Asia, through the internet and the Company's global distribution platform, ABS-CBN Global, using DTH satellite service, cable television channels and IPTV.

ABS-CBN holds approximately 59.4% economic interest (on a fully diluted basis) in Sky Cable, Sky Cable also offers the fastest residential broadband service in the country, and currently has a 3% share of the wired broadband market. On May 11, 2012, Sky Cable entered into agreements with Destiny Cable, Inc. (Destiny), Solid Broadband Corporation, and Uni-Cable TV, Inc. (together, the Destiny Cable Group) for the acquisition of its cable and broadband assets and subscribers.

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

## **Unparalleled distribution network**

ABS-CBN's nationwide distribution infrastructure for both TV and radio is unparalleled. The Company operates under a 25-year congressional franchise (renewed in March 1995) to operate TV and radio facilities. The Company operates a total of 31 studios - 13 in Metro Manila and 18 regionally, 94 editing and post-production suites, and 11 production vans for remote studio operations. This distribution network is further intensified with the various platforms of the Company that provide opportunity for simultaneous use of content and multi-repurposing for increased revenue potentials for the group.

## **Extensive experience of management team**

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

## **Clear growth strategy**

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

### **1.9. Key Strategies and Objectives**

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

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

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

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

### **1.10. Transactions with Related Parties**

For a detailed discussion of ABS-CBN's related party transactions, see Notes 4 and 23 of the accompanying notes to the Company's 2015 audited consolidated financial statements.

Except for transactions discussed in Notes 4 and 23 of the accompanying notes to the Company's 2015 audited consolidated financial statements, there had been no material transactions during the past 2 years, nor is any material transaction presently proposed, to which the Company was or is to be a party in which any director, executive officer of the Company, or security holder of more than 10% of the Company's voting securities, any relative or spouse of any such director or executive officer or owner of more than 10% of the Company's voting securities had or is to have direct or indirect material interest.

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

### **1.11. Risks Relating to the Company**

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

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

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

## **2. Properties**

### **2.1 Head Office**

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

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

- The main building, which currently houses the Company's TV Production, News and Current Affairs, Regional Network, and Manila Radio groups. The Company's Technical Operations Center and several studios and soundstages are also located in the main building, which was completed in 1968.
- ABS-CBN also owns several properties within close proximity to the broadcast center, most notably the Pinoy Big Brother house and the JUSMAG compound, currently used by some of the Company's divisions.

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

### **2.1 Local and Regional Properties**

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

The following table sets forth the location and use of ABS-CBN's television and radio stations as of December 31, 2015:

**VHF TV Stations**

	<b>Station</b>	<b>Channel</b>	<b>Transmitter Site</b>
1	Manila	2	Mother Ignacia St., Diliman, QC
2	Cebu	3	Mt. Busay, Cebu City
3	Bacolod	4	Mt. Kanlandog, Murcia, Negros Occ.
4	Mt. Kitanglad, Bukidnon	2	Mt. Kitanglad, Bukidnon
5	Davao	4	Shrine Hills, Matina, Davao City
6	General Santos	3	Brgy. Lagao, Gen. Santos City
7	Zamboanga	3	Zamboanga City
8	Naga	11	Naga City
9	Tacloban	2	Mt. Naga-naga, Tacloban City
10	Dumaguete	12	Valencia, Negros Or.
11	Isabela	2	Santiago City, Isabela
12	Tuguegarao	3	Tuguegarao, Cagayan
13	Cotabato	5	Cotabato City
14	Baguio	3	Mt. Sto. Tomas, Benguet
15	Iligan	4	Iligan City
16	Butuan	11	Butuan City
17	Ilocos Norte	7	San Nicolas, Ilocos Norte
18	Legaspi	4	Mt. Bariw, Legaspi
19	Olongapo	12	Upper Mabayuan, Olongapo City
20	Iloilo <sup>(1)</sup>	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. <sup>(2)</sup>	10	Masbate, Masbate
33	St. Jude Thaddeus Inst. of Tech <sup>(2)</sup>	12	Surigao City
34	Sulu Tawi-Tawi Broadcasting Corporation <sup>(2)</sup>	10	Jolo, Sulu
35	Calbayog Comm. Bctg. Corp.	10	Calbayog City, Western Samar
36	Palawan Bctg Corp.	7	Puerto Princesa, Palawan
37	Aparri	9	Aparri, Cagayan
38	Espanola	10	Espanola, Palawan
39	Batanes	11	Basco, Batanes

<sup>1</sup>Owned by Amcara

<sup>2</sup>Affiliate

## UHF TV Stations

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

<sup>1</sup>Co-located with VHF TV Stations

<sup>2</sup>Owned by ABS-CBN

<sup>3</sup>With pending application with NTC

<sup>4</sup>Owned by Amcara

## **FM RADIO Stations**

	<b>Station</b>	<b>Frequency (MHz)</b>	<b>Call Sign</b>	<b>Locations</b>
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**

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

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

## **2.2 . Leased Properties:**

<b>Lessor</b>	<b>Effectivity Date</b>		<b>Monthly Rent</b>	<b>Particulars</b>	<b>Terms</b>
	<b>Start</b>	<b>End</b>			
Smartnet Philippines	October 1, 2013	September 30, 2015	₱165,375	Mandaluyong	w/ 5% escalation rate per annum
Florpet Development Corporation	April 1, 2011	March 31, 2016	127,878	Cebu	w/ 10% escalation rate per annum
Jeco Real Estate	July 1, 2013	June 30, 2018	55,742	Isabela	w/ 5% escalation rate per annum
Joseph Rios	December 1, 2013	November 30, 2016	64,969	Tuguegarao	w/ 10% escalation rate per annum
Eduardo C. Anqui	October 1, 2012	September 30, 2017	49,036	Negros Oriental	w/ 10% escalation rate per annum
Concepcion Fordan	November 15, 2013	November 14, 2016	47,179	San Jose, Mindoro	w/ 10% escalation rate per annum
Virac Eastland Realty Corporation	December 1, 2013	November 30, 2016	42,871	Virac, Catanduanes	w/ 10% escalation rate per annum
Ponciano, Magnaye	January 1, 2014	December 31, 2016	40,150	Batangas	w/ 10% escalation rate per annum
Manuel Joson	April 15, 2005	April 14, 2015	36,007	San Miguel	w/ 10% escalation rate per annum
First Philippine Realty	March 1, 2015	February 28, 2016	33,426	Antipolo City	No escalation rate
Florpet Development Corporation	November 1, 2014	October 31, 2019	28,440	Cebu	w/ 10% escalation rate per annum

Lessor	Effectivity Date		Monthly Rent	Particulars	Terms
	Start	End			
Yolanda Tuazon	March 15, 2015	March 14, 2016	27,302	San Miguel	w/ 10% escalation rate per annum
Federico Ong Jr.	October 15, 2015	October 14, 2020	20,000	Cagayan	w/ 5% escalation rate per annum
Tabaco Midcity	December 1, 2015	December 1, 2020	16,000	Albay	w/ 3% escalation rate per annum
Jeana Away	January 1, 2015	December 31, 2024	16,000	Mountain Province	w/ 5% escalation rate per annum
Benedict Tiu	May 2, 2015	May 3, 2017	14,732	Laguna	w/ 5% escalation rate per annum
Harold Blanco	April 15, 2006	April 14, 2016	14,580	Botolan	w/ 5% escalation rate per annum
Mariano Lim	November 1, 2012	October 31, 2015	13,078	Tabaco, Albay	w/ 5% escalation rate per annum
Vicente Gato	October 15, 2015	October 14, 2020	11,965	Batanes	w/ 5% escalation rate per annum
Cresencio Delica Jr.	January 1, 2015	December 31, 2016	11,000	Batangas	No escalation rate
Angelina Cabugao	January 1, 2012	December 31, 2016	5,000	Olongapo	No escalation rate
Virgilio Virtudazo	September 1, 2011	August 31, 2016	3,890	Bohol	w/ 10% escalation rate per annum

### 3. Legal Proceedings

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

While not deemed material legal proceedings based on the amount of the claims involved, the following legal proceedings involving the Company were the subject of news reports, and therefore generated public interest but Management is nevertheless of the opinion that should there be any adverse judgment based on these claims, this will not materially affect the Company's financial position and results of operations:

*"ABS-CBN Broadcasting Corporation vs. AGB Nielsen Media Research (Philippines), Inc."*

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

*"GMA Network, Inc. vs. ABS-CBN Broadcasting Corporation, et al"*

The Company also has a pending civil case for libel against it filed by GMA Network, Inc. in connection with the same events covered by the case against AGB Nielsen. The case was filed in 03 January 2008 and docketed as Q-08-61735, is pending before the Regional Trial Court of Quezon City, Branch 76. GMA's total claim against the Company is Fifteen Million Pesos (₱15,000,000). GMA has completed presentation of its evidence and its documentary evidence has been admitted. During the hearing on 24 January 2014, defendant Alona Magtalas testified on direct examination. She completed testifying at the hearing on 3 March 2014. The Company will continue to present its evidence at the next hearing on February 2015.

“People of the Phils., vs. Santos-Concio, et al.”

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

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

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

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

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

“Wilfredo Revillame vs. ABS-CBN Broadcasting Corporation”

This is a civil action for rescission of contract and damages filed by Wilfredo Revillame against the Company in connection with the former's talent contract with the Company. The Company filed a counterclaim for breach of contract, injunction, and damages. The case was docketed as Civil Case No. Q-10-67770 and original raffled to Regional Trial Court, Branch 84. Upon the inhibition of the presiding judge of Branch 84, the case was re-raffled to and is now pending with Branch 217. Revillame's total claim against the Company is Eleven Million Five Hundred Thousand Pesos (₱11,500,000). Revillame filed a Motion to Dismiss on the ground that the Company is guilty of forum-shopping which was granted by the trial court. The Company has filed a Motion for Reconsideration which was also denied. The Company has filed an appeal.

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

This is a complaint for copyright infringement filed by the Company against Revillame,

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

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

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

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

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

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

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### 5. Market for Issuer's Common Equity and Related Stockholder Matters

The Company's common shares have been listed on the Philippine Stock Exchange (PSE) since 1992. Its Philippine Depositary Receipts (PDRs) were listed in 1999. Common shares may be exchanged for PDRs and vice versa. The common shares (PSE: ABS) closed at ₱55.60 while the PDRs (PSE: ABSP) closed at ₱55.00 on April 6, 2016.

#### Dividends

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

#### ▪ Stock Dividend (Per Share)

No stock dividend declared since July 2, 1996.

#### ▪ Cash Dividend (Per Share)

Amount	Declaration Date	Record Date	Payment Date
₱0.60	March 28, 2001	April 25, 2001	May 25, 2001
₱0.64	July 21, 2004	July 24, 2004	August 10, 2004
₱0.45	March 28, 2007	April 20, 2007	May 15, 2007
₱0.83	March 26, 2008	April 30, 2008	May 27, 2008
₱0.90	March 25, 2009	May 5, 2009	May 29, 2009
₱1.11	March 11, 2010	March 31, 2010	April 29, 2010
₱2.10	March 4, 2011	March 25, 2011	April 19, 2011
₱0.80	March 30, 2012	April 25, 2012	May 22, 2012
₱0.40	April 23, 2013	May 10, 2013	June 6, 2013
₱0.20	January 30, 2014	February 14, 2014	February 28, 2014
₱0.60	March 27, 2014	April 16, 2014	May 7, 2014
₱0.60	March 5, 2015	March 20, 2015	April 30, 2015
₱0.004	April 24, 2015	May 11, 2015	May 18, 2015

## High and Low Share Prices

		ABS		ABSP	
		High	Low	High	Low
<b>2016</b>	First Quarter	62.80	53.40	63.50	50.00
<b>2015</b>	First Quarter	66.00	45.00	70.00	45.70
	Second Quarter	64.20	59.80	66.00	59.90
	Third Quarter	65.10	53.00	68.15	55.00
	Fourth Quarter	68.00	59.80	68.50	59.90
<b>2014</b>	First Quarter	32.60	27.00	32.00	26.40
	Second Quarter	39.85	32.70	40.40	32.50
	Third Quarter	43.80	36.50	43.80	35.80
	Fourth Quarter	48.00	42.00	49.00	42.00
<b>2013</b>	First Quarter	41.30	37.00	45.00	37.50
	Second Quarter	46.00	36.95	48.10	35.10
	Third Quarter	40.30	30.60	43.00	31.50
	Fourth Quarter	33.95	30.30	35.15	30.80
<b>2012</b>	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
<b>2011</b>	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
<b>2010</b>	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, 2015 was 5,478. Common shares issued as of December 31, 2015 were 872,123,642. Preferred Shares outstanding as of December 31, 2015 were 1,000,000,000.

As of March 31, 2016, the foreign equity ownership of ABS-CBN is at 0%.

## Top 20 Common Shares Stockholders

As of December 31, 2015, the Top 20 stockholders of ABS-CBN own an aggregate of 859,610,935 or 98.57% of issued common shares.

Rank	Name	Citizenship	Record / Beneficial	No. of Shares	%
1	Lopez, Inc.	Filipino	Record	480,933,747	55.15%
2	PCD Nominee Corporation	Filipino	Record	373,017,369	42.77%
3	Ching Tiong Keng	Filipino	Record	859,500	0.10%
4	ABS-CBN Foundation, Inc.	Filipino	Record	780,995	0.09%
5	Eugenio Lopez III	Filipino	Record	651,190	0.07%
6	Creme Investment Corporation	Filipino	Record	417,486	0.05%
7	FG Holdings	Filipino	Record	386,270	0.04%
8	Charlotte C. Cheng	Filipino	Record	340,000	0.04%
9	Cynthia D. Ching	Filipino	Record	337,500	0.04%
10	Phil. Communication Satellite Corporation	Filipino	Record	325,500	0.04%
11	Tiong Keng Ching	Filipino	Record	252,000	0.03%
12	La Suerte Cigar & Cigarette Factory	Filipino	Record	205,000	0.02%
13	Alberto G. Mendoza and/or Jeanie Mendoza	Filipino	Record	168,250	0.02%
14	Mimi Chua	Filipino	Record	162,390	0.02%
15	Manuel M. Lopez	Filipino	Record	146,186	0.02%
16	Majograjo Dev. Corporation	Filipino	Record	140,700	0.02%
17	Antonino T. Aquino and/or Evelina S. Aquino	Filipino	Record	129,470	0.01%
18	Leoncio N. Chungunco Jr.	Filipino	Record	126,000	0.01%
19	Ma. Josefina G. Belmonte and/or Feliciano R. Belmonte Jr.	Filipino	Record	120,000	0.01%
20	Edwin Lim	Filipino	Record	111,382	0.01%
	Subtotal of Top 20 Stockholders			859,610,935	98.57%
	Others			12,512,707	1.43%
	<b>Total No. of Shares</b>			<b>872,123,642</b>	<b>100.00%</b>

As of March 31, 2016, the Top 20 stockholders of ABS-CBN own an aggregate of 859,612,474 or 98.57% of issued common shares.

Rank	Name	Citizenship	Record / Beneficial	No. of Shares	%
1	Lopez, Inc.	Filipino	Record	480,933,747	55.15%
2	PCD Nominee Corporation	Filipino	Record	373,018,908	42.77%
3	Ching Tiong Keng	Filipino	Record	859,500	0.10%
4	ABS-CBN Foundation, Inc.	Filipino	Record	780,995	0.09%
5	Eugenio Lopez III	Filipino	Record	651,190	0.07%
6	Creme Investment Corporation	Filipino	Record	417,486	0.05%
7	FG Holdings	Filipino	Record	386,270	0.04%
8	Charlotte C. Cheng	Filipino	Record	340,000	0.04%
9	Cynthia D. Ching	Filipino	Record	337,500	0.04%
10	Phil. Communication Satellite Corporation	Filipino	Record	325,500	0.04%
11	Tiong Keng Ching	Filipino	Record	252,000	0.03%
12	La Suerte Cigar & Cigarette Factory	Filipino	Record	205,000	0.02%
13	Alberto G. Mendoza and/or Jeanie Mendoza	Filipino	Record	168,250	0.02%
14	Mimi Chua	Filipino	Record	162,390	0.02%

Rank	Name	Citizenship	Record / Beneficial	No. of Shares	%
15	Manuel M. Lopez	Filipino	Record	146,186	0.02%
16	Majograjo Dev. Corporation	Filipino	Record	140,700	0.02%
17	Antonino T. Aquino and/or Evelina S. Aquino	Filipino	Record	129,470	0.01%
18	Leoncio N. Chungunco Jr.	Filipino	Record	126,000	0.01%
19	Ma. Josefina G. Belmonte and/or Feliciano R. Belmonte Jr.	Filipino	Record	120,000	0.01%
20	Edwin Lim	Filipino	Record	111,382	0.01%
	Subtotal of Top 20 Stockholders			859,612,474	98.57%
	Others			12,511,168	1.43%
	<b>Total No. of Shares</b>			<b>872,123,642</b>	<b>100.00%</b>

### Top 20 Preferred Shares Stockholders

As of December 31, 2015 and March 31, 2016, the Top 20 stockholders of ABS-CBN's preferred stock are as follows:

Rank	Name	Citizenship	Record / Beneficial	No. of Shares	%
1	Lopez, Inc.	Filipino	Record	987,130,246	98.71%
2	Tower Securities Incorporated	Filipino	Record	4,431,583	0.44%
3	Citibank NA FAO Maybank ATR King Eng Capital Partners Inc. Trust Dept	Filipino	Record	2,244,787	0.22%
4	Manuel M. Lopez and/or Ma. Teresa Lopez	Filipino	Record	1,643,032	0.16%
5	Abacus Securities Corporation	Filipino	Record	727,085	0.07%
6	Abacus Securities Corporation	Filipino	Record	699,091	0.07%
7	Value Quest Securities Corporation	Filipino	Record	662,020	0.07%
8	Globalinks Securities & Stocks, Inc.	Filipino	Record	297,081	0.03%
9	Manuel M. Lopez	Filipino	Record	187,518	0.02%
10	Maybank ATR Kim Eng Securities	Filipino	Record	182,083	0.01%
11	Belson Securities, Inc.	Filipino	Record	128,905	0.01%
12	Asiasec Equities, Inc.	Filipino	Record	120,000	0.01%
13	PCCI Securities Brokers Corporation	Filipino	Record	112,022	0.01%
14	Ricky See Eng Huy	Filipino	Record	103,901	0.01%
15	Noli de Castro	Filipino	Record	93,372	0.01%
16	Meridian Securities, Inc.	Filipino	Record	93,133	0.01%
17	Edmond T. Aguilar	Filipino	Record	71,961	0.01%
18	Leonardo P. Katigbak	Filipino	Record	66,702	0.01%
19	Kris Aquino	Filipino	Record	64,136	0.01%
20	Imperia, De Guzman, Abalos & Co., Inc.	Filipino	Record	56,641	0.01%
	Subtotal of Top 20 Stockholders			999,115,299	99.91%
	Others			884,701	0.09%
	<b>Total No. of Shares</b>			<b>1,000,000,000</b>	<b>100.00%</b>

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

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

On June 5, 2013, the Company issued 57,836,900 Common Shares to ABS-CBN Holdings Corporation at an issue price of ₱43.125 per share. The offer and issued of the said Common Shares is an exempt transaction under Section 10.1 (k) of the Securities Regulation Code since the securities was sold to fewer than twenty (20) persons in the Philippines during any twelve-month period.

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

The Registration Statement for the issuance of the additional Common Shares has been approved by the SEC.

## 6. Management’s Discussion and Analysis of Financial Condition and Results of Operations

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

### Key Performance Indicators

Ratios	2015	2014	2013
Current ratio	1.88	2.08	1.76
Net Debt-to-Equity ratio	0.31	0.26	0.16
Asset-to-equity ratio	2.45	2.50	2.25
Interest rate coverage ratio	5.20	4.47	4.75
Return on Equity	8.9%	7.6%	7.8%
Return on Assets	3.6%	3.0%	3.5%
Profitability ratios:			
Gross profit margin	40.0%	40.0%	38.0%
Net income margin	6.6%	6.1%	6.1%

Key Performance Indicators	Details
Current ratio	Calculated by dividing current assets over current liabilities. This ratio measures the company's ability to pay short-term obligations.
Net Debt-to-Equity ratio	Calculated by dividing interest-bearing loans and borrowings net of cash and cash equivalents over the total stockholders’ equity. This ratio measures proportion of interest bearing loans and stockholders’ equity.
Asset-to-equity ratio	Calculated by dividing total assets over total stockholders’ equity. This ratio measures the financial leverage to finance the Company.
Interest rate coverage ratio	Calculated by dividing earnings before income taxes over interest expense. This ratio measures the ability of the Company to pay interest on loans.
Return on Equity	Calculated by dividing the net income for the year by the total stockholders’ equity. A measure of profitability of stockholders’ investment.
Return on Assets	Calculated by dividing the net income for the year by the total assets. This ratio measures the amount of profit the Company generates as a percentage of assets.
Key Performance Indicators	Details
Gross profit margin	Calculated by dividing the gross profit over the net revenues. This profitability ratio measures the proportion of profits from revenues after accounting for the cost of goods and services.
Net income margin	Calculated by dividing the net income over the net revenue. This profitability ratio represents proportion of revenue left after all expenses have been deducted.

### **Key Variable and Other Qualitative and Quantitative Factors**

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

- i. There are no known trends, demands, commitments, events or uncertainties that will have a material impact on ABS-CBN's liquidity.
- ii. There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of obligation.
- iii. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- iv. ABS-CBN's financial performance depends largely on the ability to sell airtime for advertising. The Company's business may be affected by the general condition of the economy as well as adverse change in political policies of the Country. Nonetheless, this risk is augmented and managed with the Company's engagement in diverse industries.
- v. There are no significant elements of income or loss that did not arise from the issuer's continuing operations.
- vi. There are no seasonal aspects that may have a material effect on the financial condition or results of operations.

### **Information on Independent Accountant and other Related Matters**

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

The Company has engaged SGV & Co., with Catherine E. Lopez as the engagement partner, for the audit of the Company's books in 2014. The Company has complied with SRC Rule 68, paragraph 3(b) (iv) re: five (5) year rotation requirement for the external auditor.

SGV & Co. is being recommended for re-election at the scheduled Annual Stockholders' Meeting on April 24, 2015.

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

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

	<b>2015</b>	<b>2014</b>
Audit Fees	₱25,305,000	₱22,984,150
Non-Audit Fees	21,135,757	13,541,406

The Audit Committee's Approval Policies and Procedures for the above services from SGV & Co., the external auditors are discussed in Section 7 of the Company's Manual of Corporate Governance filed

with the Commission on September 2, 2002. The audit committee pre-approves all audit and non-audit services as these are proposed or endorsed before these services are performed by our independent auditor.

## **7. Financial Statements**

The Company's Statement of Management's Responsibility and Audited Financial Statements as of December 31, 2015 is in **Annex B**. Financial Statements are prepared in accordance with SRC Rule 68, as amended and Rule 68.1.

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

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

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

## PART III - CONTROL AND COMPENSATION INFORMATION

### 9. Directors and Executive Officers of the Issuer

#### 9.1 Board of Directors

The Company has 11 board of directors namely:

Director's Name	Date first elected
Eugenio L. Lopez III	April 23, 1992
Augusto Almeda-Lopez	April 27, 1988
Ma. Rosario Santos-Concio	April 27, 2006
Oscar M. Lopez	1966
Presentacion L. Psinakis	April 27, 1988
Manuel M. Lopez	July 28, 2010
Federico R. Lopez	August 25, 1999
Federico M. Garcia	September 2, 1992
Salvador G. Tirona	July 28, 2010
Antonio Jose U. Periquet (Independent Director)	April 23, 2013
Emmanuel S. de Dios (Independent Director)	April 23, 2013

The Company has adopted the SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and compliance therewith has been made. Mr. Periquet and Mr. de Dios were elected as Independent Directors on April 23, 2013.

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 63**

##### **Chairman of the Board of Directors**

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

#### **Augusto Almeda-Lopez, Filipino, age 87**

##### **Vice-Chairman**

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

#### **Ma. Rosario Santos-Concio, Filipino, age 60**

##### **Board Member, President and Chief Executive Officer**

Ms. Santos-Concio was appointed Chief Executive Officer in January 2013. Prior to this, she was ABS-CBN's President and Chief Operating Officer in 2008. She was previously the Head of Channel 2 Mega Manila Management. Onscreen, Ms. Santos-Concio hosts ABS-CBN Channel 2's longest-running drama anthology Maalaala Mo Kaya. Ms. Santos-Concio began her career in the Company as a Television Production Consultant in 1987 after working as a line producer for BanCom,

Audiovision, Vanguard Films, Regal Films and Vision Exponents. She also worked as a Film Production Manager for the Experimental Cinema of the Philippines. Ms. Santos-Concio is the recipient of many cinema and broadcast industry-related awards over the years. She graduated cum laude from St. Paul's College in Manila with a Communications Arts degree. Ms. Santos-Concio also completed the Advanced Management Program at Harvard Business School in 2007.

**Oscar M. Lopez, Filipino, age 85**

**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 80**

**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.

**Manuel M. Lopez, Filipino, age 72**

**Board Member**

Mr. Lopez is the Chairman and Chief Executive Officer of Lopez Holdings Corporation. He is a holder of a Bachelor of Science degree in Business Administration and attended the Program for Management Development at the Harvard Business School. He is the chairman of Rockwell Land, the Vice Chairman of FPHC and is a director of Meralco. He was Chief Executive Officer of Meralco from July 2001 to June 2010. Mr. Lopez is the Philippine Ambassador to Japan.

**Federico R. Lopez, Filipino, age 54**

**Board Member**

Mr. Federico Lopez has served as Director of the Company since 1999. Mr. Lopez is Chairman and Chief Executive Officer of First Philippine Holdings Corporation (FPH). He is also Chairman and CEO of First Gen Corporation and Energy Development Corporation, publicly listed power generation companies that are into clean and indigenous energy and are part of the FPH portfolio. He is currently the Vice Chairman of Rockwell Land Corporation.

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

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

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

**Federico M. Garcia, Filipino, age 70**

**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.

**Salvador G. Tirona, Filipino, age 60**

**Board Member**

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

**Antonio Jose U. Periquet, Filipino, age 54**

**Board Member, Independent Director**

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

**Emmanuel S. de Dios, Filipino, age 61**

**Board Member, Independent Director**

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

## Directorship in Other Companies

### (i) Directorship in the Company's Group<sup>1</sup>

The members of the Company's Board of Directors who hold the office of director in other companies within its Group are as follows:

Director's Name	Corporate Name of the Group Company	Type of Directorship
Eugenio L. Lopez III	Sky Cable Corporation	Chairman
	Sky Vision Corporation	President
	Lopez Holdings Corporation	Vice Chairman
	Lopez, Inc.	Treasurer
	Bayan Telecommunications, Inc.	Chairman
	First Gen Corporation	Director
	First Philippine Holdings Corporation	Director
	Rockwell Land	Director
	Eugenio Lopez Foundation	Director
	ABS-CBN Holdings Corporation	Treasurer
Augusto Almeda-Lopez	First Philippine Holdings Corporation	Director
	Bayan Telecommunications, Inc.	Director
	Sky Vision Corporation	Vice Chairman
Oscar M. Lopez	Lopez Holdings Corporation	Chairman Emeritus
	First Philippine Holdings Corporation	Chairman Emeritus
	First Gen Corporation	Chairman Emeritus
	Lopez, Inc.	President
	Energy Development Corporation	Chairman Emeritus
	First Philippine Industrial Park	Chairman Emeritus
	First Gen Renewables, Inc.	Chairman Emeritus
	ABS-CBN Holdings Corporation	Chairman President Chief Executive Officer Chief Operating Officer
	Eugenio Lopez Foundation	Chairman
	Rockwell Land	Chairman Emeritus
Presentacion L. Psinakis	Lopez, Inc.	Chairman
	Eugenio Lopez Foundation, Inc.	Trustee
	ABS-CBN Holdings Corporation	Director
Manuel M. Lopez	Rockwell Land	Chairman
	Lopez, Inc.	Vice Chairman
	Lopez Holdings Corporation	Chairman Chief Executive Officer
	Sky Vision Corporation	Chairman
	Eugenio Lopez Foundation	President
	First Philippine Holdings Corporation	Vice Chairman
Federico R. Lopez	First Philippine Holdings Corporation	Chairman Chief Executive Officer
	First Gen Corporation	Chairman Chief Executive Officer
	Energy Development Corporation	Chairman
	Rockwell Land	Vice Chairman
	First Philippine Industrial Park	Chairman
	First Gen Renewables, Inc.	Chairman Chief Executive Officer
	Eugenio Lopez Foundation	Trustee
	Lopez Holdings Corporation	Treasurer

<sup>1</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Director's Name	Corporate Name of the Group Company	Type of Directorship
Salvador G. Tirona	Lopez Holdings Corporation	President Chief Operating Officer Chief Financial Officer
	Sky Vision Corporation	Director
	ABS-CBN Holdings Corporation	Comptroller
	Eugenio Lopez Foundation, Inc.	Treasurer
	Bayan Telecommunications	Director
Antonio Jose U. Periquet	ABS-CBN Holdings Corporation	Director

(ii) Directorship in Other Listed Companies

The member of the Company's Board of Directors who is also a director of publicly-listed companies outside of its Group is:

Director's Name	Name of Listed Company	Type of Directorship
Antonio Jose U. Periquet	Ayala Corporation	Independent Director
	Bank of the Philippine Islands	Independent Director
	DMCI Holdings, Inc.	Independent Director
	Philippine Seven Corporation	Independent Director
	Max's Group of Companies	Independent Director

(iii) Relationship within the Company and its Group

Members of the Board of Directors and their role or relation to significant shareholders in the Company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Eugenio L. Lopez III	Lopez Holdings Corporation	Vice Chairman
	ABS-CBN Holdings Corporation	Treasurer
Oscar M. Lopez	Lopez Holdings Corporation	Chairman Emeritus
	ABS-CBN Holdings Corporation	President Chief Executive Officer Chief Financial Officer
Presentacion L. Psinakis	ABS-CBN Holdings Corporation	Director
Manuel M. Lopez	Lopez Holdings Corporation	Chairman Chief Executive Officer
Federico R. Lopez	Lopez Holdings Corporation	Treasurer
Salvador G. Tirona	Lopez Holdings Corporation	President
	ABS-CBN Holdings Corporation	Chief Operating Officer Chief Financial Officer
Antonio Jose U. Periquet	ABS-CBN Holdings Corporation	Independent Director

### Independent Directors of the Board

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

Specifically, Mr. Periquet and Mr. de Dios: (i) are not directors or officers or substantial stockholders of the Company or its related companies or any of its substantial shareholders (other than as independent directors of any of the foregoing); (ii) are not relatives of any director, officer or substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of the

Company, or any of its related companies or any of its substantial shareholders; (iv) have not been employed in any executive capacity by the Company, or any of its related companies or by any of its substantial shareholders within the last two (2) years; (v) are not retained as professional advisers by the Company, any of its related companies or any of its substantial shareholders within the last two (2) years, either personally or through their firms; (vi) have not engaged and do not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by themselves or with other persons or through a firm of which they are partners or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arm's length and are immaterial; and (vii) do not own more than two percent of the shares of the Company and/or its related companies or any of its substantial shareholders. Mr. Periquet and Mr. de Dios do not possess any of the disqualifications enumerated under Section II (5) of the Code of Corporate Governance and Section II (D) of SEC Memorandum Circular No. 16, Series of 2002.

## **9.2. Executive / Corporate Officers**

### **Ma. Rosario Santos-Concio, Filipino, age 60**

#### **President and Chief Executive Officer**

Ms. Santos-Concio was appointed Chief Executive Officer in January 2013. Prior to this, she was ABS-CBN's President and Chief Operating Officer in 2008. She was previously the Head of Channel 2 Mega Manila Management. Onscreen, Ms. Santos-Concio hosts ABS-CBN Channel 2's longest-running drama anthology *Maalaala Mo Kaya*. Ms. Santos-Concio began her career in the Company as a Television Production Consultant in 1987 after working as a line producer for BanCom, Audiovision, Vanguard Films, Regal Films and Vision Exponents. She also worked as a Film Production Manager for the Experimental Cinema of the Philippines. Ms. Santos-Concio is the recipient of many cinema and broadcast industry-related awards over the years. She graduated cum laude from St. Paul's College in Manila with a Communications Arts degree. Ms. Santos-Concio also completed the Advanced Management Program at Harvard Business School in 2007.

### **Ma. Socorro V. Vidanes, Filipino, age 53**

#### **Head, Free TV**

Prior to her appointment as Head of Free TV, Ms. Vidanes was the Head of Channel 2 Mega Manila in 2009. Prior to that, she held the position of Managing Director for ABS-CBN TV Production from 2001 to 2008. She was responsible for the conceptualization, production and management of all TV Entertainment programs on ABS-CBN Channel 2. She has been with ABS-CBN since 1986, starting as an Associate Producer and has since then been involved in the production of all types of programs – talk shows, variety, reality, game, comedy and drama. Ms. Vidanes obtained her degree of Bachelor of Arts in Communication Arts from the Ateneo de Manila University. She has also completed the Advance Management Program at Harvard Business School in 2014.

### **Carlo L. Katigbak, Filipino, age 45**

#### **Chief Operating Officer and President / Chief Executive Officer, SkyCable**

Mr. Katigbak is the President and CEO of SkyCable and has been recently appointed as ABS-CBN's Chief Operating Officer. He has 20 years of combined experience in financial management and businesses operations, corporate planning and general management. He began his career as a financial analyst with First Pacific Capital Corp. in 1992. He joined SkyCable in 1994 as Corporate Finance Manager and has held various positions in Corporate Planning, Provincial Operations and Finance. In 1998, he served as the first Managing Director of Pilipino Cable Corporation. He was then assigned to ABS-CBN Interactive as Managing Director in 1999 where he led the company pioneer various digitals services such as mobile downloads, interactive TV, online advertising and online video-on-demand. He returned to SkyCable as Managing Director in 2005. Mr. Katigbak has a Bachelor of Science in Management Engineering from the Ateneo de Manila University. Mr Katigbak also completed the Advanced Management Program at Harvard Business School in 2009.

**Rafael L. Lopez, Filipino, age 58**

**Head, Global**

Raffy Lopez is Senior Vice President and Chief Operating Officer of ABS-CBN Global, the umbrella organization that owns the international subsidiaries of the Group. Mr. Lopez pioneered the US operations in 1994 with the founding of The Filipino Channel, the largest and leading international multimedia distributor of Filipino news and entertainment. As COO, Mr. Lopez focused on the expansion of Global's geographical coverage, product portfolio and philanthropic services through ABS-CBN Foundation International. He started as the Information Technology Head of ABS-CBN International in North America in 1994 and then served as its Managing Director for nine years since 1998. In 2004, he was appointed COO and concurrently held the position of MD until 2007. In 2012, Mr. Lopez won a Communication Excellence in Organizations award from the prestigious International Association of Business Communicators Philippines for his strategic leadership and effective use of communication in rebranding the pioneering TFC. Prior to ABS-CBN, he spent 12 years working as a systems analyst for Bell Atlantic. He graduated from the San Francisco State University with a Bachelor of Arts degree in Music. He also obtained a degree in computer programming from Control Data Institute and completed the Stanford Business Executive Program for Executives in 2002.

**Ma. Lourdes N. Santos, Filipino, age 59**

**Head, Star Creatives**

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

**Ma. Regina "Ging" E. Reyes, Filipino, age 53**

**Head, Integrated News and Current Affairs**

Ms. Reyes is responsible for all newsgathering, content and strategic direction of the News and Current Affairs Division of ABS-CBN Corporation. She has over 20 years of solid experience as a broadcast journalist. She joined ABS-CBN in 1986 as a Production Assistant, rose from the ranks to become Executive Producer and Head Writer of the award-winning "The World Tonight" and other special events, and eventually, Director for News Production. Prior to her appointment as Head of News and Current Affairs, Ms. Reyes was ABS-CBN's North America News Bureau Chief from 2002 to 2010. In 2007, she was named by the Filipina Women's Network as one of the 100 Most Influential Filipino Women in the U.S.

**Antonio S. Ventosa, Filipino, age 54**

**Chief Operation Officer, Sky Cable, and Concurrent Head, Narrowcast**

Mr. Ventosa joined the Company in 2006 as Head of Corporate Marketing. He was appointed in 2009 as Managing Director of ABS-CBN's Cable Channels and Print Media Group. He brings with him several years of experience in marketing that build leadership brands. He was an account director at Dentsu Young and Rubicam Malaysia for Colgate Palmolive Singapore and Malaysia, and regional account director at Leo Burnett in Singapore for McDonald's Asia before returning to the Philippines in 1994. He was, at one time, the chairman and the president of the Association of Accredited Advertising Agencies of the Philippines or 4A's, and a board director of AdBoard. Prior to joining the Company, he was managing director of Leo Burnett Manila. Mr. Ventosa graduated with a marketing degree from De La Salle University and was honored in 2004 by his alma mater as one of its alumni achievers for having made a significant contribution in the field of advertising.

**Mario Carlo P. Nepomuceno, Filipino, age 56**

**Head, Corporate Services Group 1**

Mr. Nepomuceno's career spans close to 30 years in the field of human resources and organizational development with stints in brand management and sales. Mr. Nepomuceno has worked in a broad range of industries with both local and global organizations, either as a consultant or employee. He has had exposure to the banking, fast moving consumer goods, transportation, data, telecoms, cable, and BPO industries, among others. He has serviced clients in the government and non-government sectors as well. He has acquired over twenty years executive and leadership experience within corporate and non-corporate settings. Mark graduated with a degree in A.B. Psychology from the Ateneo de Manila University and is an accredited trainer and facilitator for numerous management and leadership programs.

**Rolando P. Valdueza, Filipino, age 56**

**Head, Corporate Services Group 2 and Group Chief Finance Officer**

Mr. Valdueza was appointed Chief Finance Officer in 2008. Prior to his appointment as CFO, he was Head of the Regional Network Group (RNG) of ABS-CBN since 2001. Before joining the Company in 1988 as Budget Officer, he was an auditor with SGV & Co. and was Finance Manager at the National Marine Corporation. He also served as Sky Cable Regional Director for Visayas and Mindanao and later became Managing Director of Pilipino Cable Corporation. Mr. Valdueza took up BS Accounting at University of the East and graduated magna cum laude in 1981.

**Jose Agustin C. Benitez, Jr., Filipino, age 57**

**Head, Integrated Sales**

Mr. Benitez joined the Company in 2006 as the Company's Head of Channel 2 Sales. He is tasked with establishing strategic long-term partnerships with agencies and advertiser clients. He was formerly Sales Head of ABC Channel 5 and of GMA Channel 7, and was instrumental in developing the Sales Units of both companies. Before becoming involved in Broadcast Sales, Mr. Benitez was formerly Media Director and Vice President of Ace Saatchi and Saatchi, where he provided leadership to a media department that handled diverse clients. He was also formerly President and CEO of Zenith Optimedia, Nestle's independent media agency, and President and CEO of Optimum Media.

**Ma. Rosario S. Bartolome, Filipino, age 45**

**Head, Integrated Marketing**

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

**Robert G. Labayen, Filipino, age 55**

**Head, Integrated Creative Communication Management**

Mr. Labayen spent 22 years in advertising prior to joining ABS-CBN in 2004. He started as a copywriter and rose to the rank of Managing Partner and Executive Creative Director. He also served the advertising industry as President of the Creative Guild of the Philippines. Today, his Division articulates the ABS-CBN vision of service to the Filipino through their work in promoting our company image and our entertainment, news, sports and advocacy programs.

**Vivian Y. Tin, Filipino, age 53**

**Head, Integrated Customer Business Development**

Ms. Tin heads the Integrated Customer Business Development group of ABS-CBN. Her division provides consumer and market insights and information to support strategic and tactical business decisions for ABS-CBN and all its subsidiaries. Ms. Tin has had extensive experience in market research, particularly in media measurement and customized research. She began her career at Trends-

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

**Aldrin M. Cerrado, Filipino, age 46**

**Chief Financial Officer**

Aldrin is the Chief Financial Officer of ABS CBN Corporation (ABS CBN). Prior to joining ABS CBN in July 1, 2012, Aldrin was a Partner in SyCip Gorres Velayo & Co. He is a certified public accountant with close to 21 years of experience in providing independent assurance on financial and non-financial information on companies in various industries, including media and entertainment. He has previously taken on the role of a transaction advisory partner focused on providing transaction support services, which included financial and commercial due diligence work and merger and acquisitions advisory work. Aldrin completed his Bachelor's degree in Business Administration from the University of Santo Thomas in 1991. He obtained his Master in Business Management degree, with distinction, from the Asian Institute of Management in 1998.

**Martin L. Lopez, Filipino, age 43**

**Chief Technology Officer**

As Chief Technology Officer, Mr. Lopez is responsible for setting the Company's strategic direction, and for ensuring operational excellence in matters related to technology encompassing both engineering and information technology. Before his appointment, he was Vice President and Chief Information Officer of Manila Electric Company (Meralco), where he managed all ICT related assets of the Company covering all its computer, information system and telecommunication related resources. He was also the President and CEO of e-Meralco Ventures, Inc. (eMVI), a wholly owned subsidiary of Meralco engaged in the Telecommunications and Broadband business. He is a graduate of Menlo College in California with a degree in Business Administration. He completed the Executive MBA Program from the Asian Institute of Management.

**Raymund Martin T. Miranda, Filipino, age 53**

**Chief Strategy Officer and Chief Risk Management Officer**

Mr. Miranda has been an Asia-Pacific media executive and strategist for more than 31 years. Mr. Miranda was appointed Chief Strategy Officer in August 2012. He was also appointed Chief Risk Officer in a concurrent capacity in November 2012. As CSO, Mr. Miranda is tasked with designing, driving and managing the strategic planning process across the organization. As CRMO, he is also tasked with leading, developing and managing the risk management strategies, processes and policy reviews of the organization. Prior to his appointment with ABS-CBN, he was a consultant for the company for various projects. Mr. Miranda served as the Managing Director, Global Networks Asia-Pacific of NBCUniversal from 2007 to 2011, heading the entertainment channels division of NBCUniversal across 33 countries. Before that, he spent a year in Manila as the President/CEO of Nation Broadcasting Corporation (92.3x 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.

**Philbert Lamberto L. Berba, Filipino, age 55**

**Head, Human Resources and Organizational Development**

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

**Higino Dungo, Filipino, age 55**

**Head, Group Public Service**

Mr. Dungo joined ABS-CBN in July 2008. As head of Public Service, he will ensure that the maximization of resources and integration of the different network public service and ALKFI initiatives are operationalized where ever possible. Prior to joining the Company, he worked with Meralco for 20 years. Mr. Dungo is a Certified Public Accountant, an Accredited Quality Assurance Reviewer and a Certified Internal Auditor, a global designation for internal auditors.

**Luis Paolo M. Pineda, Filipino, age 44**

**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. In 2005, he took on the role of overall head for the company's mobile and online business while practically co-managing its video-streaming operations. His appointment to oversee the gaming business followed in August of 2005 and in December 2005, he was officially designated as Managing Director for ABS-CBN Interactive. Mr. Pineda is an alumnus of the Ateneo de Manila University and completed an executive management course in Kellogg University.

**Evelyn D. Raymundo, age 53**

**Head, Integrated Acquisition and Integrated Sales and Distribution**

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

**Donald Lim, age 39**

**Head, Digital Media Division**

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

**Dino Jacinto M. Laurena, age 54**

**Head, Business Development for Integrated Sports**

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

**Abigail Q. Aquino, age 57**

**Head, Regional Network Group**

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

**Fernando V. Villar, age 47**

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

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

**Gabriel D. Orendain, age 57**

**Head, ABS-CBN University**

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

**Kane Choa, age 43****Head, Integrated Corporate Communications**

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

**Mario Luza Bautista, Filipino, age 61****General Counsel**

As General Counsel, Atty. Bautista supervises the Company's Legal Services Department and advises Senior Management and the Board of Directors on legal matters. He sits as a member in the Company Executive Committee, the Stratcom, the News and Current Affairs Management Committee and the Corporate Services Group Executive Committee. He likewise provides assistance to the Company's Office of the Ombudsman. He is a Founding Partner of the Poblador Bautista and Reyes Law Office and has been its Managing Partner since 1999 until the present. Atty. Bautista graduated with a Bachelor of Arts Degree in Communication Arts from the Ateneo de Manila University in 1975. He obtained his Bachelor of Laws Degree from the University of the Philippines in 1979 and ranked no. 6 in the Bar Examinations of that year. He was a Professor of Criminal Law at the Ateneo de Manila School of Law. Atty. Bautista has been consistently cited as a "leading lawyer" by several international publications in the fields of dispute resolution, banking and finance, insurance, capital markets, telecoms and media, mergers and acquisitions, employment, corporate reorganizations/insolvency and real estate.

**Caesar J. Poblador****Head, Legal Services**

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

**Enrique I. Quiason, Filipino, age 55****Corporate Secretary**

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

**Family Relationships**

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

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

## **Significant Employees**

The Company considers its entire 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 five years and up to the date of this Report, the Company is not aware of any bankruptcy proceedings filed by or against any business of which a director, person nominated to become a director, executive officer, or control person of the Company is a party or of which any of their property is subject.

For the past five years and up to the date of this Report, the Company is not aware of any conviction by final judgment in a criminal proceeding, domestic or foreign of any of its director, person nominated to become a director, executive officer, or control person.

For the past five years and up to the date of this Report, 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 five years and up to the date of this Report, 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.

## **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:

<b>SUMMARY COMPENSATION TABLE</b>				
<b>Annual Compensation</b>				
<b>Name</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Annual Compensation</b>
Chief executive and most highly compensated executive officers (in alphabetical order): Ma. Rosario Santos-Concio Carlo L. Katigbak Ma. Lourdes N. Santos Rolando P. Valdueza Ma. Socorro V. Vidanes	2016E	₱126,842,594	₱504,192,048	₱-
	2015	119,662,824	287,747,266	-
	2014	110,822,616	66,135,316	-
All managers and up as a group unnamed	2016E	₱1,426,288,966	₱851,378,157	₱-
	2015	1,502,332,640	890,646,773	-
	2014	1,273,196,855	527,063,127	-

## Compensation of Directors

Each board director receives a set amount of ₱20,000 per board meeting and ₱10,000 per committee meeting attended. In terms of profit sharing and bonuses, the total yearly compensation of directors shall not exceed 10 percent of the net income before income tax of the Company during the preceding year.

## 11. Security Ownership of Certain Beneficial Owners and Management

### Security Ownership of Certain Records and Beneficial Owners as of December 31, 2015

Title Of class	Name and Address of Record Owner	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Class	% of Outstanding
Common	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc.	Filipino	480,933,774	55.15%	25.69%
Common	PCD Nominee Corporation* G/F Makati Stock Exchange Bldg., Ayala Ave., Makati City	ABS-CBN Holdings Corporation	Filipino	373,017,369	42.77%	19.92%
Preferred	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Lopez, Inc.	Filipino	987,130,246	98.71%	52.73%

\*PCD Nominee Corporation is not related to the Company

Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the families of Eugenio L. Lopez, III, Oscar M. Lopez, Presentacion L. Psinakis and Manuel M. Lopez. It has issued depositary receipts 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 L. Lopez III. The shares in the Company registered and beneficially owned by it are covered by PDRs which gives the holder thereof the right to delivery or sale of the underlying share. The PDRs are listed with the PSE.

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 December 31, 2015

As of December 31, 2015, the Company's directors and senior officers owned an aggregate of 1,409,238 shares of the Company, equivalent to 0.1613% 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 L. Lopez III <i>Chairman of the Board</i>	Direct	Filipino	651,191	0.0747%
Common	Augusto Almeda-Lopez <i>Vice-Chairman</i>	Indirect	Filipino	1	0.0000%
Common	Oscar M. Lopez <i>Director</i>	Direct	Filipino	63,605	0.0073%
Common	Presentacion L. Psinakis <i>Director</i>	Direct	Filipino	1,988	0.0002%
Common	Manuel M. Lopez <i>Director</i>	Direct	Filipino	146,186	0.0168%
Common	Salvador G. Tirona <i>Director</i>	Direct	Filipino	2	0.0000%
Common	Federico M. Garcia <i>Director</i>	Direct	Filipino	13,898	0.0016%
Common	Rolando P. Valdueza <i>Head, Corporate Services Group 2 and Group Chief Financial Officer</i>	Direct	Filipino	11,800	0.0014%
Common	Ma. Socorro V. Vidanes <i>Head, Free TV</i>	Direct	Filipino	10,000	0.0011%
Common	Mario Carlo P. Nepomuceno <i>Head, Corporate Services Group 1</i>	Direct	Filipino	35,351	0.0041%
Common	Vivian Y. Tin <i>Head, Integrated Customer Business Development</i>	Direct	Filipino	8,600	0.0010%
Common	Ma. Regina E. Reyes <i>Head, Integrated News and Current Affairs</i>	Direct	Filipino	48	0.0000%
Common	Manuel L.M. Torres <i>Corporate Secretary</i>	Direct	Filipino	12,705	0.0015%
Common	Enrique I. Quiason <i>Assistant Corporate Secretary</i>	Direct	Filipino	9,615	0.0011%
<b>Security Ownership of Directors and Management</b>				<b>964,990</b>	<b>0.1106%</b>

## **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.

## **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 23 of the accompanying notes to the Company's audited consolidated financial statements. Also, refer to section 1.10 Transactions with Related Parties of this report.

### **Parent Company**

Lopez, Inc. is the registered owner of 79% of the voting stock of the Company as of December 31, 2014. Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the families of Eugenio L. Lopez III, 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**

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

As an organization, ABS-CBN reaffirms its mission of being in the service of the Filipino, and espouses that there is no dichotomy between doing good business and practicing the right values. Through values cascading within the organization, the Company has identified the core values necessary to guide its leaders and employees in formulating and making business decisions, which in the end must always remain consistent with this mission and goal of service.

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

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

#### **The Mission of the ABS-CBN Board of Directors**

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

#### **The Board of Directors**

The Board consists of 11 members, elected by shareholders during the Annual Stockholders' Meeting.

For the year 2015, these directors are Eugenio L. Lopez III, Chairman; Augusto Almeda-Lopez; Ma. Rosario Santos-Concio; Oscar M. Lopez; Presentacion L. Psinakis; Federico R. Lopez; Federico M. Garcia, Salvador G. Tirona, Manuel M. Lopez, Antonio Jose U. Periquet, and Emmanuel S. de Dios. In compliance with the SEC requirement – that at least 20% of the Board should be independent directors with no material relationship with the Company, two independent directors – Mr. Periquet and Mr. de Dios — were elected. These directors are independent of management and are free of any relationship that may interfere with their judgment.

## **Selection of Directors**

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

## **Mix of Directors**

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

## **Criteria for Independence for Independent Directors**

The Board assesses the independence of each director and individual nominated for election to the Board as an independent director. As part of this analysis, the Board must review and conclude whether each nominee for independent director satisfies the requirements of the rules of SEC, the by-laws, and the Manual of Corporate Governance. Under the Manual of Corporate Governance, independent directors (i) are not directors or officers or substantial stockholders of the Company or its related companies, or any of its substantial shareholders (other than as independent directors of any of the foregoing); (ii) are not relatives of any director, officer or substantial shareholder of the Company, or any of its related companies, or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iv) have not been employed in any executive capacity by the Company, or any of its related companies or by any of its substantial shareholders within the last two years; (v) are not retained as professional advisers by the Company, any of its related companies, or any of its substantial shareholders within the last two years, either personally or through their firms; (vi) have not engaged and do not engage in any transaction with the Company, or with any of its related companies, or with any of its substantial shareholders, whether by themselves or with other persons, or through a firm of which they are partners, or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arms-length and are immaterial; and (vii) do not own more than 2% of the shares of the Company and/or its related companies, or any of its substantial shareholders. Mr. Periquet and Mr. de Dios do not possess any of the disqualifications enumerated under Section II (5) of the Code of Corporate Governance and Section II (D) of SEC Memorandum Circular No. 16, Series of 2002. In addition, none of them have served the company for nine years or two consecutive terms as independent directors.

## **Board Performance**

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

From January 1, 2015 to December 31, 2015, the Board had 13 meetings. Board Attendance to Meetings follows:

	<b>Total No. of Board Meetings</b>	<b>No. of Board Meetings Attended</b>	<b>Percentage of Attendance</b>	<b>Attended Annual Stockholders' Meeting? (Y/N)</b>
Eugenio L. Lopez III	13	11	85%	Y
Augusto Almeda-Lopez	13	11	85%	Y
Ma. Rosario Santos-Concio	13	11	85%	Y
Oscar M. Lopez	13	9	69%	Y
Presentacion L. Psinakis	13	7	54%	Y
Manuel M. Lopez	13	12	92%	N
Federico R. Lopez	13	9	69%	N
Federico M. Garcia	13	11	85%	Y
Salvador G. Tirona	13	13	100%	Y
Antonio Jose U. Periquet	13	11	85%	Y
Emmanuel S. de Dios	13	11	85%	Y

### **Board of Advisors**

The Board of Advisors was created to provide guidance to the Board of Directors. The Board of Advisors sits in all the Board Meetings and its members are also members of the Board Committees. Randolph S. David, Mario L. Bautista, Carlo L. Katigbak, and Honorio G. Poblador IV and Martin L. Lopez were appointed as members of the Board of Advisors on April 24, 2015.

### **Board Committees**

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

- The *Programming Committee* deliberates on the programming issues and strategies of the network, and is primarily a business strategy committee. It is composed of Federico M. Garcia, Ma. Rosario Santos-Concio, and Emmanuel S. de Dios. Randolph S. David is an advisor.
- The *Compensation Committee* reviews any recommendations on incentive schemes and the issuance of stock options to employees. It is composed of Augusto Almeda-Lopez, Federico M. Garcia, and Antonio Jose U. Periquet. Mario L. Bautista 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, Augusto Almeda-Lopez and Emmanuel S. de Dios. Randolph S. David and Carlo L. Katigbak are advisors.
- The *Compensation Committee* for the Chairman and the Chief Executive Officer reviews and approves the recommended changes concerning the salaries and benefits provided to the Company's Chief Executive Officer. The committee is composed of Augusto Almeda-Lopez, Federico M. Garcia and Antonio Jose U. Periquet. Mario L. Bautista and Randolph S. David are advisors.
- The *Audit and Compliance Committee* reviews the financial reports and risks, examines internal control systems, oversees the audit process as well as the company's compliance with laws, and evaluates the company's business conduct. It is composed of Antonio Jose U.

Periquet, Salvador G. Tirona, and Emmanuel S. de Dios. Carlo L. Katigbak, Honorio G. Poblador IV and Martin L. Lopez are advisors.

- The *Risk Management Committee* oversees the formulation and establishment of an enterprise-wide risk management system, including the review, analysis, and recommendation of policies, frameworks, strategies, and systems to be used by the Company to manage risks, threats, and liabilities. It is composed of Salvador G. Tirona, Federico M. Garcia, and Emmanuel S. de Dios. Honorio G. Poblador IV and Martin L. Lopez are advisors.
- The *Nomination and Election Committee* reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval, and assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors. It is composed of Eugenio L. Lopez III, Ma. Rosario Santos-Concio, and Antonio Jose U. Periquet. Randolph S. David is an advisor.

### **Compliance Officer**

The Company has appointed a Compliance Officer who is tasked to ensure the Company's observance of corporate governance best practices and provide recommendations to the Board for the continuous improvement of its policies and practices toward full compliance and the adoption of global best practices. The Compliance Officer also submits to the SEC, the PSE, and the Philippine Dealing and Exchange Corporation (PDEX), the Company's Annual Corporate Governance Report, periodic reports, and other material disclosures.

### **Audit**

#### **Internal Audit**

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

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

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

In 2015, the Internal Audit Division presented to the Audit Committee its audit plan, updates on the status of audit projects, highlights of significant findings, implementation status of audit recommendations, and other significant audit activities.

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

#### **Audit Committee Report for 2014**

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

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

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

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

- Majority of the Audit Committee members are independent directors, including the Chairman;
- Quarterly meetings were held and attended by the Chairman and members of the Committee;
- The Committee reviewed and approved the internal audit scope and plans, as well as the manpower resources and competencies necessary to carry out the audit plan;
- The Committee reviewed and discussed the reports of the internal auditors, including the necessary corrective actions, with concerned management;
- The Committee reviewed the audited annual financial statements of the Company and its Subsidiaries and discussed it with management, internal auditors, and external auditors taking into consideration that:
  - Management is responsible for the Company’s financial statements and the related statements of financial condition and results of operations; and
  - SGV & Co., the external auditor, is responsible for expressing an opinion on the conformity of the Company’s audited financial statements with the Philippine Financial Reporting Standards and International Financial Reporting Standards as appropriate.

### **Code of Conduct and Conflict of Interest Policy**

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

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

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

## **Whistle Blowing Policy**

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

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

## **Risk Management**

ABS-CBN's Board of Directors and management are mindful of the potential impact of various risks to the Company's ability to deliver quality content and information 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. The Chief Risk Management Officer 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. The formal creation of a risk dashboard, an organization-wide risk management structure and various risk management processes are in the final stages of completion with a number of systems and processes already in place. The Company continues to engage SGV (a member firm of Ernst and Young) to assist in the development of an ERM Framework and Program. In 2015, various initiatives including business continuity, an internal controls review conducted by a 3rd party consultant and various safety audits were conducted as part of the Risk Management program.

## **Disclosures and Financial Reporting**

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

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

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

## **Dealings in Securities**

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

## **Shareholder and Investor Relations**

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

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

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

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

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

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

## **PART V – EXHIBITS and SCHEDULES**

### **14. Exhibits and Reports on SEC Form 17-C**

**Annex A:** Management’s Discussion & Analysis of Financial Condition and Results of Operations for the Years Ended December 31, 2015, 2014 and 2013.

**Annex B:** Audited Consolidated Financial Statements

## **SIGNATURES**

## ANNEX A

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

The following is a discussion and analysis of ABS-CBN Corporation and Subsidiaries' ("ABS-CBN" or the "Company") financial performance for the years ended December 31, 2015, 2014 and 2013.

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

#### FOR THE YEAR ENDED DECEMBER 31, 2015

The table below summarizes the results of operations for the years 2015 and 2014.

	2015	2014	Variance	
			Amount	%
<b>Consolidated Revenues</b>	<b>₱38,278</b>	<b>₱33,544</b>	<b>₱4,734</b>	<b>14.1</b>
Advertising Revenues	21,265	18,880	2,385	12.6
Consumer Sales	17,013	14,664	2,349	16.0
<i>Sale of Services</i>	<i>15,148</i>	<i>14,173</i>	<i>975</i>	<i>6.9</i>
<i>Sale of Goods</i>	<i>1,734</i>	<i>352</i>	<i>1,382</i>	<i>392.6</i>
<i>Others</i>	<i>131</i>	<i>139</i>	<i>-8</i>	<i>-5.8</i>
<b>Costs and Expenses</b>	<b>34,686</b>	<b>30,369</b>	<b>4,317</b>	<b>14.2</b>
Production Costs	11,434	11,008	426	3.9
Cost of Sales and Services	11,474	9,247	2,227	24.1
General and Administrative Expenses (GAEX)	11,778	10,114	1,664	16.4
<b>Financial Costs – net</b>	<b>519</b>	<b>1,043</b>	<b>-524</b>	<b>-50.2</b>
<b>Equity in Net Loss (Earnings) of Associates and Joint Ventures</b>	<b>1</b>	<b>(3)</b>	<b>4</b>	<b>(133.3)</b>
<b>Other Income – net</b>	<b>(257)</b>	<b>(652)</b>	<b>395</b>	<b>(60.5)</b>
<b>Net Income</b>	<b>₱2,545</b>	<b>₱2,030</b>	<b>₱515</b>	<b>25.4</b>
<b>EBITDA</b>	<b>₱7,940</b>	<b>₱7,476</b>	<b>₱464</b>	<b>6.2</b>

#### Consolidated Revenues

For the year ended December 31, 2015, ABS-CBN generated consolidated revenues of P38.278 billion from advertising and consumer sales, ₱4.734 billion or 14.1% higher year-on-year.

Advertising revenues increased by ₱2.385 billion or 12.6% higher year-on-year. Consumer sales also increased by ₱2.349 billion resulting from the sale of ABS-CBN TVPlus, strong performance of Global's theatrical and remittance business and higher revenue from Sky Cable's broadband business.

Comparative revenue mix is as follows:

	2015	2014
Advertising revenues	56%	56%
Consumer sales	44%	44%

### **Consolidated Costs and Expenses**

Direct costs and expenses amounted to ₱34.686 billion in 2015, or a 14.2% increase year-on-year.

Production cost increased by ₱426 million or 3.9%. Personnel expenses and talent fees contributed 2.1% increase year-on-year. Increase in other cash expenses is mainly attributable to facilities-related expenses and licenses during the year, while non-cash expenses such as depreciation and amortization increased by 2.9%.

Cost of sales and services increased by ₱2.227 billion or 24.1% which is attributable to ABS-CBN TVPlus. Cost of services also increased in line with the increase in Sky Cable's programming and bandwidth costs. In addition, Global's cost of services increased due to higher transaction and events cost.

GAEX grew by 16.4% or ₱1.664 billion. The Company's personnel related expenses contributed to the increase in GAEX during the year while non-cash related expenses decreased by 4.1%.

### **Net Income and EBITDA**

The Company generated ₱2.545 billion net income for the year 2015. Net income increased by 25.4% compared to ₱2.030 billion in the previous year. EBITDA reached ₱7.940 billion, a 6.2% increase year-on-year.

### **Business Segments**

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

	<p><b><u>TV and Studio</u></b> TV and studio segment is composed of broadcast, global operations, film and music production, cable channels, and publishing. Local and global content creation and distribution through television and radio broadcasting are included in this segment.</p>
	<p><b><u>Pay TV Networks</u></b> Pay TV networks include cable television services of Sky Cable and its subsidiaries in Metro Manila and in certain provincial areas in the Philippines. It offers postpaid and prepaid packages as well as a la carte programming, broadband, internet phone, among others.</p>
	<p><b><u>New Business</u></b> New businesses and initiatives pertain to wireless telecommunications business, digital terrestrial TV, theme parks and home shopping.</p>

The following analysis presents results of operations of the Company's business segments for the period December 31, 2015 and 2014:

#### A. TV and Studio

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

	Revenues		
	2015	2014	%
Free-to-Air	₱19,675	₱17,092	15.1
Global	5,976	5,651	5.8
Films and Music	1,282	1,161	10.4
Narrowcast	1,412	1,265	11.6
Others	2,709	2,278	18.9
	<b>₱31,054</b>	<b>₱27,447</b>	<b>13.1</b>

*Includes reclassification of 2014 figures for comparative purposes and excludes ABS Mobile TVCs*

#### Free-to-Air

Revenue from the Free-to-Air business grew by ₱2.583 billion or 15.1% compared to previous year. Airtime revenue increased significantly in Channel 2 and Regional Network with year-on-year increase of 13.0% and 39.0%, respectively.

Growth is fuelled by ABS-CBN's strength in content creation and programming which led to ratings leadership. ABS-CBN's Primetime Bida remained undisputed with its line-up of top caliber drama series such as "Ang Probinsyano", "Pangako Sa'yo", "On the Wings of Love", and "Pasion de Amor".

ABS-CBN continued to dominate weekend programming as "The Voice Kids" and "Your Face Sounds Familiar" makes it to the list of most watched TV programs in the country.

ABS-CBN's Channel 2 led in national audience share and ratings. Channel 2's overall audience share was at 43.0% in December 2015 while the primetime audience share was at 48.6% based on Kantar National TV Audience Measurement. ABS-CBN's primetime lead in December 2015 was sustained by its top rating programs led by "Ang Probinsyano" with average national TV rating of 38.8% while the afternoon block remained strong with "Doble Kara" and "Nasan Ka Nang Kailangan Kita" registering 14.7% and 13.9% in ratings, respectively:

Rank	Channel	Program	Rating (%)*	
1	ABS-CBN	The Voice Kids Sunday	42.7	Weekend
2	ABS-CBN	The Voice Kids Saturday	40.8	Weekend
3	ABS-CBN	FPJ's Ang Probinsyano	39.6	Weekday
4	ABS-CBN	Nathaniel	34.6	Weekday
5	ABS-CBN	Pangako Sa'Yo	33.8	Weekday
6	ABS-CBN	Boses ng Bulilit, Muling Bibirit	32.8	Weekend
7	ABS-CBN	Dance Kids Saturday	31.6	Weekend
8	ABS-CBN	Dance Kids Sunday	31.0	Weekend
9	ABS-CBN	MMK Ang Tahanan Mo	30.7	Weekday
10	ABS-CBN	Dream Dad	29.9	Weekend

\*Source: Kantar Media TV Audience Measurement, Total Philippines, Total Days, January - December 2015

## **Global**

As of December 31, 2015, ABS-CBN Global reached over 3.0 million viewers in over 40 countries across 4 continents worldwide, 8.5% higher than previous year. 53.1% of Global viewers were in North America while 40.5% were in the Middle East.

Global's primary revenue drivers were as follows:

	Revenues		
	2015	2014	%
Subscription	₱3,607	₱3,475	3.8
Advertising Revenue	704	581	21.2
Theatrical and Events	713	467	52.7
Remittance	347	305	13.8
Others	605	823	(26.6)
	<b>₱5,976</b>	<b>₱5,651</b>	<b>5.8%</b>

Global revenue increased by 5.8% as a result of higher earnings from theatrical and events which increased by ₱246 million compared to the previous year. During the year, Global released 12 movies from Star Cinema, with *The Love Affair* ranking as the highest-grossing internationally released film as of date. For events, ABS-CBN and TFC mounted the ASAP 20 Live in London last September 2015 with almost 10,000 Filipinos in attendance.

In line with the increase in total subscriber count, subscription related revenue increased by ₱132 million or 3.8% compared to previous year. Also, the significant increase in volume of remittance transactions during the year triggered the increase in remittance revenue of 13.8%.

## **Films and Music**

Total revenue of Films and Music increased 10.4% year-on-year. ABS-CBN Film Productions, Inc. (i.e. "Star Cinema") released 14 films. *The Amazing Praybeyt Benjamin 2* and *A Second Chance* generated over ₱450 million box office receipts making it to the list of highest grossing Filipino films. *A Second Chance* is also the highest grossing non-Metro Manila Film Fest Filipino film of all time. Four films namely, *Feng Shui*, *Crazy Beautiful You* and *You're My Boss* generated more than ₱200 million gross receipts. Gross receipts in 2015 is 3.7% higher than gross receipts of previous year considering that more movies were released in 2014.

Cost of sales and services increased by 3.1% year-on-year due to more quality films produced in and lower number year-on-year of movies that are co-produced.

## **Narrowcast**

Total revenues of narrowcast increased by ₱147 million or 11.6%. Significant increase in revenues is fuelled by the theatrical release of Cinema One Original movie *That Thing Called Tadhana* with over ₱135 million gross receipts. ABS-CBN Publishing, Inc. also released bestselling books namely *Stupid is Forever*, *Stupid is Forevermore* and *Dear Alex* which contributed to the increase in revenues.

## B. Pay TV Networks

Revenue from Pay TV Network consist of the following:

	Revenues		
	2015	2014	%
Cable	₱5,672	₱5,661	0.0
Broadband	1,646	1,264	30.2
Advertising Revenue and Others	765	839	(8.8)
	<b>₱8,083</b>	<b>₱7,764</b>	<b>4.1</b>

Total revenues grew by ₱319 million or 4.1% year-on year. Broadband revenues increased by 30.2% driven by 44.4% growth in broadband subscriber base. Pay-per view revenue doubled in 2015 mainly from the Pacquiao-Mayweather which is the highest pay-per view event to date.

Total costs and expenses increased by 7.3% to ₱7.898 billion. This increase was caused by growth in programming and bandwidth costs of 3.8%.

## C. New Business

KidZania Manila, an indoor play city where kids can have fun exploring the adult world, officially opened its doors to the public last August 7, 2015. Since opening, KidZania has welcomed over 200,000 visitors generating ₱239 million revenues in a span of five months.

In February 2015, ABS-CBN Corporation launched its newest and biggest innovation on Philippine TV with ABS-CBN TVplus. Total sell-in of set-top boxes for digital terrestrial TV reached over 800 thousand boxes as of December 31, 2015.

ABS-CBN*mobile* being the first mobile phone service to offer exclusive content never before seen on TV launched its StarFlix service last August 2015. “Must date the Playboy” was the first offer of StarFlix which featured the best and most popular artists of ABS-CBN. Average revenue per user (ARPU) ended at ₱97 as at December 31, 2015 from an ARPU of ₱42 at the start of the year.

On the other hand, A CJ O continuously performed well during the year generating average monthly sales of ₱56 million.

## Capital Expenditures

Cash capital expenditures and program rights acquisitions amounted to ₱5.3 billion as of December 31, 2015.

## Statement of Financial Position Accounts

As at December 31, 2015, total consolidated assets stood at ₱70.4 billion, 4.7% higher than total assets of ₱67.2 billion as of December 31, 2014.

Shareholders' equity increased to ₱28.7 billion or 6.8% in December 31, 2015 compared to the previous year. The increase in equity is attributable to net income earned during the year.

The company's net debt-to-equity ratio was at 0.31x and 0.26x as of December 31, 2015 and December 31, 2014, respectively.

## FOR THE YEAR ENDED DECEMBER 31, 2014

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

	2014	2013 <sup>A</sup>	Variance	
			Amount	%
<b>Consolidated Revenues</b>	<b>₱33,544</b>	<b>₱33,378</b>	<b>₱166</b>	<b>0.5</b>
Advertising Revenues	18,880	19,332	(452)	-2.3
Consumer Sales	14,664	14,046	618	4.4
<i>Sale of Services</i>	<i>14,173</i>	<i>13,287</i>	<i>886</i>	<i>6.7</i>
<i>Sale of Goods</i>	<i>352</i>	<i>579</i>	<i>(227)</i>	<i>-39.2</i>
<i>Others</i>	<i>139</i>	<i>180</i>	<i>(41)</i>	<i>(22.8)</i>
<b>Costs and Expenses</b>	<b>30,369</b>	<b>30,298</b>	<b>71</b>	<b>0.2</b>
Production Costs	11,008	11,499	(491)	-4.3
Cost of Sales and Services	9,247	9,184	63	0.7
General and Administrative Expenses (GAEX)	10,114	9,615	499	5.2
<b>Financial Costs – net</b>	<b>1,043</b>	<b>868</b>	<b>175</b>	<b>20.2</b>
<b>Equity in Net Loss (Earnings) of Associates and Joint Ventures</b>	<b>(3)</b>	<b>12</b>	<b>(15)</b>	<b>-125.0</b>
<b>Other Income – net</b>	<b>(652)</b>	<b>(512)</b>	<b>(140)</b>	<b>27.3</b>
<b>Net Income</b>	<b>₱2,030</b>	<b>₱2,028</b>	<b>(₱2)</b>	<b>0.1</b>
<b>EBITDA</b>	<b>₱7,476</b>	<b>₱7,195</b>	<b>₱281</b>	<b>3.9</b>

### Consolidated Revenues

For the year ended December 31, 2014, ABS-CBN generated consolidated revenues of ₱33.544 billion from advertising and consumer sales, ₱166 million or 0.5% growth compared to 2013. Removing the impact of election-related revenues, consolidated revenues grew by 4.5%.

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

On the other hand, consumer sales improved by 4.4% resulting from strong performance of movies released both locally and internationally supported by performance of Sky Cable.

Comparative revenue mix was as follows:

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

\*Excluding election related revenues

<sup>A</sup> Reclassifications were made in 2013 audited figures for comparative purposes

### **Consolidated Costs and Expenses**

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

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

Cost of sales and services increased by ₱63 million or 0.7% to ₱9.247 billion. In line with the increase in Sky Cable's number of subscribers coupled with foreign exchange losses, programming, bandwidth costs and contracted services increased compared to 2013. Similarly, due to the increasing number of movies shown and events mounted overseas, Global's corresponding theatrical and event costs grew as well.

GAEX grew by ₱499 million or 5.2% from 2013. Personnel expenses, which represent 50.9% of total GAEX, increased by 10.5% attributable to annual merit increase. Noncash expenses such as depreciation and provision for doubtful accounts grew by 15.0%.

### **Net Income and EBITDA**

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

### **Business Segments**

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

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

#### **A. TV and Studio**

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

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

#### **Broadcast**

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

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

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

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

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

### **Global**

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

Global's primary revenue drivers were as follows:

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

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

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

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

Theatrical revenues grew by ₱47 million driven by the success of international screenings of the *Girl Boy Bakla Tomboy*, *Bride for Rent*, *Starting Over Again*, *Maybe This Time*, *She's Dating The Gangster* and *The Trial*. Total gross revenues from theatrical grew by 18.8% year-on-year assisted by shorter window between local and international releases of the movies. Global screened 12 movies across its regions this year compared to 8 in 2013.

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

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

### **Films and Music**

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

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

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

### **Narrowcast and Sports**

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

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

## **B. Pay TV Networks**

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

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

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

## **C. New Business**

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

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

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

### **Capital Expenditures**

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

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

### **Statement of Financial Position Accounts**

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

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

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

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

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

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Reclassifications were made in 2013 audited figures for comparative purposes

## FOR THE YEAR ENDED DECEMBER 31, 2013

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

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

### Consolidated Revenues

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

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

### Consolidated Costs and Expenses

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

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

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

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

### Net Income and EBITDA

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

### Business Segments

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

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

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

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

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

	Net Income	EBITDA
	%	%
TV and Studio Entertainment	35	19
Pay TV Networks	0	18
New Businesses	70	222
	<b>19</b>	<b>10</b>

## A. TV and Studio

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

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

\* This includes intercompany eliminations.

### **Broadcast**

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

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

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

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

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

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

### **Global**

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

Global's primary revenue drivers for the year follow:

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

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

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

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

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

### **Films and Music**

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

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

### **Narrowcast**

Total revenues grew 12%. 50% of the increase in revenue is accounted for by the strong performance of cable channels with 17% increase in advertising revenues and 8% increase in subscription revenues. Cinema One, the Company's Filipino movie channel, remains to be the no. 1 cable channel in the country. It represents 45% of the total revenue of the segment with 67% gross profit margin. This is a 17% growth from last year. Lifestyle Channel, another cable

channel of the Company, contributed 22% to the total revenue with 57% gross profit margin. Cost and expenses decreased by 1% compared in prior year. About 62% of Narrowcast's cost is amortization of program rights.

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

## B. Pay TV Networks

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

Below is a breakdown of revenues:

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

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

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

## C. New Business

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

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

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

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

## **Capital Expenditures**

Cash capital expenditures and program rights acquisitions amounted to ₱5.499 billion, 23% higher than last year's ₱4.462 billion. Program rights acquisitions amounted to ₱1.172 billion. Investments in Pay TV facilities reached ₱1.715 billion.

## **Statement of Financial Position Accounts**

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

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

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

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

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

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

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

## **ANNEX B**

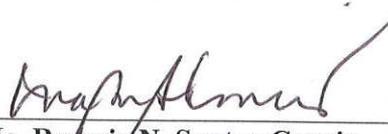
- I. STATEMENT OF MANAGEMENT RESPONSIBILITY ON THE FINANCIAL STATEMENTS
- II. AUDITED FINANCIAL STATEMENTS
- III. ADDITIONAL COMPONENTS OF FINANCIAL STATEMENTS

**SIGNATURES**

Pursuant to the requirement of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of \_\_\_\_\_ on 06 APR 2016.



**Eugenio L. Lopez III**  
Chairman of the Board



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



**Rolando P. Valdueza**  
Group Chief Financial Officer



**Aldrin M. Cerrado**  
Chief Financial Officer



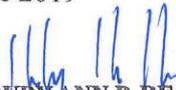
**Enrique I. Quiason**  
Corporate Secretary

Signed this 06 APR 2016 day of 2016, 2016.

SUBSCRIBED AND SWORN to before me this 06 APR 2016 day of 2016. Affiants exhibiting to me their passports, as follows:

<u>NAME</u>	<u>PASSPORT NO.</u>	<u>DATE OF EXPIRY</u>	<u>PLACE OF ISSUE</u>
Eugenio L. Lopez III	EB8352063	07 June 2018	DFA, Manila
Ma. Rosario N. Santos-Concio	EB8799114	26 July 2018	DFA, Manila
Rolando P. Valdueza	EB9244017	25 September 2018	DFA, Manila
Aldrin M. Cerrado	EC0845195	13 April 2019	DFA, Manila
Enrique I. Quiason	EC1299905	02 June 2019	DFA, NCR Central

Doc. No. : 207  
Page No. : 43  
Book No. : J  
Series of : 2016.



**MA. RUBY ANN P. REAS**  
NOTARY PUBLIC  
FOR AND IN THE CITY OF PASIG, TAGUIG AND  
SAN JUAN AND IN THE MUNICIPALITY OF PATEROS  
UNTIL DECEMBER 31, 2017  
PTR NO. 1388353; 1/7/16; PASIG CITY  
IBP NO. 1019721; 1/4/16; RSM  
MCLE COMPLIANCE NO. V-00119559; 4/14/19  
ROLL NO. 63312/ APPOINTMENT NO. 26 (2016-2017)  
21/F Robinsons-Equitable Tower, 4 ADB Ave. cor. Poveda St.  
1605 Ortigas Center, Pasig City



# ABS-CBN CORPORATION

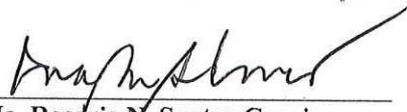
## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

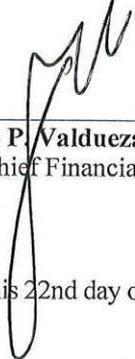
The management of ABS-CBN Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders for the period December 31, 2015 and 2014, respectively, has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

  
\_\_\_\_\_  
**Eugenio L. Lopez III**  
Chairman of the Board

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

  
\_\_\_\_\_  
**Rolando P. Valdueza**  
Group Chief Financial Officer

  
\_\_\_\_\_  
**Aldrin M. Cerrado**  
Chief Financial Officer

Signed this 22nd day of February, 2016

SUBSCRIBED AND SWORN to before me this 06 day of APR 2016, 2016. 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	EB8352063	07 June 2018	DFA, Manila
Ma. Rosario N. Santos-Concio	EB8799114	26 July 2018	DFA, Manila
Rolando P. Valdueza	EB9244017	26 Sep 2018	DFA, Manila
Aldrin M. Cerrado	EC0845195	13 Apr 2019	DFA, Manila

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Page No.: 43  
Book No.: L  
Series of: 1916

  
**MA. RUFAYAN P. BARRAS**  
NOTARY PUBLIC  
FOR AND IN THE CITY OF PASIG, TAGUIG AND SAN JUAN AND IN THE MUNICIPALITY OF PATEROS UNTIL DECEMBER 31, 2017  
PTR NO. 1388353; 1/7/16; PASIG CITY  
IBP NO. 1019721; 1/4/16; RSM  
MCLE COMPLIANCE NO. V-0011959; 4/14/19  
ROLL NO. 63312/ APPOINTMENT NO. 26 (2016-2017)  
21/F Robinsons-Equitable Tower, 4 ADB Ave. cor. Poveda St. 1605 Ortigas Center, Pasig City



## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying consolidated financial statements of ABS-CBN Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, 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, 2015, 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, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

*Catherine E. Lopez*

Catherine E. Lopez

Partner

CPA Certificate No. 86447

SEC Accreditation No. 0468-AR-2 (Group A),

February 14, 2013, valid until April 30, 2016

Tax Identification No. 102-085-895

BIR Accreditation No. 08-001998-65-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5321648, January 4, 2016, Makati City

February 22, 2016



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

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	<b>₱11,537,559</b>	₱13,238,377
Short-term investments	<b>1,617,546</b>	–
Trade and other receivables (Notes 7 and 23)	<b>11,561,147</b>	10,717,317
Inventories (Note 8)	<b>672,501</b>	544,362
Program rights and other intangible assets (Note 12)	<b>959,411</b>	1,183,184
Other current assets (Note 9)	<b>3,890,024</b>	3,124,952
Total Current Assets	<b>30,238,188</b>	28,808,192
<b>Noncurrent Assets</b>		
Property and equipment (Notes 10, 18 and 31)	<b>21,798,053</b>	20,572,543
Program rights and other intangible assets - net of current portion (Note 12)	<b>7,041,430</b>	6,598,402
Goodwill (Note 16)	<b>5,301,526</b>	5,289,956
Available-for-sale (AFS) investments (Note 13)	<b>275,096</b>	242,368
Investment properties (Notes 11 and 18)	<b>200,801</b>	198,734
Investments in associates and joint ventures (Note 14)	<b>523,733</b>	199,874
Deferred tax assets (Note 29)	<b>2,891,139</b>	2,858,187
Other noncurrent assets (Note 15)	<b>2,154,138</b>	2,468,564
Total Noncurrent Assets	<b>40,185,916</b>	38,428,628
<b>TOTAL ASSETS</b>	<b>₱70,424,104</b>	<b>₱67,236,820</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 17, 23 and 30)	<b>₱14,941,690</b>	₱12,788,120
Income tax payable	<b>276,374</b>	292,053
Obligations for program rights (Note 19)	<b>498,905</b>	724,266
Interest-bearing loans and borrowings (Notes 10, 11 and 18)	<b>404,794</b>	110,751
Total Current Liabilities	<b>16,121,763</b>	13,915,190
<b>Noncurrent Liabilities</b>		
Interest-bearing loans and borrowings - net of current portion (Notes 10, 11 and 18)	<b>20,125,519</b>	20,214,484
Obligations for program rights - net of current portion (Note 19)	<b>172,600</b>	224,472
Accrued pension obligation and other employee benefits (Note 30)	<b>4,047,559</b>	4,790,813
Deferred tax liabilities (Note 29)	<b>618,856</b>	587,654
Convertible note (Note 20)	<b>205,231</b>	190,522
Other noncurrent liabilities (Note 21)	<b>417,250</b>	438,857
Total Noncurrent Liabilities	<b>25,587,015</b>	26,446,802
Total Liabilities	<b>41,708,778</b>	40,361,992

(Forward)



	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock (Note 22):		
Common	<b>₱872,124</b>	₱872,124
Preferred	<b>200,000</b>	200,000
Additional paid-in capital (Notes 2, 4 and 22)	<b>4,711,050</b>	4,495,050
Exchange differences on translation of foreign operations	<b>(466,159)</b>	(456,773)
Unrealized gain on AFS investments (Note 13)	<b>176,009</b>	143,281
Share-based payment plan (Note 22)	<b>34,349</b>	34,349
Retained earnings (Note 22)	<b>23,922,847</b>	21,363,395
Treasury shares and Philippine depository receipts convertible to common shares (Note 22)	<b>(1,638,719)</b>	(1,264,096)
Equity attributable to Equity Holders of the Parent	<b>27,811,501</b>	25,387,330
<b>Noncontrolling Interests</b> (Notes 4 and 24)	<b>903,825</b>	1,487,498
Total Equity	<b>28,715,326</b>	26,874,828
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱70,424,104</b>	₱67,236,820

*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		
	2015	2014	2013
<b>REVENUE</b>			
Advertising revenue (Note 23)	₱21,264,714	₱18,879,946	₱19,331,908
Sale of services (Note 31)	15,148,219	14,173,204	13,287,245
Sale of goods (Note 23)	1,734,397	351,528	579,140
Others	130,785	138,950	179,611
	<b>38,278,115</b>	<b>33,543,628</b>	<b>33,377,904</b>
<b>PRODUCTION COSTS</b>			
(Notes 10, 12, 23, 25, 30 and 31)	<b>(11,434,166)</b>	<b>(11,007,656)</b>	<b>(11,499,365)</b>
<b>COST OF SERVICES</b>			
(Notes 8, 10, 12, 15, 23, 26, 30 and 31)	<b>(9,941,758)</b>	<b>(9,045,527)</b>	<b>(8,853,440)</b>
<b>COST OF SALES</b> (Notes 8, 10, 23, 26, 30 and 31)	<b>(1,532,200)</b>	<b>(201,993)</b>	<b>(330,029)</b>
<b>GROSS PROFIT</b>	<b>15,369,991</b>	<b>13,288,452</b>	<b>12,695,070</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>			
(Notes 7, 8, 10, 11, 12, 22, 23, 27, 30 and 31)	<b>(11,777,634)</b>	<b>(10,113,904)</b>	<b>(9,614,356)</b>
<b>FINANCE COSTS</b> (Notes 18, 20 and 28)	<b>(811,787)</b>	<b>(1,165,313)</b>	<b>(816,919)</b>
<b>INTEREST INCOME</b> (Notes 6 and 23)	<b>169,270</b>	<b>153,968</b>	<b>94,438</b>
<b>FOREIGN EXCHANGE GAINS (LOSSES) - Net</b>	<b>123,881</b>	<b>(31,704)</b>	<b>(145,500)</b>
<b>EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES</b> (Note 14)	<b>(1,141)</b>	<b>3,283</b>	<b>(12,397)</b>
<b>OTHER INCOME - net</b> (Notes 15, 20, 21, 28 and 31)	<b>256,796</b>	<b>652,352</b>	<b>512,322</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>3,329,376</b>	<b>2,787,134</b>	<b>2,712,658</b>
<b>PROVISION FOR INCOME TAX</b> (Note 29)	<b>784,242</b>	<b>756,998</b>	<b>684,311</b>
<b>NET INCOME</b>	<b>₱2,545,134</b>	<b>₱2,030,136</b>	<b>₱2,028,347</b>
<b>Attributable to</b>			
Equity holders of the Parent Company (Note 34)	₱2,931,777	₱2,387,085	₱2,145,725
Noncontrolling interests	(386,643)	(356,949)	(117,378)
	<b>₱2,545,134</b>	<b>₱2,030,136</b>	<b>₱2,028,347</b>
<b>Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company</b> (Note 34)	<b>₱3.555</b>	<b>₱2.867</b>	<b>₱2.678</b>

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2015	2014	2013
<b>NET INCOME</b>	<b>₱2,545,134</b>	₱2,030,136	₱2,028,347
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Other comprehensive income (loss) not to be reclassified to profit and loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit plan (Note 30)	226,935	(478,239)	639,129
Income tax effect	(64,945)	143,472	(191,739)
	<b>161,990</b>	(334,767)	447,390
Other comprehensive income (loss) to be reclassified to profit and loss in subsequent periods:			
Exchange differences on translation of foreign operations	(9,386)	(186,141)	367,657
Unrealized fair value gain (loss) on AFS investments - net (Note 13)	32,728	21,515	(4,910)
	<b>23,342</b>	(164,626)	362,747
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>185,332</b>	(499,393)	810,137
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱2,730,466</b>	₱1,530,743	₱2,838,484
<b>Attributable to:</b>			
Equity holders of the Parent Company	₱3,097,146	₱1,895,412	₱2,906,433
Noncontrolling interests	(366,680)	(364,669)	(67,949)
	<b>₱2,730,466</b>	₱1,530,743	₱2,838,484

*See accompanying Notes to Consolidated Financial Statements.*



**ABS-CBN CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**

**(Amounts in Thousands)**

	Capital Stock (Note 22)		Additional Paid-in Capital	Exchange Differences in Translation of Foreign Operations	Unrealized Gain on Available-for-Sale Investments (Note 13)	Remeasurement Gain (Loss) on Defined Benefit Plan - Net (Note 30)	Share-based Payment Plan (Note 22)	Retained Earnings (Note 22)		Treasury Shares and Philippine Depository Receipts Convertible to Common Shares (Note 22)	Total	Noncontrolling Interests	Total Equity
	Common	Preferred						Appropriated	Unappropriated				
At December 31, 2014	₱872,124	₱200,000	₱4,495,050	(₱456,773)	₱143,281	₱-	₱34,349	₱16,200,000	₱5,163,395	(₱1,264,096)	₱25,387,330	₱1,487,498	₱26,874,828
Net income (loss)	-	-	-	-	-	-	-	-	2,931,777	-	2,931,777	(386,643)	2,545,134
Other comprehensive income (loss)	-	-	-	(9,386)	32,728	142,027	-	-	-	-	165,369	19,963	185,332
Total comprehensive income (loss)	-	-	-	(9,386)	32,728	142,027	-	-	2,931,777	-	3,097,146	(366,680)	2,730,466
Remeasurement loss (gain) on defined benefit plan transferred to retained earnings	-	-	-	-	-	(142,027)	-	-	142,027	-	-	-	-
Cash dividends declared	-	-	-	-	-	-	-	-	(514,352)	-	(514,352)	-	(514,352)
Acquisition of PDRs and common shares	-	-	(993)	-	-	-	-	-	-	(374,623)	(375,616)	-	(375,616)
Decrease in noncontrolling interest (Notes 2 and 4)	-	-	216,993	-	-	-	-	-	-	-	216,993	(216,993)	-
At December 31, 2015	₱872,124	₱200,000	₱4,711,050	(₱466,159)	₱176,009	₱-	₱34,349	₱16,200,000	₱7,722,847	(₱1,638,719)	₱27,811,501	₱903,825	₱28,715,326
At December 31, 2013	₱872,124	₱200,000	₱4,495,050	(₱270,632)	₱121,766	₱-	₱34,349	₱16,200,000	₱3,617,957	(₱1,164,146)	₱24,106,468	₱1,816,289	₱25,922,757
Net income (loss)	-	-	-	-	-	-	-	-	2,387,085	-	2,387,085	(356,949)	2,030,136
Other comprehensive income (loss)	-	-	-	(186,141)	21,515	(327,047)	-	-	-	-	(491,673)	(7,720)	(499,393)
Total comprehensive income (loss)	-	-	-	(186,141)	21,515	(327,047)	-	-	2,387,085	-	1,895,412	(364,669)	1,530,743
Remeasurement loss on defined benefit plan transferred to retained earnings	-	-	-	-	-	327,047	-	-	(327,047)	-	-	-	-
Cash dividends declared	-	-	-	-	-	-	-	-	(514,600)	-	(514,600)	-	(514,600)
Acquisition of PDRs and common shares	-	-	-	-	-	-	-	-	-	(99,950)	(99,950)	-	(99,950)
Additional investment (Note 2)	-	-	-	-	-	-	-	-	-	-	-	35,878	35,878
At December 31, 2014	₱872,124	₱200,000	₱4,495,050	(₱456,773)	₱143,281	₱-	₱34,349	₱16,200,000	₱5,163,395	(₱1,264,096)	₱25,387,330	₱1,487,498	₱26,874,828



	Capital Stock (Note 22)		Additional Paid-in Capital	Exchange Differences in Translation of Foreign Operations	Unrealized Gain on Available- for-Sale Investments (Note 13)	Remeasurement Gain (Loss) on Defined Benefit Plan - Net (Note 30)	Share-based Payment Plan (Note 22)	Retained Earnings (Note 22)		Treasury Shares and Philippine Depository Receipts Convertible to Common Shares (Note 22)	Total	Noncontrolling Interests	Total Equity
	Common	Preferred						Appropriated	Unappropriated				
At December 31, 2012	₱779,585	₱—	₱679,069	(₱638,289)	₱126,676	₱—	₱28,952	₱8,300,000	₱9,270,834	(₱1,164,146)	₱17,382,681	₱2,039,150	₱19,421,831
Net income (loss)	—	—	—	—	—	—	—	—	2,145,725	—	2,145,725	(117,378)	2,028,347
Other comprehensive income (loss)	—	—	—	367,657	(4,910)	397,961	—	—	—	—	760,708	49,429	810,137
Total comprehensive income (loss)	—	—	—	367,657	(4,910)	397,961	—	—	2,145,725	—	2,906,433	(67,949)	2,838,484
Remeasurement gain on defined benefit plan transferred to retained earnings	—	—	—	—	—	(397,961)	—	—	397,961	—	—	—	—
Cash dividends declared	—	—	—	—	—	—	—	—	(296,563)	—	(296,563)	—	(296,563)
Reversal of appropriation of retained earnings	—	—	—	—	—	—	—	(8,300,000)	8,300,000	—	—	—	—
Appropriation of retained earnings	—	—	—	—	—	—	—	16,200,000	(16,200,000)	—	—	—	—
Share-based payment plan	—	—	—	—	—	—	5,397	—	—	—	5,397	—	5,397
Issuance of common stock	92,539	—	3,846,962	—	—	—	—	—	—	—	3,939,501	—	3,939,501
Issuance of preferred stock	—	200,000	—	—	—	—	—	—	—	—	200,000	—	200,000
Decrease in noncontrolling interests (Note 2)	—	—	(30,981)	—	—	—	—	—	—	—	(30,981)	(154,912)	(185,893)
At December 31, 2013	₱872,124	₱200,000	₱4,495,050	(₱270,632)	₱121,766	₱—	₱34,349	₱16,200,000	₱3,617,957	(₱1,164,146)	₱24,106,468	₱1,816,289	₱25,922,757

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2015	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱3,329,376	₱2,787,134	₱2,712,658
Adjustments for:			
Depreciation and amortization (Notes 10 and 11)	3,022,249	2,871,000	2,714,199
Amortization of:			
Program rights and other intangibles (Note 12)	1,677,088	1,327,894	1,430,811
Debt issue costs (Note 28)	34,687	122,975	73,421
Deferred charges (Note 26)	34,484	69,617	52,871
Interest expense (Note 28)	762,463	845,478	716,894
Movement in accrued pension obligation and other employee benefits (Note 30)	655,634	531,092	973,130
Interest income (Notes 6 and 23)	(169,270)	(153,968)	(94,438)
Net unrealized foreign exchange loss (gain)	71,665	(69,427)	2,836
Loss (gain) on sale of property and equipment (Notes 10 and 28)	(11,687)	4,167	5,688
Equity in net losses (earnings) of associates and joint ventures (Note 14)	1,141	(3,283)	12,397
Gain on settlement of liabilities (Note 28)	-	(444,826)	(13,910)
Impairment loss (Note 16)	-	-	20,061
Share-based payment expense (Note 22)	-	-	5,397
Income before working capital changes	9,407,830	7,887,853	8,612,015
Provisions for doubtful accounts (Note 27)	364,874	530,573	432,094
Decrease (increase) in:			
Trade and other receivables	(1,565,148)	(2,886,288)	(814,390)
Inventories	(122,722)	(278,981)	(46,742)
Other current assets	(638,789)	(347,574)	111,917
Increase (decrease) in:			
Trade and other payables	1,680,860	985,677	356,911
Other noncurrent liabilities	(1,018,054)	(371,221)	(5,461)
Obligations for program rights	(278,495)	225,297	239,177
Cash generated from operations	7,830,356	5,745,336	8,885,521
Income taxes paid	(261,994)	(912,745)	(830,461)
Net cash provided by operating activities	7,568,362	4,832,591	8,055,060

(Forward)



	<b>Years Ended December 31</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Short-term investment	(₱1,617,546)	₱-	₱-
Property and equipment (Note 10)	(4,743,809)	(4,991,980)	(3,727,670)
Program rights and other intangible assets (Notes 12 and 35)	(1,927,825)	(1,433,238)	(1,772,969)
Investment properties (Notes 11 and 35)	-	(2,508)	-
Proceeds from sale of property and equipment	519,328	96,580	24,629
Investments in joint ventures and associates (Note 14)	(291,405)	(30,000)	(137,962)
Increase (decrease) in other noncurrent assets	129,281	(194,505)	(97,296)
Interest received	155,818	140,660	97,881
<b>Net cash used in investing activities</b>	<b>(7,776,158)</b>	<b>(6,414,991)</b>	<b>(5,613,387)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Bank loans (Note 18)	300,000	-	850,000
Long-term debt	-	8,576,439	2,000,000
Payments of:			
Dividends	(493,717)	(498,950)	(298,066)
Interest	(742,242)	(983,203)	(744,937)
Long-term debt (Notes 18 and 28)	(178,510)	(2,372,139)	(115,722)
Obligations under finance lease	(25,154)	(29,549)	(37,551)
Bank loans (Notes 18 and 28)	-	(400,000)	(3,850,000)
Acquisition of treasury shares and Philippine depository receipts (Note 22)	(374,623)	(99,950)	-
Proceeds from additional investment	-	35,878	-
Issuances of:			
Common shares (Note 22)	-	-	3,939,501
Preferred shares (Note 22)	-	-	200,000
Decrease in noncontrolling interests	-	-	(185,893)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,514,246)</b>	<b>4,228,526</b>	<b>1,757,332</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>			
	<b>21,224</b>	<b>(24,604)</b>	<b>22,912</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,700,818)</b>	<b>2,621,522</b>	<b>4,221,917</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>13,238,377</b>	<b>10,616,855</b>	<b>6,394,938</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱11,537,559</b>	<b>₱13,238,377</b>	<b>₱10,616,855</b>

*See accompanying Notes to Consolidated Financial Statements.*



**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Amounts in Thousands Unless Otherwise Specified)**

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**1. Corporate Information**

ABS-CBN Corporation (“ABS-CBN” or “Parent Company”) was incorporated in the Philippines on July 11, 1946. On July 27, 1994, the Philippine Securities and Exchange Commission (SEC) approved the extension of the corporate term of the Parent Company for another 50 years. The Parent Company’s core business is television and radio broadcasting. Its subsidiaries and associates are involved in the following related businesses: cable and direct-to-home (DTH) television distribution and telecommunications services overseas, movie production, audio recording and distribution, video/audio post production and film distribution. Other activities of the subsidiaries include merchandising, internet and mobile services, publishing, money remittance and theme parks.

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

In 2013, Capital International Private Equity Fund VI, L.P. (CIPEF) subscribed to ₱2.5 billion worth of new Philippine Depository Receipts (PDRs) issued by ABS-CBN Holdings Corporation (ABS-CBN Holdings) which in turn subscribed to the same number of newly issued common shares of the Parent Company. Lopez, Inc. also subscribed to 34,702,140 common shares and 987,130,246 preferred shares of the Parent Company in 2013. After the subscription, Lopez, Inc.’s economic interest in the Parent Company decreased to 56% while its voting rights increased from 57% to 79% (see Note 22).

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

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

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on February 22, 2016.

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**2. Summary of Significant Accounting and Financial Reporting Policies**

Basis of Preparation

The consolidated financial statements of ABS-CBN and its subsidiaries (collectively referred to as “the Company”) have been prepared on a historical cost basis, except for available-for-sale (AFS) investments that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional and presentation currency. All values are rounded to the nearest thousand, except for number of shares, per share amounts and when otherwise indicated.

Statement of Compliance

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



### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS and improvements to existing standards effective January 1, 2015. Except as otherwise indicated, the adoption of the following amendments and improvements to PFRS have no impact on the Company's consolidated financial statements.

- Amendments to Philippine Accounting Standards (PAS) 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The adoption of these amendments did not have any impact on the consolidated financial statements since the Company's defined retirement benefit plan are noncontributory.

- Annual Improvements to PFRSs (2010–2012 cycle)

The annual improvements to PFRS (2010–2012 cycle) contain non-urgent but necessary amendments to the following standards. Except as otherwise stated, the adoption of these amendments did not have significant impact on the consolidated financial statements.

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

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

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

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

The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss (FVPL) whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*.

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

The amendments are applied retrospectively and clarify that:

- a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating



segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are ‘similar’.

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

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

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

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

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual Improvements to PFRSs (2011–2013 cycle)

The annual improvements to PFRSs (2011–2013 cycle) contain non-urgent but necessary amendments to the following standards. Except as otherwise stated, the adoption of these amendments did not have an impact on the consolidated financial statements.

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

The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

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

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

The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*

The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).



**Basis of Consolidation and Noncontrolling Interests**

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

The following is a list of the subsidiaries as of December 31, 2015 and 2014:

Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				2015	2014
<b>TV and Studio</b>					
Global:					
ABS-CBN Global Ltd. (ABS-CBN Global) <sup>(a) (i)</sup>	Cayman Islands	Holding company	United States dollar (USD)	100.0	100.0
ABS-CBN Europe Ltd. (ABS-CBN Europe) <sup>(b)(c) (i)</sup>	United Kingdom	Cable and satellite programming services	Great Britain pound (GBP)	100.0	100.0
ABS-CBN Europe Remittance Inc. <sup>(d) (i)</sup>	United Kingdom	Services - money remittance	GBP	100.0	100.0
ABS-CBN Japan, Inc. (ABS- CBN Japan) <sup>(d) (i) (r)</sup>	Japan	Cable and satellite programming services	Japanese yen (JPY)	100.0	100.0
ABS-CBN Middle East FZ-LLC (ABS-CBN Middle East) <sup>(b) (i)</sup>	Dubai, UAE	Cable and satellite programming services	United Arab Emirates dirham (AED)	100.0	100.0
ABS-CBN Middle East LLC <sup>(b) (i)</sup>	Dubai, UAE	Trading	AED	100.0	100.0
E-Money Plus, Inc. <sup>(b)</sup>	Philippines	Services - money remittance	Philippine peso	100.0	100.0
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary) <sup>(i) (l)</sup>	Budapest, Hungary	Holding company	USD	100.0	100.0
ABS-CBN International, Inc. (ABS-CBN International) <sup>(i) (n)</sup>	California, USA	Cable and satellite programming services	USD	100.0	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia) <sup>(j) (k)</sup>	Victoria, Australia	Cable and satellite programming services	Australian dollar (AUD)	100.0	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada) <sup>(j) (k)</sup>	Canada	Cable and satellite programming services	Canadian dollar (CAD)	100.0	100.0
ABS-CBN Global Remittance Inc. <sup>(i) (k)</sup>	California, USA	Services - money remittance	USD	100.0	100.0
ABS-CBN Telecom North America, Inc. <sup>(i) (k)</sup>	California, USA	Telecommunications	USD	100.0	100.0
ABS-CBN Canada Remittance Inc. <sup>(i) (n)</sup>	Canada	Services - money remittance	CAD	100.0	100.0
ABS-CBN Global Netherlands B.V. (ABS-CBN Netherlands) <sup>(i) (n)</sup>	Amsterdam, Netherlands	Intermediate holding and financing company	Euro (EUR)	100.0	100.0
Films and Music:					
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	Philippine peso	100.0	100.0
Narrowcast and Sports:					
ABS-CBN Publishing, Inc. (ABS-CBN Publishing)	Philippines	Print publishing	Philippine peso	100.0	100.0
Creative Programs, Inc. (CPI)	Philippines	Content development and programming services	Philippine peso	100.0	100.0
Studio 23, Inc. (Studio 23) <sup>(aa)</sup>	Philippines	Content development and programming services	Philippine peso	100.0	100.0
Others:					
ABS-CBN Center for Communication Arts, Inc. <sup>(e)</sup>	Philippines	Educational/training	Philippine peso	100.0	100.0
ABS-CBN Global Cargo Corporation <sup>(t)</sup>	Philippines	Non-vessel operations common carrier	Philippine peso	100.0	100.0
ABS-CBN Integrated and Strategic Property Holdings, Inc.	Philippines	Real estate	Philippine peso	100.0	100.0
ABS-CBN Interactive, Inc. (ABS-CBN Interactive) <sup>(aa)</sup>	Philippines	Services - interactive media	Philippine peso	100.0	100.0
ABS-CBN Multimedia, Inc. (ABS-CBN Multimedia) <sup>(i) (aa)</sup>	Philippines	Digital electronic content distribution	Philippine peso	100.0	100.0
ABS-CBN Shared Service Center PTE. Ltd. <sup>(i) (m)</sup>	Singapore	Services - support	Singapore dollar (SGD)	100.0	100.0
Medianow Strategies, Inc. (Medianow) <sup>(x)</sup>	Philippines	Marketing, sales and advertising	Philippine peso	79.7	78.7
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine peso	100.0	100.0
Rosetta Holdings Corporation (RHC)	Philippines	Holding company	Philippine peso	100.0	100.0
Sarimanok News Network, Inc.	Philippines	Content development and programming services	Philippine peso	100.0	100.0



Company	Place of Incorporation	Principal Activities	Functional Currency	Effective Interest	
				2015	2014
The Big Dipper Digital Content & Design, Inc. (Big Dipper)	Philippines	Digital film archiving and central library, content licensing and transmission	Philippine peso	100.0	100.0
TV Food Chefs, Inc.	Philippines	Services - restaurant and food	Philippine peso	100.0	100.0
<b>Pay TV Networks</b>					
Sky Vision Corporation (Sky Vision) (w) (see Note 4)	Philippines	Holding Company	Philippine peso	75.0	75.0
Sky Cable Corporation (Sky Cable) (w) (see Note 4)	Philippines	Cable television services	Philippine peso	59.4	57.4
Bisaya Cable Television Network, Inc. (h) (i) (w)	Philippines	Cable television services	Philippine peso	59.4	57.4
Bright Moon Cable Networks, Inc. (h) (w)	Philippines	Cable television services	Philippine peso	59.4	57.4
Cavite Cable Corporation (h) (w)	Philippines	Cable television services	Philippine peso	59.4	57.4
Cepsil Consultancy and Management Corporation (h) (w)	Philippines	Cable television services	Philippine peso	59.4	57.4
Davao Cableworld Network, Inc. (h) (o) (w)	Philippines	Cable television services	Philippine peso	59.4	57.4
HM Cable Networks, Inc. (h) (w)	Philippines	Cable television services	Philippine peso	59.4	57.4
HM CATV, Inc. (h) (w)	Philippines	Cable television services	Philippine peso	59.4	57.4
Hotel Interactive Systems, Inc. (h) (w)	Philippines	Cable television services	Philippine peso	59.4	57.4
Isla Cable TV, Inc. (h) (w)	Philippines	Cable television services	Philippine peso	59.4	57.4
Moonsat Cable Television, Inc. (h) (o) (w)	Philippines	Cable television services	Philippine peso	59.4	57.4
Pilipino Cable Corporation (PCC) (h) (w)	Philippines	Cable television services	Philippine peso	59.4	57.4
Satellite Cable TV, Inc. (h) (w)	Philippines	Cable television services	Philippine peso	59.4	57.4
Sun Cable Holdings, Incorporated (SCH) (h) (w)	Philippines	Holding company	Philippine peso	59.4	57.4
Sun Cable Systems Davao, Inc. (h) (i) (w)	Philippines	Cable television services	Philippine peso	59.4	57.4
Sunvision Cable, Inc. (h) (w)	Philippines	Cable television services	Philippine peso	59.4	57.4
Tarlac Cable Television Network, Inc. (h) (w)	Philippines	Cable television services	Philippine peso	59.4	57.4
Telemondial Holdings, Inc. (h) (i) (w)	Philippines	Holding company	Philippine peso	59.4	57.4
JMY Advantage Corporation (h) (w)	Philippines	Cable television services	Philippine peso	56.4	54.6
Cebu Cable Television, Inc. (h) (o) (p) (w)	Philippines	Cable television services	Philippine peso	57.4	54.0
Suburban Cable Network, Inc. (h) (w)	Philippines	Cable television services	Philippine peso	54.9	53.0
Pacific CATV, Inc. (Pacific) (h) (o) (v) (w)	Philippines	Cable television services	Philippine peso	58.0	55.8
First Ilocandia CATV, Inc. (h) (o) (w)	Philippines	Cable television services	Philippine peso	54.9	52.2
Mactan CATV Network, Inc. (h) (o) (p) (w)	Philippines	Cable television services	Philippine peso	56.6	52.2
Discovery Mactan Cable, Inc. (h) (s) (w)	Philippines	Cable television services	Philippine peso	41.6	40.2
Home-Lipa Cable, Inc. (h) (s) (w)	Philippines	Cable television services	Philippine peso	35.6	34.4
<b>New Businesses</b>					
ABS-CBN Theme Parks and Resorts Holdings, Inc. (ABS-CBN Theme Parks)	Philippines	Holding company	Philippine peso	100.0	100.0
Play Innovations, Inc. (g) (y)	Philippines	Theme park	Philippine peso	73.0	73.0
Play Innovations Hungary Kft. (Play Innovations) (l) (g)	Budapest, Hungary	Theme park	USD	73.0	73.0
iConnect Convergence, Inc.	Philippines	Service - call center	Philippine peso	100.0	100.0
Sapientis Holdings Corporation (Sapientis)	Philippines	Holding company	Philippine peso	100.0	100.0
Columbus Technologies, Inc. (CTI) (q)	Philippines	Holding company	Philippine peso	70.0	70.0
ABS-CBN Convergence, Inc. (ABS-C) (q) (u)	Philippines	Telecommunication	Philippine peso	69.3	69.3
ABS-CBN Studios, Inc. (z)	Philippines	Production facility	Philippine peso	100.0	-

(a) With branches in the Philippines and Taiwan

(b) Through ABS-CBN Global

(c) With branches in Italy and Spain

(d) Subsidiary of ABS-CBN Europe

(e) Nonstock ownership interest

(f) Through ABS-CBN Interactive

(g) Through ABS-CBN Theme Parks

(h) Through Sky Cable

(i) Subsidiary of SCHI

(j) Considered as foreign subsidiary

(k) Subsidiary of ABS-CBN International

(l) With a branch in Luxembourg

(m) With a regional operating headquarters in the Philippines

(n) Through ABS-CBN Hungary

(o) Subsidiary of PCC



- <sup>(p)</sup> Through Pacific
- <sup>(q)</sup> Through Sapiensis
- <sup>(r)</sup> With branch in Korea
- <sup>(s)</sup> A subsidiary of Sky Cable where Sky Cable effectively owns more than 50% interest
- <sup>(t)</sup> In liquidation
- <sup>(u)</sup> Subsidiary of CTI. ABS-CBN's effective interest increased in 2013 as a result of the conversion of CTI's deposits for stock subscription into capital stock of ABS-C. The difference between the fair value of the consideration transferred and carrying value of net assets of ABS-C amounting to ₱6 million was offset against "Additional paid-in capital" account in the equity section.
- <sup>(v)</sup> PCC acquired additional interest in 2013. The difference between the fair value of the consideration transferred and carrying value of net assets of Pacific amounting to ₱25 million was offset against "Additional paid-in capital" account in the equity section.
- <sup>(w)</sup> In 2012, ABS-CBN acquired additional interest in Sky Vision increasing its economic interest to 24.8%. On the same year, Lopez, Inc. also executed a proxy in favor of ABS-CBN assigning its voting rights in Sky Vision. As a result, ABS-CBN has a voting interest of 75% in Sky Vision since 2012. The proxy is irrevocable for five years and renewable upon its expiration. Sky Vision is the holding company of Sky Cable, where ABS-CBN has an economic interest of 57.4% in 2014. In 2015, ABS-CBN purchased additional shares in Sky Vision increasing its economic interest on Sky Vision and Sky Cable to 75% and 59.4%, respectively (see Note 4).
- <sup>(x)</sup> In 2014, CPI and Sky Cable entered into an agreement to form a joint venture company. Medianow, which was incorporated on August 22, 2014, is 78.7% effectively owned by the Company in 2014. As a result of the acquisition of additional interest in Sky Vision, economic interest increased to 79.7% in 2015.
- <sup>(y)</sup> On December 27, 2013, Play Innovations, Inc. received deposits from the ABS-CBN Theme Parks amounting to ₱97 million intended for future stock subscriptions for 97,024 shares, equivalent to 73% ownership. On January 19, 2014, Play Innovations, Inc. received ₱36 million from Kidz Edutainment Limited (Kidz Edutainment) as subscription for shares of stock equivalent to 27% equity interest. The corresponding shares of these subscriptions were issued in 2014. As of December 31, 2013, the intent of both parties is to have an equity ownership of 73% for the Parent Company and 27% for Kidz Edutainment.
- <sup>(z)</sup> On April 21, 2015, the SEC approved the incorporation of ABS-CBN Studios, Inc.
- <sup>(aa)</sup> On April 24, 2015, Studio 23, ABS-CBN Interactive, ABS-CBN Multimedia and ABS-CBN filed an application for merger with the SEC, the latter being the surviving entity. On December 29, 2015, the SEC approved the application for merger to be effective January 1, 2016.

The Company controls an investee if and only if the Company has:

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

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

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

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

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



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

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

If the Company loses control over a subsidiary, it:

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

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

#### Business Combination and Goodwill

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

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

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

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



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

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

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

#### Business Combination Involving Entities under Common Control

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

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

#### Foreign Currency Translation and Transaction

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



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

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

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

#### Fair Value Measurement

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

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

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

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

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

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

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



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

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

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

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

#### Current versus Noncurrent Classification

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

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

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

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

#### Cash and Cash Equivalents

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

#### Short-term Investments

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

#### Financial Instruments

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



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

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

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

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

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

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

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

The Company has no financial assets and liabilities at FVPL as of December 31, 2015 and 2014.

*Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as at FVPL, designated as AFS



financial asset or HTM investments. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

This category includes the Company's cash and cash equivalents, short-term investments, trade and other receivables and deposits (included under "Other noncurrent assets" account) (see Notes 6, 7 and 15).

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

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

The Company has no HTM investments as of December 31, 2015 and 2014.

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

The Company's AFS investments include investments in ordinary common shares and club shares (see Note 13).

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

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

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



Classified under other financial liabilities are trade and other payables, interest-bearing loans and borrowings, obligations for program rights, convertible note and customers' deposits (included under "Other noncurrent liabilities" account) (see Notes 17, 18, 19, 20 and 21).

#### Embedded Derivatives

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

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

#### Impairment of Financial Assets

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

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

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

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

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



recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable.

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

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

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

#### Derecognition of Financial Assets and Financial Liabilities

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

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

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

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



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

#### Classification of Financial Instruments Between Liability and Equity

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

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

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

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

#### Offsetting Financial Instruments

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

#### Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the 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.

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

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



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

Property and Equipment

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

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

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

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

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

<u>Asset Type</u>	<u>Number of Years</u>
Land improvements	5 to 10
Buildings and improvements	10 to 40
Towers, transmission, television, radio, movie and auxiliary equipment	5 to 20
Other equipment	3 to 25

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

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

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

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



Asset Retirement Obligation

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

Intangible Assets

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

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

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

<b>Intangible Asset</b>	<b>Useful Lives</b>	<b>Amortization Method Used</b>	<b>Impairment Testing/ Recoverable Amount Testing</b>	<b>Current and Noncurrent Classification</b>
Program Rights	Finite (license term or economic life, whichever is shorter)	Specific runs within a specific term: amortized over the specific term or usage, whichever comes first.  Multiple runs within a specific term: amortized over the license term except for	If the remaining expected benefit period is shorter than the Company’s initial estimates, the Company accelerates amortization of the purchase price or license fee.  Program rights are	Based on the estimated year of usage



<b>Intangible Asset</b>	<b>Useful Lives</b>	<b>Amortization Method Used</b>	<b>Impairment Testing/ Recoverable Amount Testing</b>	<b>Current and Noncurrent Classification</b>
		<p>program rights with license term of more than five years, which are amortized after five years from acquisition date or from first airing, whichever comes first (i.e., equally over the remaining term).</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 or from first airing, whichever comes first (i.e., equally over the next 10 years).</p>	<p>written off when no future economic benefits are expected to flow from the assets.</p>	
<p>Music Rights</p>	<p>Finite (useful economic benefit)</p>	<p>Amortized on the basis of the useful economic life</p>	<p>If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.</p>	<p>Based on the estimated year of usage</p>



<b>Intangible Asset</b>	<b>Useful Lives</b>	<b>Amortization Method Used</b>	<b>Impairment Testing/ Recoverable Amount Testing</b>	<b>Current and Noncurrent Classification</b>
Movie In-process/Filmed Entertainment	Finite	Amortized based on accelerated method upon showing	If the unamortized film cost is higher than the fair value of the film, the asset is written down to its recoverable amount.	Based on the estimated year of usage
Story and Publication	Finite (useful economic benefit)	Amortized on the basis of the useful economic life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Based on the estimated year of usage
Video Rights and Record Master	Finite - six months	Amortized on a straight-line basis over six months	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Current
Customer Relationships	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



<b>Intangible Asset</b>	<b>Useful Lives</b>	<b>Amortization Method Used</b>	<b>Impairment Testing/ Recoverable Amount Testing</b>	<b>Current and Noncurrent Classification</b>
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	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists.	Noncurrent
Business Support System (BSS) Integration	Finite - 12 years	Amortized on a straight line basis over the estimated useful life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Noncurrent
Licenses - Wireless Business	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists.	Noncurrent
Licenses - Franchise	Finite - 10 years	Amortized on a straight line basis over the period of 10 years	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Noncurrent

Investment Properties

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent



accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under "Property and equipment" account up to the date of change in use.

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

#### Investments in Associates

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

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

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

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

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

#### Investments in Joint Ventures

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

The Company's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in a joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share in net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The consolidated statement of income reflects the Company's share of the results of operations of the joint venture.



Any change in the OCI of the joint venture is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Company recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture.

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

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

Upon loss of joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the former joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss. When the remaining investment in a joint venture constitutes significant influence, it is accounted for as an investment in an associate.

#### Tax Credits

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

#### Impairment of Nonfinancial Assets

The Company assesses at each financial reporting date whether there is an indication that property and equipment, investment properties, program rights and other intangible assets with finite lives, investments in associates and joint ventures and tax credits may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value, less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation and amortization are adjusted in future periods to allocate the



asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

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

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

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

#### 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" in the consolidated statement of financial position.

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



### Share-based Payment Transactions

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

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

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

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

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

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

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

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



Retained Earnings

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

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

Dividends on Common and Preferred Shares of the Parent Company

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

Revenue

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

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

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

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

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

Sale of services comprise of the following:

- a. Subscription fees are recognized as follows:

*DTH and Internet Protocol Television 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 31.

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



statement of financial position) and recognized as revenue over the period during which the service is performed.

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

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

- b. Telecommunications revenue is stated at amounts invoiced and accrued to customers, taking into consideration the bill cycle cut-off (for postpaid subscribers), the amount charged against preloaded airtime value (for prepaid subscribers), switch-monitored traffic (for carriers and content providers) and excludes value-added tax (VAT) and overseas communication tax. Inbound traffic charges, net of discounts, are accrued based on actual volume of traffic monitored by the Company.

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

Proceeds from over-the-air reloading is deferred and shown as “Deferred revenue” presented under “Trade and other payables” account in the consolidated statement of financial position. Revenue is recognized upon actual usage of airtime value, net of discounts. Unused load value is recognized as revenue upon expiration.

Interconnection revenue for all call termination and network usages are recognized in the year the traffic occurs. Revenue related to local, long distance, network-to network, roaming and international call connection services are recognized when the call is placed or connection is provided and the equivalent amounts charged to the Company by other carriers are recorded as “Interconnection costs” under the “Cost of sales and services” account in the consolidated statement of income. Inbound revenue and outbound charges are based on agreed transit and termination rates with other foreign and local carriers and content providers.

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



- g. Short-messaging-system/text-based revenue, sale of news materials and Company-produced programs are recognized upon delivery.
- h. Royalty income is recognized upon rendering of service based on the terms of the agreement and is reduced to the extent of the share of the composers or co-publishers of the songs produced for original sound recording. It also includes income from Parent Company's share in fees from endorsements and other external services of its talents equivalent to 10% of gross receipts.
- i. Admission revenue is recognized when tickets are used or expired.

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

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

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

#### Other Income

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

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

#### Cost and Expense Recognition

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

#### Leases

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

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

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



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

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

#### Provisions

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

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

#### Borrowing Costs

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

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

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

#### Pension Costs and Other Employee Benefits

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

*Defined Benefit Pension Plans.* The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the



fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

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



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

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

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

#### Taxes

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be



available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are measured at each financial reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax to be recovered.

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

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

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

*VAT.* Revenue, expenses and assets are recognized net of the amount of VAT, except:

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

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

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

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

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

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.



#### Events after Financial Reporting Period

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

#### Segment Reporting

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

#### Future Changes in Accounting Policies

The standards, amendments and interpretations that are issued, but not yet effective as at December 31, 2015 are disclosed in the following section. The Company intends to adopt these standards, if applicable, when these become effective. Except as otherwise stated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on the consolidated financial statements.

#### *Deferred*

- 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 SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation, when it becomes effective, will not have any impact on the consolidated financial statements.

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

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB deferred indefinitely the effective date of these amendments pending the final outcome of its research project on the equity method of accounting



*Effective 2016*

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

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments are effective prospectively for annual periods beginning on or January 1, 2016, with early adoption permitted. These amendments are not expected to have an impact on the consolidated financial statements since the Company is not using a revenue-based method to depreciate its property and equipment and intangible assets.

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

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. These amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. This amendment is not relevant to the Company having no bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The amendment has no impact on the consolidated financial statements of the Company.

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

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are effective



prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments have no impact on the consolidated financial statements as the Company has no interest in joint operations.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

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

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to the financial statements
- That the share of OCI in associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. Adoption of this amendment affects disclosure only and will have no impact on the financial position and performance of the Company.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendments)*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016.



- Annual Improvements to PFRSs (2012–2014 cycle)

The Annual Improvements to PFRSs (2012–2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the consolidated financial statements. They include:

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

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

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

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

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

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

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

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

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

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report).



*Effective in 2018*

- PFRS 9, *Financial Instruments*

In July 2014, the IASB issued the final version of PFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurements, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Company did not early adopt PFRS 9.

The following new standard and amendments issued by the IASB has not yet been adopted by the FRSC.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 by the IASB and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- IFRS 16, *Leases*

IFRS 16 was issued in January 2016. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, leases will apply the single-asset model, wherein lessees will recognize the assets and the related liabilities for most leases in their balance sheets and, subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Company is currently assessing the impact of IFRS 15 and IFRS 16 and plans to adopt the new standards on their required effective date once adopted locally.

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

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



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

#### Judgments

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

*Determination of Control over Investee Companies.* Control is when an investor has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Company has assessed it has control over its subsidiaries.

*Classification of Interests in Joint Ventures.* The Company classified its interest in joint arrangements as either joint operations or joint ventures depending on its rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, management considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Management evaluated its involvement in its joint arrangements and assessed these as joint ventures since the entities were established as separate vehicles and the Parent Company has joint control over these entities and has rights over their net assets. While the Parent Company only has 44% equity interest in ALA Sports Promotions, Inc. (ALA Sports), management determined that it has joint control over the entity since, under the terms of the Joint Venture Agreement, unanimous consent with the joint venture partners is required in the relevant activities of ALA Sports. In addition, the Parent Company and its joint venture partner are also equally represented in ALA Sports' BOD (see Note 14).

*Determination of Significant Influence over an Investee Company.* An entity that holds, directly or indirectly, 20 percent or more of the voting power of an investee company is presumed to have significant influence over the latter, unless it can be clearly demonstrated that such is not the case. Conversely, if the entity holds, directly or indirectly, less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. As of December 31, 2015 and 2014, the Company has assessed that it has significant influence over its associates (see Note 14). The Company is represented in the BODs and participates in the policy-making process.

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

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

*Revenue Recognition.* The Company's telecommunications revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenue and receivables. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in its revenue arrangements. Revenue is stated at gross amount including the share of the other telecommunications



carriers, but the final amounts are determined subsequent to financial reporting date. Thus, the Company initially estimates the amounts based on history of sharing.

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

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

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

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

Bayan Telecommunications, Inc. (Bayantel) has entered into an agreement with Sky Cable for the grant of Indefeasible Right of Use (IRU) in certain capacities in the network. The arrangement is assessed as a transaction which contains a lease on the basis that fulfilment of the arrangement is dependent on the use of a specific asset or assets and arrangement conveys a right to use the asset. Sky Cable has accounted for the arrangement as a finance lease on the basis that the lease term is for the major part of the economic life of the asset of 25 years. The IRU was included as part of "Other equipment" account (see Note 10).

The carrying amount of property and equipment under finance lease amounted to ₱371 million and ₱235 million as of December 31, 2015 and 2014, respectively (see Notes 10 and 31).

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

The carrying value of preferred shares amounted to ₱200 million as of December 31, 2015 and 2014 (see Note 22).

#### Estimates and Assumptions

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

*Fair Value of Financial Instruments.* PFRS requires that certain financial assets and liabilities (including derivative instruments) be carried at fair value, which requires the use of accounting estimates. The fair values of financial instruments of short-term nature and those that are subjected to monthly repricing are estimated to approximate their carrying amounts. Except for unquoted AFS investments, 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 33.

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

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

Provision for doubtful accounts amounted to ₱365 million, ₱531 million and ₱432 million in 2015, 2014 and 2013, respectively (see Note 27). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱11,561 million and ₱10,717 million as of December 31, 2015 and 2014, respectively (see Note 7). Allowance for doubtful accounts amounted to ₱1,463 million and ₱1,516 million as of December 31, 2015 and 2014, respectively (see Note 7).

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

Inventory losses amounted to ₱12 million, ₱35 million and ₱62 million in 2015, 2014 and 2013, respectively (see Note 27). Inventories amounted to ₱673 million and ₱544 million as of December 31, 2015 and 2014, 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, intangible assets and investment properties in 2015 and 2014. Effective January 1, 2013, in view of the change in the expected pattern of economic benefits from the assets, the Company revised the estimated useful lives of certain property and equipment as follows:

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

The change resulted in reduction in depreciation expense of ₱290 million in 2013.

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

	2015	2014
Property and equipment	<b>₱17,456,690</b>	₱16,947,829
Investment properties	<b>31,537</b>	31,466
Program rights	<b>3,356,467</b>	3,729,454
Movie in-process and filmed entertainment	<b>924,297</b>	756,353
BSS Integration	<b>511,189</b>	63,742
Customer relationships	<b>421,246</b>	445,384
Music rights	<b>134,847</b>	132,803
Production and distribution business - Middle East	<b>65,764</b>	68,371
License - franchise	<b>36,765</b>	38,718
Story, video and publication and record master	<b>13,465</b>	9,960

*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” as 20% or more of the original cost of investment, and “prolonged” as greater than 12 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.



The carrying value of AFS investments amounted to ₱275 million and ₱242 million as of December 31, 2015 and 2014, respectively (see Note 13). No impairment loss was recognized in 2015, 2014 and 2013.

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

Program rights amounted to ₱3,356 million and ₱3,729 million as of December 31, 2015 and 2014, respectively (see Note 12).

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

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

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

The Company did not note of any impairment indicators in 2015 and 2014. The carrying values of nonfinancial assets as of December 31, 2015 and 2014 are as follows (see Notes 9, 10, 11, 12, 14 and 15):

	2015	2014
Property and equipment	<b>₱21,798,053</b>	₱20,572,543
Program rights	<b>3,356,467</b>	3,729,454
Tax credits with tax credit certificates (TCCs) - net	<b>1,726,990</b>	1,917,117
Movie in-process and filmed entertainment	<b>924,297</b>	756,353
Investments in associates and joint venture	<b>523,733</b>	199,874
BSS Integration	<b>511,189</b>	63,742
Customer relationships	<b>421,246</b>	445,384
Preproduction expenses	<b>329,562</b>	298,557
Investment properties	<b>200,801</b>	198,734
Music rights	<b>134,847</b>	132,803
Production and distribution business - Middle East	<b>65,764</b>	68,371
License – franchise	<b>36,765</b>	38,718
Story, video and publication and record master	<b>13,465</b>	9,960

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



combination and to which the goodwill relates. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating units and to make use of a suitable discount rate to calculate the present value of those future cash flows.

The impairment on the goodwill, cable channels, trademarks and licenses is determined by comparing: (a) the carrying amount of the cash-generating unit; and (b) the present value of the annual projected cash flows for five years and the present value of the terminal value computed under the discounted cash flow method. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections which were based on financial budgets approved by senior management of the subsidiaries covering a five-year period.

The key assumptions used in the impairment test of goodwill, cable channels, trademarks and licenses are as follows:

a. Gross Revenue

On the average, gross revenue of the subsidiaries over the next five years were projected to grow in line with the economy or with nominal Gross Domestic Product. This assumes that the market share of the subsidiaries in their respective industries will be flat on the assumption that the industries also grow at par with the economy. Historically, advertising spending growth had a direct correlation with economic growth. A 2-4% perpetuity growth rate was assumed at the end of the five-year forecast period.

b. Operating Expenses

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

c. Gross Margins

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

d. Discount Rate

The discount rate used to arrive at the present value of future cash flows was the Company's Weighted Average Cost of Capital (WACC). WACC was based on the appropriate weights of debt and equity, which were multiplied with the assumed costs of debt and equity. The discount rates applied to the cash flow projections are 12.70% and 12.67% in 2015 and 2014, respectively.

In 2013, impairment loss on goodwill amounted to ₱20 million (see Note 27). The carrying amount of goodwill amounted to ₱5,302 million and ₱5,290 million as of December 31, 2015 and 2014, respectively (see Note 16). The carrying amount of the cable channels amounted to ₱460 million as of December 31, 2015 and 2014 (see Note 12). The carrying amount of trademarks amounted to ₱1,112 million as of December 31, 2015 and 2014 (see Note 12). The carrying amount of licenses with indefinite life amounted to ₱965 million as of December 31, 2015 and 2014 (see Note 12).

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



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

Further details about the assumptions used are provided in Note 30.

Employee leave entitlements that is expected to be settled within one year from reporting date is classified as a current liability in the consolidated statement of financial position. Otherwise, this is classified as part of the noncurrent portion of other employee benefits liability. Accrued pension obligation and other employee benefits of the Company amounted to ₱4,849 million and ₱5,598 million as of December 31, 2015 and 2014, respectively (see Note 30).

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

Recognized deferred tax assets amounted to ₱2,891 million and ₱2,858 million as of December 31, 2015 and 2014, respectively. Unrecognized deferred tax assets of certain subsidiaries amounted to ₱508 million and ₱537 million as of December 31, 2015 and 2014, respectively (see Note 29).

*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 37).

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

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

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

b. Merger of ABS-CBN, Studio 23, ABS-CBN Interactive and ABS-CBN Multimedia

On March 5, 2015, the BOD approved the Plan of Merger of ABS-CBN, ABS-CBN Interactive, ABS-CBN Multimedia, Sarimanok News Network, Inc., Sapiensis and Studio 23, with the Parent Company as the surviving corporation. On April 30, 2015, the Parent Company, Studio 23, ABS-CBN Interactive and ABS-CBN Multimedia filed an application for merger with the SEC, which was approved on December 29, 2015 to be effective January 1, 2016.



c. Acquisition of additional Sky Vision shares

In December 2015, the Parent Company entered into a Deed of Assignment with Lopez Holdings whereby the latter assigned all its rights, including all deposits made, under a Share Option Agreement (the Agreement) covering the purchase of 504,980,707 common shares of Sky Vision from Lopez Inc. The consideration for the assignment of rights amounted to ₱350 million. Thereafter, the Parent Company entered into agreements with Lopez Inc. for the reduction of the purchase price and the acquisition of the subject common shares via application of the deposit. The Parent Company's economic interest in Sky Vision increased from 24.8% in 2014 to 75% in 2015 as a result of the acquisition of the shares of stock. The Parent Company's economic interest in Sky Cable also increased from 57.4% in 2014 to 59.4% in 2015. The impact of the change in noncontrolling interest amounted to ₱217 million in 2015.

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## 5. Segment Information

Segment information is prepared on the following bases:

### Business Segments

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

- TV and studio entertainment comprise broadcast, global operations, film and music production, cable channels and publishing. This consists of local and global content creation and distribution through television and radio broadcasting.
- Pay TV networks includes cable television services of Sky Cable and its subsidiaries in Metro Manila and in certain provincial areas in the Philippines.
- New businesses pertain to wireless telecommunications business, digital terrestrial TV, theme parks and production facility.

### Geographical Segments

The Company operates in three major geographical areas namely, the Philippines, United States and Other Countries. In the Philippines, its home country, the Company is involved in TV and studio entertainment, pay TV networks and new businesses. In the United States and in other locations (which include Middle East, Europe, Australia, Canada and Japan), the Company operates its cable and satellite operations to bring television programming outside the Philippines.

The Company does not have a revenue from transactions with a single external customer amounting to 10% or more of the Company's revenues.

### Inter-segment Transactions

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

The Executive Committee, the Company's chief operating decision maker, monitors operating results of its business segments separately for the purpose of making decisions about resource



allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements.

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

EBITDA and EBITDA margin are non-PFRS measures.

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

	<b>Years Ended December 31</b>		
	<b>2015</b>	2014	2013
Consolidated EBITDA	<b>₱7,939,954</b>	₱7,475,786	₱7,194,701
Depreciation and amortization	<b>(3,022,249)</b>	(2,871,000)	(2,714,199)
Finance costs*	<b>(797,150)</b>	(1,146,933)	(790,315)
Amortization of intangible assets**	<b>(960,449)</b>	(824,687)	(1,071,967)
Interest income	<b>169,270</b>	153,968	94,438
Provision for income tax	<b>(784,242)</b>	(756,998)	(684,311)
Consolidated net income	<b>₱2,545,134</b>	₱2,030,136	₱2,028,347

\* Excluding bank service charges

\*\* Excluding amortization of movie in-process and filmed entertainment



### Business Segment Data

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

	TV and Studio			Pay TV Networks			New Businesses			Eliminations			Consolidated		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
<b>Revenue</b>															
External sales	₱28,461,687	₱25,564,039	₱26,009,699	₱8,069,561	₱7,752,018	₱6,936,709	₱2,283,548	₱449,281	₱559,684	₱-	₱-	₱-	₱38,814,796	₱33,765,338	₱33,506,092
Inter-segment sales	3,350,875	2,993,329	2,018,086	13,692	12,415	-	28,641	103,581	-	(3,393,208)	(3,109,325)	(2,018,086)	-	-	-
Revenue deductions	(262,788)	(241,092)	(176,516)	-	-	-	(304,323)	(41,024)	(15,590)	30,430	60,406	63,918	(536,681)	(221,710)	(128,188)
Total revenue	₱31,549,774	₱28,316,276	₱27,851,269	₱8,083,253	₱7,764,433	₱6,936,709	₱2,007,866	₱511,838	₱544,094	(₱3,362,778)	(₱3,048,919)	(₱1,954,168)	₱38,278,115	₱33,543,628	₱33,377,904
<b>Results</b>															
Operating results	₱4,668,749	₱4,726,098	₱3,374,986	₱185,673	₱404,416	₱513,750	(₱1,866,043)	(₱2,510,231)	(₱1,105,253)	₱603,978	₱554,265	₱297,231	₱3,592,357	₱3,174,548	₱3,080,714
Finance costs	(695,620)	(950,224)	(562,035)	(233,906)	(249,984)	(228,843)	(3,132)	(5,137)	(26,673)	120,871	40,032	632	(811,787)	(1,165,313)	(816,919)
Foreign exchange gains (losses) - net	(120,215)	(145,730)	95,999	55,912	(7,182)	(27,469)	(1,072)	(5,632)	(47,350)	189,256	126,840	(166,680)	123,881	(31,704)	(145,500)
Interest income	263,754	195,049	82,162	11,831	11,517	12,834	706	3,600	74	(107,021)	(56,198)	(632)	169,270	153,968	94,438
Equity in net earnings (losses) of associates and joint ventures	(1,141)	3,283	(12,397)	-	-	-	-	-	-	-	-	-	(1,141)	3,283	(12,397)
Other income - net	829,809	627,808	1,048,850	14,066	208,869	77,969	44,713	455,737	5,561	(631,792)	(640,062)	(620,058)	256,796	652,352	512,322
Income tax	(713,437)	(809,424)	(802,464)	(10,073)	(110,244)	(102,279)	(60,732)	162,670	220,432	-	-	-	(784,242)	(756,998)	(684,311)
Net income	₱4,231,899	₱3,646,860	₱3,225,101	₱23,503	₱257,392	₱245,962	(₱1,885,560)	(₱1,898,993)	(₱953,209)	₱175,292	₱24,877	(₱489,507)	₱2,545,134	₱2,030,136	₱2,028,347
<b>EBITDA</b>													₱7,939,954	₱7,475,786	₱7,194,701
<b>EBITDA Margin</b>													21%	22%	21%
<b>Assets and Liabilities</b>															
Operating assets	₱54,464,779	₱50,713,284	₱41,784,551	₱18,094,516	₱17,596,037	₱16,373,444	₱2,159,722	₱1,508,812	₱1,774,615	(₱7,709,785)	(₱5,639,374)	(₱4,299,549)	₱67,009,232	₱64,178,759	₱55,633,061
Investments in associates and joint ventures	18,564,266	17,278,935	15,934,999	1,562	1,562	-	-	-	-	(18,042,095)	(17,080,623)	(15,768,408)	523,733	199,874	166,591
Deferred tax assets - net	1,836,538	1,761,980	1,620,664	760,458	746,041	738,897	304,904	360,927	181,364	(10,761)	(10,761)	(10,761)	2,891,139	2,858,187	2,530,164
Total assets	₱74,865,583	₱69,754,199	₱59,340,214	₱18,856,536	₱18,343,640	₱17,112,341	₱2,464,626	₱1,869,739	1,955,979	(₱25,762,641)	(₱22,730,758)	(₱20,078,718)	₱70,424,104	₱67,236,820	₱58,329,816
Operating liabilities	₱15,497,127	₱13,619,292	₱12,145,518	₱6,673,883	₱6,182,471	₱5,155,948	₱2,891,344	₱2,249,059	₱1,219,951	(₱4,502,745)	(₱2,601,719)	(₱1,431,941)	₱20,559,609	₱19,449,103	₱17,089,476
Interest-bearing loans and borrowings	16,819,685	16,555,915	10,847,444	3,672,071	3,705,609	3,739,347	-	-	-	-	-	-	20,491,756	20,261,524	14,586,791
Deferred tax liabilities - net	320,087	298,656	337,735	-	-	-	298,769	288,998	299,798	-	-	-	618,856	587,654	637,533
Obligations under finance lease	33,253	55,309	82,050	5,304	8,402	11,209	-	-	-	-	-	-	38,557	63,711	93,259
Total liabilities	₱32,670,152	₱30,529,172	₱23,412,747	₱10,351,258	₱9,896,482	₱8,906,504	₱3,190,113	₱2,538,057	₱1,519,749	(₱4,502,745)	(₱2,601,719)	(₱1,431,941)	₱41,708,778	₱40,361,992	₱32,407,059
<b>Other Segment Information</b>															
Capital expenditures:															
Property and equipment	₱1,171,036	₱2,097,880	₱1,112,243	₱2,817,506	₱2,306,020	₱1,715,255	₱755,267	₱588,080	₱900,172	₱-	₱-	₱-	₱4,743,809	₱4,991,980	₱3,727,670
Intangible assets	1,336,948	2,227,409	1,938,059	-	-	-	667,626	66,219	42,777	-	-	-	2,004,574	2,293,628	1,980,836
Depreciation and amortization	3,832,869	3,423,000	3,517,926	1,390,324	1,253,252	1,089,035	152,304	152,619	122,778	(676,161)	(629,977)	(584,729)	4,699,337	4,198,894	4,145,010
Noncash expenses other than depreciation and amortization	115,854	287,396	55,231	258,778	313,305	327,692	24,929	44,094	71,371	-	-	-	399,561	644,795	454,294



### Geographical Segment Data

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

	Philippines			United States			Others			Eliminations			Consolidated		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
<b>Revenue</b>															
External sales	<b>₱32,925,902</b>	₱28,494,396	₱28,414,142	<b>₱3,947,010</b>	₱3,645,001	₱2,600,028	<b>₱1,941,884</b>	₱1,625,941	₱2,491,922	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱38,814,796</b>	₱33,765,338	₱33,506,092
Inter-segment sales	<b>3,393,208</b>	3,109,325	2,018,086	-	-	-	-	-	-	<b>(3,393,208)</b>	(3,109,325)	(2,018,086)	-	-	-
Revenue deductions	<b>(567,111)</b>	(282,116)	(192,106)	-	-	-	-	-	-	<b>30,430</b>	60,406	63,918	<b>(536,681)</b>	(221,710)	(128,188)
Total revenue	<b>₱35,751,999</b>	₱31,321,605	₱30,240,122	<b>₱3,947,010</b>	₱3,645,001	₱2,600,028	<b>₱1,941,884</b>	₱1,625,941	₱2,491,922	<b>(3,362,778)</b>	(₱3,048,919)	(₱1,954,168)	<b>₱38,278,115</b>	₱33,543,628	₱33,377,904
<b>Assets</b>															
Operating assets	<b>₱65,255,223</b>	₱62,003,730	₱52,585,900	<b>₱1,880,291</b>	₱2,190,247	₱2,656,700	<b>₱7,583,503</b>	₱5,624,156	₱4,690,010	<b>(₱7,709,785)</b>	(₱5,639,374)	(₱4,299,549)	<b>₱67,009,232</b>	₱64,178,759	₱55,633,061
Investments in associates and joint ventures	<b>18,565,828</b>	17,280,497	15,934,999	-	-	-	-	-	-	<b>(18,042,095)</b>	(17,080,623)	(15,768,408)	<b>523,733</b>	199,874	166,591
Deferred tax assets - net	<b>2,726,772</b>	2,704,371	2,405,376	<b>179,510</b>	164,577	116,842	<b>(4,382)</b>	-	18,707	<b>(10,761)</b>	(10,761)	(10,761)	<b>2,891,139</b>	2,858,187	2,530,164
Total assets	<b>₱86,547,823</b>	₱81,988,598	₱70,926,275	<b>₱2,059,801</b>	₱2,354,824	₱2,773,542	<b>₱7,579,121</b>	₱5,624,156	₱4,708,717	<b>(₱25,762,641)</b>	(₱22,730,758)	(₱20,078,718)	<b>₱70,424,104</b>	₱67,236,820	₱58,329,816
<b>Liabilities</b>															
Operating liabilities	<b>₱23,304,892</b>	₱20,718,747	₱17,014,915	<b>₱569,183</b>	₱2,535,152	₱685,490	<b>₱1,188,279</b>	(₱1,203,077)	₱821,012	<b>(₱4,502,745)</b>	(₱2,601,719)	(₱1,431,941)	<b>₱20,559,609</b>	₱19,449,103	₱17,089,476
Interest-bearing loans and borrowings	<b>20,454,033</b>	20,223,847	14,547,657	<b>37,723</b>	37,677	39,134	-	-	-	-	-	-	<b>20,491,756</b>	20,261,524	14,586,791
Deferred tax liabilities - net	<b>618,856</b>	587,654	637,533	-	-	-	-	-	-	-	-	-	<b>618,856</b>	587,654	637,533
Obligations under finance lease	<b>38,557</b>	63,711	93,259	-	-	-	-	-	-	-	-	-	<b>38,557</b>	63,711	93,259
Total liabilities	<b>₱44,416,338</b>	₱41,593,959	₱32,293,364	<b>₱606,906</b>	₱2,572,829	₱724,624	<b>₱1,188,279</b>	(₱1,203,077)	₱821,012	<b>(₱4,502,745)</b>	(₱2,601,719)	(₱1,431,941)	<b>₱41,708,778</b>	₱40,361,992	₱32,407,059
<b>Other Segment Information</b>															
Capital expenditures:															
Property and equipment	<b>₱4,702,862</b>	₱4,926,332	₱3,616,665	<b>₱39,052</b>	₱50,249	₱48,396	<b>₱1,895</b>	₱15,399	₱62,609	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱4,743,809</b>	₱4,991,980	₱3,727,670
Intangible assets	<b>2,004,574</b>	2,293,628	1,980,836	-	-	-	-	-	-	-	-	-	<b>2,004,574</b>	2,293,628	1,980,836



## 6. Cash and Cash Equivalents

	2015	2014
Cash on hand and in banks	<b>₱6,258,878</b>	₱3,385,550
Cash equivalents	<b>5,278,681</b>	9,852,827
	<b>₱11,537,559</b>	₱13,238,377

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 ₱137 million, ₱145 million and ₱94 million in 2015, 2014 and 2013, respectively.

## 7. Trade and Other Receivables

	2015	2014
Trade:		
Airtime	<b>₱6,646,413</b>	₱5,525,584
Subscriptions	<b>2,737,347</b>	2,087,136
Others	<b>2,242,809</b>	2,151,085
Due from related parties (see Note 23)	<b>335,683</b>	1,721,604
Advances to employees and talents (see Note 23)	<b>484,085</b>	390,281
Others	<b>578,197</b>	357,754
	<b>13,024,534</b>	12,233,444
Less allowance for doubtful accounts	<b>1,463,387</b>	1,516,127
	<b>₱11,561,147</b>	₱10,717,317

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

For terms and conditions relating to due from related parties, refer to Note 23.

Advances to employees and talents are usually settled within one year (see Note 23).

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			Nontrade	Total
	Airtime	Subscriptions	Others		
Balance at January 1, 2014	₱556,921	₱550,286	₱192,126	₱27,328	₱1,326,661
Provisions (see Note 27)	24,905	301,373	168,592	35,703	530,573
Write-offs and others	(122,195)	(105,835)	(72,632)	(40,445)	(341,107)
Balance at December 31, 2014	459,631	745,824	288,086	22,586	1,516,127
Provisions (see Note 27)	20,931	255,347	30,762	57,834	364,874
Write-offs and others	(151,059)	(100,783)	(156,605)	(9,167)	(417,614)
<b>Balance at December 31, 2015</b>	<b>₱329,503</b>	<b>₱900,388</b>	<b>₱162,243</b>	<b>₱71,253</b>	<b>₱1,463,387</b>



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:

	<b>2015</b>	2014
Less than 30 days	<b>₱451,169</b>	₱572,006
31 to 60 days	<b>36,133</b>	166,937
	<b>₱487,302</b>	₱738,943

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#### 8. Inventories

	<b>2015</b>	2014
At net realizable value:		
Merchandise inventories	<b>₱119,364</b>	₱94,569
Materials, supplies and spare parts	<b>100,954</b>	93,917
At cost:		
Merchandise inventories	<b>452,075</b>	348,379
Office supplies	<b>108</b>	7,497
	<b>₱672,501</b>	₱544,362

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

In 2015, the Parent Company launched the ABS-CBN TVPlus, a digital box which allows users to receive clear pictures and sounds in the television sets through digital transmission. Cost of sales of digital boxes amounting to ₱1,331 million in 2015 is recorded under the "Cost of sales and services" account in the consolidated statement of income (see Note 26).

Inventory losses amounted to ₱12 million, ₱35 million and ₱62 million in 2015, 2014 and 2013, respectively (see Note 27). The cost of inventories carried at net realizable value amounted to ₱344 million and ₱296 million as of December 31, 2015 and 2014, respectively. Inventory costs, recognized under "Cost of sales and services" amounted to ₱1,489 million, ₱142 million and ₱238 million in 2015, 2014 and 2013, respectively (see Note 26).



## 9. Other Current Assets

	2015	2014
Creditable withholding and prepaid taxes	₱1,799,544	₱1,605,909
Advances to suppliers	989,741	762,274
Prepaid licenses	438,563	256,572
Preproduction expenses	329,562	298,557
Prepaid rent	99,525	72,800
Prepaid insurance	23,374	18,473
Prepaid transponder services	14,080	27,873
Other prepayments	195,635	82,494
	<b>₱3,890,024</b>	<b>₱3,124,952</b>

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

Other prepayments mainly pertain to membership dues and subscription.

## 10. Property and Equipment

	December 31, 2015					
	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Total
<b>Cost</b>						
Balance at beginning of year	₱1,467,370	₱11,219,835	₱17,817,765	₱10,714,861	₱2,196,297	₱43,416,128
Additions	255,627	74,208	1,497,988	991,857	1,924,129	4,743,809
Disposals/retirements	-	(22,598)	(1,709,863)	(660,743)	-	(2,393,204)
Reclassifications	1,976	533,144	644,347	288,564	(1,468,031)	-
Translation adjustments	4,192	8,804	18,983	50,076	863	82,918
Balance at end of year	1,729,165	11,813,393	18,269,220	11,384,615	2,653,258	45,849,651
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	21,699	5,970,337	9,744,365	7,107,184	-	22,843,585
Depreciation and amortization (see Notes 25, 26 and 27)	6,050	490,294	1,689,552	835,194	-	3,021,090
Disposals/retirements	-	(19,864)	(1,220,015)	(645,684)	-	(1,885,563)
Reversal of allowance for impairment	-	-	-	(1,524)	-	(1,524)
Reclassifications	-	(58)	1,070,700	(1,070,642)	-	-
Translation adjustments	43	8,253	18,431	47,283	-	74,010
Balance at end of year	27,792	6,448,962	11,303,033	6,271,811	-	24,051,598
<b>Net Book Value</b>	<b>₱1,701,373</b>	<b>₱5,364,431</b>	<b>₱6,966,187</b>	<b>₱5,112,804</b>	<b>₱2,653,258</b>	<b>₱21,798,053</b>



December 31, 2014						
	Land and Land Improvements	Buildings and Improvements	Towers, Transmission, Television, Radio, Movie, and Auxiliary Equipment	Other Equipment	Construction in Progress	Total
<b>Cost</b>						
Balance at beginning of year	₱702,942	₱10,942,592	₱16,985,422	₱9,946,047	₱1,481,963	₱40,058,966
Additions	754,613	42,740	1,826,776	858,413	1,509,438	4,991,980
Disposals/retirements	–	(4,905)	(1,291,393)	(347,526)	(95)	(1,643,919)
Reclassifications	9,233	239,092	294,842	255,764	(798,931)	–
Translation adjustments	582	316	2,118	2,163	3,922	9,101
<b>Balance at end of year</b>	<b>1,467,370</b>	<b>11,219,835</b>	<b>17,817,765</b>	<b>10,714,861</b>	<b>2,196,297</b>	<b>43,416,128</b>
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	16,365	5,494,287	9,276,082	6,736,327	–	21,523,061
Depreciation and amortization (see Notes 25, 26 and 27)	5,186	476,437	1,674,730	713,517	–	2,869,870
Disposals/retirements	–	(857)	(1,211,852)	(334,907)	–	(1,547,616)
Reclassifications	–	–	(1,939)	1,939	–	–
Translation adjustments	148	470	7,344	(9,692)	–	(1,730)
<b>Balance at end of year</b>	<b>21,699</b>	<b>5,970,337</b>	<b>9,744,365</b>	<b>7,107,184</b>	<b>–</b>	<b>22,843,585</b>
<b>Net Book Value</b>	<b>₱1,445,671</b>	<b>₱5,249,498</b>	<b>₱8,073,400</b>	<b>₱3,607,677</b>	<b>₱2,196,297</b>	<b>₱20,572,543</b>

Certain property and equipment of Sky Cable and PCC with a carrying value of ₱492 million as of December 31, 2009 were pledged as collateral to secure the long-term debt of Sky Cable. As part of the refinancing of the restructured long-term debt of Sky Cable in 2010, creditors of Sky Cable, executed a deed of release of property from indenture lien and cancellation of mortgage. As of February 22, 2016, the cancellation of mortgage annotations with the remaining register of deeds located in some provinces is still in process.

Certain property and equipment with cost amounting to ₱15,663 million and ₱16,379 million as of December 31, 2015 and 2014, respectively, have been fully depreciated but are still being used by the Company.

Unamortized borrowing costs capitalized as part of property and equipment amounted to ₱944 million and ₱807 million as of December 31, 2015 and 2014, respectively. Borrowing costs capitalized in 2015 and 2014 amounted to ₱171 million and ₱93 million, respectively.

Property and equipment, classified as other equipment, includes the following amounts where the Company is a lessee under a finance lease (see Note 31):

	2015	2014
Cost capitalized under finance lease	<b>₱777,402</b>	₱626,535
Accumulated depreciation	<b>(406,695)</b>	(391,128)
<b>Net book value</b>	<b>₱370,707</b>	₱235,407

The amount of property and equipment under finance lease includes the net book value of the IRU covered by the lease agreement between Sky Cable and Bayantel.



## 11. Investment Properties

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

	December 31, 2015		
	Land	Building	Total
<b>Cost:</b>			
Balance at beginning of year	₱167,268	₱38,533	₱205,801
Translation adjustments	1,996	1,638	3,634
Balance at end of year	169,264	40,171	209,435
<b>Accumulated depreciation:</b>			
Balance at beginning of year	–	7,067	7,067
Depreciation (see Note 27)	–	1,159	1,159
Translation adjustments	–	408	408
Balance at end of year	–	8,634	8,634
<b>Net book value</b>	<b>₱169,264</b>	<b>₱31,537</b>	<b>₱200,801</b>

	December 31, 2014		
	Land	Building	Total
<b>Cost:</b>			
Balance at beginning of year	₱167,004	₱35,797	₱202,801
Additions	–	2,508	2,508
Translation adjustments	264	228	492
Balance at end of year	167,268	38,533	205,801
<b>Accumulated depreciation:</b>			
Balance at beginning of year	–	5,885	5,885
Depreciation (see Note 27)	–	1,130	1,130
Translation adjustments	–	52	52
Balance at end of year	–	7,067	7,067
<b>Net book value</b>	<b>₱167,268</b>	<b>₱31,466</b>	<b>₱198,734</b>

Land and building with carrying value of ₱57 million and ₱56 million as of December 31, 2015 and 2014, respectively, pertain to a parcel of land purchased by ABS-CBN International, with a two-storey house constructed thereon, located in Redwood City, California, USA. The real property which was acquired in July 2008 at a purchase price of US\$1.4 million (₱67 million) was intended to be held by ABS-CBN International as investment properties. To fund the acquisition, ABS-CBN International obtained a loan from Citibank, North America amounting to US\$1 million (₱50 million) for which the property was pledged as collateral (see Note 18).

As of December 31, 2015 and 2014, the fair market value of land and building of ABS-CBN International, which is based on market price of similar properties within the area, amounted to ₱70 million and ₱66 million, respectively. The fair value of these investment properties is categorized under Level 3 of the fair value hierarchy as the market for the identical or similar properties is not active. Management believes that the carrying value of the remaining investment properties amounting to ₱144 million and ₱143 million approximates their fair values as of December 31, 2015 and 2014, respectively.

Rental income derived from the investment properties amounted to ₱2 million in 2015, 2014 and 2013. Direct operating expenses, which consist mainly of depreciation, amounted to ₱1 million in 2015, 2014 and 2013.



## 12. Program Rights and Other Intangible Assets

	December 31, 2015										
	Program Rights	Music Rights	Movie In-Process and Filmed Entertainment	Story, Video and Publication and Record Master	Trademarks	Licenses	Customer Relationships	Cable Channels - CPI	BSS Integration	Production and Distribution Business - Middle East	Total
Balance at beginning of year	₱3,729,454	₱132,803	₱756,353	₱9,960	₱1,111,784	₱1,003,767	₱445,384	₱459,968	₱63,742	₱68,371	₱7,781,586
Additions	590,722	8,163	889,215	18,784	-	-	-	-	497,690	-	2,004,574
Amortization (see Notes 25, 26 and 27)	(850,511)	(6,119)	(721,271)	(15,279)	-	(3,730)	(24,138)	-	(50,243)	(5,797)	(1,677,088)
Reclassification	(113,198)	-	-	-	-	-	-	-	-	-	(113,198)
Translation adjustments	-	-	-	-	-	1,777	-	-	-	3,190	4,967
Balance at end of year	3,356,467	134,847	924,297	13,465	1,111,784	1,001,814	421,246	459,968	511,189	65,764	8,000,841
Less current portion	798,081	8,163	141,053	12,114	-	-	-	-	-	-	959,411
Noncurrent portion	₱2,558,386	₱126,684	₱783,244	₱1,351	₱1,111,784	₱1,001,814	₱421,246	₱459,968	₱511,189	₱65,764	₱7,041,430

	December 31, 2014										
	Program Rights	Music Rights	Movie In-Process and Filmed Entertainment	Story, Video and Publication and Record Master	Trademarks	Licenses	Customer Relationships	Cable Channels - CPI	BSS Integration	Production and Distribution Business - Middle East	Total
Balance at beginning of year	₱3,016,561	₱138,758	₱494,726	₱11,630	₱1,111,784	₱1,005,715	₱502,522	₱459,968	₱-	₱73,500	₱6,815,164
Additions	1,464,246	-	749,215	13,949	-	-	-	-	66,218	-	2,293,628
Amortization (see Notes 25, 26 and 27)	(751,353)	(5,955)	(487,588)	(15,619)	-	(2,111)	(57,138)	-	(2,476)	(5,654)	(1,327,894)
Translation adjustments	-	-	-	-	-	163	-	-	-	525	688
Balance at end of year	3,729,454	132,803	756,353	9,960	1,111,784	1,003,767	445,384	459,968	63,742	68,371	7,781,586
Less current portion	1,019,710	-	156,433	7,041	-	-	-	-	-	-	1,183,184
Noncurrent portion	₱2,709,744	₱132,803	₱599,920	₱2,919	₱1,111,784	₱1,003,767	₱445,384	₱459,968	₱63,742	₱68,371	₱6,598,402

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

	December 31, 2015						December 31, 2014					
	Licenses	Customer Relationships	Cable Channels - CPI	Production and Distribution Business - Middle East	BSS Integration	Total	Licenses	Customer Relationships	Cable Channels - CPI	Production and Distribution Business - Middle East	BSS Integration	Total
Cost	₱42,777	₱612,940	₱574,960	₱212,358	₱563,908	₱2,006,943	₱42,777	₱612,940	₱574,960	₱212,358	₱66,218	₱1,509,253
Accumulated amortization	(6,012)	(191,694)	(114,992)	(146,594)	(52,719)	(512,011)	(4,059)	(167,556)	(114,992)	(143,987)	(2,476)	(433,070)
Net book value	₱36,765	₱421,246	₱459,968	₱65,764	₱511,189	₱1,494,932	₱38,718	₱445,384	₱459,968	₱68,371	₱63,742	₱1,076,183



Program rights include the acquired rights of the Company to air foreign and local films or programs for a certain period of time. The remaining useful life of program rights range from one to nine years. Licenses with finite life include franchise of KidZania brand in the Philippines, acquired in 2012, by Play Innovations, Inc. The remaining useful life of the license is approximately seven years.

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

- Sky Cable postpaid, prepaid and platinum, broadband and other 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. Effective November 1, 2013, ABS-CBN Middle East awarded the rights of distribution of its content to Orbit Showtime Network, a new sponsor. The remaining useful life of this intangible asset is approximately eight years.

Other intangible assets assessed to have indefinite life include trademarks and licenses to operate the wireless business. Trademarks pertain to DCI and Sky Cable distinctive sign to promote and distinguish its products and services from those of other entities. Based on the Company's analysis of all the relevant factors, there is no foreseeable limit to the period over which the business is expected to generate net cash inflows for the Company and therefore, these were assessed to have an indefinite life.

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### 13. Available-for-Sale Investments

	2015	2014
Balance at beginning of year	₱242,368	₱219,191
Unrealized fair value gain on AFS investments	32,728	23,177
Balance at end of year	<b>₱275,096</b>	₱242,368

AFS investments consist mainly of investments in quoted (₱198 million in 2015 and ₱165 million in 2014) and unquoted (₱77 million in 2015 and 2014) ordinary shares.

The unrealized gain (loss) on AFS investments amounting to ₱33 million, ₱22 million and (₱5) million in 2015, 2014 and 2013, respectively, were recognized in OCI, net of deferred tax liabilities (assets).



#### 14. Investments in Associates and Joint Ventures

The following are the associates and joint ventures of the Company with remaining carrying value as of December 31, 2015 and 2014:

Entity	Principal Activities	Percentage of Ownership	
		2015	2014
Associate:			
Amcara Broadcasting Network Incorporated (Amcara)	Services	49.0	49.0
The Flagship, Inc. (Flagship)	Services	40.0	–
Joint ventures:			
A CJ O Shopping Corporation (A CJ O)	Home shopping	50.0	50.0
Daum Kakao Philippines Corp. (Daum Kakao)	Services	50.0	–
ALA Sports	Boxing promotions	44.0	44.0

Details and movement in the account are as follows:

	2015	2014
Acquisition costs:		
Balance at beginning of year	₱729,490	₱699,490
Additions	325,000	30,000
Balance at end of year	1,054,490	729,490
Accumulated equity in net losses:		
Balance at beginning of year	(529,616)	(532,899)
Equity in net income (loss) during the year	(1,141)	3,283
Balance at end of year	(530,757)	(529,616)
	₱523,733	₱199,874
Investments in:		
Joint ventures	₱382,803	₱158,917
Associates	140,930	40,957
	₱523,733	₱199,874

All the associates and joint ventures are incorporated and have principal place of business in the Philippines. The associates and joint ventures have no contingent liabilities or capital commitments as of December 31, 2015 and 2014.

a. Investments in Joint Ventures

i. A C J O

The joint venture operates O Shopping Channel which broadcasts company-produced shopping programs 24/7 via Sky Cable and Destiny Cable. It also airs programs through ABS-CBN's Channel 2.



ii. ALA Sports

The primary purpose of ALA Sports, which was incorporated in December 2013, is to organize, stage and promote boxing matches, and provide, distribute and market products and services that are otherwise connected to the operations of said business, in the Philippines and other territories. In 2014, the Company made additional investments in ALA Sports amounting to ₱30 million.

iii. Daum Kakao

In 2015, the Parent Company entered into a joint venture agreement with Kakao Corporation to form a joint venture corporation, Daum Kakao. The primary purpose of Daum Kakao, which was incorporated in February 2015, is to engage in and provide KakaoTalk services developed and/or customized for users in the Philippines for mobile devices, including marketing and sales promotions. The joint venture agreement also includes a put option in favor of the Parent Company for the joint venture partner to purchase all of the Parent Company's stocks in Daum Kakao within 60 days after the second year of Daum Kakao's registration.

Condensed financial information of the joint ventures follows:

	2015	2014
Current assets	<b>₱939,189</b>	₱382,333
Noncurrent assets	<b>126,732</b>	108,404
Current liabilities	<b>(286,802)</b>	(157,540)
Net equity	<b>₱779,119</b>	₱333,197

	Years Ended December 31		
	2015	2014	2013
Revenue	<b>₱751,102</b>	₱472,171	₱74,254
Costs and expenses	<b>(746,474)</b>	(466,536)	(98,784)
Net income (loss)	<b>₱4,628</b>	₱5,635	(₱24,530)
Equity in net earnings (losses) of joint ventures	<b>(₱1,114)</b>	₱3,317	(₱12,363)

Below is the reconciliation of the summarized financial information of the joint ventures to the carrying amount of the Parent Company's investments therein:

	2015				2014		
	A C J O	ALA Sports	Daum Kakao	Total	A C J O	ALA Sports	Total
Net assets of joint ventures	<b>₱233,932</b>	<b>₱112,602</b>	<b>₱432,585</b>	<b>₱779,119</b>	₱205,170	₱128,027	₱333,197
Interest of the Parent Company in the net assets of the joint ventures	<b>50%</b>	<b>44%</b>	<b>50%</b>		50%	44%	
Carrying amount of investments in joint ventures	<b>₱116,966</b>	<b>₱49,544</b>	<b>₱216,293</b>	<b>₱382,803</b>	₱102,585	₱56,332	₱158,917



b. Investments in Associates

The carrying value of investments in associates consists of investments in Flagship and Amcara in 2015 and Amcara in 2014.

On March 28, 2015, the Parent Company entered into an agreement with individuals to form Flagship, a holding company with interests on entities engaged in the business of producing and co-producing motion pictures and providing visual effects and post-production services. The Company did not recognize its equity in net earnings of Flagship in 2015 because it is not material.

Investment in the other associate, Star Cinema Productions, Inc., a 45%-owned associate of the Company, has been reduced to zero due to accumulated equity in net losses.

The net cumulative unrecognized net losses amounted to ₱17 million as of December 31, 2015 and 2014.

Condensed financial information of Amcara follows:

	2015	2014
Current assets	₱26,025	₱25,925
Noncurrent assets	206,582	207,790
Current liabilities	(149,076)	(150,128)
Net equity	₱83,531	₱83,587

	Years Ended December 31		
	2015	2014	2013
Revenue	₱29,925	₱33,438	₱32,383
Costs and expenses	(29,981)	(33,507)	(32,452)
Net loss	(₱56)	(₱69)	(₱69)

Below is the reconciliation of the summarized financial information of the associate to the carrying amount of the Parent Company's investment therein:

	2015	2014
Net assets of associate of Amcara	₱83,531	₱83,587
Interest of the Parent Company in the net assets of the associate	49%	49%
Carrying amount of investments in associate	₱40,930	₱40,957
Investment in Flagship	100,000	-
Carrying amount of investments in associates	₱140,930	₱40,957

15. Other Noncurrent Assets

	2015	2014
Tax credits with TCCs - net	₱1,726,990	₱1,917,117
Deposits and bonds	244,884	208,854
Deferred charges	124,673	137,250
Others (see Note 23)	57,591	205,343
	₱2,154,138	₱2,468,564



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 2025.

On January 9, 2012, the Department of Finance issued a favorable ruling on the request of the Parent Company to utilize the tax credits in the payment of duties and taxes on the importation of digital terrestrial television boxes which will be subsequently distributed or made available to its customers and end-users.

Sky Cable recognized provision for unrecoverable tax credits amounting to ₱7 million for the year ended December 31, 2015. PCC recognized provision for unrecoverable tax credits amounting to nil, ₱25 million and ₱68 million for the years ended December 31, 2015, 2014 and 2013, respectively (see Note 28).

Deferred charges pertain to excess of cost over revenue from installation of decoders and set-top boxes. Amortization of deferred charges amounted to ₱34 million, ₱70 million and ₱53 million in 2015, 2014 and 2013, respectively (see Note 26).

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## 16. Goodwill

Analysis of movement in goodwill follows:

	2015	2014
Balance at beginning of year	₱5,289,956	₱5,288,350
Translation adjustment	11,570	1,606
Balance at end of year	<u>₱5,301,526</u>	<u>₱5,289,956</u>

Goodwill arose from the following acquisitions and business combination:

	2015	2014
Sky Cable	₱4,491,817	₱4,491,817
CTI and ABS-C	567,836	567,836
ABS-CBN International	232,672	221,102
Sapientis	9,201	9,201
	<u>₱5,301,526</u>	<u>₱5,289,956</u>

In 2013, goodwill pertaining to investments in ABS-CBN Interactive and ABS-CBN Multimedia amounting to ₱13 million and ₱7 million, respectively, were impaired (see Note 27).



## 17. Trade and Other Payables

	2015	2014
Trade	<b>₱2,396,864</b>	₱2,549,490
Accrued expenses:		
Production costs and other expenses	<b>5,145,014</b>	4,374,926
Salaries and other employee benefits (see Note 30)	<b>3,270,666</b>	2,258,528
Taxes	<b>1,434,001</b>	1,307,110
Interest	<b>151,308</b>	145,796
Deferred revenue	<b>1,861,008</b>	1,451,597
Dividend payable	<b>198,120</b>	177,485
Due to related parties (see Note 23)	<b>107,699</b>	110,708
Others	<b>377,010</b>	412,480
	<b>₱14,941,690</b>	₱12,788,120

Trade payables are noninterest-bearing and are normally settled on 30 to 90-day term.

Accrued expenses are normally settled within the next financial year.

Accrued production costs and other expenses represent accruals for various expenses related to the production of programs.

Accrual for salaries and other employee benefits includes accrual for the Company's retention program. The Company allocated specified number of notional shares for selected key employees valued at the Parent Company's share price as of December 31, 2015 and 2014. This will be paid in full after the holding period of 5 or 6 years from date of grant which is January 1, 2011. Notional shares totaling 1,000,000 were cancelled in 2014.

Deferred revenue pertains to payments received before broadcast and subscription fees billed or received in advance. This also includes the advance payments from the industry partners of Play Innovations, Inc., that are recognized as revenue over the life of the sponsorship agreement (typically five years) using the straight-line method of amortization.

For terms and conditions relating to due to related parties, refer to Note 23.

Other current liabilities include statutory liabilities which are payable within the next financial year.

## 18. Interest-bearing Loans and Borrowings

Borrower	December 31, 2015			December 31, 2014		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Parent Company	₱70,887	₱16,444,329	₱16,515,216	₱72,277	₱16,501,269	₱16,573,546
Sky Cable	29,860	2,871,330	2,901,190	29,715	2,901,191	2,930,906
PCC	2,000	774,184	776,184	6,922	776,183	783,105
Play Innovations, Inc.	300,000	-	300,000	-	-	-
ABS-CBN International	2,047	35,676	37,723	1,837	35,841	37,678
	<b>₱404,794</b>	<b>₱20,125,519</b>	<b>₱20,530,313</b>	<b>₱110,751</b>	<b>₱20,214,484</b>	<b>₱20,325,235</b>



Parent Company

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

	December 31, 2015			December 31, 2014		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Term loans:						
Loan agreements	₱50,649	₱10,487,788	₱10,538,437	₱51,098	₱10,532,886	₱10,583,984
Bonds payable	–	5,943,525	5,943,525	–	5,934,253	5,934,253
Obligations under finance lease (see Note 31)	20,238	13,016	33,254	21,179	34,130	55,309
	<b>₱70,887</b>	<b>₱16,444,329</b>	<b>₱16,515,216</b>	<b>₱72,277</b>	<b>₱16,501,269</b>	<b>₱16,573,546</b>

a. *Loan Agreements*

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

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

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

On March 11, 2011, the Parent Company availed the remaining amount of ₱3,094 million from the syndicated loan 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 Parent Company signed a Supplemental Agreement between and among the lenders of the ₱10 billion syndicated loan agreement to amend the financial ratios as follows:

- Deletion of Maximum Total Debt-to-Annualized EBITDA;
- Increase in threshold of the Debt Service Coverage Ratio (DSCR) from 1.1:1 to 1.2:1 in the years 2012, 2013 and 2014 and to 1.5:1 from 2015 until its final maturity in 2017; and
- Utilization of the amount of projected capital expenditure and program rights based on approved capital expenditure and program rights acquisition budget in calculating the



cash available for debt service instead of using the actual amount of capital expenditure and program rights actually paid in cash during the period.

On December 5, 2012, the Parent Company signed a Second Supplemental Agreement between and among the lenders of the ₱10 billion syndicated loan to amend the definition of “Business.” The amendment expanded the definition to include “entertainment and amusement center development and management services and product sales and distribution services.” The expansion of the definition allows the Company to invest in ABS-CBN Theme Parks, Play Innovations and/or Play Innovations, Inc.

Under the same agreement, the majority lenders, likewise, permitted to extend a guarantee in favor of Play Innovations and/or Play Innovations, Inc.

On January 30, 2014 and October 30, 2014, the BOD approved the refinancing of the fixed rate portions of the syndicated loan, amounting to ₱4,850 million in principal. The prepayment of the fixed rate portions of the syndicated loan resulted in break cost amounting to ₱178 million in 2014 (see Note 28). Thereafter, on February 28, 2014 and November 10, 2014, the Parent Company entered into loan agreements with local banks for principal amounts of ₱1,650 million and ₱3,200 million, respectively. The loans are intended to refinance the existing indebtedness and to fund working capital requirements. The ₱1,650 million loan, which was availed from Security Bank, bears interest of 4.25% per annum with a term of four years. The ₱3,200 million loan, which was secured from BPI, bears interest of 3.88% per annum with a term of three years. Transaction cost incurred in availing the 2014 loans amounted to ₱105 million.

- (ii) On March 7, 2014, the Parent Company secured a ₱1 billion loan from Philippine American Life and General Insurance Company to partially finance the Company’s capital expenditure requirements and general working capital purposes. The loan has a term of ten years and a fixed rate of 5.40% per annum.

As of December 31, 2015 and 2014, the Parent Company is in compliance with the provisions of its loan agreements.

Unamortized debt issue cost, presented as a deduction from the Parent Company’s outstanding loans, amounted to ₱45 million and ₱66 million as of December 31, 2015 and 2014, respectively.

Amortization of debt issue costs amounted to about ₱21 million, ₱66 million and ₱15 million for the years ended December 31, 2015, 2014 and 2013, respectively (see Note 28).

b. *Bonds Payable*

On January 23, 2014, the Philippine SEC approved the Parent Company’s offering of debt securities in the aggregate principal amount of up to ₱10 billion to be issued in one or two tranches, as approved by the BOD on November 29, 2013. The first tranche comprised of fixed rate bonds amounting to ₱5 billion and an overallotment option of ₱1 billion with BDO Capital & Investment Corporation, BPI Capital and Hongkong and Shanghai Banking Corporation as joint-issue managers. The term of the bonds is seven years with a fixed interest rate of 5.335% per annum. Interest on the bonds shall be payable quarterly in arrears starting on May 10, 2014 for the first interest payment date.

On February 10, 2014, the Parent Company listed the ₱6 billion worth of retail bonds in the Philippine Dealing and Exchange Corporation. The bonds were rated PRS Aaa by the Philippine Rating Services Corporation on December 27, 2013.



As of December 31, 2015 and 2014, the Parent Company is in compliance with the provisions of this facility.

Unamortized debt issue cost, presented as a deduction from the Parent Company's bonds payable, amounted to ₱56 million and ₱66 million as of December 31, 2015 and 2014, respectively.

Amortization of debt issue costs amounted to ₱9 million and ₱8 million in 2015 and 2014, respectively (see Note 28).

c. *Syndicated Loans*

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

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

The ₱854 million syndicated loan facility contains provisions regarding the maintenance of certain financial ratios and limiting, among others, the incurrence of additional debt, the payment of dividends, making investments, the issuing or selling of the Parent Company's capital stock or some of its subsidiaries, the selling or exchange of assets, creation of liens and effecting mergers.

On December 5, 2012, the Company entered into supplemental agreements with the lenders to amend the financial ratios and definition of "Business" in the contract.

As of December 31, 2013, the Company is in compliance with the provisions of this facility. On March 7, 2014, the Company fully settled the syndicated loan and fully amortized the debt discount and transaction cost totaling ₱44 million.

Amortization of debt issue costs amounted to about ₱44 million and ₱56 million for the years ended December 31, 2014 and 2013, respectively (see Note 28).

Breakdown of the Company's term loans as of December 31, 2015 and 2014 follows:

	December 31, 2015			December 31, 2014		
	Loan Agreements	Bonds Payable	Total	Loan Agreements	Bonds Payable	Total
Principal	₱10,583,500	₱6,000,000	₱16,583,500	₱10,650,000	₱6,000,000	₱16,650,000
Less unamortized transaction costs	45,063	56,475	101,538	66,016	65,747	131,763
	10,538,437	5,943,525	16,481,962	10,583,984	5,934,253	16,518,237
Less current portion	50,649	–	50,649	51,098	–	51,098
Noncurrent portion	₱10,487,788	₱5,943,525	₱16,431,313	₱10,532,886	₱5,934,253	₱16,467,139



Debt issue costs as of December 31, 2015 are amortized over the term of the loans using the effective interest method as follows:

Year	Loan Agreements	Bonds Payable	Total
2016	₱21,655	₱9,834	₱31,489
2017	20,003	10,370	30,373
2018	475	10,965	11,440
2019 and onwards	2,930	25,306	28,236
	<b>₱45,063</b>	<b>₱56,475</b>	<b>₱101,538</b>

Amortization of debt issue costs are as follows (see Note 28):

	Years Ended December 31		
	2015	2014	2013
Transaction costs	<b>₱30,225</b>	₱77,944	₱19,606
Debt discount	–	40,108	51,221
	<b>₱30,225</b>	<b>₱118,052</b>	<b>₱70,827</b>

Repayments of loan and bonds payable based on nominal values are scheduled as follows:

Year	Loan Agreements	Bonds Payable	Total
2016	₱66,500	₱–	₱66,500
2017	7,916,500	–	7,916,500
2018 and onwards	2,600,500	6,000,000	8,600,500
	<b>₱10,583,500</b>	<b>₱6,000,000</b>	<b>₱16,583,500</b>

#### Sky Cable

The details of interest-bearing loans and borrowings of the Sky Cable are as follows:

	December 31, 2015			December 31, 2014		
	Current Portion	Noncurrent Portion	Total	Current Portion	Noncurrent Portion	Total
Term Loans						
Unsubordinated loan	<b>₱18,007</b>	<b>₱1,930,795</b>	<b>₱1,948,802</b>	₱18,107	₱1,948,802	₱1,966,909
Restructured loan	<b>8,434</b>	<b>938,651</b>	<b>947,085</b>	8,510	947,085	955,595
Obligations under finance lease (see Note 31)	<b>3,419</b>	<b>1,884</b>	<b>5,303</b>	3,098	5,304	8,402
	<b>₱29,860</b>	<b>₱2,871,330</b>	<b>₱2,901,190</b>	<b>₱29,715</b>	<b>₱2,901,191</b>	<b>₱2,930,906</b>

#### a. *Unsubordinated Loan*

On December 27, 2012, Sky Cable availed of a short-term ₱1 billion loan from BPI with interest of 3.25% per annum. Proceeds were used to pay a ₱1 billion loan from Australia and New Zealand Banking Group Limited, Manila Branch (ANZ).

On February 4, 2013, Sky Cable availed of an additional short-term ₱850 million loan from BPI, at 3.75% interest per annum. The proceeds were used to fully pay the remaining bridge loan from ANZ.

On October 17, 2013, Sky Cable executed an unsecured and unsubordinated loan agreement with BPI and Security Bank for ₱1.8 billion with interest at 7-year PDST-F plus 1% per



annum subject to a floor rate of 5.40% and Robinsons Bank for ₱200 million with interest at 10-year PDST-F plus 0.9% per annum subject to a floor rate of 5.40%. The proceeds were used to repay the existing short-term loan of Sky Cable with BPI amounting to ₱1.85 billion. The remaining ₱150 million will be used for working capital purposes.

b. *Restructured Loan*

On October 26, 2010, a new loan was obtained with a principal amount of ₱1 billion to refinance Sky Cable's existing restructured long-term debt and the Post Moratorium Interest (which is the unpaid accrued interest on the principal) amounting to ₱863 million and ₱79 million, respectively.

The loan was obtained from various local banks and bears a fixed interest rate based on the previous banking day's 5-year PDST-F rate at the time of agreement plus 1%. The loan is unsecured and is payable in annual installment commencing on October 26, 2011 with a final maturity on October 26, 2017. It has an interest rate step-up feature in case the loan is extended for another two years.

The loan is supported by a Fixed Rate Corporate Notes Facility Agreement.

The loan agreements provided for certain requirements and restrictions with respect to, among others, the use of the proceeds, maintenance of certain financial ratios, incurrence of additional debt, sale or lease of all or substantially all of Sky Cable's assets, declaration of cash dividends or enter into merger or consolidation, except where Sky Cable is the surviving entity and it does not result to a change in control.

As of December 31, 2015 and 2014, Sky Cable is in compliance with the provisions and all of the financial ratios required by its creditors in the agreement.

Unamortized debt issue costs, presented as a deduction from the unsubordinated and restructured loans, amounted to ₱14 million and ₱17 million as of December 31, 2015 and 2014, respectively. Using the effective interest method, unamortized debt issue costs as of December 31, 2015 will be amortized as follows:

Year	Unsubordinated Loan	Restructured Loan	Total
2016	₱1,993	₱1,566	₱3,559
2017	2,100	1,349	3,449
2018 and onwards	7,105	–	7,105
	₱11,198	₱2,915	₱14,113

Amortization of debt issue costs amounted to about ₱3 million, ₱4 million and ₱2 million in 2015, 2014 and 2013, respectively (see Note 28).



Based on nominal values, the schedule of debt repayments of the unsubordinated and restructured loans is as follows:

Year	Amount
2016	₱30,000
2017	960,000
2018	20,000
2019 and onwards	1,900,000
	<u>₱2,910,000</u>

#### PCC

On April 10, 2012, PCC signed an omnibus notes facility and security agreement with BDO in the amount of ₱800 million with the interest rate using the BSP overnight borrowing rate of 4.0%, multiplied by 97/100. The net proceeds from the issuance of the notes pursuant to the Tranche A amounting to ₱500 million is used to refinance the existing long-term bank loans. The proceeds of the Tranche A was used to settle the long term-debt of PCC as of December 31, 2011 amounting to ₱499 million.

The loan is supported by deed of pledge executed by Sky Cable and the Continuing Suretyship Agreement executed by Sky Vision. It is payable in quarterly installments commencing on July 16, 2013 with a maturity on April 1, 2019.

The agreement provided for certain requirements and restrictions with respect to, among others, the use of the proceeds, maintenance of certain financial ratios, incurrence of additional debt, sale or lease of all or substantially all of PCC's assets, declaration of cash dividends or enter into merger or consolidation, except where PCC is the surviving entity and it does not result to a change in control. As of December 31, 2015 and 2014, PCC is in compliance with the provisions and all of the financial ratios required by its creditors in the agreement.

Debt issue costs on the loan amounting to ₱4 million and ₱5 million as of December 31, 2015 and 2014, respectively are deferred and amortized using the effective interest method. Amortization of debt issue costs amounted to about ₱1 million in 2015, 2014 and 2013 (see Note 28).

Debt issue costs are amortized over the term of the loan using the effective interest method as follows:

Year	Amount
2016	₱1,118
2017	1,153
2018	1,545
	<u>₱3,816</u>

The schedule of debt repayment of the loan is as follows:

Year	Amount
2016	₱8,000
2017	8,000
2018	8,000
2019 onwards	756,000
	<u>₱780,000</u>



ABS-CBN International

On August 19, 2008, ABS-CBN International availed of a loan from Citibank, North America amounting to US\$1 million (₱50 million). The loan has a term of 20 years and can be prepaid starting on the 15th year. The loan bears interest at a fixed rate per annum equal to 125 basis points in excess of Citibank's 15-year Cost of Funds in effect three business days prior to the funding of the loan, which Cost of Funds rate is based on the applicable term Libor Swap Rate.

The investment property acquired for which the loan was availed was pledged as collateral (see Note 11).

The schedule of debt repayment is as follows:

Year	Amount
2016	₱2,047
2017	2,168
2018	2,296
2019–2028	31,212
	<b>₱37,723</b>

Play Innovations, Inc.

In 2015, Play Innovations, Inc. availed of various short-term loans from BPI for working capital purposes. The principal amount of the loans totaled ₱300 million bearing fixed interest rate of 4.21% for a year. The loans are free from liens and mortgages.

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**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 semiannual installments over a period of one to six years. The amounts presented in the consolidated statements of financial position represent the face amounts of the obligations, net of unamortized discounts, which represent the difference between the face amounts and the fair values of the obligations upon initial recognition. Unamortized discounts amounted to ₱24 million and ₱38 million as of December 31, 2015 and 2014, respectively.

The schedule of repayments as of December 31 is as follows:

	2015			2014		
	Gross Value	Unamortized Discount	Carrying Value	Gross Value	Unamortized Discount	Carrying Value
Within one year	<b>₱508,052</b>	<b>₱9,147</b>	<b>₱498,905</b>	₱731,625	₱7,359	₱724,266
More than one year to five years	<b>187,869</b>	<b>15,269</b>	<b>172,600</b>	255,283	30,811	224,472
	<b>₱695,921</b>	<b>₱24,416</b>	<b>₱671,505</b>	₱986,908	₱38,170	₱948,738

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**20. 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), entered into a Subscription and Purchase Agreement (SPA) wherein Sampaquita agreed to purchase PDRs from ABS-CBN and Lopez Holdings and to subscribe to originally issued PDRs from Sky Vision and convertible note to be issued by Sky Cable.



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

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

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

The convertible note was accounted for under split accounting. The equity component of the convertible note amounting to ₱27 million (net of transaction costs of ₱2 million and tax of ₱12 million) was recognized as part of noncontrolling interests in the consolidated financial statements. The liability component is presented separately as “Convertible note” in the consolidated statements of financial position.

In 2014, Sampaquita and Sky Cable agreed to retain the interest rate at 0% for the next three year period. Accordingly, Sky Cable recalculated the carrying amount of the convertible note to reflect the actual and revised estimated cash flows. The difference between the carrying values computed at the original effective interest rate and the revised effective interest rate amounting to ₱70 million is recognized as gain in 2014. The amount is shown as “Gain on remeasurement of convertible note” in the 2014 consolidated statement of comprehensive income (see Note 28).

Accretion of the convertible note recognized as part of interest expense in the consolidated statements of income amounted to ₱15 million, ₱14 million and ₱18 million in 2015, 2014 and 2013, respectively (see Note 28).

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## 21. Other Noncurrent Liabilities

	2015	2014
Customers' deposits	<b>₱263,300</b>	₱293,985
Deferred credits	<b>36,537</b>	40,988
Others	<b>117,413</b>	103,884
	<b>₱417,250</b>	₱438,857

Customers' deposits related to Sky Cable's subscription agreements with customers are initially recognized at fair value. The discount is recognized as deferred credits and amortized over the estimated remaining term of the deposit as other income. Customers' deposits are refunded to the customers upon termination of service.

Others include outstanding transmission liability and other long term payables.



## 22. Equity

### Capital Stock

Details of authorized and issued capital stock as of December 31, 2015 and 2014 are as follows:

	Number of Shares	Amount
<i>(Amounts in Thousands, Except Number of Shares)</i>		
Authorized -		
Common shares - ₱1.0 par value	1,300,000,000	₱1,300,000
Preferred shares - ₱0.2 par value	1,000,000,000	₱200,000
Issued -		
Common shares	872,123,642	₱872,124
Preferred shares	1,000,000,000	₱200,000

Below is the Parent Company's track record of the registration of securities:

Date of SEC Order Rendered Effective or Permit to Sell	Event	Authorized Capital Stock	Issued Shares	Issue Price
	Registered and Listed Shares (Original Shares)	₱200,000	111,327,200	₱1.00
March 31, 1992	Initial Public Offering (Primary)	200,000	12,428,378	15.00
	Secondary *	200,000	18,510,517	15.00
	ESOP*	200,000	1,403,500	15.00
June 16, 1993	40% stock dividends	200,000	49,502,074	1.00
August 18, 1994	50% stock dividends	500,000	86,620,368	1.00
July 25, 1995	100% stock dividends	1,500,000	259,861,104	1.00
July 2, 1996	50% stock dividends	1,500,000	259,861,104	1.00
January 7, 2014	Issuance	1,500,000	57,836,900	43.125
January 7, 2014	Issuance	1,500,000	34,702,140	43.225

\*Included in the 111,327,200 shares existing at the time of the IPO

The Parent Company's total number of common stockholders is 5,478 and 5,641 as of December 31, 2015 and 2014, respectively.

*Common Shares.* On May 15, 2013, CIPEF agreed to subscribe to ₱2.5 billion worth of new PDRs to be issued by ABS-CBN Holdings which will in turn subscribe to the same number of newly issued common shares of the Parent Company. The new PDRs to be issued to CIPEF were priced at ₱43.225 per PDR. This equals to 57,836,900 common shares to be issued by the Parent Company to ABS-CBN Holdings and an equivalent number of PDRs to be issued to CIPEF upon full payment of its subscription.

On the same date, Lopez, Inc. also agreed to subscribe to ₱1.5 billion worth of common shares of the Parent Company. This equals to 34,702,140 common shares to be issued by the Parent Company to Lopez, Inc. upon full payment of its subscription.

On June 5, 2013, CIPEF and ABS-CBN Holdings completed its subscription to the PDRs and common shares, respectively, with the payment of the subscription price of ₱2.5 billion.

On June 25, 2013, Lopez, Inc. subscribed to 34,702,140 common shares of the Parent Company and paid 25% of the subscription price. Under the terms of the subscription, Lopez, Inc. shall pay



the remaining 75% of the subscription price on or before December 31, 2013. On December 20, 2013, Lopez, Inc. fully paid the subscription price to 34,702,140 common shares. Consequently, the Parent Company issued the common shares to Lopez, Inc.

Costs directly attributable to the issuance of new common shares in 2013 amounting to ₱55 million were charged against additional paid-in capital.

*Preferred Shares.* In a special meeting on September 28, 2012, the BOD approved the amendment of the Articles of Incorporation of the Parent Company to reclassify 200 million common shares with a par value of ₱1.00 per share into 1 billion cumulative, voting, non-participating, redeemable and non-convertible preferred shares with a par value of ₱0.20 per share. Such reclassification was approved by the stockholders in a special meeting on November 15, 2012.

On November 29, 2012, the Philippine SEC approved the amendment of the Articles of Incorporation to reclassify 200 million common shares into 1 billion preferred shares.

On February 28, 2013, the Company issued the 1 billion preferred shares at par. Lopez, Inc. subscribed to a total of 987,130,246 preferred shares. The preferred share has a dividend rate of 2%. Lopez, Inc.'s subscription of the preferred shares increased their voting interest to 79%.

The Parent Company's total number of preferred shareholders is 191 as of December 31, 2015 and 2014.

#### Share-based Payment Plan

Lopez Holdings, a commonly controlled entity, has an Employee Stock Purchase Plan (ESPP) that was approved by the BOD and stockholders on February 28, 2011. The terms of ESPP, include among others, a limit as to the number of shares a qualified regular employee, officer or qualified director of Lopez Holdings and Lopez, Inc. or a qualified officer of Lopez Holdings' subsidiaries and associates, may purchase and the manner of payment based on equal semi-monthly installments over a period of two years through salary deductions. The stock options vest after two years from the grant date. All qualified participants are given until 10 years from grant date to exercise the stock options.

The primary terms of the grant are as follows:

Grant date	May 2011
Number of options granted allocable to the Company	21,974,257
Offer price per share	₱4.573
Option value per share	₱1.65

The fair value of equity-settled share options granted is estimated as at the date of grant using the Black-Scholes Option Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the option grants:

Expected volatility	42.6%
Weighted average share price	₱4.573
Risk-free interest rate	4.3%
Expected life of option	5 years
Dividend yield	2.5%



The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which likewise, may not necessarily be the actual outcome. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. No other features of options grant were incorporated into the measurement of the fair value of the options.

Total number of options exercisable under ESPP is as follows:

	2015	2014
Balance at beginning of year	15,570,533	16,658,472
Exercised during the year	(2,123,337)	(887,939)
Cancelled during the year	-	(200,000)
Balance at end of year	13,447,196	15,570,533

Total share-based payment expense recognized by the Company as part of "Personnel expenses" under "General and administrative expenses" account in the consolidated statements of income amounted to nil in 2015 and 2014 and ₱5 million in 2013 (see Note 27). A corresponding "Share-based payment plan" account, net of applicable tax, under equity section of the consolidated statements of financial position was also recognized.

#### Retained Earnings

Unappropriated retained earnings available for dividend distribution is adjusted to exclude the Parent Company's accumulated equity in net earnings of subsidiaries and associates amounting to ₱1,720 million and ₱1,117 million as of December 31, 2015 and 2014, 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 March 5, 2015, the BOD approved the declaration of cash dividend of ₱0.60 per common share or an aggregate amount of ₱514 million to all common stockholders of record as of March 20, 2015 payable on April 20, 2015.

On April 24, 2015, the BOD approved the declaration and payment of 2% per annum cash dividend on the Parent Company's preferred shares with a record date set for May 11, 2015 payable on May 18, 2015.

On January 30, 2014, the BOD approved the declaration and payment of 2% per annum cash dividend on the Parent Company's preferred shares with a record date set for February 14, 2014 and payable on February 28, 2014.

On March 27, 2014, the BOD also approved the declaration of cash dividend of ₱0.60 per common share or an aggregate amount of ₱511 million to all common stockholders of record as of April 16, 2014 payable on May 7, 2014.

On April 23, 2013, the BOD approved the declaration of cash dividend of ₱0.40 per share or an aggregate amount of ₱297 million to all stockholders of record as of May 10, 2013 payable on June 6, 2013.

On February 27, 2013, the BOD approved the reversal of appropriated retained earnings amounting to ₱8,300 million to unappropriated retained earnings. On the same date, the



Company's BOD approved the appropriation of retained earnings of ₱16,200 million, including the specific projects and timeline. The appropriated retained earnings is set aside for capital expenditures particularly for the purchase of Parent Company's property and equipment needed for business operations and expansion over a period of five years.

Treasury Shares and PDRs Convertible to Common Shares

Details of treasury shares and PDRs convertible to common shares as of December 31, 2015 and 2014 are as follows:

	2015				2014			
	Treasury Shares	PDRs Convertible Common Shares	Total	Amount	Treasury Shares	PDRs Convertible Common Shares	Total	Amount
Balance at beginning of year	21,124,161	20,430,445	41,554,606	₱1,264,096	20,877,361	17,300,845	38,178,206	₱1,164,146
Acquisitions during the year	198,400	7,398,200	7,596,600	374,623	246,800	3,129,600	3,376,400	99,950
Balance at end of year	21,322,561	27,828,645	49,151,206	₱1,638,719	21,124,161	20,430,445	41,554,606	₱1,264,096

PDRs convertible to common shares represents ABS-CBN Holdings PDRs held by the Parent Company which are convertible into ABS-CBN shares. Each PDR grants the holders, upon payment of the exercise price and subject to certain other conditions, the delivery of one ABS-CBN share or the sale of and delivery of the proceeds of such sale of one ABS-CBN share. The ABS-CBN shares are still subject to ownership restrictions on shares of corporations engaged in mass media and ABS-CBN may reject the transfer of shares to persons other than Philippine nationals. The PDRs were listed in the PSE on October 7, 1999 and may be exercised at any time from said date. Any cash dividends or other cash distributions in respect of the underlying ABS-CBN shares shall be applied by ABS-CBN Holdings, issuer of PDRs, towards payment of operating expenses and any amounts remaining shall be distributed pro-rata among outstanding PDR holders.

Transaction cost incurred on the purchase of treasury shares and PDRs convertible to common shares amounting to ₱993 thousand was charged to "Additional paid-in capital" in the 2015 consolidated statement of financial position.

**23. Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

Transactions with Related Parties

In addition to the related party transactions discussed in Notes 4 and 18, significant transactions of the Company with its associates, joint ventures and related parties follow:

	Nature	Years Ended December 31		
		2015	2014	2013
<b>Associate and Joint Venture</b>				
Blocktime fees paid by the Parent Company and Studio 23 to Amcara	Blocktime fees	₱29,741	₱33,776	₱32,660
Advances to ALA Sports	Advances	424	30,000	—
Airtime revenue from A CJ O	Airtime fees	19,500	9,504	122

(Forward)



	Nature	Years Ended December 31		
		2015	2014	2013
<b>Entities under Common Control</b>				
Advances to INAEC Aviation Corporation (INAEC)	Advances	<b>₱357,960</b>	₱–	₱–
Expenses paid by the Parent Company and subsidiaries to Goldlink Securities and Investigative Services, Inc. (Goldlink), Bayantel and other related parties	Service fees and utilities expenses	<b>179,335</b>	141,180	186,625
Loan and advances to Lopez Holdings	Loan and interest	<b>120,232</b>	1,109,330	–
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	Rent and utilities	<b>29,436</b>	30,855	38,652
Revenue of API and subsidiaries from other related parties	Print revenue and Other service Fees	<b>5,850</b>	9,415	–
Termination cost charges of Bayantel to ABS-CBN Global	Termination cost	–**	15,203	33,917
Expenses paid by ABS-C to Bayantel, a subsidiary of Lopez, Inc., and other related parties	Rent and utilities	–**	222,820	280,586
Airtime revenue from Bayantel	Airtime fees	–**	20,933	19,598
<b>Others</b>				
Donation to ABS-CBN Lingkod Kapamilya Foundation, Inc. (ABS-CBN Lingkod Kapamilya, formerly ABS-CBN Foundation, Inc.)	Donations for Typhoon Yolanda victims	–	6,436*	120,631*
*Net proceeds from sale of "Tulong Na, Tabang Na, Tayo Na" shirts				
**Not a related party in 2015 as a result of the buy-out of Lopez Group				

The related receivables from related parties, presented under "Trade and other receivables" account and payables to related parties, presented under "Trade and other payables" account in the consolidated statements of financial position, are as follows:

	Relationship*	Terms	Conditions	December 31, 2015	December 31, 2014
<b>Due from (see Note 7)</b>					
Amcara	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>₱142,474</b>	₱142,311
First Philippine Holdings Corporation (FPHC)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>59,815</b>	44,805
INAEC	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>54,032</b>	22,454
ALA Sports	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>30,424</b>	30,000
ABS-CBN Lingkod Kapamilya	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>18,677</b>	17,570
Star Cinema	Associate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>7,924</b>	7,924

(Forward)



	Relationship*	Terms	Conditions	December 31, 2015	December 31, 2014
A C J O	Joint Venture	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>₱6,645</b>	₱12,741
Goldlink	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>5,220</b>	5,703
Rockwell Land Corporation (Rockwell Land)	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	<b>2,956</b>	2,914
Lopez Holdings	Affiliate	7 months, interest-bearing	Unsecured, no impairment	–	1,100,000
		30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	–	4,356
Bayantel**	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured, no impairment	–	314,550
Others	Affiliate	30 days upon receipt; noninterest-bearing	Unsecured, no impairment	<b>7,516</b>	16,276
<b>Total</b>				<b>₱335,683</b>	<b>₱1,721,604</b>

	Relationship*	Terms	Conditions	December 31, 2015	December 31, 2014
<b>Due to</b> (see Note 17)					
Sky Cable Net, Inc.	Affiliate	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>₱55,858</b>	₱55,858
Lopez, Inc.	Ultimate parent	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>19,277</b>	26,046
ABS-CBN Bayan Foundation	Corporate social responsibility sector of ABS-CBN	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>6,234</b>	6,234
Others	Affiliates	30 days upon receipt of billings; noninterest-bearing	Unsecured	<b>26,330</b>	22,570
<b>Total</b>				<b>₱107,699</b>	<b>₱110,708</b>

\*Affiliate pertains to various entities under common control of Lopez, Inc., ultimate parent company

\*\*Not a related party in 2015 as a result of the buy-out of Lopez Group

- a. The Parent Company and Studio 23 own the program rights being aired in UHF Channel 23 of Amcara. The Parent Company and Studio 23 have an existing blocktime agreement with Amcara for its provincial operations.
- b. Due from Amcara pertains substantially to the outstanding receivable for funds transferred by ABS-CBN to Amcara in 2012 to fund the purchase of an intangible asset.
- c. Sky Cable has entered into an agreement with Bayantel for the grant of IRU in certain capacities in the network. Operation and maintenance fees paid by Sky Cable to Bayantel amounted to ₱4 million in 2014 (see Note 31). Bayantel ceased to be a related party in 2015.
- d. Advances to employees and talents amounted to ₱484 million and ₱390 million as of December 31, 2015 and 2014, respectively (see Note 7).



- e. Share-based payment amounted to ₱34 million as of December 31, 2015 and 2014 (see Note 22).
- f. On October 16, 2014, the Parent Company granted a loan to Lopez Holdings with principal amounting to ₱1,100 million. The loan has a term of one year and bears fixed interest rate equivalent to 4.02% per annum. Interest income from the loan amounted to ₱24 million and ₱9 million in 2015 and 2014, respectively. The loan was fully settled in July 2015.
- g. In 2015, the Parent Company has advances to Lopez Holdings for the purchase of assets amounting to ₱96 million.
- h. In 2014, the Parent Company made additional advances in ALA Sports amounting to ₱30 million.
- i. In 2015, the Parent Company has advances to INAEC amounting to ₱336 million.
- j. Other transactions with related parties include cash advances for working capital requirements.

Terms and Conditions of Transactions with Related Parties

The sales to and purchases from related parties are made at normal market prices. Except for transactions identified in the previous section as interest-bearing, outstanding balances as of year-end are generally unsecured, interest-free and settlement occurs in cash, and are collectible or payable on demand. For the years ended December 31, 2015, 2014 and 2013, 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

	<b>Years Ended December 31</b>		
	<b>2015</b>	2014	2013
Compensation (see Notes 25, 26 and 27)	<b>₱1,441,643</b>	₱1,867,933	₱1,425,841
Pension benefits (see Note 30)	<b>62,194</b>	104,722	100,618
Vacation leaves and sick leaves	<b>45,528</b>	45,343	31,028
Termination benefits	<b>47,412</b>	30,636	210
Share-based payment (see Note 22)	-	-	5,397
	<b>₱1,596,777</b>	₱2,048,634	₱1,563,094

**24. Material Noncontrolling Interests**

Financial information of subsidiaries that have material noncontrolling interests is provided below.

Proportion of Equity Interest Held By Noncontrolling Interests

Company	Place of Incorporation	Percentage	
		<b>2015</b>	2014
Sky Cable Corporation and Subsidiaries (see Note 4)	Philippines	<b>40.6%</b>	42.6%
Sapientis Holdings Corporation and Subsidiaries	Philippines	<b>30.7%</b>	30.7%



Accumulated Earnings (Losses) of Material Noncontrolling Interests

Company	2015	2014
Sky Cable Corporation and Subsidiaries	<b>₱1,898,072</b>	₱2,045,696
Sapientis Holdings Corporation and Subsidiaries	<b>(999,690)</b>	(656,690)

Net Income (Loss) Attributable to Material Noncontrolling Interests

Company	Years Ended December 31		
	2015	2014	2013
Sky Cable Corporation and Subsidiaries	<b>₱10,054</b>	₱111,337	₱107,874
Sapientis Holdings Corporation and Subsidiaries	<b>(343,000)</b>	(447,702)	(214,479)

The summarized financial information of Sky Cable and Sapientis are provided in the succeeding section. This information is based on amounts before intercompany eliminations and after fair value adjustments.

*a. Sky Cable*

Summarized Consolidated Statements of Financial Position

	2015	2014
Cash and cash equivalents	<b>₱1,791,245</b>	₱3,207,877
Other current assets	<b>2,320,593</b>	1,848,653
Goodwill	<b>4,491,817</b>	4,491,817
Trademarks	<b>1,111,784</b>	1,111,784
Customer relationships	<b>421,247</b>	442,384
Other noncurrent assets	<b>10,906,019</b>	9,447,790
Current liabilities	<b>(8,288,681)</b>	(7,801,075)
Noncurrent liabilities	<b>(4,714,624)</b>	(4,757,298)

Summarized Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2015	2014	2013
Revenue	<b>₱8,083,253</b>	₱7,764,433	₱6,936,709
Cost of services	<b>(5,725,541)</b>	(5,014,304)	(4,483,667)
General and administrative expenses	<b>(2,172,039)</b>	(2,345,713)	(1,939,292)
Finance costs	<b>(233,906)</b>	(249,984)	(228,843)
Other income - net	<b>81,809</b>	213,204	63,334
Income before income tax	<b>33,576</b>	367,636	348,241
Provision for income tax	<b>10,073</b>	110,244	102,279
Net income	<b>₱23,503</b>	₱257,392	₱245,962
Attributable to equity holders of the Parent			
Company	<b>₱27,705</b>	₱262,676	₱240,571
Attributable to noncontrolling interests	<b>(₱4,202)</b>	(₱5,284)	₱5,391
Total comprehensive income	<b>₱42,308</b>	₱238,873	₱362,437
Attributable to equity holders of the Parent			
Company	<b>₱46,863</b>	₱244,016	₱357,046
Attributable to noncontrolling interests	<b>(₱4,555)</b>	(₱5,143)	₱5,391



Summarized Consolidated Statements of Cash Flows

	Years Ended December 31		
	2015	2014	2013
Operating	<b>₱1,372,259</b>	₱2,492,465	₱1,994,283
Investing	<b>(2,028,021)</b>	(2,282,090)	(1,713,194)
Financing	<b>(758,870)</b>	1,707,682	(294,803)

*b. Sipientis*

Summarized Consolidated Statements of Financial Position

	2015	2014
Cash and cash equivalents	<b>₱13,516</b>	₱20,160
Other current assets	<b>916,251</b>	728,578
Goodwill	<b>567,836</b>	567,836
Customer relationships	-	3,000
Other noncurrent assets	<b>1,939,755</b>	2,271,511
Current liabilities	<b>(2,072,498)</b>	(1,976,544)
Noncurrent liabilities	<b>(6,883,888)</b>	(6,365,831)

Summarized Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2015	2014	2013
Revenue	<b>₱397,964</b>	₱409,694	₱544,094
Cost of services	<b>(423,016)</b>	(619,292)	(645,054)
General and administrative expenses	<b>(1,095,727)</b>	(1,836,308)	(755,527)
Finance costs	<b>(368)</b>	(211)	(21,634)
Other income (loss) – net	<b>34,538</b>	458,005	(34,651)
Loss before income tax	<b>(1,086,609)</b>	(1,588,112)	(912,772)
Provision for income tax	<b>21,499</b>	(129,720)	(205,323)
Net loss	<b>(₱1,108,108)</b>	(₱1,458,392)	(₱707,449)
Attributable to equity holders of the Parent			
Company	<b>(₱764,992)</b>	(₱1,010,690)	(₱492,970)
Attributable to noncontrolling interests	<b>(₱343,116)</b>	(₱447,702)	(₱214,479)
Total comprehensive loss	<b>(₱1,119,599)</b>	(₱1,078,494)	(₱706,578)
Attributable to equity holders of the Parent			
Company	<b>(₱775,920)</b>	(₱747,420)	(₱492,367)
Attributable to noncontrolling interests	<b>(₱343,679)</b>	(₱331,074)	(₱214,211)

Summarized Consolidated Statements of Cash Flows

	Years Ended December 31		
	2015	2014	2013
Operating	<b>(₱639,350)</b>	(₱805,969)	(₱604,901)
Investing	<b>(77,065)</b>	(106,035)	(535,620)
Financing	<b>709,771</b>	912,999	1,148,089



## 25. Production Costs

	Years Ended December 31		
	2015	2014	2013
Personnel expenses and talent fees (see Notes 23 and 30)	<b>₱6,185,440</b>	₱6,060,858	₱6,438,019
Facilities-related expenses (see Notes 23 and 31)	<b>1,708,826</b>	1,560,649	1,628,792
Depreciation and amortization (see Note 10)	<b>862,094</b>	905,525	959,283
Amortization of program rights (see Note 12)	<b>652,346</b>	566,201	646,315
Travel and transportation	<b>641,551</b>	592,155	595,179
License and royalty	<b>422,959</b>	389,707	402,547
Set requirements	<b>234,552</b>	272,638	362,558
Catering and food expenses	<b>179,656</b>	153,222	183,143
Advertising and promotions	<b>63,309</b>	55,721	63,970
Stationery and office supplies	<b>55,482</b>	45,811	40,289
Other program expenses (see Notes 12 and 23)	<b>427,951</b>	405,169	179,270
	<b>₱11,434,166</b>	₱11,007,656	₱11,499,365

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.

## 26. Cost of Sales and Services

Cost of services consists of the following:

	Years Ended December 31		
	2015	2014	2013
Facilities-related expenses (see Notes 23 and 31)	<b>₱2,706,013</b>	₱2,457,789	₱2,627,000
Programming costs	<b>1,859,121</b>	1,742,264	1,512,779
Personnel expenses (see Notes 23 and 30)	<b>1,532,060</b>	1,299,429	1,287,670
Depreciation and amortization (see Note 10)	<b>1,474,288</b>	1,420,323	1,251,225
Advertising and promotions	<b>342,149</b>	364,549	233,842
Bandwidth costs	<b>333,800</b>	268,760	183,294
Interconnection costs (see Note 23)	<b>262,897</b>	212,396	88,940
Transaction costs	<b>228,469</b>	161,427	176,802
License fees and royalties	<b>218,950</b>	270,137	68,386
Amortization of program rights (see Note 12)	<b>198,165</b>	187,139	355,127
Transportation and travel	<b>179,230</b>	179,477	138,784
Inventory costs (see Note 8)	<b>80,741</b>	73,561	97,408
Freight and delivery	<b>79,465</b>	78,257	74,235
Stationery and office supplies	<b>68,645</b>	71,894	73,339
Amortization of other intangible assets (see Note 12)	<b>59,362</b>	32,187	41,924
Amortization of deferred charges (see Note 15)	<b>34,484</b>	69,617	52,871
Installation costs	<b>31,818</b>	30,958	45,575
Catering and food expenses	<b>29,899</b>	24,376	23,783
Set requirements	<b>28,833</b>	35,244	20,167
Taxes and licenses	<b>22,566</b>	21,385	15,679
Others (see Note 23)	<b>170,803</b>	44,358	484,610
	<b>₱9,941,758</b>	₱9,045,527	₱8,853,440



Amortization of movie in-process and filmed entertainment are recorded as part of “Cost of services” under each applicable expense account.

Cost of sales consists of the following:

	<b>Years Ended December 31</b>		
	<b>2015</b>	2014	2013
Inventory costs (see Note 8)	<b>₱1,408,306</b>	₱68,532	₱140,225
Printing and reproduction	<b>43,249</b>	47,076	74,675
Personnel expenses (see Notes 23 and 30)	<b>37,922</b>	42,948	55,841
Handling and processing costs	<b>12,070</b>	11,782	13,465
Freight and delivery	<b>5,419</b>	4,837	10,863
Facilities related expenses (see Notes 23 and 31)	<b>3,690</b>	2,128	7,914
Transportation and travel	<b>1,571</b>	2,197	3,200
Advertising and promotions	<b>1,109</b>	3,538	8,166
Depreciation and amortization (see Note 10)	–	20	171
Others (see Note 23)	<b>18,864</b>	18,935	15,509
	<b>₱1,532,200</b>	₱201,993	₱330,029

## 27. General and Administrative Expenses

	<b>Years Ended December 31</b>		
	<b>2015</b>	2014	2013
Personnel expenses (see Notes 22, 23 and 30)	<b>₱6,701,800</b>	₱5,148,871	₱4,661,333
Contracted services	<b>959,863</b>	1,123,980	1,044,109
Facilities related expenses (see Notes 23 and 31)	<b>947,811</b>	741,108	698,922
Depreciation and amortization (see Notes 10 and 11)	<b>685,867</b>	545,132	503,520
Advertising and promotion	<b>674,846</b>	694,405	614,854
Taxes and licenses	<b>459,398</b>	446,883	432,742
Provision for doubtful accounts (see Note 7)	<b>364,874</b>	530,573	432,094
Transportation and travel	<b>337,678</b>	282,440	333,079
Research and survey	<b>243,180</b>	256,546	302,885
Entertainment, amusement and recreation	<b>105,844</b>	95,281	62,657
Donations and contributions	<b>62,167</b>	53,792	72,527
Amortization of other intangible assets (see Note 12)	<b>30,665</b>	28,903	28,601
Inventory losses (see Note 8)	<b>11,740</b>	35,220	62,094
Impairment loss on goodwill (see Note 16)	–	–	20,061
Others (see Note 23)	<b>191,901</b>	130,770	344,878
	<b>₱11,777,634</b>	₱10,113,904	₱9,614,356



## 28. Other Income and Expenses

### Finance Costs

	<b>Years Ended December 31</b>		
	<b>2015</b>	2014	2013
Interest expense (see Notes 18 and 20)	<b>₱762,463</b>	₱845,478	₱716,894
Amortization of debt issue costs (see Note 18)	<b>34,687</b>	122,975	73,421
Bank service charges	<b>14,637</b>	18,380	26,604
Break cost (see Note 18)	-	178,480	-
	<b>₱811,787</b>	₱1,165,313	₱816,919

The following are the sources of the Company's interest expense:

	<b>Years Ended December 31</b>		
	<b>2015</b>	2014	2013
Long-term debt (see Note 18)	<b>₱584,709</b>	₱602,857	₱613,046
Bonds payable (see Note 18)	<b>158,970</b>	221,815	-
Convertible note (see Note 20)	<b>14,709</b>	14,031	17,521
Obligations under finance lease (see Note 18)	<b>4,075</b>	6,265	11,786
Bank loans (see Note 18)	-	510	74,541
	<b>₱762,463</b>	₱845,478	₱716,894

### Other Income (Charges)

	<b>Years Ended December 31</b>		
	<b>2015</b>	2014	2013
Leasing operations (see Note 31)	<b>₱34,800</b>	₱120,926	₱231,823
Management fees	<b>16,929</b>	18,630	54,370
Revenue from workshops	<b>15,441</b>	-	11,508
Gain (loss) on sale of property and equipment	<b>11,687</b>	(4,167)	(5,688)
Dividend income	<b>8,732</b>	7,070	13,119
Gain on settlement of liabilities	-	444,826	13,910
Gain on remeasurement of convertible note (see Note 20)	-	70,184	-
Recovery of receivables written-off	-	-	10,921
Others - net (see Notes 15 and 21)	<b>169,207</b>	(5,117)	182,359
	<b>₱256,796</b>	₱652,352	₱512,322

In 2014, ABS-C and its creditor agreed to settle an installment payable at a lower amount resulting in a gain on settlement of liabilities amounting to ₱445 million. The installment payable relates to a contract entered into by ABS-C in 2004 with a supplier for the purchase of certain equipment amounting to US\$12 million, which bears interest of 5% per annum. The contract was restructured in 2008 extending the payment of the outstanding balance over a period of 36 months.

Others mainly consist of income from installation services, unclaimed deposits and service fees.



**29. Income Tax and Registration with the Philippine Economic Zone Authority (PEZA)**

The provision for (benefit from) income tax follows:

	Years Ended December 31		
	2015	2014	2013
Current	₱878,347	₱993,754	₱1,060,075
Deferred	(94,105)	(236,756)	(375,764)
	<b>₱784,242</b>	<b>₱756,998</b>	<b>₱684,311</b>

The components of consolidated net deferred tax assets and liabilities of the Company are as follows:

	2015	2014
Deferred tax assets:		
Accrued pension obligation and other employee benefits	₱1,563,895	₱1,405,598
Allowance for doubtful accounts	309,035	284,198
NOLCO	273,506	328,857
Accrued expenses	190,467	248,157
Excess of the purchase price over the fair value of net assets acquired	132,293	207,921
Customers' deposits	111,001	143,579
Unearned revenue	78,815	30,080
MCIT	41,985	41,014
Allowance for impairment loss on property and equipment	32,777	39,680
Net unrealized foreign exchange loss	27,147	16,470
Allowance for inventory obsolescence	2,768	3,017
Others	127,450	109,616
	<b>₱2,891,139</b>	<b>₱2,858,187</b>
Deferred tax liabilities:		
Excess of the fair value over the book value of net assets acquired	₱298,769	₱288,998
Capitalized interest, duties and taxes	235,096	214,120
Imputed discount	84,991	84,536
	<b>₱618,856</b>	<b>₱587,654</b>

The details of the deductible temporary differences, NOLCO and MCIT of certain subsidiaries for which no deferred tax assets were recognized are as follows:

	2015	2014
Allowance for doubtful accounts	₱1,139,148	₱1,268,517
Accrued pension obligation and others	327,230	196,505
Allowance for decline in value of inventories	116,535	72,257
NOLCO	73,710	200,401
Allowance for impairment loss on property and equipment	23,331	6,860
Unearned revenue	7,149	19,703
MCIT	1,665	7,979



Management believes that it is not probable that taxable income will be available against which these temporary differences, NOLCO and MCIT will be utilized.

In 2015, MCIT and NOLCO amounting to ₱1 million and ₱186 million, respectively, expired and were written off. MCIT and NOLCO amounting to ₱22 million and ₱15 million, respectively, were claimed as deduction against RCIT due and taxable income.

In 2014, MCIT and NOLCO amounting to ₱2 million and ₱179 million expired and were written off, respectively. MCIT and NOLCO amounting to ₱1 million each, were claimed as deduction against RCIT due and taxable income, respectively.

MCIT of certain subsidiaries amounting to ₱44 million can be claimed as tax credit against future RCIT as follows:

Year Paid	Expiry Dates	Amount
2013	December 31, 2016	₱1,452
2014	December 31, 2017	18,101
2015	December 31, 2018	24,097
		<b>₱43,650</b>

NOLCO of certain subsidiaries amounting to ₱985 million can be claimed as deductions from future taxable income as follows:

Year Incurred	Expiry Dates	Amount
2013	December 31, 2016	₱15,587
2014	December 31, 2017	46,457
2015	December 31, 2018	923,353
		<b>₱985,397</b>

As of December 31, 2015 and 2014, deferred tax liability on undistributed earnings of ABS-CBN Global, holding company of the Parent Company's foreign subsidiaries, amounting to ₱1,685 million and ₱1,395 million, respectively, has not been recognized because the Parent Company has control over such earnings, which have been earmarked for expansion in the Company's foreign operations and are not expected to reverse in the foreseeable future.

The reconciliation of statutory tax rate to effective tax rates applied to income before income tax is as follows:

	Years Ended December 31		
	2015	2014	2013
Statutory tax rate	<b>30%</b>	30%	30%
Additions to (reduction in) income taxes resulting from the tax effects of:			
Interest income subjected to final tax	<b>(5)</b>	(6)	(3)
Nondeductible interest expense	<b>2</b>	2	1
Others (mainly income subject to different tax rates)	<b>(3)</b>	1	(3)
Effective tax rates	<b>24%</b>	27%	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.

On February 13, 2014, the PEZA approved the application of Big Dipper for entitlement to Pioneer Status. Consequently, Big Dipper's income tax holiday period was extended until October 31, 2015.

Total income tax holiday incentives availed by Big Dipper amounted to ₱420 million, ₱216 million and ₱226 million in 2015, 2014 and 2013, respectively.

Registration with the Board of Investments

On April 8, 2015, the Board of Investments approved Play Innovation Inc.'s project as a New Operator of Tourism Entertainment Complex – Educational Theme Park and was granted income tax holiday for four years beginning April 2015. Total income tax holiday incentives availed by Play Innovations, Inc. amounted to ₱39 million for the year ended December 31, 2015.

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**30. Pension and Other Employee Benefits**

Accrued pension obligation and other employee benefits consist of:

	<b>2015</b>	2014
Pension obligation	<b>₱2,979,646</b>	₱3,806,907
Other employee benefits	<b>1,869,265</b>	1,791,531
	<b>₱4,848,911</b>	₱5,598,438

These are presented in the consolidated statements of financial position as follows:

	<b>2015</b>	2014
Current (see Note 17)	<b>₱801,352</b>	₱807,625
Noncurrent	<b>4,047,559</b>	4,790,813
	<b>₱4,848,911</b>	₱5,598,438

a. Pension Plan

The Company's pension plans are composed of funded (Parent Company and Sky Cable) and unfunded (other subsidiaries), noncontributory and actuarially computed defined benefit pension plans, except for ABS-CBN International (contributory), covering substantially all of its employees. The benefits are based on years of service and compensation during the last year of employment. Actuarial valuation is performed every year-end.



The following tables summarize the components of consolidated net pension expense recognized in the consolidated statements of income and accrued pension obligation recognized in the consolidated statements of financial position:

Net Pension Expense

	<b>Years Ended December 31</b>		
	<b>2015</b>	2014	2013
Current service cost	<b>₱578,052</b>	₱346,687	₱447,128
Curtailement	<b>(422,601)</b>	-	9,198
Settlement loss	<b>235,117</b>	-	-
Net interest cost	<b>159,097</b>	135,762	211,768
Past service cost	<b>908</b>	(15,047)	-
<b>Net pension expense</b>	<b>₱550,573</b>	₱467,402	₱668,094

Accrued Pension Obligation

	<b>2015</b>	2014
Present value of obligation	<b>₱5,925,481</b>	₱6,197,871
Fair value of plan assets	<b>(2,945,835)</b>	(2,390,964)
<b>Accrued pension obligation</b>	<b>₱2,979,646</b>	₱3,806,907

Consolidated changes in the present value of the defined benefit obligation are as follows:

	<b>2015</b>	2014
Defined benefit obligation at beginning of year	<b>₱6,197,871</b>	₱4,952,976
Current service cost	<b>578,052</b>	346,687
Curtailement gain	<b>(422,601)</b>	-
Interest cost	<b>269,035</b>	209,204
Settlement loss	<b>235,117</b>	-
Past service cost	<b>908</b>	(15,047)
Effects of curtailement	-	(4,342)
Actuarial losses (gains) arising from:		
Experience adjustments	<b>380,834</b>	581,191
Change in financial assumptions	<b>(193,055)</b>	56,598
Change in demographic assumptions	<b>(169,781)</b>	322,672
Benefits paid	<b>(950,899)</b>	(252,068)
<b>Defined benefit obligation at end of year</b>	<b>₱5,925,481</b>	₱6,197,871

Changes in the fair value of plan assets of the Parent Company and Sky Cable are as follows:

	<b>2015</b>	2014
Fair value of plan assets at beginning of year	<b>₱2,390,964</b>	₱1,581,300
Interest income included in net interest cost	<b>109,938</b>	73,442
Return on plan assets excluding amount included in net interest cost	<b>244,933</b>	482,222
Actual contributions	<b>200,000</b>	254,000
<b>Fair value of plan assets at end of year</b>	<b>₱2,945,835</b>	₱2,390,964

The Parent Company and Sky Cable expect to contribute ₱334 million and ₱97 million, respectively, to the retirement fund in 2016.



The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	<b>2015</b>	2014
	<i>(Percentage)</i>	
Investment in fixed/floating rate treasury note	<b>6.6</b>	9.7
Investment in government securities and bonds	<b>3.5</b>	4.2
Investment in stocks	<b>72.0</b>	72.4
Others	<b>17.9</b>	13.7
	<b>100.0</b>	100.0

The ranges of principal assumptions used in determining pension benefit obligations for the Company's plans are shown below:

	<b>December 31</b>		January 1
	<b>2015</b>	<b>2015</b>	2014
Discount rate	<b>5.0%–5.3%</b>	<b>4.6%–4.8%</b>	4.6%–6.1%
Future salary rate increases	<b>5.0%–11.0%</b>	<b>5.0%–11.0%</b>	4.0%–11.0%

ABS-CBN

The pension fund is actively managed by the retirement committee, composed of five members, four of whom are executive staff of the Parent Company and beneficiaries of the plan.

The retirement committee of the beneficial trust fund uses an investment approach with the objective of maximizing the long-term expected return of plan assets. The plan's investment portfolio seeks to achieve regular income, long-term capital growth and consistent performance over its own portfolio benchmark. In order to attain this objective, the Trustee's mandate is to invest in a diversified portfolio of fixed income and equities. The investment portfolio consists of investment in equity and fixed income securities of 75% and 25% as of December 31, 2015, respectively, and 76% and 24% as of December 31, 2014, respectively. In 2015 and 2014, the Parent Company contributed ₱200 million and ₱254 million to the retirement fund. No withdrawals were made in 2015 and 2014.

On July 27, 2010, the retirement committee of the retirement fund approved the following:

- a. Acquisition of ABS-CBN securities to fully fund the retirement fund deficiency;
- b. Allow the acquisition of Lopez Holdings shares and shares of other listed companies;
- c. Migrate to an investment management account arrangement in lieu of a "Trusteed" arrangement with BDO; and
- d. Appoint an investment officer of the retirement plan.



The market value of ABS-CBN asset allocation as at December 31, 2015 and 2014 are as follows:

	2015	2014
Fixed Income:		
Short-term	<b>₱499,993</b>	₱293,678
Medium and long-term:		
Government securities	<b>125,864</b>	172,034
Corporate bonds	<b>74,371</b>	73,646
Preferred shares	<b>3,158</b>	8,118
Equities:		
Investment in shares of stock and other securities of related parties	<b>1,806,864</b>	1,414,620
Common shares and unit investment trust fund (UITF)	<b>304,808</b>	302,026
	<b>₱2,815,058</b>	₱2,264,122

*Short-term Fixed Income.* Short-term fixed income investment includes time deposit, special deposit account and special savings account with interest ranging from 1% to 3% in 2015 and from 2% to 3% in 2014.

*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 2% to 9% and 3% to 9% in 2015 and 2014, respectively. These securities are fully guaranteed by the government of the Republic of the Philippines.

Investment in unsecured corporate bonds has a total cost of ₱72 million and ₱76 million with terms ranging from 5 years to 15 years as of December 31, 2015 and 2014, respectively. Yield to maturity rate ranges from 4% to 7% with a total gain of ₱431 thousand and 4% to 8% with a total loss of ₱2 million in 2015 and 2014, respectively.

In 2015, investment in preferred stock refers to 5,000 shares with a total cost of ₱3 million and ₱158 thousand gain. In 2014, investment in preferred stock refers to 55,000 shares with a total cost of ₱8 million and ₱118 thousand gain. The market value of preferred stock is ₱3 million and ₱8 million as of December 31, 2015 and 2014, respectively.

*Equities.* These pertain to investments in shares of stock and other securities of related parties and other companies listed in the PSE.

*Investments in Shares of Stock and Other Securities of Related Parties.* These pertain to investments in ABS-CBN PDRs and common shares and Lopez Holdings and Rockwell Land common shares.

	December 31, 2015			
	Number of Shares	Cost	Market Value	Unrealized Gain (Loss)
ABS-CBN common shares	23,800	₱704	₱1,473	₱769
ABS-CBN PDRs	21,061,938	854,838	1,320,583	465,745
Lopez Holdings	69,827,680	230,496	460,863	230,367
Rockwell Land	17,103,433	34,476	23,945	(10,531)
	<b>108,016,851</b>	<b>₱1,120,514</b>	<b>₱1,806,864</b>	<b>₱686,350</b>



December 31, 2014				
	Number of Shares	Cost	Market Value	Unrealized Gain (Loss)
ABS-CBN common shares	23,800	₱704	₱1,107	₱403
ABS-CBN PDRs	19,704,158	765,281	916,243	150,962
Lopez Holdings	69,777,680	230,137	467,510	237,373
Rockwell Land	17,103,433	34,476	29,760	(4,716)
	106,609,071	₱1,030,598	₱1,414,620	₱384,022

In 2015, the retirement fund purchased 1,357,780 shares of ABS-CBN PDRs and 50,000 shares of Lopez Holdings at ₱65.96 and ₱7.18, respectively. As of December 31, 2015 and 2014, the value of each ABS-CBN PDRs held by the retirement fund is at ₱62.70 and ₱46.50, respectively.

Total gain from investments in shares of stock and other securities of related parties amounted to ₱686 million and ₱384 million in 2015 and 2014, respectively.

*Investments in Common Shares and UITF.* Common shares pertain to 18,076,263 shares and 15,779,855 shares listed in the PSE in 2015 and 2014, respectively, with market value of ₱295 million and ₱292 million as of December 31, 2015 and 2014, respectively. UITF has a market value of ₱9 million and ₱10 million as of December 31, 2015 and 2014, respectively. Total gain from these investments amounted to ₱3 million and ₱40 million in 2015 and 2014, respectively.

#### Sky Cable and PCC

Sky Cable's retirement benefit fund is being maintained by trustee banks, BDO and Rizal Commercial Banking Corporation.

The market value of Sky Cable asset allocation as of December 31, 2015 and 2014 are as follows:

	2015	2014
Short-term fixed income	₱35,281	₱23,273
Investment in medium and long-term fixed income:		
Government securities	56,670	61,027
Corporate bonds and debt securities	28,957	27,943
Investment in shares of stock of First Gen Corporation (First Gen)	7,320	7,320
Preferred shares	2,549	7,279
	₱130,777	₱126,842

*Short-term Fixed Income.* Short-term fixed income investment includes time deposit, special deposit account and special savings account with interest of 2.5% as of December 31, 2015 and 2014, respectively.

*Medium and Long-term Fixed Income.* Investment in medium and long-term fixed income include Philippine peso-denominated bonds, such as government securities, corporate bonds, notes and debt securities.

*Investment in Government Securities.* Investment in government securities include treasury bills and fixed-term treasury notes bearing interest ranging from 2.13% to 7.88% and 3.17% to 11.14% as of December 31, 2015 and 2014, respectively. These securities are fully guaranteed by the government of the Republic of the Philippines. Total gain from investments in



government securities amounted to ₱1 million and ₱5 million for the years ended December 31, 2015 and 2014, respectively.

*Investment in Corporate Bonds.* These pertain to ₱23 million unsecured bonds with terms ranging from 6 to 10 years as of December 31, 2015 and 2014. Yield to maturity rate ranges from 4.6% to 6.8% with a gain of ₱957 thousand and a loss of ₱57 thousand in 2015 and 2014, respectively.

*Investment in Debt Securities.* This refers to a ₱5 million unsecured subordinated note with a term of 5 years and yield to maturity of 6.7% as of December 31, 2015. Accrued interest receivable amounted to ₱58 thousand as of December 31, 2015.

*Investments in Shares of Stock of First Gen.* These refer to investments in preferred shares of First Gen which is listed in the PSE.

Total cost and market value of investments in shares of stock of First Gen amounted to ₱7 million as of December 31, 2015 and 2014. Total gain from these investments amounted to ₱1.28 million in 2015 and ₱0.90 million in 2014.

*Investments in Shares.* These refer to investments in shares of stock other than those of the related parties.

b. Other Employee Benefits

Other employee benefits consists of accumulated employee sick and vacation leave entitlement.

Net Benefit Expense

	Years Ended December 31		
	2015	2014	2013
Current service cost	₱168,319	₱157,882	₱370,456
Interest cost	74,123	62,940	67,352
Net actuarial loss (gain)	(71,100)	96,868	(132,232)
Net benefit expense	₱171,342	₱317,690	₱305,576

Consolidated changes in the present value of the defined benefit obligation are as follows:

	2015	2014
Defined benefit obligation at beginning of year	₱1,791,531	₱1,498,364
Current service cost	168,319	157,882
Interest cost	74,123	62,940
Actuarial loss (gain)	(71,100)	96,868
Settlement gain	(16,548)	-
Benefits paid	(77,060)	(24,523)
Defined benefit obligation at end of year	₱1,869,265	₱1,791,531



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	<b>2015</b>	<b>2014</b>
	<b>Increase (Decrease) in Defined Benefit Obligation</b>	Increase (Decrease) in Defined Benefit Obligation
Discount rate:		
Increase by 1%	<b>(₱702,107)</b>	(₱785,659)
Decrease by 1%	<b>809,017</b>	934,543
Future salary increases:		
Increase by 1%	<b>₱169,631</b>	₱876,237
Decrease by 1%	<b>(696,621)</b>	(745,710)

Shown below is the maturity analysis of the undiscounted benefit payments:

Year	<b>December 31, 2015</b>
2016	<b>₱160,770</b>
2017 to 2020	<b>1,498,191</b>
2021 to 2025	<b>3,019,363</b>
2026 and beyond	<b>23,471,033</b>
	December 31, 2014
2015	₱504,891
2016 to 2019	1,337,996
2020 to 2024	1,276,912
2025 and beyond	18,938,783

The average duration of the defined benefit obligation at the end of the period is 21 years.

### 31. 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 ₱641 million, ₱634 million and ₱589 million in 2015, 2014 and 2013, 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:

	2015	2014
Within one year	₱321,335	₱562,543
After one year but not more than five years	440,889	340,510
After five years but not more than ten years	202,914	244,914
	<b>₱965,138</b>	<b>₱1,147,967</b>

*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:

	2015	2014
Within one year	₱70,332	₱115,166
After one year but not more than five years	41,297	106,121
	<b>₱111,629</b>	<b>₱221,287</b>

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:

	2015	2014
Within one year	₱25,718	₱28,146
After one year but not more than five years	15,326	41,921
Total minimum lease payments	41,044	70,067
Less amounts representing finance charges	2,487	6,356
Present value of minimum lease payments	38,557	63,711
Less current portion (see Note 18)	23,657	24,277
Noncurrent portion (see Note 18)	<b>₱14,900</b>	<b>₱39,434</b>



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:

<u>Year</u>	<u>Amount*</u>
Within one year	₱666,658
After one year but not more than five years	1,453,966

*\*Includes variable fees based on the number of active subscribers as of December 31, 2015.*

The estimated fees include channel license fees contracted by Sky Cable for its subsidiaries, amounting to ₱174 million, for which Sky Cable will be reimbursed.

Network Sharing Agreement

On May 28, 2013, ABS-CBN announced its network sharing agreement with Globe Telecom, Inc. (Globe). This partnership enables ABS-CBN to deliver ABS-CBN content and offer traditional telecommunication services on mobile devices. Through the network-sharing agreement, Globe will provide capacity and coverage on its existing cellular mobile telephony network to ABS-C on a nationwide basis. The parties may also share assets such as servers, towers, and switches.

Construction Contracts

Play Innovations, Inc., a subsidiary of ABS-CBN Theme Parks, entered into various construction contracts for the development of an educational theme park under the franchise license of KidZania brand in the Philippines. The contract value committed for the significant construction contracts amounted to ₱1,165 million and ₱985 million as of December 31, 2015 and 2014, respectively.

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**32. Financial Risk Management Objectives and Policies**

The Company's principal financial instruments comprise cash and cash equivalents, short-term investments, 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 64% and 63% of the total loans at the end of 2015 and 2014, respectively. As of December 31, 2015 and 2014, there are no freestanding derivative contracts.



The following table sets out the carrying amount, by maturity, of the Company's consolidated financial instruments that are exposed to interest rate risk:

	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	Four to Five Years	More than Five Years	Transaction Costs and Discount	Total
<b>2015</b>								
Interest-bearings loans and borrowings:								
Fixed rate	₱341,659	₱3,239,682	₱2,540,716	₱1,000,000	₱-	₱6,000,000	(₱79,885)	₱13,042,172
Floating rate	52,047	3,291,458	45,766	45,902	3,344,550	748,000	(39,582)	7,488,141
<b>2014</b>								
Interest-bearings loans and borrowings:								
Fixed rate	₱50,777	₱52,536	₱4,169,681	₱1,600,717	₱-	₱7,000,000	(₱98,844)	₱12,774,867
Floating rate	79,837	79,946	3,291,350	45,652	1,953,123	2,155,770	(55,310)	7,550,368

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.

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	
	2015	2014
<b>Parent Company:</b>		
Increase by 2%	<b>(₱109,802)</b>	(₱96,970)
Decrease by 2%	<b>109,802</b>	96,970
<b>PCC:</b>		
Increase by 1%	<b>(8,000)</b>	(7,880)
Decrease by 1%	<b>8,000</b>	7,880

#### 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, 2015 and 2014, there are no freestanding derivative contracts and the Company's long-term loan obligations are generally in Philippine currency.

The Company, however has transactional currency exposures. Such exposure arises when the transaction is denominated in currencies other than the functional currency of the operating unit or the counterparty.



The following tables show the Company's significant foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as of December 31, 2015 and 2014:

	Original Currency														Peso Equivalent
	USD	EUR	JPY	CAD	GBP	AUD	AED	Swiss Franc (CHF)	Norway Kroner (NOK)	Denmark Kroner (DKK)	Sweden Kroner (SEK)	Saudi Arabia Riyal (SAR)	Taiwan Dollar (TWD)	Israeli New Shekel (ILS)	
<b>December 31, 2015</b>															
Financial assets:															
Cash and cash equivalents	146,977	32,333	90	3,984	19,505	4,466	2,972	119	846	534	138	173	33,166	164	10,322,414
Trade and other receivables	198,038	14,450	19,685	23,653	3,977	2,621	68,438	331	51	412	275	24,810	443	906	12,453,048
	345,015	46,783	19,775	27,637	23,482	7,087	71,410	450	897	946	413	24,983	33,609	1070	22,775,462
Financial liabilities:															
Trade and other payables	129,683	3,669	6,377	23,855	1,936	8,034	53,099	1	116	2	1	883	-	155	8,204,011
Obligations for program rights	(10,527)	-	-	-	-	-	-	-	-	-	-	-	-	-	(495,401)
	119,156	3,669	6,377	23,855	1,936	8,034	53,099	1	116	2	1	883	-	155	7,708,610
Net foreign currency-denominated financial assets (liabilities)	225,859	43,114	13,398	3,782	21,546	(947)	18,311	449	781	944	412	24,100	33,609	915	15,066,852
<b>December 31, 2014</b>															
Financial assets:															
Cash and cash equivalents	69,516	28,319	1,204	2,185	12,891	1,123	1,355	119	846	534	138	1,305	30,118	164	5,759,214
Trade and other receivables	137,504	11,743	26,535	25,120	4,966	2,242	55,427	877	1,417	230	-	24,335	660	1,064	9,220,977
	207,020	40,062	27,739	27,305	17,857	3,365	56,782	996	2,263	764	138	25,640	30,778	1,228	14,980,191
Financial liabilities:															
Trade and other payables	106,198	1,780	183	20,326	2,684	379	37,171	1	98	2	-	451	-	155	5,527,037
Obligations for program rights	(8,393)	-	-	-	-	-	-	-	-	-	-	-	-	-	(375,337)
	97,805	1,780	183	20,326	2,684	379	37,171	1	98	2	-	451	-	155	5,151,700
Net foreign currency-denominated financial assets	109,215	38,282	27,556	6,979	15,173	2,986	19,611	995	2,165	762	138	25,189	30,778	1,073	9,828,491



In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the Company used the following exchange rates:

Currency	2015	2014
USD	47.06	44.72
EUR	51.25	54.35
JPY	0.39	0.37
CAD	33.90	38.44
GBP	69.54	69.40
AUD	34.24	36.37
AED	12.78	12.18
CHF	47.77	45.19
NOK	5.38	5.99
DKK	6.87	7.30
SEK	5.60	5.69
SAR	12.51	11.91
TWD	1.43	1.41
ILS	12.03	10.09

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.

	2015		2014	
	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	0.6% (0.2%)	₱63,774 (21,258)	2.7% (1.9%)	₱132,867 (92,187)
EUR	1.1% (1.6%)	24,306 (35,353)	3.4% (3.4%)	71,541 (71,541)
JPY	1.0% (0.6%)	52 (31)	10.0% (10.0%)	1,025 (1,025)
CAD	0.9% (2.0%)	1,154 (2,564)	3.6% (3.6%)	9,713 (9,713)
GBP	1.1% (1.0%)	16,481 (14,983)	3.2% (3.2%)	33,228 (33,228)
AUD	0.9% (1.4%)	(292) 454	8.6% (8.6%)	9,354 (9,354)
AED	0.6% (0.2%)	1,404 (468)	2.5% (2.6%)	6,001 (6,226)
CHF	1.5% (1.1%)	322 (236)	4.1% (4.1%)	1,858 (1,858)
NOK	0.7% (1.7%)	29 (71)	9.1% (9.1%)	1,177 (1,177)
DKK	1.2% (1.8%)	78 (117)	3.4% (3.4%)	188 (188)
SEK	1.3% (1.4%)	30 (32)	5.9% (5.9%)	95 (95)
SAR	0.6% (0.2%)	1,809 (603)	2.5% (2.1%)	7,405 (6,216)
TWD	0.6% (0.5%)	288 (240)	1.5% (5.1%)	654 (2,220)
ILS	0.9% (0.8%)	99 (88)	6.7% (3.4%)	827 (827)



The change in currency rate is based on the Company's best estimate of expected change considering historical trends and experiences. Positive change in currency rate reflects a weaker peso against foreign currency.

The Company computes for the percentages of changes in exchange rates for the foreign currency-denominated accounts by comparing the year-end closing rates or existing foreign currency exchange rates with the forward foreign currency exchange rates two months before and after financial reporting date. The Company assumes the trend for the six months period to be its exposure on foreign currency fluctuations.

#### Credit Risk

The Company is exposed to credit risk from its operational and financing activities. On the Company's credit risk arising from operating activities, the Company only extends credit with recognized and accredited third parties. The Company implements a pay before broadcast policy to new customers. In addition, receivable balances are monitored on an ongoing basis. Such determination takes into consideration the age of the receivable and the current solvency of the individual accounts.

With regard to the Company's financing activities, as a general rule, the Company transacts these activities with counterparties that have a long credit history in the market and outstanding relationship with the Company. The policy of the Company is to have the BOD accredit these banks and/or financial institutions before any of these financing activities take place.

With respect to credit risk arising from the financial assets of the Company, exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

There is no requirement for collateral over trade receivables since the Company trades only with recognized and accredited counterparties, thus, maximum exposure to credit risk is equal to the carrying value of the financial instruments.

*Credit Risk Exposures.* The table below shows the maximum exposure to on- and off-balance sheet credit risk exposures of the Company, without considering the effects of collateral, credit enhancements and other credit risk mitigation techniques as of December 31:

	2015	2014
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	<b>₱11,104,561</b>	₱13,181,350
Short-term investment	<b>1,617,546</b>	-
Trade and other receivables - net	<b>11,561,147</b>	10,717,317
Deposits	<b>149,241</b>	139,328
AFS investments	<b>275,096</b>	242,368
	<b>₱24,707,591</b>	₱24,280,363



*Credit Quality per Class of Financial Asset.* The credit quality of financial assets is being managed by the Company using internal credit ratings. The following tables show the credit quality by class of financial assets based on the Company's credit rating system as of December 31, 2015 and 2014:

	December 31, 2015					
	Neither Past Due nor Impaired			Past Due but		Total
	High	Moderate	Low	not Impaired	Impaired	
Loans and receivables:						
Cash and cash equivalents:						
Cash in banks	₱5,825,880	₱-	₱-	₱-	₱-	₱5,825,880
Cash equivalents	5,278,681	-	-	-	-	5,278,681
Short-term investment	1,617,546	-	-	-	-	1,617,546
Trade receivables:						
Airtime	3,217,441	960,022	126,658	1,917,721	424,571	6,646,413
Subscriptions	516,902	24,976	126,082	1,168,999	900,388	2,737,347
Others	640,907	5,106	160,310	979,107	457,379	2,242,809
Nontrade receivables	402,906	34,505	44,201	509,417	71,253	1,062,282
Due from related parties	-	-	-	335,683	-	335,683
Deposits	149,241	-	-	-	-	149,241
AFS investments	275,096	-	-	-	-	275,096
	<b>₱17,924,600</b>	<b>₱1,024,609</b>	<b>₱457,251</b>	<b>₱4,910,927</b>	<b>₱1,853,591</b>	<b>₱26,170,978</b>

	December 31, 2014					
	Neither Past Due nor Impaired			Past Due but		Total
	High	Moderate	Low	not Impaired	Impaired	
Loans and receivables:						
Cash and cash equivalents:						
Cash in banks	₱3,328,523	₱-	₱-	₱-	₱-	₱3,328,523
Cash equivalents	9,852,827	-	-	-	-	9,852,827
Trade receivables:						
Airtime	2,351,183	838,642	63,144	1,309,397	963,218	5,525,584
Subscriptions	169,144	89,743	113,301	503,016	1,211,932	2,087,136
Others	479,079	11,712	1,355	1,191,357	467,582	2,151,085
Nontrade receivables	365,205	18,834	17,100	285,937	60,959	748,035
Due from related parties	-	-	-	1,721,604	-	1,721,604
Deposits	139,328	-	-	-	-	139,328
AFS investments	242,368	-	-	-	-	242,368
	<b>₱16,927,657</b>	<b>₱958,931</b>	<b>₱194,900</b>	<b>₱5,011,311</b>	<b>₱2,703,691</b>	<b>₱25,796,490</b>

The credit quality of the financial assets was determined as follows:

- **High Credit Quality**

This includes deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers, as of financial reporting date, accounts of good paying customers, with good credit standing and with no history of account treatment for a defined period. This also includes claims from Elite subscribers, advance payers, airtime and channel lease with advance payment arrangements, related parties with offsetting arrangement and existing employees.

- **Moderate Credit Quality**

For receivables, this covers accounts of standard paying customers, those whose payments are within the credit term, and new customers for which sufficient credit history has not been established. This also includes claims from Superior subscribers, airtime and channel lease and related parties without offsetting arrangement.



▪ Low Credit Quality

For receivables, this covers accounts of slow paying customers and those whose payments are received upon demand at financial reporting date. This also includes claims from Special subscribers.

Trade Receivables

These represent amounts collectible from advertising agencies, advertisers or trade customers arising from the sale of airtime, subscription, services and/or goods in the ordinary course of business.

*Airtime.* This account refers to revenue generated from the sale of time or time block within the on-air broadcast hours on television and radio.

*Subscriptions.* This account refers to revenue generated from regular subscriber's fees for either: (1) access to programs aired through DTH and cable television systems, or (2) direct sale of publications to subscribers.

*Others.* This account refers to other revenue generated from the sale of goods and services.

Nontrade Receivables

These represent claims, arising from sources other than the sale of airtime, subscriptions, services and goods in the ordinary course of business, that are reasonably expected to be realized in cash.

The following tables show the aging analysis of past due but not impaired receivables per class that the Company held as of December 31, 2015 and 2014. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

	December 31, 2015						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Allowance	Total
		Less than 30	30 Days and Over				
Trade receivables:							
Airtime	₱4,304,121	₱1,440,333	₱477,388	₱424,571	(₱329,503)	₱6,316,910	
Subscriptions	667,960	300,875	868,124	900,388	(900,388)	1,836,959	
Others	806,323	550,339	428,768	457,379	(162,243)	2,080,566	
Nontrade receivables	481,612	122,487	386,930	71,253	(71,253)	991,029	
Due from related parties	-	-	335,683	-	-	335,683	
	<b>₱6,260,016</b>	<b>₱2,414,034</b>	<b>₱2,496,893</b>	<b>₱1,853,591</b>	<b>(1,463,387)</b>	<b>₱11,561,147</b>	

	December 31, 2014						
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Allowance	Total
		Less than 30	30 Days and Over				
Trade receivables:							
Airtime	₱3,252,969	₱912,435	₱396,962	₱963,218	(₱459,631)	₱5,065,953	
Subscriptions	372,188	112,235	390,781	1,211,932	(745,824)	1,341,312	
Others	492,146	69,867	1,121,490	467,582	(288,086)	1,862,999	
Nontrade receivables	401,139	49,469	236,468	60,959	(22,586)	725,449	
Due from related parties	-	-	1,721,604	-	-	1,721,604	
	<b>₱4,518,442</b>	<b>₱1,144,006</b>	<b>₱3,867,305</b>	<b>₱2,703,691</b>	<b>(₱1,516,127)</b>	<b>₱10,717,317</b>	

Based on the cash flow projection, past due receivables are expected to be collected within 2016.

Liquidity Risk

The Company seeks to manage its funds through cash planning on a weekly basis. This undertaking specifically considers the maturity of both the financial investments and financial assets and projected operational disbursements. As part of its liquidity risk management, the



Company regularly evaluates its projected and actual cash flows. As a general rule, cash balance should be equal to ₱3.5 billion at any given time to compensate for 2 months of operational exigencies amidst occasional fluctuation of cash inflows.

It is the Company's objective to maintain a balance between continuity of funding and flexibility through the use of bank credit and investment facilities. As such, the Company continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities such as the ₱6 billion bond issuance in 2014. Currently, the debt maturity profile of the Company ranges from 0.20 to 10 years. Also, the Company places funds in the money market only when there are surpluses from the Company's requirements. Placements are strictly made based on cash planning assumptions and as much as possible, covers only a short period of time.

The tables below summarize the maturity profile of the Company's financial assets and liabilities based on contractual undiscounted payments.

December 31, 2015						
	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	More than Four Years	Total
Cash and cash equivalents	₱11,537,559	₱-	₱-	₱-	₱-	₱11,537,559
Short-term investment	1,617,546	-	-	-	-	1,617,546
Trade receivables:						
Airtime	6,316,910	-	-	-	-	6,316,910
Subscription	1,836,959	-	-	-	-	1,836,959
Others	2,080,566	-	-	-	-	2,080,566
Nontrade receivables	991,029	-	-	-	-	991,029
Due from related parties	335,683	-	-	-	-	335,683
	<b>₱24,716,252</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱24,716,252</b>
Trade and other payables*	₱11,626,564	₱-	₱-	₱-	₱-	₱11,626,564
Obligations for program rights	508,052	46,968	46,967	46,967	46,967	695,921
Interest-bearing loans and borrowings	1,007,130	1,165,313	9,708,857	2,222,802	10,984,367	25,088,469
Customers' deposits	-	2,189	61,154	91,116	108,841	263,300
	<b>₱13,141,746</b>	<b>₱1,214,470</b>	<b>₱9,816,978</b>	<b>₱2,360,885</b>	<b>₱11,140,175</b>	<b>₱37,674,254</b>

\*Excluding deferred revenue, accrued taxes and other payables to government agencies.

December 31, 2014						
	Within One Year	One to Two Years	Two to Three Years	Three to Four Years	More than Four Years	Total
Cash and cash equivalents	₱13,238,377	₱-	₱-	₱-	₱-	₱13,238,377
Trade receivables:						
Airtime	5,065,953	-	-	-	-	5,065,953
Subscription	1,341,312	-	-	-	-	1,341,312
Others	1,862,999	-	-	-	-	1,862,999
Nontrade receivables	725,449	-	-	-	-	725,449
Due from related parties	1,721,604	-	-	-	-	1,721,604
	<b>₱23,955,694</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱23,955,694</b>
Trade and other payables*	₱10,008,777	₱-	₱-	₱-	₱-	₱10,008,777
Obligations for program rights	731,625	63,821	63,821	63,821	63,820	986,908
Interest-bearing loans and borrowings	1,044,920	1,165,091	9,708,621	2,222,552	10,985,240	25,126,424
Customers' deposits	-	2,341	83,540	32,953	175,151	293,985
	<b>₱11,785,322</b>	<b>₱1,231,253</b>	<b>₱9,855,982</b>	<b>₱2,319,326</b>	<b>₱11,224,211</b>	<b>₱36,416,094</b>

\*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 2015 and 2014 as follows:

2015 Financial Ratios	Required	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<b>Loan Agreement</b>					
Debt to equity	Less than or equal to 2.50	1.57	1.56	1.53	1.45
Debt service coverage ratio	Greater than or equal to 1.10	8.47	10.13	17.9	14.2
<b>2014 Financial Ratios</b>					
<b>Loan Agreement</b>					
Debt to equity	Less than or equal to 2.50	1.51	1.47	1.48	1.50
Debt service coverage ratio	Greater than or equal to 1.10	15.73	14.80	15.89	13.41

The following table shows the financial ratios that Sky Cable is required to maintain in accordance with the DRA:

Financial ratios	Required	2015	2014
Total liabilities to equity	Maintain at all times not exceeding 2:1	1.39	1.71
Debt service coverage ratio	Maintain at least 1.5 times	4.68	6.41

**33. Financial Assets and Financial Liabilities**

The following tables set forth the carrying amounts and estimated fair values of consolidated financial assets and liabilities recognized as of December 31, 2015 and 2014. There are no material unrecognized financial assets and liabilities as of December 31, 2015 and 2014.

	December 31, 2015				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<b>Financial Assets</b>					
Loans and receivables:					
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	₱149,241	₱137,282	₱-	₱137,282	₱-
AFS investments – quoted	197,911	197,911	197,911	-	-
	<b>₱347,152</b>	<b>₱335,193</b>	<b>₱197,911</b>	<b>₱137,282</b>	<b>₱-</b>

(Forward)



December 31, 2015					
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<b>Financial Liabilities</b>					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	₱20,530,313	₱21,424,191	₱-	₱-	₱21,424,191
Obligations for program rights	671,505	695,921	-	695,921	-
Convertible note	205,231	233,607	-	-	233,607
Customers' deposits (included as part of "Other noncurrent liabilities")	263,300	258,810	-	-	258,810
	<b>₱21,670,349</b>	<b>₱22,612,529</b>	<b>₱-</b>	<b>₱695,921</b>	<b>₱21,916,608</b>

December 31, 2014					
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<b>Financial Assets</b>					
Loans and receivables:					
Deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	₱139,328	₱128,149	₱-	₱128,149	₱-
AFS investments - quoted	165,183	165,183	165,183	-	-
	<b>₱304,511</b>	<b>₱293,332</b>	<b>₱165,183</b>	<b>₱128,149</b>	<b>₱-</b>

<b>Financial Liabilities</b>					
Other financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	₱20,325,235	₱21,390,982	₱-	₱-	₱21,390,982
Obligations for program rights	948,738	986,908	-	986,908	-
Convertible note	190,522	225,507	-	-	225,507
Customers' deposits (included as part of "Other noncurrent liabilities")	293,985	270,835	-	-	270,835
	<b>₱21,758,480</b>	<b>₱22,874,232</b>	<b>₱-</b>	<b>₱986,908</b>	<b>₱21,887,324</b>

### Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

*Cash and Cash Equivalents, Short-term Investments, Trade and Other Receivables and Trade and Other Payables.* Due to the short-term nature of transactions, the fair values of these instruments approximate the carrying amounts as of financial reporting date.

*Deposits.* Fair value of these instruments is computed by discounting future cash flows using the risk-free interest rates for similar type of instruments adjusted for credit risk.

*AFS Investments.* The fair values of publicly-traded instruments were determined by reference to market bid quotes as of financial reporting date. Investments in unquoted equity securities for which no reliable basis for fair value measurement is available are carried at cost, net of any impairment.

*Interest-bearing Loans and Borrowings.* Fair value was computed based on the following:

	Fair Value Assumptions
Term loans	Estimated fair value is based on the discounted value of future cash flows using the applicable risk-free rates for similar types of loans adjusted for credit risk. The interest rates used to discount the future cash flows have ranged from 0.4% to 3.7%.
Other variable rate loans	The face value approximates fair value because of recent and frequent repricing (i.e., 3 months) based on market conditions.



*Obligations for Program Rights.* Estimated fair value is based on the discounted value of future cash flows using the applicable risk-free rates for similar types of loans adjusted for credit risk.

*Convertible Note.* Fair value was computed based on the discounted value of future cash flows using the PDST-R2 rate plus 1% credit spread.

*Customers' Deposits.* The fair values were calculated by discounting the expected future cash flows at prevailing PDST-F rate plus applicable credit spread ranging from 2.8% to 4.7% and 3.1% to 4.7% in 2015 and 2014, respectively.

There were no transfers between levels in the fair value hierarchy as of December 31, 2015 and 2014.

#### Offsetting of Financial Assets and Financial Liabilities

There is no offsetting of financial assets and financial liabilities as of December 31, 2015 and 2014.

### 34. 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:

	<b>Years Ended December 31</b>		
	<b>2015</b>	2014	2013
Net income attributable to equity holders of the Parent Company	<b>₱2,931,777</b>	₱2,387,085	₱2,145,725
Dividends on preferred shares	<b>(4,000)</b>	(3,667)	(3,333)
(a) Net income attributable to common equity holders of the Parent Company	<b>₱2,927,777</b>	₱2,383,418	₱2,142,392
(b) Weighted average number of shares outstanding:			
At beginning of year	<b>830,569,036</b>	<b>833,945,433</b>	741,406,393
Issuances of common shares (see Note 22)	-	-	58,472,470
Acquisitions of Treasury shares and PDRs (see Note 22)	<b>(7,088,429)</b>	<b>(3,051,219)</b>	-
At end of year	<b>823,480,607</b>	<b>830,894,214</b>	799,878,863
Basic/diluted EPS (a/b)	<b>₱3.555</b>	<b>₱2.867</b>	₱2.678

The Company has no dilutive potential common shares outstanding, therefore basic EPS is the same as diluted EPS.



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**35. Note to Consolidated Statements of Cash Flows**

	<b>Years Ended December 31</b>		
	<b>2015</b>	2014	2013
Noncash investing activities:			
Acquisitions of program rights on account	<b>₱76,749</b>	<b>₱860,390</b>	₱207,867
Acquisition of an associate	<b>33,594</b>	-	-
Collection of receivable through transfer of investment property	-	-	4,720

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**36. Event After the Reporting Period**

On January 27, 2016, PEZA approved the application of ABS-CBN Studios, Inc. for registration as an Ecozone Information Technology (IT) Enterprise to engage in IT-enabled film and television content production at the 11th Floor, Eugenio Lopez, Jr. Communications Center IT Building.

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**37. Contingent Liabilities and Other Matters**

- a. 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 22, 2016, the claims, including those in connection with the events of February 4, 2006, are still pending and remain contingent liabilities. While the funeral and medical expenses have all been shouldered by the Parent Company, there still exist claims for compensation for the deaths and injuries, the amount of which have not been declared and cannot be determined with certainty at this time. Management is nevertheless of the opinion that should there be any adverse judgment based on these claims, this will not materially affect the Parent Company's financial position and performance.

- b. 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 22, 2016, the case is still pending before the NTC. It is the opinion of Sky Vision's legal counsels that the case filed by the complainant is without legal basis and would not have a material impact to the consolidated financial statements.



**ABS-CBN CORPORATION AND SUBSIDIARIES**  
**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY SCHEDULES**

DECEMBER 31, 2015

- 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 Relationships of the Companies within the Group
- V. Financial Ratios

## ABS-CBN CORPORATION AND SUBSIDIARIES

### Schedule A – Financial Assets

December 31, 2015

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
<i>Loans and Receivables :</i>				
<i>(Amounts in Thousands of Philippine Peso)</i>				
<i>Cash and Cash Equivalents</i>				
Cash on hand and in banks		6,258,877	6,258,877	21,031
Cash equivalents		5,278,681	5,278,681	115,806
<b>Subtotal</b>		<b>11,537,558</b>	<b>11,537,558</b>	<b>136,837</b>
<i>Short-term Investments</i>		1,617,546	1,617,546	8,611
<i>Trade and other receivables (excluding advances to suppliers)</i>				
Airtime		6,646,413	6,646,413	-
Subscriptions		2,737,347	2,737,347	-
Others		2,242,809	2,242,809	-
Advances to employees and talents		484,085	484,085	-
Due from related parties (see Note 23)		335,683	335,683	-
Others		578,197	578,197	-
Allowance for doubtful accounts		(1,463,387)	(1,463,387)	-
<b>Subtotal</b>		<b>11,561,147</b>	<b>11,561,147</b>	<b>-</b>
<i>Deposits</i>		149,241	149,241	
<i>AFS investments</i>		275,096	275,096	
<b>Total</b>	<b>-</b>	<b>25,140,588</b>	<b>25,140,588</b>	<b>145,448</b>

**ABS-CBN CORPORATION AND SUBSIDIARIES**

**Schedule B – Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders  
(Other than Related Parties)**

December 31, 2015

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			

<b>NONE</b>
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*Note: Receivables from officers and employees are within the ordinary course of business.*

## ABS-CBN CORPORATION AND SUBSIDIARIES

### Schedule C.1 – Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements

December 31, 2015

Name and Designation of debtor	Balance at beginning of period	DEDUCTIONS			Current	Non Current	Balance at end of Period
		Additions	Amounts Collected	Amounts Written Off			
ABS-CBN CORPORATION	9,796,279,731	1,927,157,794	(2,724,205,847)	-	8,999,231,678	-	8,999,231,678
ABS-CBN FILM PRODUCTIONS, INC.	8,252,351	45,655,266	(45,980,984)	-	7,926,633	-	7,926,633
ABS-CBN GLOBAL	125,602,831	153,945,161	(51,454,432)	-	228,093,560	-	228,093,560
ABS-CBN INTERACTIVE, INC.	21,722,878	16,500,691	(15,457,819)	-	22,765,750	-	22,765,750
TV FOOD CHEF	4,790,273	5,324,877	(5,886,208)	-	4,228,942	-	4,228,942
ABS-CBN PUBLISHING, INC.	18,573,861	46,516,400	(55,019,293)	-	10,070,967	-	10,070,967
ABS-CBN GLOBAL CARGO CORPORATION	1,326,329	79,927	-	-	1,406,256	-	1,406,256
ABS-CBN SHARED SERVICE CENTER PTE., (ROI)	72,311	259,746,684	(259,563,151)	-	255,844	-	255,844
ABS-CBN NEWS CHANNEL INC.	141,633,276	81,248,359	(155,606,013)	-	67,275,622	-	67,275,622
CENTRAL CATV, INC. (SKY CABLE INC.)	70,544,419	18,184,911	(63,019,305)	-	25,710,025	-	25,710,025
CREATIVE PROGRAMS, INC.	8,823,773	492,644,803	(481,582,905)	-	19,885,671	-	19,885,671
SAPIENTIS HOLDINGS CORPORATION	230,336,047	220,798,779	(441,524,717)	-	9,610,109	-	9,610,109
THE BIG DIPPER DIGITAL CONTENT	144,504,312	(63,342,917)	(29,993,143)	-	51,168,251	-	51,168,251
SKY VISION	109,418,246	(256,968)	(11,186,000)	-	97,975,278	-	97,975,278
STUDIO 23, INC.	47,049,842	4,475,336	(3,653,207)	-	47,871,970	-	47,871,970
				-	-	-	
	10,728,930,481	3,208,679,102	(4,344,133,025)	-	9,593,476,559	-	9,593,476,559

## ABS-CBN CORPORATION AND SUBSIDIARIES

### Schedule C.2 – Amounts Payables to Related Parties which are eliminated during the Consolidation of Financial Statements

December 31, 2015

Name and Designation of creditor	DEDUCTIONS						Balance at end of Period
	Balance at beginning of period	Additions	Amounts Paid	Amounts Written Off	Current	Non-Current	
ABS-CBN CORPORATION	(451,406,273)	(43,288,350,284)	43,312,882,488	-	(426,874,069)	-	(426,874,069)
ABS-CBN FILM PRODUCTIONS, INC.	(8,269,319)	(2,745,763,006)	2,637,805,991	-	(116,226,334)	-	(116,226,334)
ABS-CBN GLOBAL	(142,072,807)	(103,459,452)	90,530,555	-	(155,001,704)	-	(155,001,704)
ABS-CBN GLOBAL CARGO CORPORATION	(4,718,691)	(87,100)	-	-	(4,805,791)	-	(4,805,791)
ABS-CBN INTEGRATED AND STRATEGIC	(4,756,560)	(83,710,745)	88,107,056	-	(360,249)	-	(360,249)
ABS-CBN INTERACTIVE, INC.	(145,590,943)	(34,538,727)	35,768,054	-	(144,361,616)	-	(144,361,616)
ABS-CBN NEWS CHANNEL INC.	(1,299,771)	(304,707,814)	303,773,043	-	(2,234,542)	-	(2,234,542)
ABS-CBN PUBLISHING, INC.	(753,562)	(671,137,742)	664,849,110	-	(7,042,195)	-	(7,042,195)
ABS-CBN SHARED SERVICE CENTER PTE., (ROHQ)	(11,655,740)	(57,993,617)	58,223,822	-	(11,425,535)	-	(11,425,535)
CAPTAN SERVICES	(26,942,842)	(3,375,813)	-	-	(30,318,654)	-	(30,318,654)
CENTER FOR COMMUNICATION ARTS, INC	(8,792,757)	-	-	-	(8,792,757)	-	(8,792,757)
CENTRAL CATV, INC. (SKY CABLE INC.)	(2,173,620,127)	(954,756,676)	920,439,377	-	(2,207,937,425)	-	(2,207,937,425)
CREATIVE PROGRAMS, INC.	(84,948,025)	(1,514,103,895)	1,591,362,311	-	(7,689,610)	-	(7,689,610)
I CONNECT CONVERGENCE	(62,956,063)	(13,846,523)	55,796,131	-	(21,006,456)	-	(21,006,456)
PANAY MARINE	(372,462,425)	(54,692,681)	-	-	(427,155,107)	-	(427,155,107)
PROSTAR, INC.	(5,015,862)	-	-	-	(5,015,862)	-	(5,015,862)
ROSETTA HOLDINGS	(887,467,102)	982,269,284	(621,440,991)	-	(526,638,808)	-	(526,638,808)
SAPIENTIS	(4,051,853,026)	(1,529,882,082)	1,053,422,670	-	(4,528,312,438)	-	(4,528,312,438)
SKY VISION (SKY CABLE INC.)	(62,884,185)	0	-	-	(62,884,185)	-	(62,884,185)
STUDIO 23, INC.	(1,670,074)	(3,596,690)	3,560,957	-	(1,705,807)	-	(1,705,807)
THE BIG DIPPER DIGITAL CONTENT	(70)	(1,663,189,120)	1,663,186,950	-	(2,240)	-	(2,240)
THEME PARKS	(548,593,066)	(1,834,712,102)	1,868,273,174	-	(515,031,994)	-	(515,031,994)
	(9,057,729,289)	(53,879,634,785)	53,726,540,698	-	(9,210,823,377)	-	(9,210,823,377)

**ABS-CBN CORPORATION AND SUBSIDIARIES**

**Schedule D – Intangible Assets - Other Assets**

December 31, 2015

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 of Philippine Peso)</i>						
Program Rights	3,729,454	590,722	(850,511)	(113,198)	-	3,356,467
Music Rights	132,803	8,163	(6,119)	-	-	134,847
Movie In- Process and Filmed Entertainment	756,353	889,215	(721,271)	-	-	924,297
Story, Video and Publication and Record Master	9,960	18,784	(15,279)	-	-	13,465
Trademarks	1,111,784	-	-	-	-	1,111,784
Licenses	1,003,767	-	(3,730)	-	1,777	1,001,814
Customer Relationships	445,384	-	(24,138)	-	-	421,246
Cable Channels - CPI	459,968	-	-	-	-	459,968
BSS Integration	63,742	497,690	(50,243)	-	-	511,189
Production and Distribution Business-ME	68,371	-	(5,797)	-	3,190	65,764
<b>Total</b>	<b>7,781,586</b>	<b>2,004,574</b>	<b>(1,677,088)</b>	<b>(113,198)</b>	<b>4,967</b>	<b>8,000,841</b>

**ABS-CBN CORPORATION AND SUBSIDIARIES****Schedule E – Long-term Debt**

December 31, 2015

<b>Title of Issue and type of obligation</b>	<b>Amount of authorized indenture</b>	<b>Amount shown under caption "Current portion of long-term debt" in related balance sheet</b>	<b>Amount shown under caption "Long-term debt" in related balance sheet</b>
<i>(Amounts in Thousands of Philippine Peso)</i>			
Term Loans : Loan Agreement	14,248,231	81,137	14,167,094
Term Loans : Obligations under finance lease	38,557	23,657	14,900
Term Loans : Bonds Payable	5,943,525	-	5,943,525
<b>Total</b>	<b>20,230,313</b>	<b>104,794</b>	<b>20,125,519</b>

**ABS-CBN CORPORATION AND SUBSIDIARIES**

**Schedule F – Indebtedness to Related Parties**

December 31, 2015

<b>Name of Related Parties</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
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<b>NOT APPLICABLE</b>
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**ABS-CBN CORPORATION AND SUBSIDIARIES**

**Schedule G – Guarantees of Securities of Other Issuers**

December 31, 2015

<b>Name of issuing entity of securities guaranteed by the company for which this statement is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount guaranteed and outstanding</b>	<b>Amount owned by person for which statement is filed</b>	<b>Nature of guarantee</b>
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<b>NONE</b>
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**ABS-CBN CORPORATION AND SUBSIDIARIES****Schedule H – Capital Stock**

December 31, 2015

<b>Title of Issue</b>	<b>Number of shares authorized</b>	<b>Number of shares issued and outstanding as shown under related balance sheet caption</b>	<b>Number of shares reserved for options, warrants, conversion and other rights</b>	<b>Number of shares held by related parties</b>	<b>Directors, officers and employees</b>	<b>Others</b>
Common Shares - ₱1 Par value	1,300,000,000	850,801,081	-	481,714,742	1,393,533	367,692,806
Preferred Shares - ₱.2 Par value	1,000,000,000	1,000,000,000		987,130,246	1,830,550	11,039,204

**ABS-CBN CORPORATION**

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**II. SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION****DECEMBER 31, 2015***(Amounts in Thousands)*

Unappropriated retained earnings, beginning	₱2,778,456
Adjustment:	
Remeasurement loss on defined benefit plan from previous years	1,089,414
Deferred tax assets, beginning	(1,363,112)
Unappropriated retained earnings, beginning, as adjusted to amount available for dividend declaration, beginning	2,504,758
Add: Net income actually realized during the year	
Net income during the year closed to retained earnings	2,782,372
Add (deduct):	
Unrealized foreign exchange loss – net of effects of cash and cash equivalents	23,718
Movement of deferred tax assets for the year	(113,613)
Net income actually realized during the year	2,692,477
Less: Dividends declared during the year	(514,481)
Unappropriated retained earnings available for dividend declaration, end	₱4,682,754

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**ABS-CBN CORPORATION AND SUBSIDIARIES  
SUPPLEMENTARY SCHEDULE REQUIRED  
UNDER SRC RULE 68, AS AMENDED (2011)**

**A. List of Philippine Financial Reporting Standards (PFRSs) and Interpretations effective as at December 31, 2015**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs	✓		
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
<b>PFRS 2</b>	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Share-based Payment – Definition of Vesting Condition	✓		
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements	✓		
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendments to PFRS 5: Changes in Methods of Disposal*		Not Early Adopted	
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		

\*Standards and interpretations which will become effective subsequent to December 31, 2015.

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures – Servicing Contracts*		Not Early Adopted	
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*		Not Early Adopted	
<b>PFRS 8</b>	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
<b>PFRS 9</b>	Financial Instruments*		Not Early Adopted	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		Not Early Adopted	
	Amendments to PFRS 9: Hedge accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*		Not Early Adopted	
	Amendments to PFRS 9 (2014 version)*		Not Early Adopted	
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		Not Early Adopted	
	Amendments to PFRS 10 and PAS 28: Applying the Consolidation Exception*		Not Early Adopted	
<b>PFRS 11</b>	Joint Arrangements	✓		
	Amendments to PFRS 11: Investment Entities	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*		Not Early Adopted	
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception		Not Early Adopted	
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts*		Not Early Adopted	
<b>Philippine Accounting Standards (PAS)</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Disclosure Initiative*		Not Early Adopted	
<b>PAS 2</b>	Inventories	✓		

\*Standards and interpretations which will become effective subsequent to December 31, 2015.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of Servicing Equipment	✓		
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation	✓		
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*			Not Early Adopted
	Amendment to PAS 16 and PAS 41: Bearer Plants*			Not Early Adopted
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate*			Not Early Adopted
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements*			Not Early Adopted
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			Not Early Adopted
	Amendments to PFRS 10 and PAS 28: Applying the Consolidation Exception*			Not Early Adopted
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		

\*Standards and interpretations which will become effective subsequent to December 31, 2015.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendments to PAS 34: Disclosure of information 'elsewhere in the interim financial report'		Not Early Adopted	
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*		Not Early Adopted	
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	✓		
<b>PAS 40</b>	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner Occupied Property	✓		
<b>PAS 41</b>	Agriculture			✓
	Amendment to PAS 41: Agriculture - Bearer Plants*		Not Early Adopted	
<b>Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓

\*Standards and interpretations which will become effective subsequent to December 31, 2015.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 8</b>	Scope of PFRS 2	✓		
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓		
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions	✓		
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes	✓		
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	✓		
<b>IFRIC 15</b>	Agreements for the Construction of Real Estate*		Not Early Adopted	
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation	✓		
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners	✓		
<b>IFRIC 18</b>	Transfers of Assets from Customers	✓		
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments	✓		
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies	✓		
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
<b>SIC-15</b>	Operating Leases - Incentives			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services	✓		
<b>SIC-32</b>	Intangible Assets - Web Site Costs	✓		

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at December 31, 2015.

\*Standards and interpretations which will become effective subsequent to December 31, 2015.



# ABS-CBN CORPORATION AND SUBSIDIARIES

## V. FINANCIAL RATIOS

December 31, 2015

RATIOS	FORMULA	In Php ('000s)	31-Dec-15	31-Dec-14
<b>Current ratio</b>	Current Assets	<u>30,238,188</u>	1.88	2.08
	Current Liabilities	<u>16,121,763</u>		
<b>Net Debt-to-equity ratio</b>	Interest-bearing loans and borrowings less Cash and Cash equivalent	<u>8,992,754</u>	0.31	0.26
	Total Stockholders' Equity	<u>28,715,326</u>		
<b>Asset-to-equity ratio</b>	Total Assets	<u>70,424,104</u>	2.5	2.5
	Total Stockholders' Equity	<u>28,715,326</u>		
<b>Interest rate coverage ratio</b>	EBIT	<u>3,957,256</u>	5.2	4.5
	Interest Expense	<u>762,463</u>		
<b>Return on Equity</b>	Net Income	<u>2,545,134</u>	8.9%	7.6%
	Total Stockholders' Equity	<u>28,715,326</u>		
<b>Return on Assets</b>	Net Income	<u>2,545,134</u>	3.6%	3.0%
	Total Assets	<u>70,424,104</u>		
<b>Profitability ratios</b>				
Gross Profit Margin	Gross Profit	<u>15,369,991</u>	40%	40%
	Net Revenue	<u>38,278,115</u>		
Net Income Margin	Net Income	<u>2,545,134</u>	6.6%	6.1%
	Net Revenue	<u>38,278,115</u>		



**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year: 2014
2. Exact Name of Registrant as Specified in its Charter: ABS-CBN Corporation
3. Address of Principal Office: ABS-CBN Broadcast Center, Sgt. Esguerra Ave., corner Mo. Ignacia St., Quezon City Postal Code: 1103
4. SEC Identification Number: 1803 [REDACTED]  
(SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number: 000-406-761-000
7. Issuer's Telephone number, including area code: (632) 924-4101
8. Former name or former address, if changed from the last report: Not applicable

REPUBLIC OF THE PHILIPPINES)  
PASIG CITY, METRO MANILA ) S.S.  
QUEZON CITY

**CERTIFICATION**

I, **ENRIQUE I. QUIASON**, of legal age, Filipino, and with office address at the 21st Floor Robinsons Equitable Tower, 4 ADB Avenue cor. Pedro Poveda Road, Ortigas Center, Pasig City, Metro Manila, after being duly sworn in accordance with the law, hereby certify that:

1. I am the Corporate Secretary of **ABS-CBN CORPORATION** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Philippines, with office address at ABS-CBN Broadcast Center, Sgt. Esguerra Avenue corner Mother Ignacia Street, Quezon City, Metro Manila.

2. The file "Consolidated Changes in the ACGR for 2014" uploaded in the Corporation's website contains updates that have been previously reported in the Corporation's regulatory filings such as the SEC Form 17-C and SEC Form 17-Q, as applicable.

3. This certification is issued in compliance with the requirements of SEC Memorandum Circular No. 12 dated May 26, 2014.

**IN WITNESS WHEREOF**, I have hereunto set my hand this 5<sup>th</sup> day of January 2016 at Quezon City, Philippines.

  
**ENRIQUE I. QUIASON**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 5<sup>th</sup> day of January 2016 at Quezon City, affiant exhibiting to me his SSS ID No. 03-8352361-1 as Competent Evidence of Identity ("CEI")

Doc. No. 157 ;  
Page No. 33 ;  
Book No. 1 ;  
Series of 2016.

  
**CRESENCIO V. CAJALNE, III**  
NOTARY PUBLIC  
FOR QUEZON CITY  
UNTIL DECEMBER 31, 2016  
PTR NO. 1388352; 1/7/16; PASIG CITY  
IBP NO. 1019716; 1/4/16; QUEZON CITY  
MCLE COMPLIANCE NO. IV-0015760; 4/5/13  
ROLL NO. 51288/ADM MATTER NO. NP-263 (2015-2016)  
Blk. 16, Lot 21, Goodwill Homes I  
San Bartolome, Novaliches, Quezon City

REPUBLIC OF THE PHILIPPINES)  
PASIG CITY, METRO MANILA ) S.S.  
**QUEZON CITY**

**CERTIFICATION**

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Doc. No. 157;  
Page No. 33;  
Book No. T;  
Series of 2016.



**CRESENCIO V. CAJALNE, III**  
NOTARY PUBLIC  
FOR QUEZON CITY  
UNTIL DECEMBER 31, 2016  
PTR NO. 0378667; 1/8/15; PASIG CITY  
IBP NO. 979166; 1/5/15; QUEZON CITY  
ROLL NO. 51288/ADM MATTER NO. NP-263 (2015-2016);  
Blk. 16, Lot 21, Goodwill Homes I  
San Bartolome, Novaliches, Quezon City

## CONSOLIDATED CHANGES IN THE ACGR FOR 2015

### A. BOARD MATTERS

#### 1. Shareholding in the Company

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<i>Eugenio Lopez III</i>	669,690		
<i>Augusto Almeda-Lopez</i>	4,055	249,833	
<i>Ma. Rosario Santos-Concio</i>	1		
<i>Oscar M. Lopez</i>	63,605		
<i>Manuel M. Lopez</i>	251,196		
<i>Presentacion L. Psinakis</i>	1,988		
<i>Federico M. Garcia</i>	13,898		
<i>Salvador G. Tirona</i>	2		
<i>Emmanuel S. de Dios</i>	1.00		
<i>Jose Antonio U. Periquet</i>	1.00		
<b>TOTAL</b>	<b>1,004,437</b>	<b>249,833</b>	<b>0.14</b>

#### 2. Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No

Identify the Chair and CEO:

CEO/President	<i>Ma. Rosario Santos-Concio (up to December 31, 2015)</i> <i>Carlo L. Katigbak (from January 1, 2016)</i>
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#### 3. Voting Result of the last Annual General Meeting (April 24, 2015)

Name of Director	Votes Received
<i>Eugenio Lopez III</i>	100%
<i>Augusto Almeda-Lopez</i>	100%
<i>Ma. Rosario Santos-Concio</i>	100%
<i>Oscar M. Lopez</i>	100%
<i>Manuel M. Lopez</i>	100%
<i>Presentacion L. Psinakis</i>	100%
<i>Federico R. Lopez</i>	100%
<i>Federico M. Garcia</i>	100%
<i>Salvador G. Tirona</i>	100%
<i>Emmanuel S. de Dios</i>	100%
<i>Jose Antonio U. Periquet</i>	100%

#### 4. Orientation and Education Program

- i. State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years: (determining the years that the earlier training programs were conducted).

In-House Training	External Courses
<i>Excellence Workshop Series 2013 (by Disney Institute)</i>	<i>Disney's Approach to Service Excellence Workshop 2013</i>
<i>Kapamilya Digital Summit 2013 (by the Digital Academy)</i>	<i>Humans at the Heart of Digital (2013)</i>
	<i>Building a Secure Cyber World (2013)</i>
	<i>Corporate Governance Seminar (2014)</i>
	<i>Corporate Governance Seminar (2015)</i>

## B. BOARD MEETINGS& ATTENDANCE

### 1) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	<i>Eugenio Lopez III</i>	2015	13	11	85
Member	<i>Ma. Rosario Santos-Concio</i>	2015	13	11	85
Member	<i>Oscar M. Lopez</i>	2015	13	9	69
Member	<i>Augusto Almeda-Lopez</i>	2015	13	11	85
Member	<i>Presentacion L. Psinakis</i>	2015	13	7	54
Member	<i>Manuel M. Lopez</i>	2015	13	12	92
Member	<i>Federico R. Lopez</i>	2015	13	9	69
Member	<i>Federico M. Garcia</i>	2015	13	11	85
Member	<i>Salvador G. Tirona</i>	2015	13	13	100
Independent	<i>Emmanuel S. de Dios</i>	2015	13	11	85
Independent	<i>Jose Antonio U. Periquet</i>	2015	13	11	85

## C. BOARD COMMITTEES

### 1) Committee Members

#### (a) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	<i>Jose Antonio U. Periquet</i>	2013	15	14	93%	3 years
Member (NED)	<i>Salvador G. Tirona</i>	2010	26	25	96%	6 years
Member (ID)	<i>Emmanuel S. de Dios</i>	2013	15	14	93%	3 years

#### (b) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (ID)	<i>Emmanuel S. de Dios</i>	2013	<b>1</b>	<b>1</b>	<b>100</b>	3 years
Chairman (NED)	<i>Salvador G. Tirona</i>	2014	<b>1</b>	<b>1</b>	<b>100</b>	2 years
Member (NED)	<i>Federico M. Garcia</i>	2014	<b>1</b>	<b>1</b>	<b>100</b>	2 years

#### D. INTERNAL AUDIT AND CONTROL

##### 1) Internal Audit

##### (a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<i>The role of the internal audit is to provide an independent and objective assessment of the adequacy, effectiveness and efficiency of the company's systems and processes and recommends necessary control measures for their improvement. It also establishes a follow-up mechanism to monitor the implementation of recommended controls.</i>	<i>The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:</i> <ul style="list-style-type: none"> <li><i>• Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report them.</i></li> <li><i>• Evaluating the systems that</i></li> </ul>	<i>In-house</i>	<i>Higino Dungo, Jr. (Jan to Jun 2015)</i> <i>Edwin Natividad (Jul to Dec 2015)</i>	<i>Internal Audit reports directly to the Board through the Audit Committee. On a quarterly basis Internal Audit reports its plans, findings, management action/action plans on the recommendations and implementation status of audit recommendations.</i>  <i>The Chief Internal Auditor or designee issues a written report to management following the conclusion of each internal audit engagement.</i>

	<p>were established to ensure compliance with policies, plans, procedures, laws and regulations which could have a significant impact on the organization.</p> <ul style="list-style-type: none"> <li>• Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.</li> <li>• Evaluating the effectiveness and efficiency with which resources are used.</li> <li>• Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.</li> <li>• Monitoring and evaluating governance processes.</li> <li>• Monitoring and evaluating the effectiveness of the organization's risk management processes.</li> <li>• Evaluating the quality of the performance of</li> </ul>			
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	<p><i>external auditors and the degree of coordination with internal audit.</i></p> <ul style="list-style-type: none"> <li>• <i>Performing consulting and advisory services to the organization, as appropriate, with regard to governance, risk management, and control.</i></li> <li>• <i>Reporting periodically on the internal audit activities, purpose, authority, responsibility and performance relative to its plan.</i></li> <li>• <i>Reporting significant risk exposures and control issues to the Board.</i></li> <li>• <i>Evaluating specific operations at the request of the Board and the management.</i></li> </ul>			
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(b) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

<b>Name of Audit Staff</b>	<b>Reason</b>
<i>Higino Dungo Jr. (Head – CommGroup Internal Audit)</i>	<i>Transferred as Head of Integrated Public Service in June 2015.</i>
<i>Edwin Natividad (Head – CommGroup Internal Audit)</i>	<i>Resigned in December 2015 to pursue career opportunities abroad.</i>
<i>Margarita Mellizas (Senior Auditor)</i>	<i>Resigned in December 2015 to pursue career opportunities abroad.</i>

(c) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

<b>Progress Against Plans</b>	<i>As of December 2015, 87% of the 2015 audit plans have been achieved.</i>
<b>Issues<sup>1</sup> and Findings<sup>2</sup></b>	<ul style="list-style-type: none"><li>• <i>Inconsistent compliance with policies and guidelines.</i></li><li>• <i>Processing delays.</i></li><li>• <i>Inadequate monitoring of transactions.</i></li><li>• <i>Inadequate documentation.</i></li><li>• <i>Need for system enhancements and upgrades.</i></li><li>• <i>Inadequate physical inventory, warehousing and reconciliation procedures due to limited manpower and space.</i></li><li>• <i>Inconsistent application of controls due to organizational changes, transfer of functions or changes in personnel.</i></li></ul>
<b>Examination Trends</b>	<ul style="list-style-type: none"><li>• <i>A need for a continuous enhancement of systems and improvement of processes to adopt to changing business objectives and strategies.</i></li></ul>

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

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<sup>1</sup>"Issues" are compliance matters that arise from adopting different interpretations.

<sup>2</sup>"Findings" are those with concrete basis under the company's policies and rules.

**E. ROLE OF STAKEHOLDERS**

(a) Show data relating to health, safety and welfare of its employees.

	<b>Programs/Initiatives</b>										
<i>Security and Safety</i>	<ul style="list-style-type: none"> <li>▪ <i>Conduct of in-house basic occupational safety and health trainings and other technical safety trainings.</i></li> <li>▪ <i>Conduct of safety patrols, inspections and risk assessment of various Company facilities.</i></li> <li>▪ <i>Compliance to the Building Code.</i></li> <li>▪ <i>Compliance to the Fire Code (Republic Act 9514) through the conduct of fire and earthquake evacuation drills as a result of which the Company was issued a fire safety inspection certificate.</i></li> <li>▪ <i>Compliance to the Department of Labor and Employment’s Occupational Safety and Health Standards.</i></li> <li>▪ <i>Compliance to the Tobacco Regulation Law.</i></li> <li>▪ <i>Registration with and compliance to reporting requirements by the Department of Labor and Employment – Bureau of Working Conditions.</i></li> <li>▪ <i>Implementation of contractor safety programs.</i></li> <li>▪ <i>Promulgation of Studio Safety Guidelines.</i></li> <li>▪ <i>Promulgation of Office Safety Guidelines.</i></li> <li>▪ <i>Strengthening of regulations and refinement of procedures pertaining to the conduct of events especially remote events.</i></li> <li>▪ <i>Promulgation of a policy on the mandatory deployment of safety officers at all location shoots/tapings.</i></li> <li>▪ <i>Build-up and maintenance of credible capacity and capability for fire-fighting, collapsed structure search and rescue and especially water search and rescue. Search and rescue operations during floods to assist employees and dependents in distress have been regularly conducted.</i></li> <li>▪ <i>Activation of Office Emergency Organization and conduct of Emergency Preparedness Training for Office Wardens, Assistant Wardens, Emergency Response Team Members and Medic.</i></li> <li>▪ <i>Conduct of Emergency Preparedness Training for all employees.</i></li> <li>▪ <i>Promulgation of Fire Safety Guidelines</i></li> <li>▪ <i>Promulgation of Guidelines for Working at Heights</i></li> </ul>										
<i>Welfare</i>	<ul style="list-style-type: none"> <li>▪ <i>Regular and covered program employees are extended assistance in the event of natural calamities. In the case of the natural calamities that hit the country in 2015, the Company extended the following financial assistance:</i></li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><i>No. of employees</i></th> <th style="text-align: center;"><i>Value (Php)</i></th> </tr> </thead> <tbody> <tr> <td><i>Calamity assistance</i></td> <td style="text-align: center;"><i>9</i></td> <td style="text-align: center;"><i>0.155M</i></td> </tr> <tr> <td><i>Calamity loan</i></td> <td style="text-align: center;"><i>7</i></td> <td style="text-align: center;"><i>0.205M</i></td> </tr> </tbody> </table> <p style="margin-top: 10px;"><i>There were 70 bereavement claims extended to employees amounting to more than PhP1.5M.</i></p>			<i>No. of employees</i>	<i>Value (Php)</i>	<i>Calamity assistance</i>	<i>9</i>	<i>0.155M</i>	<i>Calamity loan</i>	<i>7</i>	<i>0.205M</i>
	<i>No. of employees</i>	<i>Value (Php)</i>									
<i>Calamity assistance</i>	<i>9</i>	<i>0.155M</i>									
<i>Calamity loan</i>	<i>7</i>	<i>0.205M</i>									

(b) State the company’s training and development programs for its employees in 2015. Show the data.

<b>2015 Leadership Courses (under Leadership Academy)</b>	<b>No. of Graduates</b>
<i>Self-Discovery for Excellence (2 Runs)</i>	<i>38</i>
<i>Coaching for Peak Performance</i>	<i>23</i>

<i>Engineering the Performance System</i>	21
<i>Critical Thinking Skills</i>	36
<i>Basic Management Program</i>	32
<i>5 Choices for Extraordinary Productivity (2Runs)</i>	52

<b>2015 Liberal Studies Academy</b>	<b>No. of Graduates</b>
<i>Media Foundations</i>	36
<i>Adventures in Cinema and TV</i>	34
<i>Appreciative Inquiry</i>	27

<b>2015 Moving Images Academy</b>	<b>No. of Graduates</b>
<i>Self-Discovery for Creatives</i>	28
<i>TV Production 101: PA Training (3 Runs)</i>	53

<b>2015 Journalism Academy</b>	<b>No. of Graduates</b>
<i>The Broadcast Voice: Speech and Delivery</i>	36
<i>Broadcast Journalism</i>	35
<i>Media Law and Ethics</i>	30
<i>Big Data Journalism</i>	19

<b>2015 Digital Academy</b>	<b>No. of Graduates</b>
<i>Introduction to Search Engine Optimization (2 Runs)</i>	60
<i>Digital 101 Toolkit for Sales</i>	41
<i>Content Marketing and Pitching Digital for Sales</i>	41

<b>2015 Service Excellence Academy</b>	<b>No. of Graduates</b>
<i>Kapamilya Experience Excellence Program</i>	28
<i>Winning Customer Loyalty</i>	25

*In addition to the above, the below programs were also conducted:*

- 1) 270 employees went through the face-to-face New Employee Orientation;
- 2) 467 employees completed enrollments in the mandatory New Employee Orientation e-learning courses. The New Employee Orientation e-learning courses are composed of the following: Code of Conduct, Information Security, Safety Orientation, Security Orientation, Performance Management System and Kumusta Bagong Kapamilya;
- 3) 601 enrollments were also completed in other e-learning courses. Of the regular e-Learning courses, the most recognized courses taken are as follows, Social Media 101, Understanding TV Ratings, Social Media 101.
- 4) For Faculty Development program, 24 employees attended the Instructional Design Workshop and 20 employees completed the Train the Trainer Workshop of the ABS-CBN University's six academies in the year 2015.

There were also special workshops or summits extended to employees namely:

- 1) 275 employees who participated in the Digital Summit (face-to-face);
- 2) 91 managers/leaders who joined the Leadership Story Telling sessions with ABS-CBN leaders as key speakers (Robert G. Labayen and Antonio "March" S. Ventosa)
- 3) 672 managers who attended sessions for Succession Planning and General Competency Cascade to learn the 5 new general competencies and succession planning initiatives in time for performance review.
- 4) 16 employees of the Global Leadership Team completed the 3-day workshop, Coaching and IDP Workshop conducted in SFO

## F. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

#### (a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Lopez, Inc.	480,933,747 common	56.5%	None
Lopez, Inc.	987,130,246 preferred	98.71%	None
ABS-CBN Holdings	328,456,200 common	38.6%	None

## G. RIGHTS OF STOCKHOLDERS

### Dividends

Declaration Date	Record Date	Payment Date
March 5, 2015	March 20, 2015	April 20, 2015

1. Date of sending out notices: *March 31, 2015*
2. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
<i>Approval of Minutes of the Annual Stockholders Meeting Held on May 14, 2014</i>	100%	-	-
<i>Election of the Directors</i>	100%	-	-
<i>Approval of the Acts of the BOD, Executive Committee and</i>	100%	-	-

<i>Management for the period January 1, 2011 to December 31, 2011</i>			
<i>Appointment of external auditor</i>	100%	-	-
<i>Merger of certain subsidiaries with the Company</i>	100%	-	-

(a) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

<b>Type of Meeting</b>	<b>Names of Board members / Officers present</b>	<b>Date of Meeting</b>	<b>Voting Procedure (by poll, show of hands, etc.)</b>	<b>% of SH Attending in Person</b>	<b>% of SH in Proxy</b>	<b>Total % of SH attendance</b>
Annual	<i>*See Enumeration Below</i>	<i>April 24, 2015</i>	<i>Viva Voce</i>	<i>0.05%</i>	<i>96,03%</i>	<i>96.08%</i>

The following directors were present during the annual stockholders' meeting held on April 24, 2015: Eugenio Lopez III, Augusto Almeda-Lopez, Ma. Rosario Santos-Concio, Oscar M. Lopez, Presentacion L. Psinakis, Federico M. Garcia, Salvador G. Tirona, Antonio Jose U. Periquet and Emmanuel S. De Dios. The following officers were present during the said stockholders' meeting: Carlo L. Katigbak, Mario Luza Bautista, Jose Agustin C. Benitez, Jr. Philip L. Berba, Jr., Aldrin M. Cerrado, Higinio T. Dungo, Dino J. Laurena, Donald Patrick L. Lim, Martin L. Lopez, Raymund T. Miranda, Rodrigo P. Montinola, Mario Carlo P. Nepomuceno, Luis Paolo M. Pineda, Cesar Poblador, Enrique I. Quiason, Regina E. Reyes, Ma. Lourdes N. Santos, Vivian Y. Tin, Rolando P. Valdueza, Antonio S. Ventosa, Ma. Socorro V. Vidanes and Fernando V. Villar.

(b) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	5,612
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	<i>March 31, 2015</i>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	<i>March 31, 2015</i>

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year: 2014
2. Exact Name of Registrant as Specified in its Charter: ABS-CBN Corporation
3. Address of Principal Office: ABS-CBN Broadcast Center, Sgt. Esguerra Ave., corner Mo. Ignacia St., Quezon City Postal Code: 1103
4. SEC Identification Number: 1803  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number: 000-406-761-000
7. Issuer's Telephone number, including area code: (632) 924-4101
8. Former name or former address, if changed from the last report: Not applicable

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	11
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Actual number of Directors for the year	11
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual /Special Meeting)	No. of years served as director
Eugenio Lopez III	NED		Lopez, Inc.	1986	2014	Annual	28
Augusto Almeda-Lopez	NED		Lopez, Inc.	1989	2014	Annual	25
Ma. Rosario Santos-Concio	ED		Lopez, Inc.	2006	2014	Annual	8
Oscar Lopez	NED		Lopez, Inc.	1966	2014	Annual	48
Presentacion Psinakis	NED		Lopez, Inc.	1988	2014	Annual	26
Manuel Lopez	NED		Lopez, Inc.	2010	2014	Annual	4
Federico Lopez	NED		Lopez, Inc.	1999	2014	Annual	15
Federico Garcia	NED		Lopez, Inc.	1998	2014	Annual	16
Salvador Tirona	NED		Lopez, Inc.	2010	2014	Annual	4
Emmanuel de Dios	ID		Raul Quizon (no relationship)	2013	2014 (2 years)	Annual	2
Antonio Periquet	ID		Raul Quizon (no relationship)	2013	2014 (2 years)	Annual	2

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

*The Board, management, employees and shareholders believe that good corporate governance is a necessary component of what constitutes sound strategic business management and would improve the economic and commercial prosperity of the Company and ultimately, the shareholders. As stated in the Company's Manual of Corporate Governance the main duty and responsibility of the Board is to represent the shareholders' interest in perpetuating a successful business, including optimizing long-term financial returns. The Board is responsible for determining that the Company is managed in such a way to ensure such result.*

*The shareholders have the right to receive timely and transparent information about the Company. The Board recognizes and shall respect the rights of the shareholders under the law, the articles of incorporation and the by-laws specifically the stockholders' right to vote, pre-emptive rights, power of inspection, right to dividend and appraisal rights. In terms of disclosure, the Company shall prepare and submit all required reports to concerned agencies (e.g., SEC, PSE and PDEX).*

(c) How often does the Board review and approve the vision and mission?

As needed.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>1</sup>

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

<b>Director's Name</b>	<b>Corporate Name of the Group Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
<i>Eugenio L. Lopez III</i>	<i>Sky Cable Corporation</i>	<i>Chairman</i>
	<i>Sky Vision Corporation</i>	<i>President</i>
	<i>Lopez Holdings Corporation</i>	<i>Vice Chairman</i>
	<i>Lopez, Inc.</i>	<i>Treasurer</i>
	<i>Bayan Telecommunications</i>	<i>Chairman</i>
	<i>First Gen Corporation</i>	<i>Director</i>
	<i>First Philippine Holdings Corporation</i>	<i>Director</i>
	<i>Rockwell Land</i>	<i>Director</i>
	<i>Eugenio Lopez Foundation</i>	<i>Director</i>
	<i>ABS-CBN Holdings Corporation</i>	<i>Treasurer</i>
<i>Oscar M. Lopez</i>	<i>Lopez Holdings Corporation</i>	<i>Chairman Emeritus</i>
	<i>First Philippine Holdings Corporation</i>	<i>Chairman Emeritus</i>
	<i>First Gen Corporation</i>	<i>Chairman Emeritus</i>
	<i>Lopez, Inc.</i>	<i>President</i>
	<i>Energy Development Corp.</i>	<i>Chairman Emeritus</i>
	<i>First Philippine Industrial Park</i>	<i>Chairman Emeritus</i>
	<i>First Gen Renewables, Inc.</i>	<i>Chairman Emeritus</i>
	<i>ABS-CBN Holdings Corporation</i>	<i>President</i>
	<i>Eugenio Lopez Foundation</i>	<i>Trustee</i>
	<i>Rockwell Land</i>	<i>Chairman Emeritus</i>
<i>Manuel M. Lopez</i>	<i>Rockwell Land</i>	<i>Chairman</i>
	<i>Lopez, Inc.</i>	<i>Vice Chairman</i>
	<i>Lopez Holdings Corporation</i>	<i>Chief Executive Officer</i>
	<i>Sky Vision Corporation</i>	<i>Chairman</i>
	<i>Eugenio Lopez Foundation</i>	<i>Chairman</i>
	<i>First Philippine Holdings Corporation</i>	<i>Vice Chairman</i>
<i>Federico R. Lopez</i>	<i>First Philippine Holdings Corporation</i>	<i>Chairman</i>
	<i>First Gen Corporation</i>	<i>Chairman</i>
	<i>Energy Development Corporation</i>	<i>Chairman</i>
	<i>Rockwell Land</i>	<i>Vice Chairman</i>
	<i>First Philippine Industrial Park</i>	<i>Chairman</i>
	<i>First Gen Renewables, Inc.</i>	<i>Chairman</i>
	<i>Eugenio Lopez Foundation</i>	<i>Trustee</i>
	<i>Lopez Holdings Corporation</i>	<i>Treasurer</i>
<i>Salvador G. Tirona</i>	<i>Lopez Holdings Corporation</i>	<i>President</i>
	<i>Sky Vision Corporation</i>	<i>Director</i>
	<i>ABS-CBN Holdings Corporation</i>	<i>Comptroller</i>
	<i>Eugenio Lopez Foundation</i>	<i>Director</i>
	<i>Bayan Telecommunications, Inc.</i>	<i>Director</i>

<i>Augusto Almeda-Lopez</i>	<i>First Philippine Holdings Corporation</i>	<i>Director</i>
	<i>Bayan Telecommunications, Inc.</i>	<i>Director</i>
	<i>Sky Vision Corporation</i>	<i>Vice Chairman</i>
<i>Presentacion L. Psinakis</i>	<i>Lopez, Inc.</i>	<i>Chairman</i>
	<i>Eugenio Lopez Foundation</i>	<i>Trustee</i>
	<i>ABS-CBN Holdings Corporation</i>	<i>Director</i>
<i>Antonio Jose U. Periquet</i>	<i>ABS-CBN Holdings Corporation</i>	<i>Independent Director</i>

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

<b>Director's Name</b>	<b>Name of Listed Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
<i>Antonio Periquet</i>	<i>Ayala Corporation</i>	<i>Independent Director</i>
	<i>Bank of the Philippine Islands</i>	<i>Independent Director</i>
	<i>DMCI Holdings, Inc.</i>	<i>Independent Director</i>
	<i>Philippine Seven Corporation</i>	<i>Independent Director</i>
	<i>Max's Group of Companies</i>	<i>Independent Director</i>

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

<b>Director's Name</b>	<b>Name of the Significant Shareholder</b>	<b>Description of the relationship</b>
<i>Eugenio L. Lopez III</i>	<i>Lopez Holdings Corporation</i>	<i>Vice Chairman</i>
	<i>ABS-CBN Holdings Corporation</i>	<i>Treasurer</i>
<i>Manuel M. Lopez</i>	<i>Lopez Holdings Corporation</i>	<i>Chief Executive Officer</i>
<i>Salvador G. Tirona</i>	<i>Lopez Holdings Corporation</i>	<i>President</i>
	<i>ABS-CBN Holdings Corporation</i>	<i>Comptroller</i>
<i>Oscar M. Lopez</i>	<i>Lopez Holdings Corporation</i>	<i>Chairman Emeritus</i>
	<i>ABS-CBN Holdings Corporation</i>	<i>President</i>
<i>Federico R. Lopez</i>	<i>Lopez Holdings Corporation</i>	<i>Treasurer</i>
<i>Presentacion L. Psinakis</i>	<i>ABS-CBN Holdings Corporation</i>	<i>Director</i>
<i>Antonio Jose U. Periquet</i>	<i>ABS-CBN Holdings Corporation</i>	<i>Independent Director</i>

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	<b>Guidelines</b>	<b>Maximum Number of Directorships in other companies</b>
<b>Executive Director</b>	<i>None</i>	<i>None</i>
<b>Non-Executive Director</b>	<i>None</i>	<i>None</i>
<b>CEO</b>	<i>None</i>	<i>None</i>

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly

own shares in the company:<sup>2</sup>

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<i>Eugenio Lopez III</i>	669,690	0	.08
<i>Augusto Almeda-Lopez</i>	4,055	249,833 <i>ACRIS Corporation</i>	.03
<i>Oscar Lopez</i>	63,605	0	.01
<i>Presentacion Psinakis</i>	1,988	0	.00
<i>Rosario Santos-Concio</i>	1	0	.00
<i>Manuel Lopez</i>	212,186	0	.02
<i>Federico Lopez</i>	1	0	.00
<i>Salvador Tirona</i>	2	0	.00
<i>Federico Garcia</i>	13,898	0	.00
<i>Emmanuel de Dios</i>	1	0	.00
<i>Antonio Periquet</i>	1	0	.00
<b>TOTAL</b>	<b>965,427</b>	<b>249,833</b>	<b>0.14</b>

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No

Identify the Chair and CEO:

Chairman of the Board	<i>Eugenio Lopez III</i>
CEO/President	<i>Ma. Rosario Santos-Concio</i>

*There is a mix of executive, non-executive and independent directors on the Board. The Company ensures that independent directors comprise at least 20% of its Board as mandated by the SEC. In addition, the 3-member Board of Advisors provides guidance to the BOD.*

- (b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	<i>The Chairman of the Board is responsible for the management, development and the effective performance of the BOD, and provides leadership to the BOD for all aspects of the BOD's work.</i>	<i>The CEO has general charge and supervision of the business and affairs of the Company, subject to the BOD.</i>
Accountabilities and Deliverables	<i>The Chairman of the BOD plans and organizes all the activities of the BOD including: preparation for, and the conduct of, Board meetings; the quality, quantity and timeliness of the information that goes to the BOD; formation of the Board committees and the integration of their activity with that of the Board; evaluation of the effectiveness and implementation of improvements; development of the</i>	<i>The CEO makes, executes and signs in the name of the Company such contracts as are necessary in the ordinary course of business, and such other contracts as are authorized by the BOD. The CEO also signs such other certificates or instruments of the Company as are proper and necessary for the transaction of its ordinary business. He/she sees that the resolutions of the BOD are duly executed and carried out and performs all such other duties as are incident to his/her office. He/she</i>

<sup>2</sup> PSE Disclosure (Public Ownership Report), as of 31 December 2014.

	<i>Board, including recruitment of Directors, evaluation and compensation.</i>	<i>prepares an annual report, or as often as required, to the BOD and the stockholders regarding the business of the Company. The CEO countersigns all checks, drafts, or other orders for payment of money.</i>
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3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

*The BOD created the Succession Planning Committee to ensure 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. The committee 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.*

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

*Yes, it is the policy of the Company to have a mix of executive, non-executive and independent directors on the Board. There is also a Board of Advisors that provides guidance to the BOD. The three members of the Board of Advisors attend all Board meetings and are members of the Board Committees.*

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

*Yes. The non-executive directors have been members of the Board for a number of years thus, they already have extensive experience in the sector or industry. For example, the Chairman of the Board, Mr. Eugenio Lopez III used to be the President and CEO of the Company. As President, he aggressively pursued ABS-CBN's diversification into various successful ventures that include interactive media, sound recording, post-production, international cable and satellite distribution, sports programming, licensing and merchandising and digital TV. Meanwhile, Mr. Federico M. 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 from 1966 to 1972. He was also Executive Vice President of GMA Network, managing its marketing and programming activities. As a testament to his achievements in the industry, he is a recipient of various Philippine broadcasting awards.*

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	<i>The directors represent the shareholders' interest in perpetuating a successful business including optimizing long-terms financial returns. They are responsible for determining that the Company is managed in such a way to ensure such result.</i>		
Accountabilities	<i>The directors are responsible for determining that the Company is managed successfully. Directors have the duty to be diligent and loyal to the Company. They must exercise that degree of skill, diligence and care that a reasonable prudent person would exercise in similar circumstances. They should act on an informed basis in good faith and in honest belief that a decision was taken in the best interest of the Company. A director is a fiduciary of the Company and shall not take advantage of the Company by means of fraudulent or unfair transactions. Directors must avoid actual and potential conflicts of interest and shall disclose fully and fairly their interests in contracts with the Company.</i>		
Deliverables	<i>The directors have the following deliverables: (1) formulation of the Company's vision, mission, purpose and values and determination of the strategies to achieve its purpose and implement its values in order to ensure that the Company survives and thrives; (2) ensure that adequate procedures, systems and</i>		

	<i>practices are in place geared towards protecting the Company's assets and reputation; (3) monitor the effectiveness of management policies and decisions; (4) formulate a process for the selection of directors and officers; (5) ensure that the Company communicates with shareholders and other stakeholders effectively; and (6) perform such other functions which may be required under existing laws, issuances and regulations.</i>
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Provide the company's definition of "independence" and describe the company's compliance to the definition.

*Independence in the context of board governance means that independent directors comprise at least 20% of the Company's Board as mandated by the SEC, which the Company is compliant with. The Company defines an independent director as a person other than an officer or employee of the Company, its parent or subsidiaries, or any other individual having a relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of a Board director. 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 reviews and concludes whether each nominee for independent director satisfies the requirements of the rules of the SEC, the Company by-laws and the Manual of Corporate Governance.*

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

*Independent directors have two-year terms and they can be re-elected again as independent directors after their terms.*

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
<i>None</i>	<i>Note Applicable</i>	<i>Note Applicable</i>	<i>Note Applicable</i>

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	<i>All nominations for the election of Directors by the stockholders shall be submitted in writing to the BOD at least 30 business days before the scheduled date of the annual stockholders' meeting. The Board or a duly constituted committee shall pre-screen the qualifications and prepares a final list of all qualified nominees. Only nominees who appear on the final list of qualified nominees</i>	<i>A director shall have the following qualifications: (1) holder of at least one share of stock of the Company and (2) personal integrity, capacity to read and understand financial statements, absence of conflict of interest with the Company (subject to the discretion of the Board), time availability and motivation.  A stockholder cannot qualify as a Board member, if he/she</i>
(ii) Non-Executive Directors		

	<p><i>shall be eligible for election of directors. No other nominations shall be entertained after the final list of nominees has been prepared.</i></p> <p><i>The election of directors is held during the annual stockholders meeting and is conducted in the manner provided by the Corporation Law of the Philippines.</i></p> <p><i>In case of vacancies in the Board between annual stockholder meetings, the Board may elect directors to serve until the next annual meeting.</i></p>	<p><i>is engaged in any business which competes with or is antagonistic to that of the Company or any of its subsidiaries and affiliates. Without limiting the generality of the foregoing, a stockholder shall be deemed to be so engaged: (1) if he/she is an officer, manager or controlling person of, or the owner (either of record or beneficial) of 10% or more of any outstanding class of shares of any corporation (other than one in which the Company owns at least 30% of the capital stock) engaged in a business which the Board, by at least two-thirds vote of the directors present constituting a quorum, determines to be competitive or antagonistic to that of the Company or its subsidiaries and affiliates; (2) if he/she is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Company or that of its subsidiaries and affiliates and in the judgment of the Board, by at least two-thirds vote of the directors present constituting a quorum, the laws against combinations in restraint of trade shall be violated by such person's membership in the BOD; (3) if the Board, in the exercise of its judgment in good faith, determines by at least two-thirds vote of the directors present constituting a quorum that he/she is the nominee of any person set forth in (1) and (2).</i></p> <p><i>The following disqualifications of directors may be considered in the selection process: (1) final judicial conviction of an</i></p>
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		<p><i>offense involving moral turpitude or fraudulent act or transgressions; (2) finding by final and executory judgment by the SEC or a court or other administrative body of competent jurisdiction of a willful serious violation, or willful, aiding, abetting, counseling, inducing or procuring of the serious violation of, any material provision of the Securities Regulation Code, the Corporation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the SEC or the Bangko Sentral ng Pilipinas; (3) judicial declaration of insolvency; (4) finding by final and executor judgment by a foreign court or equivalent financial regulatory authority with competent jurisdiction of material acts, serious violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs and (5) conviction by final and executory judgment of an offense punishable by imprisonment for a period exceeding six years, or a violation of the Corporation Code, committed within five years prior to the date of his/her election or appointment.</i></p>
(iii) Independent Directors	<p><i>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 reviews and concludes whether each nominee for independent director satisfies the requirements of the rules of the SEC, the Company by-laws and the Manual of Corporate Governance. Once the nominee passes the requirements, he/she is</i></p>	<p><i>An independent director should have the following qualifications: (1) should at least have one share of stock of the Company; (2) should at least be a college graduate or should have been engaged or exposed to the business of the Company for at least five years; (3) should possess integrity and probity and (4) should be assiduous/ diligent.</i></p> <p><i>In addition, independent directors should not be: (1) directors or officers or</i></p>

	<p><i>recommended for election by the shareholders.</i></p> <p><i>The election of independent directors is held during the annual stockholders meeting and is conducted in the manner provided by the Corporation Law of the Philippines.</i></p>	<p><i>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); (2) relatives of any director, officer or substantial shareholders of the Company, or any of its related companies or any of its substantial shareholders; (3) acting as nominees or representatives of a substantial shareholder of the Company or any of its related companies or any of its substantial shareholders; (4) employed in any executive capacity by the Company or any of its related companies or by any of its substantial shareholders within the last two years; (5) retained as professional advisers by the Company, any of its related companies or any of its substantial shareholders within the last two years, either personally or through their firms; (6) engaged or have been engaged 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 (7) an owner of more than 2% of the shares of the Company and/or its related companies or any of its substantial shareholders.</i></p> <p><i>The following disqualifications of directors may be considered in the selection process: (1) final judicial conviction of an offense involving moral turpitude or fraudulent act or</i></p>
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		<p><i>transgressions; (2) finding by final and executory judgment by the SEC or a court or other administrative body of competent jurisdiction of a willful serious violation, or willful, aiding, abetting, counseling, inducing or procuring of the serious violation of, any material provision of the Securities Regulation Code, the Corporation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the SEC or the Bangko Sentral ng Pilipinas; (3) judicial declaration of insolvency; (4) finding by final and executory judgment by a foreign court or equivalent financial regulatory authority with competent jurisdiction of material acts, serious violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs; (5) conviction by final and executory judgment of an offense punishable by imprisonment for a period exceeding six years, or a violation of the Corporation Code, committed within five years prior to the date of his/her election or appointment and (6) having competing or antagonistic businesses with the Company.</i></p>
<b>b. Re-appointment</b>		
(i) Executive Directors	None	None
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>c. Permanent Disqualification</b>		

<p>(i) Executive Directors  (ii) Non-Executive Directors  (iii) Independent Directors</p>	<p><i>The Nomination Committee reviews and recommends to the Board the temporary disqualification of a director. The Board has the final decision in disqualifying a director.</i></p>	<p><i>Any of the following shall be ground for dismissal for cause of an executive/non-executive director:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Refusal to fully disclose the extent of his/her business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations.</i></li> <li>▪ <i>Absence or non-participation for unjustifiable reason/s in more than 50% of all meetings, both regular and special, of the Board during his/her incumbency, or any 12 month period during said incumbency.</i></li> <li>▪ <i>Dismissal or termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he/she has cleared himself/herself of any involvement in the alleged irregularity.</i></li> <li>▪ <i>Conviction that has become final referred to in the grounds for the disqualification of directors.</i></li> </ul>
<p><b>d. Temporary Disqualification</b></p>		

(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	<i>The Nomination Committee reviews and recommends to the Board the temporary disqualification of a director. The Board has the final decision in disqualifying a director.</i>	<i>Any of the following shall be ground for temporary disqualification of a director:</i> <ul style="list-style-type: none"> <li>▪ <i>Refusal to fully disclose the extent of his/her business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations.</i></li> <li>▪ <i>Absence or non-participation for unjustifiable reason/s in more than 50% of all meetings, both regular and special, of the Board during his/her incumbency, or any 12 month period during said incumbency.</i></li> <li>▪ <i>Dismissal or termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he/she has cleared himself/herself of any involvement in the alleged irregularity.</i></li> </ul>
<b>e. Removal</b>		
(i) Executive Directors	<i>Same as permanent disqualification</i>	<i>Same as permanent disqualification</i>
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>f. Re-instatement</b>		
(i) Executive Directors	<i>None</i>	<i>None</i>
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors	<i>None</i>	<i>None</i>
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
<i>Eugenio Lopez III</i>	<i>95.84%</i>
<i>Augusto Almeda-Lopez</i>	<i>95.84%</i>
<i>Ma. Rosario Santos-Concio</i>	<i>95.84%</i>
<i>Oscar Lopez</i>	<i>95.84%</i>
<i>Manuel Lopez</i>	<i>95.84%</i>
<i>Presentacion Psinakis</i>	<i>95.84%</i>
<i>Federico Lopez</i>	<i>95.84%</i>
<i>Federico Garcia</i>	<i>95.84%</i>
<i>Salvador Tirona</i>	<i>95.84%</i>

<i>Emmanuel de Dios</i>	95.84%
<i>Antonio Periquet</i>	95.84%

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

*New directors are provided orientation on the Company's operations, senior management and its business environment. This usually takes one week and is handled by the division heads. New directors who have no board experience receive orientation in their unaccustomed responsibility. They are also inducted in terms of their fiduciary duties and responsibilities as well as in respect of the Board's expectations.*

- (b) State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years: (determining the years that the earlier training programs were conducted).

In-House Training	External Courses
<i>Entrepreneurial Leadership Program (2011 – 2013)</i>	<i>Corporate Level Strategy Course (Harvard University) (2011)</i>
<i>Script Analysis Workshop (2011)</i>	<i>Loyalty World Asia: Innovation, Best Practice and Return on Investment for All Businesses (2012)</i>
<i>New Media Workshop (2011)</i>	<i>ESOMAR Congress: Accelerating Excellence, Celebrating 65 Years and Beyond (2012)</i>
<i>First Aid and Personal Safety Training (2012)</i>	<i>Disney's Approach to Service Excellence Workshop 2013</i>
<i>Excellence Workshop Series 2013 (by Disney Institute)</i>	<i>Humans at the Heart of Digital (2013)</i>
<i>Kapamilya Digital Summit 2013 (by the Digital Academy)</i>	<i>Building a Secure Cyber World (2013)</i>
<i>Dave Ulrich Asia Forum (2014)</i>	<i>Corporate Governance Seminar (2014)</i>
<i>Carl Jung Self Discovery Seminar (2014)</i>	<i>Creating Value through Leadership and HR from the Outside In (2014)</i>
	<i>Walking with Jung, an Experience: Alchemy that Works (2014)</i>

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

*None.*

Name of Director/Officer	Date of Training	Program	Name of Training Institution
<i>Cory V. Vidanes</i>	<i>September 3- October 24, 2014</i>	<i>Harvard Advance Management Program</i>	<i>Harvard Business School</i>

**B. CODE OF BUSINESS CONDUCT & ETHICS**

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<i>A director must avoid actual and potential conflicts of interest and shall disclose fully and fairly his/her interests in contracts with the</i>	<i>A senior manager is expected not to have direct or indirect financial or pecuniary interest in any business, contract or transaction in connection</i>	<i>An employee is expected not to have direct or indirect financial or pecuniary interest in any business, contract or transaction in connection with which</i>

	<p><i>Company.</i></p> <p><i>A director should not be engaged in any business which competes with or is antagonistic to that of the Company or any of its subsidiaries and affiliates. Without limiting the generality of the foregoing, a director shall be deemed to be so engaged: (1) if he/she is an officer, manager or controlling person of, or the owner (either of record or beneficial) of 10% or more of any outstanding class of shares of any corporation (other than one in which the Company owns at least 30% of the capital stock) engaged in a business which the Board, by at least two-thirds vote of the directors present constituting a quorum, determines to be competitive or antagonistic to that of the Company or its subsidiaries and affiliates; (2) if he/she is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Company or that of its subsidiaries and affiliates and in the judgment of the Board, by at least two-thirds vote of the directors present constituting a quorum, the laws against combinations</i></p>	<p><i>with which he/she intervenes or takes part in his/her official capacity.</i></p> <p><i>In addition, a senior manager is expected not to moonlight or render services for another employer without the knowledge of higher management. He/she is also expected to disclose other businesses or jobs undertaken which is in conflict with existing or future undertaking of the Company.</i></p>	<p><i>he/she intervenes or takes part in his/her official capacity.</i></p> <p><i>In addition, an employee is expected not to moonlight or render services for another employer without the knowledge of higher management. He/she is also expected to disclose other businesses or jobs undertaken which is in conflict with existing or future undertaking of the Company.</i></p>
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	<p><i>in restraint of trade shall be violated by such person's membership in the BOD; (3) if the Board, in the exercise of its judgment in good faith, determines by at least two-thirds vote of the directors present constituting a quorum that he/she is the nominee of any person set forth in (1) and (2).</i></p>		
<p>(b) Conduct of Business and Fair Dealings</p>	<p><i>A director shall not take advantage of the Company by means of fraudulent or unfair transactions. He/she must act honestly and in good faith in the interest of the Company.</i></p> <p><i>It is considered an offense if a director fails, as provided by existing policies, or in the absence of any policy, in accordance with sound business practice, and without justifiable reason, to timely remit, pay, reimburse, liquidate any money, collection or cash advance, or return and/or deliver goods, stocks or other properties, entrusted to him/her by the Company, or received by him/her from customer or client or business associate or affiliate or their representative, for his/her administration, or under any other obligation to make delivery of, or return the same.</i></p> <p><i>A director is also expected not to favor or connive with suppliers, customers or any other person in</i></p>	<p><i>It is considered an offense if a senior manager fails, as provided by existing policies, or in the absence of any policy, in accordance with sound business practice, and without justifiable reason, to timely remit, pay, reimburse, liquidate any money, collection or cash advance, or return and/or deliver goods, stocks or other properties, entrusted to him/her by the Company, or received by him/her from customer or client or business associate or affiliate or their representative, for his/her administration, or under any other obligation to make delivery of, or return the same.</i></p> <p><i>A senior manager is also expected not to favor or connive with suppliers, customers or any other person in consideration of kickbacks, personal rebates or any valuable consideration.</i></p>	<p><i>It is considered an offense if an employee fails, as provided by existing policies, or in the absence of any policy, in accordance with sound business practice, and without justifiable reason, to timely remit, pay, reimburse, liquidate any money, collection or cash advance, or return and/or deliver goods, stocks or other properties, entrusted to him/her by the Company, or received by him/her from customer or client or business associate or affiliate or their representative, for his/her administration, or under any other obligation to make delivery of, or return the same.</i></p> <p><i>An employee is also expected not to favor or connive with suppliers, customers or any other person in consideration of kickbacks, personal rebates or any valuable consideration.</i></p>

	<i>consideration of kickbacks, personal rebates or any valuable consideration.</i>		
(c) Receipt of gifts from third parties	<i>A director is expected not to directly or indirectly request or receive gifts/presents, share percentages or any form of benefit or favor, for himself/herself or for any other person in connection with any business, contract, application or transaction between the Company and any other party, wherein the director in his/her capacity has to intervene.</i>	<i>A senior manager is expected not to directly or indirectly request or receive gifts/presents, share percentages or any form of benefit or favor, for himself/herself or for any other person in connection with any business, contract, application or transaction between the Company and any other party, wherein the manager in his/her capacity has to intervene.</i>	<i>An employee is expected not to directly or indirectly request or receive gifts/presents, share percentages or any form of benefit or favor, for himself/herself or for any other person in connection with any business, contract, application or transaction between the Company and any other party, wherein the employee in his/her capacity has to intervene.</i>
(d) Compliance with Laws & Regulations	<i>The following disqualifications of directors may be considered in the selection process: (1) final judicial conviction of an offense involving moral turpitude or fraudulent act or transgressions; (2) finding by final and executory judgment by the SEC or a court or other administrative body of competent jurisdiction of a willful serious violation, or willful, aiding, abetting, counseling, inducing or procuring of the serious violation of, any material provision of the Securities Regulation Code, the Corporation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the SEC or the Bangko Sentral ng Pilipinas; (3) judicial declaration of insolvency; (4) finding by final and executor</i>	<i>Conviction of a criminal act by judgment in court of law is a ground for dismissal.  Senior management should always report and not cover up violations of the Company rules and regulations by employee/s under him/her.</i>	<i>Conviction of a criminal act by judgment in court of law is a ground for dismissal.  Employees should always report and not cover up violations of the Company rules and regulations by their supervisors and colleagues.</i>

	<p><i>judgment by a foreign court or equivalent financial regulatory authority with competent jurisdiction of material acts, serious violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs and (5) conviction by final and executor judgment of an offense punishable by imprisonment for a period exceeding six years, or a violation of the Corporation Code, committed within five years prior to the date of his/her election or appointment.</i></p> <p><i>Refusal to fully disclose the extent of his/her business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations is a ground for dismissal of a director.</i></p>		
(e) Respect for Trade Secrets/Use of Non-public Information	<p><i>A director is not allowed to reveal, give away or disclose without authority the Company's trade secrets and/or trade practices or trade processes or any valuable information to unauthorized persons, or making available such information in advance of its authorized release date. This includes any attempt by unauthorized person to get such information.</i></p>	<p><i>Senior management is not allowed to reveal, give away or disclose without authority the Company's trade secrets and/or trade practices or trade processes or any valuable information to unauthorized persons, or making available such information in advance of its authorized release date. This includes any attempt by unauthorized person to get such information.</i></p>	<p><i>Employees are not allowed to reveal, give away or disclose without authority the Company's trade secrets and/or trade practices or trade processes or any valuable information to unauthorized persons, or making available such information in advance of its authorized release date. This includes any attempt by unauthorized person to get such information.</i></p>
(f) Use of Company Funds, Assets and Information	<p><i>The following are considered offenses against the Company: theft, robbery; misappropriation of</i></p>	<p><i>The following are considered offenses against the Company: theft, robbery; misappropriation of funds</i></p>	<p><i>The following are considered offenses against the Company: theft, robbery; misappropriation of funds or property; alteration or</i></p>

	<p><i>funds or property; alteration or removal of any property without authorization conduct of unauthorized work using company time and resources for profit; late financial or business transactions; malicious or willful destruction, misuse or unauthorized use of property; unlawful use of the Company's intellectual property, lending of tools and equipment without proper authorization; and negligence of Company property, materials and funds.</i></p>	<p><i>or property; alteration or removal of any property without authorization conduct of unauthorized work using company time and resources for profit; late financial or business transactions; malicious or willful destruction, misuse or unauthorized use of property; unlawful use of the Company's intellectual property, lending of tools and equipment without proper authorization; and negligence of Company property, materials and funds.</i></p>	<p><i>removal of any property without authorization conduct of unauthorized work using company time and resources for profit; late financial or business transactions; malicious or willful destruction, misuse or unauthorized use of property; unlawful use of the Company's intellectual property, lending of tools and equipment without proper authorization; and negligence of Company property, materials and funds.</i></p>
<p>(g) Employment &amp; Labor Laws &amp; Policies</p>	<p><i>Not applicable as directors are not employees of the Company.</i></p>	<p><i>The Company complies with all the labor laws and policies mandated by the Department of Labor and Employment. The Company ensures that policies pertaining to general employment, probation, regularization, termination, work conditions, compensation and benefits, conflict of interest, non-disclosure, special training and copyright and ownership rights policies as stated in the senior management's contract are discussed. Senior managers are given fixed monthly salaries and bonuses, depending on the performance of the Company. The Company follows all mandatory regulations for social security contributions (e.g., SSS, HDMF, etc.). On top of these, senior managers are provided life and health insurance, educational allowance, and rice subsidy, among others. Due process is followed in cases when a senior manager may have</i></p>	<p><i>The Company complies with all labor laws and policies mandated by the Department of Labor and Employment. The Company ensures that policies pertaining to general employment, probation, regularization, termination, work conditions, compensation and benefits, conflict of interest, non-disclosure, special training and copyright and ownership rights policies as stated in the employees' contracts are discussed. Generally, newly-recruited employees undergo a 6-month probationary period and upon satisfactory performance, given a regular employment status. Employees are given fixed monthly salaries and salaries, depending on the performance of the Company. The Company follows all mandatory regulations for social security contributions (e.g., SSS, HDMF, etc.). On top of these, employees are provided life and health insurance, educational allowance, and rice subsidy,</i></p>

		<i>to be terminated due to performance issues or violation of company policies.</i>	<i>among others. Due process is followed in cases when the employee may have to be terminated due to performance issues or violation of company policies.</i>
(h) Disciplinary action	<i>Not applicable as directors are not employees of the Company.</i>	<p><i>Disciplinary action is prescribed and enforced in progressively increasing gravity. However, this does not apply to grave offenses for which the senior manager may be charged immediately with the heaviest penalty depending on the gravity of the case. As a further action, the Company may institute the necessary civil and/or criminal case against the senior manager as it deems necessary.</i></p> <p><i>The company has four levels of disciplinary actions, namely: (1) verbal warning, (2) written warning, (3) suspension of &lt;30 days, and (4) 30 days suspension to dismissal.</i></p>	<p><i>Disciplinary action is prescribed and enforced in progressively increasing gravity. However, this does not apply to grave offenses for which the employee may be charged immediately with the heaviest penalty depending on the gravity of the case. As a further action, the Company may institute the necessary civil and/or criminal case against the employee as it deems necessary.</i></p> <p><i>The company has four levels of disciplinary actions, namely: (1) verbal warning, (2) written warning, (3) suspension of &lt;30 days, and (4) 30 days suspension to dismissal.</i></p>
(i) Whistle Blower	<i>None</i>	<i>The whistle blowing policy provides for and encourages employees and others to report, in good faith, any covered wrongful conduct committed by employees which they have personal knowledge of. The policy assures employees of protection against harassment, threats, and any other form of retaliation from the persons reported. This policy is a clear statement that if any covered wrongdoing by any of the Company's employees is identified and reported accordingly, it will be dealt with, through thorough investigation and proper imposition of accountability. The</i>	<i>The whistle blowing policy provides for and encourages employees and others to report, in good faith, any covered wrongful conduct committed by employees which they have personal knowledge of. The policy assures employees of protection against harassment, threats, and any other form of retaliation from the persons reported. This policy is a clear statement that if any covered wrongdoing by any of the Company's employees is identified and reported accordingly, it will be dealt with, through thorough investigation and proper imposition of accountability. The Company takes steps to ensure that such wrongdoing is prevented in</i>

		<i>Company takes steps to ensure that such wrongdoing is prevented in the future.</i>	<i>the future.</i>
(j) Conflict Resolution	None	<i>The senior managers should adhere to the principles of conflict resolution through friendly negotiations in order to avoid losses to both parties as a result of open conflict. The senior managers should make use of the Company's Labor Management Council, Grievance Process and Arbitration to resolve conflicts/disputes. These mechanisms involve mutual respect and open communication in reaching equally beneficial agreements for two parties in conflict.</i>	<i>The senior managers should adhere to the principles of conflict resolution through friendly negotiations in order to avoid losses to both parties as a result of open conflict. The senior managers should make use of the Company's Labor Management Council, Grievance Process and Arbitration to resolve conflicts/disputes. These mechanisms involve mutual respect and open communication in reaching equally beneficial agreements for two parties in conflict.</i>

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

*Employee discipline is primarily a line function. As such, all officers are entrusted with the responsibility to supervise other employees, whether on a permanent or temporary basis, are tasked to initiate and conduct administrative investigations for violations of the Code of Conduct, and impose disciplinary action when warranted.*

*The HR Department assists in the proper handling of cases and provides supervisors/managers with directions and review decisions, in accordance to the due process required by law before they are released. A comprehensive orientation/on boarding for new employees on the Code of Conduct and other rules and regulations of the Company is key in ensuring compliance and this is being done through an e-learning course.*

*Assisting in the dissemination and implementation of the 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.*

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

<b>Related Party Transactions</b>	<b>Policies and Procedures</b>
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(1) Parent Company	<p><i>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.</i></p> <p><i>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. Assessment of provision for doubtful accounts relating to amounts owed by related parties is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates. Related party transactions or reorganizations that would affect related-party transactions are reported to and reviewed by the Audit Committee.</i></p> <p><i>All related party transactions are reported in the Company's Annual Audited Financial Statement and Annual Company Report.</i></p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	<b>Details of Conflict of Interest (Actual or Probable)</b>
Name of Director/s	<i>None</i>
Name of Officer/s	<i>None</i>
Name of Significant Shareholders	<i>None</i>

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	<b>Directors/Officers/Significant Shareholders</b>
Company	<i>The Company has defined cases wherein a possible director or an existing director can be considered as having conflict of interest.<sup>3</sup> The Nomination and Election Committee reviews and evaluates the qualifications, including possible</i>

<sup>3</sup> A stockholder cannot qualify as a Board member, if he/she is engaged in any business which competes with or is antagonistic to that of the Company or any of its subsidiaries and affiliates. Without limiting the generality of the foregoing, a stockholder shall be deemed to be so engaged: (1) if he/she is an officer, manager or controlling person of, or the owner (either of record or beneficial) of 10% or more of any outstanding class of shares of any corporation (other than one in which the Company owns at least 30% of the capital stock) engaged in a business which the Board, by at least two-thirds vote of the directors present constituting a quorum, determines to be competitive or antagonistic to that of the Company or its subsidiaries and affiliates; (2) if he/she is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Company or that of its subsidiaries and affiliates and in the judgment of the Board, by at least two-thirds vote of the directors present constituting a quorum, the laws against combinations in restraint of trade shall be violated by such person's membership in the BOD; (3) if the Board, in the exercise of its judgment in good faith, determines by at least two-thirds vote of the directors present constituting a quorum that he/she is the nominee of any person set forth in (1) and (2).<sup>3</sup>

	<i>conflict of interest, of all persons nominated to the Board and other appointments that require board approval. In addition, the Ethics Committee focuses on conflict of interest situations by helping to make decisions and clarify stands in cases of personal or professional conflict.</i>
Group	<i>Same as the above.</i>

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

<b>Names of Related Significant Shareholders</b>	<b>Type of Relationship</b>	<b>Brief Description of the Relationship</b>
<i>None</i>	<i>Not applicable</i>	<i>Not applicable</i>

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

<b>Names of Related Significant Shareholders</b>	<b>Type of Relationship</b>	<b>Brief Description</b>
<i>None</i>	<i>Not applicable</i>	<i>Not applicable</i>

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

<b>Name of Shareholders</b>	<b>% of Capital Stock affected (Parties)</b>	<b>Brief Description of the Transaction</b>
<i>None</i>	<i>Not applicable</i>	<i>Not applicable</i>

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	<b>Alternative Dispute Resolution System</b>
<b>Corporation &amp; Stockholders</b>	<i>None</i>
<b>Corporation &amp; Third Parties</b>	<i>None</i>
<b>Corporation &amp; Regulatory Authorities</b>	<i>None</i>

**C. BOARD MEETINGS& ATTENDANCE**

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

*The BOD meetings are held throughout the year. The regular meetings of the BOD are held immediately after the stockholders' meeting and on the fourth Thursday of each month. In addition, special BOD meetings are convened, if necessary.*

- 2) Attendance of Directors

<b>Board</b>	<b>Name</b>	<b>Date of Election</b>	<b>No. of Meetings Held during the year</b>	<b>No. of Meetings Attended</b>	<b>%</b>

<sup>4</sup>Family relationship up to the fourth civil degree either by consanguinity or affinity.

Chairman	<i>Eugenio Lopez III</i>	2014	12	11	92%
Member	<i>Ma. Rosario Santos-Concio</i>	2014	12	11	92%
Member	<i>Oscar Lopez</i>	2014	12	8	67%
Member	<i>Augusto Almeda-Lopez</i>	2014	12	11	92%
Member	<i>PresentacionPsinakis</i>	2014	12	9	75%
Member	<i>Manuel Lopez</i>	2014	12	11	92%
Member	<i>Federico Lopez</i>	2014	12	6	50%
Member	<i>Federico Garcia</i>	2014	12	11	92%
Member	<i>Salvador Tirona</i>	2014	12	12	100%
Independent	<i>Emmanuel de Dios</i>	2014	12	11	92%
Independent	<i>Antonio Periquet</i>	2014	12	12	100%

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

*None.*

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

*No. A quorum at any of the BOD meetings shall consist of a majority of the entire membership of the Board.*

- 5) Access to Information

- (a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board?

*During the meeting day itself.*

- (b) Do board members have independent access to Management and the Corporate Secretary?

*Yes.*

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

*The Company Secretary has the following duties and responsibilities: (1) issues notices for all board and shareholders meetings; (2) assists the Board in the preparation of the meeting agenda and in the preparation and gathering of materials/documents to be presented to the Board or the shareholders; (3) implements such methods adopted by the Board to efficiently and timely inform and brief the Board members prior to the Board meetings; (4) attends Board meetings and take down the minutes of special and regular meetings of the Board and shareholders; (5) takes charge of the corporate seal and records (6) signs, together with the President, all stock certificates and such other instruments as may require such signature; and (7) prepares reports and perform such other duties as are incident to the office, or as properly required of him/her by the BOD.*

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

*Yes.*

- (e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

<sup>5</sup>Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

Yes

No

Committee	Details of the procedures
Executive	<i>The directors can request for information or clarify matters through e-mails and meetings with concerned persons/ committees.</i>
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
<i>Meetings with board of advisors and industry experts.</i>	<i>Through the approval or endorsement of the Board Chairman, directors can approach the board of advisors and industry experts in order to receive external advice.</i>

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
<i>None</i>	<i>None</i>	<i>Not applicable</i>

**D. REMUNERATION MATTERS**

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	<p><i>Fixed remuneration (including salary and benefits) is reviewed by the Company's Head of Corporate Services Group 1. Using available market data, the CEO's current fixed remuneration is compared to similar positions at similarly situated organizations.</i></p> <p><i>Upon determination of the need to adjust the fixed remuneration of the CEO, the Head of the Corporate Services Group 1 convenes the Compensation Committee for the Chairman and CEO and presents his findings for review and approval.</i></p>	<p><i>The fixed monthly salaries of the top 4 highest paid management officers may be adjusted if the Company meets its financial metrics. The salary adjustment is based on the actual financial performance of the Company and the managers' individual performance appraisal.</i></p>

	<i>The fixed monthly salary of the CEO is adjusted if the Company meets its financial metrics.</i>	
(2) Variable remuneration	<i>The annual variable pay plan provides incentive for achieving target performance measures. The CEO is given a variable pay based on the actual financial performance of the Company and the CEO's individual performance appraisal. The variable pay is expressed as a percentage of the monthly base salary.</i>	<i>The annual variable pay plan provides incentive for achieving target performance measures. The top 4 highest paid management officers are given variable pays based on the actual financial performance of the Company and managers' individual performance appraisal. The variable pay is expressed as a percentage of the monthly base salary.</i>
(3) Per diem allowance	<i>Same as regular officers.</i>	<i>Same as regular officers.</i>
(4) Bonus	<i>The same as item 2 (variable remuneration)</i>	<i>The same as item 2 (variable remuneration)</i>
(5) Stock Options and other financial instruments	<i>None</i>	<i>None</i>
(6) Others (specify)	<i>Not applicable</i>	<i>Not applicable</i>

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	<b>Remuneration Policy</b>	<b>Structure of Compensation Packages</b>	<b>How Compensation is Calculated</b>
Executive Directors	<i>Same as market rate.</i>	<i>Directors receive a per diem for every board and committee meetings that they attend. They may also participate in the profit sharing and bonuses declared by the Company.</i>	<i>Each director receives a set amount of PhP5,000 per board meeting and PhP5,000 per committee meeting. In terms of profit sharing and bonuses, the total yearly compensation of directors shall not exceed 10 percent of the net income before income tax of the Company during the preceding year.</i>
Non-Executive Directors	<i>Same as market rate.</i>	<i>Directors receive a per diem for every board and committee meetings that they attend. They may also participate in the profit sharing and</i>	<i>Each director receives a set amount of Ph5,000 per board meeting and PhP5,000 per committee</i>

		<i>bonuses declared by the Company.</i>	<i>meeting. In terms of profit sharing and bonuses, the total yearly compensation of directors shall not exceed 10 percent of the net income before income tax of the Company during the preceding year.</i>
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Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

No.

Remuneration Scheme	Date of Stockholders' Approval
<i>Not applicable</i>	<i>Not applicable</i>

### 3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	<i>None</i>	<i>None</i>	<i>None</i>
(b) Variable Remuneration	<b><i>Php4,637,120</i></b>	<b><i>Php31,773,560</i></b>	<b><i>Php3,682,400</i></b>
(c) Per diem Allowance	<b><i>Php220,000</i></b>	<b><i>Php1,690,000</i></b>	<b><i>Php580,000</i></b>
(d) Bonuses	<i>Included in variable pay</i>	<i>Included in variable pay</i>	<i>Included in variable pay</i>
(e) Stock Options and/or other financial instruments	<i>None</i>	<i>None</i>	<i>None</i>
(f) Others (Specify)	<i>None</i>	<i>None</i>	<i>None</i>
<b>Total</b>	<b><i>Php4,857,120</i></b>	<b><i>Php33,463,560</i></b>	<b><i>Php4,262,400</i></b>

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	<i>None</i>	<i>None</i>	<i>None</i>
2) Credit granted	<i>None</i>	<i>None</i>	<i>None</i>
3) Pension Plans/Contributions	<i>None</i>	<i>None</i>	<i>None</i>
(d) Pension Plans, Obligations incurred	<i>None</i>	<i>None</i>	<i>None</i>
(e) Life Insurance Premium	<i>None</i>	<i>None</i>	<i>None</i>

(f) Hospitalization Plan	None	None	None
(g) Car Plan	None	None	None
(h) Others (Specify)	None	None	None
<b>Total</b>	0	0	0

#### 4) Stock Rights, Options and Warrants

##### (a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
None	Not applicable	Not applicable	Not applicable	Not applicable

##### (b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
No incentive programs were introduced, amended or discontinued.	Not applicable	Not applicable

#### 5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Ma. Rosario N. Santos-Concio	P 176,957,932
Ma. Lourdes N. Santos	
Ma. Socorro V. Vidanes	
Carlo Joaquin Tadeo L. Katigbak	
Rolando P. Valdueza	

## E. BOARD COMMITTEES

### 1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions/ Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director	Independent Director			

		(NED)	(ID)			
<i>Program- ming</i>	1	1	1	None	<i>The Programming Committee deliberates on the programming issues and strategies of the network, and is primarily a business strategy committee.</i>	<i>Power to decide programs and strategies.</i>
<i>Compensa- tion</i>	0	2	1	None	<i>The Compensation Committee reviews any recommendations on incentive schemes and issuance of stock options to employees.</i>	<i>Power to decide on incentive schemes and stock option policy for employees.</i>
<i>Compensa- tion for the Chairman &amp; the CEO</i>	0	2	1	None	<i>The Committee reviews and approves the fixed remuneration (salary and benefits) adjustment of the Chairman based on the recommendation of the Company's Corporate Services Group 1.</i>	<i>Power to approve the fixed remuneration of the Chairman.</i>
<i>Succession Planning</i>	0	2	1	None	<i>The 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.</i>	<i>Power to approve the succession planning strategy and plans.</i>
<i>Audit</i>	0	1	2	Yes	<i>The Committee has the following duties and responsibilities:</i> <ul style="list-style-type: none"> <li>• <i>Check all financial reports against its compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.</i></li> <li>• <i>Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company and crisis management.</i></li> <li>• <i>Pre-approve all audit</i></li> </ul>	<i>Power to investigate any matter brought to its attention with full access to all books records and personnel of the company using special counsel or outside experts when necessary.</i>

					<p><i>plans, scope and frequency in connection with the conduct of external audit.</i></p> <ul style="list-style-type: none"> <li>• <i>Interface with internal auditors and external auditors.</i></li> <li>• <i>Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform: (i) definitive timetable within which the accounting system of the Company will be international Accounting Standards (IAS) compliant and (ii) an accountability statement that will identify officers and/or personnel responsible for such task.</i></li> <li>• <i>Develop a transparent financial management system that aims to ensure the integrity of internal control activities through-out the Company.</i></li> <li>• <i>Regularly review organizational and procedural controls guided by best practices.</i></li> </ul>	
<i>Risk Management</i>	<i>0</i>	<i>2</i>	<i>1</i>	<i>None</i>	<p><i>The Committee has the following duties and responsibilities:</i></p> <ul style="list-style-type: none"> <li>• <i>Oversee the formulation and establishment of an enterprise-wide risk management system.</i></li> <li>• <i>Review, analyze and recommend the policy, framework, strategy, method and/or system used by the Company to manage risks, threats or liabilities.</i></li> <li>• <i>Review and assess the likelihood and magnitude of the impact of material events on the Company and/or recommend measures, responses or</i></li> </ul>	<i>Power to oversee and monitor the formulation and implementation of the enterprise-wide risk management initiative.</i>

					<i>solutions to avoid or reduce risks or exposures.</i> <ul style="list-style-type: none"> <li>• <i>Perform such other duties and functions and/or assume such responsibilities as may be delegated by the BOD.</i></li> </ul>	
Nomina- tion & Election	<b>1</b>	<b>1</b>	<b>1</b>	None	The Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval, and assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.	Power to approve nomination and other appointments to the Board and power to assess the systems and procedures regarding election and replacement of directors.

## 2) Committee Members<sup>6</sup>

### (a) Programming Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	<i>Federico Garcia</i>	2014	0	n/a	n/a	7 years
Member (ED)	<i>Ma. Rosario Santos-Concio</i>	2014	0	n/a	n/a	7 years
Member (ID)	<i>Emmanuel de Dios</i>	2014	0	n/a	n/a	2 year

### (b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	<i>Antonio Periquet</i>	2014	<b>6</b>	<b>5</b>	<b>83%</b>	2 years
Member (NED)	<i>Salvador Tirona</i>	2014	<b>6</b>	<b>5</b>	<b>83%</b>	5 years
Member (ID)	<i>Emmanuel de Dios</i>	2014	<b>6</b>	<b>5</b>	<b>83%</b>	2 years

Disclose the profile or qualifications of the Audit Committee members.

#### **Salvador G. Tirona, age 59**

*Mr. Salvador G. Tirona has served as a Director of the Company since 2010. He is the President and Chief Operating Officer and concurrently, Chief Finance Officer of Lopez Holdings Corporation. He initially joined*

<sup>6</sup> Minutes of the Organizational Meeting of the BOD, May 14, 2014 (immediately after the ASM)

Lopez Holdings Corporation as its Chief Finance Officer in September 2005 and held this position until his appointment to his current position in 2010. He was formerly a Director and the Chief Finance Officer of Bayan Telecommunications, Inc. He joined the Lopez Group in 2003 as the Chief Finance Officer of Maynilad Water Services, Inc. He holds a Bachelor's degree in Economics from the Ateneo de Manila University and a Master's degree in Business Administration from the same university.

**Antonio Jose U. Periquet, Filipino, age 53**

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

**Emmanuel S. de Dios, Filipino, age 60**

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

Describe the Audit Committee's responsibility relative to the external auditor.

The following are the responsibilities of the Audit Committee relative to the external auditor:

- Review the external auditor's proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope.
- Review the performance of the external auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationship between the auditors and the Company, including non-audit services.
- Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor and in relation to the Company's total expenditure on consultancy.
- Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
- Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
- Recommend, through the BOD, to the stockholders duly accredited external auditor.
- Ensure that the external auditor is rotated every five years or earlier or the handling partner is changed.
- Ensure that the reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor are reported in the Company's annual and current reports.

(c) Nomination and Election Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (ID)	Antonio Periquet	2014	1	1	100	2 years
Chairman (NED)	Eugenio Lopez III	2014	1	1	100	2 years

Member (ID)	<i>Emmanuel S. de Dios</i>	2014	1	1	100	2 years
Member	<i>Ma. Rosario Santos-Cancio</i>	2014	1	1	100	2 years

(d) Compensation Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (ID)	<i>Antonio Periquet</i>	2014	0	n/a	n/a	2 years
Chairman (NED)	<i>Augusto Almeda Lopez</i>	2014	0	n/a	n/a	2 years
Member (NED)	<i>Federico M. Garcia</i>	2014	0	n/a	n/a	2 years

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Succession Planning Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (NED)	<i>Salvador G. Tirona</i>	2014	0	n/a	n/a	1 year
Member (ID)	<i>Emmanuel de Dios</i>	2014	0	n/a	n/a	1 year
Member (NED)	<i>Augusto Almeda Lopez</i>	2014	0	n/a	n/a	1 year

Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (ID)	<i>Emmanuel de Dios</i>	2014	3	3	100	1 year
Chairman (NED)	<i>Salvador G. Tirona</i>	2014	3	3	100	1 year
Member (NED)	<i>Federico M. Garcia</i>	2014	3	3	100	1 year

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
<i>Programming</i>	<i>None</i>	<i>Not Applicable</i>
<i>Compensation</i>	<i>None</i>	<i>Not Applicable</i>
<i>Compensation for the Chairman &amp; the CEO</i>	<i>None</i>	<i>Not Applicable</i>
<i>Succession Planning</i>	<i>None</i>	<i>Not Applicable</i>
<i>Audit</i>	<i>None</i>	<i>Not Applicable</i>
<i>Risk Management</i>	<i>None</i>	<i>Not Applicable</i>
<i>Nomination &amp; Election</i>	<i>None</i>	<i>Not Applicable</i>

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
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<i>Programming</i>	<i>The Committee deliberated on the programming issues and strategies of the Network.</i>	<i>The Committee was able to ensure achievement of balanced programming and desired rating.</i>
<i>Compensation</i>	<i>The Committee reviewed recommendations on incentive schemes and issuance of stock options to employees.</i>	<i>The Committee was able to ensure that the Company's compensation and incentives schemes remain competitive.</i>
<i>Compensation for the Chairman and the CEO</i>	<i>None, as there was no need to adjust the remuneration of the Chairman and the CEO.</i>	<i>Not applicable.</i>
<i>Succession Planning</i>	<i>The Committee oversaw the replacement planning table of the organization and identified successors and gaps in succession, as well as any measures needed to fill such gaps.</i>	<i>The Committee was able to ensure 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.</i>
<i>Audit</i>	<i>The Committee looked at the following areas: (1) reasonableness of the Company's financial statements and efficiency of the financial reporting process; (2) proper management of business risks and reliability of the internal control environment; (3) independence and effectiveness of internal audit functions and processes; (4) qualifications, independence and fees of the Company's external auditors with regard to the annual review of the Company's financial statements and (5) Company's compliance with legal and regulatory requirements.</i>	<i>The Committee was able to comply with the Audit Committee Charter and was able to confirm that: (1) majority of the Committee members are independent directors; (2) that the Company's audited financial statements conform with the Philippine Financial Reporting Standards and International Reporting Standards, as appropriate; (3) the internal audit scope and plans, as well as the manpower resources and competencies necessary to carry out the audit plan are comprehensive and adequate and (4) the audit reports, including necessary corrective actions, were reviewed and discussed with concerned management and internal auditors.</i>
<i>Risk Management</i>	<i>The Committee continued to establish and implement an integrated risk management framework. The Committee ensured that 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. The Company, through the Risk Management Committee, ensured 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.</i>	<i>The integrated risk management framework addresses the need to cover all aspects of risks across the Company's organization and improve the Company's risk management readiness.</i>
<i>Nomination and Election</i>	<i>The Committee reviewed and evaluated the qualifications of all</i>	<i>The Committee was able to ensure that only qualified individuals are</i>

	<i>persons nominated to the Board and other appointments that require Board approval. It also assessed the effectiveness of the Board's processes and procedures in the election or replacement of directors.</i>	<i>nominated to the Board and that the election and replacement process continues to be effective.</i>
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## 5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

<b>Name of Committee</b>	<b>Planned Programs</b>	<b>Issues to be Addressed</b>
<i>Programming</i>	<i>To review programming grid on a year-round basis</i>	<i>To ensure achievement of balance programming and desired rating</i>
<i>Compensation</i>	<i>To review compensation of key officers and the Board</i>	<i>To ensure that the Company's compensation and incentives schemes remain competitive.</i>
<i>Compensation for the Chairman and the CEO</i>	<i>To review and approve, if necessary, the recommended changes by the Head of the Corporate Services Group 1 concerning the salary and benefits provided to the Company's CEO.</i>	<i>To ensure that the salary and benefits of the Company's CEO are at par or competitive with the same position in similarly situated organizations.</i>
<i>Succession Planning</i>	<i>Still being formulated.</i>	<i>To ensure 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.</i>
<i>Audit</i>	<p><i>To hold quarterly meetings to:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Review the reasonableness of the Company's financial statements and efficiency of the financial reporting process.</i></li> <li>▪ <i>Evaluate the adequacy and effectiveness of the Company's governance and internal controls.</i></li> <li>▪ <i>Assess the independence and effectiveness of external and internal audit functions and processes.</i></li> <li>▪ <i>Require reporting of significant issues and action plans concerning compliance with legal and regulatory requirements.</i></li> <li>▪ <i>Review material changes in the Company's organizational structure and policies.</i></li> </ul>	<i>All significant issues relating to the Company's governance, operations, financial reporting, internal controls, legal, compliance and other matters that may be raised by the Company's management, external and internal auditors, legal counsels and other concerned parties during its quarterly and special meetings.</i>
<i>Risk Management</i>	<i>To review the risk management framework of the Company.</i>	<i>To come up with an enterprise risk management framework.</i>
<i>Nomination and Election</i>	<i>Still being formulated.</i>	<i>To ensure that only qualified individuals are nominated to the Board and that the election and replacement process continues to be effective.</i>

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

*The BOD 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. Due to this, the Company will continuously establish and implement an integrated risk management framework that covers all aspects of risks across its organization, and improve its risk management readiness.*

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

*Prior to the creation of the Risk Management Committee of the Board in May 2010, the Audit Committee of the Board was also tasked to review the risk management system of the Company and report to the directors. The directors have reviewed the effectiveness of the risk management system and found them to be adequate.*

(c) Period covered by the review;

The period covered by the review was the calendar year 2014.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The review is performed on a quarterly basis.

(e) Where no review was conducted during the year, an explanation why not?

Not applicable

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Financial Risk	<p><u>Interest Rate Risk</u>  <i>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.</i></p> <p><u>Foreign Currency Risk</u>  <i>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</i></p>	<p><i>To minimize, if not eliminate, main risks arising from the Company's financial instruments specifically cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk.</i></p>

flows due to changes in the fair value of the foreign-currency denominated debt with maturity of more than one year.

Credit Risk

The Company is exposed to credit risk from operational and financing activities. On the 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 considers the age of the receivables and current solvency of the individual accounts. With regard to 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 board of directors 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.

Liquidity Risk

To manage liquidity risk, the Company conducts weekly cash planning. 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

	<i>general rule, cash balance should be equal to Php2 billion at any given time to compensate for two months of operational exigencies amidst occasional fluctuation of cash inflows. The required cash balance is assessed periodically when operating cash requirements either decreases or increases. The Company places funds in the money market only when there are surpluses from its requirements. Placements are strictly made based on cash planning assumptions and as much as possible, covers only a short period of time.</i>	
<b><i>The formal identification of the other risks is currently being undertaken. The Company contracted Ernest and Young/SGV to assist in the development of an ERM Framework and Program.</i></b>	<i>Not applicable.</i>	<i>Not applicable.</i>

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<i>Same as above (company)</i>	<i>Not applicable.</i>	<i>Not applicable.</i>

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

<b>Risk to Minority Shareholders</b>
<i>None.</i>

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
<b><i>The formal identification of the other risks is currently being undertaken. The Company contracted</i></b>	<i>Not applicable.</i>	<i>Not applicable.</i>

<b><i>Ernest and Young/SGV to assist in the development of an ERM Framework and Program.</i></b>		
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(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
<b><i>The formal identification of the control systems is currently being undertaken. The Company contracted Ernest and Young/SGV to assist in the development of an ERM Framework and Program.</i></b>	<i>Not applicable.</i>	<i>Not applicable.</i>

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of its Functions</b>
<i>Risk Management Committee</i>	<i>The Company's Chief Risk Officer reports to the Risk Management Committee.</i>	<i>The Risk Management Committee ensures that the Company's corporate strategy formulation and business decision-making processes always takes into account potential risks and steps and costs to minimize, if not eliminate, such risks. The Committee ensures that it has the proper control systems in place, and to the extent possible, adopted best global practices, to identify and assess, analyze and mitigate market, operating, financial, regulatory, community, reputational and other risks.</i>

**G. INTERNAL AUDIT AND CONTROL**

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company

*Internal controls are processes and methodologies established and implemented by management to effectively manage risks and ensure the achievement of its business objectives encompassing the organization's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, regulations and contracts.*

- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate.

*The Board, through the Audit Committee, reviews the adequacy and effectiveness of the internal control system encompassing the Company's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations and contracts. The 2014 annual report submitted by the Audit Committee to the Board states that the internal control system is effective and adequate.*

- (c) Period covered by the review;

**2014.**

- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

*The Audit Committee reviews the internal controls, including the necessary corrective actions, at least four times a year and additional meetings are convened if necessary. Critical business operations are reviewed annually while the rest of the areas are reviewed at least every two to three years using the risk-based approach in accordance with the "Standards for the Professional Practice of Internal Auditing (Philippines)." In addition, the Audit Committee oversees the annual financial statements preparation through the external/independent auditor ensuring that the conduct of the audit is in compliance with the Philippine Financial Standards and International Financial Reporting Standards as appropriate.*

- (e) Where no review was conducted during the year, an explanation why not.

*Not applicable.*

## 2) Internal Audit

- (a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<i>The role of the internal audit is to provide an independent and objective assessment of the adequacy, effectiveness and efficiency of the company's systems and processes and</i>	<i>The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management and</i>	<i>In-house</i>	<i>Higino Dungo, Jr.</i>	<i>Internal Audit reports directly to the Board through the Audit Committee. On a quarterly basis Internal Audit reports its plans, findings, management action/action</i>

<p><i>recommends necessary control measures for their improvement. It also establishes a follow-up mechanism to monitor the implementation of recommended controls.</i></p>	<p><i>internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:</i></p> <ul style="list-style-type: none"> <li><i>• Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report them.</i></li> <li><i>• Evaluating the systems that were established to ensure compliance with policies, plans, procedures, laws and regulations which could have a significant impact on the organization.</i></li> <li><i>• Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.</i></li> <li><i>• Evaluating the effectiveness and efficiency with which resources are used.</i></li> <li><i>• Evaluating operations or programs to ascertain whether results are consistent with</i></li> </ul>			<p><i>plans on the recommendations and implementation status of audit recommendations.</i></p> <p><i>The Chief Internal Auditor or designee issues a written report to management following the conclusion of each internal audit engagement.</i></p>
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	<p><i>established objectives and goals and whether the operations or programs are being carried out as planned.</i></p> <ul style="list-style-type: none"> <li>• <i>Monitoring and evaluating governance processes.</i></li> <li>• <i>Monitoring and evaluating the effectiveness of the organization's risk management processes.</i></li> <li>• <i>Evaluating the quality of the performance of external auditors and the degree of coordination with internal audit.</i></li> <li>• <i>Performing consulting and advisory services to the organization, as appropriate, with regard to governance, risk management, and control.</i></li> <li>• <i>Reporting periodically on the internal audit activities, purpose, authority, responsibility and performance relative to its plan.</i></li> <li>• <i>Reporting significant risk exposures and control issues to the Board.</i></li> <li>• <i>Evaluating specific</i></li> </ul>			
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	<i>operations at the request of the Board and the management.</i>			
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- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

*The Audit Committee approves the hiring/appointment and termination of the Chief Internal Auditor. The Committee also approves annually the staffing requirements of the Internal Audit Division.*

- (c) Discuss the internal auditor’s reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

*The Chief Internal Auditor reports functionally to the Board, through the Audit Committee. He has free and unrestricted access to the Board through the said Committee. The internal auditors are authorized full, free and unrestricted access to any and all of the company’s records, physical properties and personnel pertinent to carrying out their audit functions. The Chief Internal Auditor confirms to the Audit Committee, on an annual basis, the organizational independence of the internal audit activity.*

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

<b>Name of Audit Staff</b>	<b>Reason</b>
<i>Ronald Francisco (Head – Technical Audit)</i>	<i>Allowed to resign in January 2014 due to poor performance.</i>
<i>Mer Elisa Lucio (Senior Auditor)</i>	<i>Resigned in September 2014 to pursue their family business.</i>
<i>Celso Bagnes (Head – Technical and Information Security Audit)</i>	<i>Allowed to resign in December 2014 due to poor performance</i>

- (e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit’s progress against plans, significant issues, significant findings and examination trends.

<b>Progress Against Plans</b>	<i>As of December 2014, 88% of the 2014 audit plans have been achieved.</i>
<b>Issues<sup>7</sup> and Findings<sup>8</sup></b>	<ul style="list-style-type: none"> <li>• <i>Inconsistent compliance with policies and guidelines.</i></li> <li>• <i>Processing delays.</i></li> <li>• <i>Inadequate monitoring of transactions.</i></li> <li>• <i>Inadequate documentation.</i></li> <li>• <i>Need for system enhancements and upgrades.</i></li> <li>• <i>Inadequate physical inventory, warehousing and reconciliation procedures due to limited manpower and space.</i></li> <li>• <i>Inconsistent application of controls due to organizational changes, transfer of functions or changes in personnel.</i></li> </ul>

<sup>7</sup>“Issues” are compliance matters that arise from adopting different interpretations.

<sup>8</sup>“Findings” are those with concrete basis under the company’s policies and rules.

<b>Examination Trends</b>	<ul style="list-style-type: none"> <li>• <i>A need for a continuous enhancement of systems and improvement of processes to adopt to changing business objectives and strategies.</i></li> </ul>
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[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
1. <i>General Policy</i> 1.1 <i>Audit Manual</i> 1.2 <i>Statement of Policy</i>	<i>Implemented</i>
2. <i>Professional and Organizational</i> 2.2 <i>Responsibilities of Internal Auditors</i> 2.3 <i>Code of Ethics</i> 2.4 <i>Standards for the Professional Practice of Internal Auditing</i> 2.5 <i>Standards for Information Systems Audit</i> 2.6 <i>Internal Audit Organization</i> 2.7 <i>Job Descriptions</i> 2.8 <i>Performance Appraisal</i> 2.9 <i>Values</i>	<i>Implemented</i>
3. <i>Annual and Strategic Planning</i> 3.1 <i>Annual Audit Master Plan</i> 3.2 <i>Budget Preparation</i>	<i>Implemented</i>
4. <i>Audit Process and Reporting</i> 4.1 <i>Planning and Preliminary Survey</i> 4.2 <i>Audit Approach and Work Program</i> 4.3 <i>Audit Fieldwork</i> 4.3.1 <i>Process Mapping/Walkthrough</i> 4.3.2 <i>Defining the Test Population</i> 4.3.3 <i>Test of Controls</i> 4.3.4 <i>Methods of Conducting Fieldwork</i> 4.3.5 <i>Timing/Location of Fieldwork</i> 4.3.6 <i>Use of Audit Command Language</i> 4.3.7 <i>Preliminary Audit Findings</i> 4.4 <i>Audit Report Finalization</i> 4.5 <i>Follow-Up of Audit Recommendations</i>	<i>Implemented</i>
5. <i>Administrative Matters</i> 5.1 <i>Daily Time Report</i> 5.2 <i>Internal and External Communication</i> 5.3 <i>Safekeeping of Working Papers</i>	<i>Implemented</i>

<p>5.4 Report on Internal Audit Activities</p> <p>5.5 Audit Library</p> <p>5.6 Technology Resource Request</p> <p>5.7 Timekeeping and Work Hours</p>	
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(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
<p><i>The auditors are free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content.</i></p> <p><i>Internal auditors have no direct operational responsibility or authority over any of the activities audited. Accordingly, they do not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.</i></p> <p><i>The Chief Internal Auditor confirms to the Audit Committee, at least annually, the organizational independence of the internal audit activity.</i></p> <p><i>Meanwhile, the Chairperson of the Audit Committee is an independent director. All members of the committee are independent of management.</i></p> <p><i>The Audit Committee also reviews and</i></p>	<p><i>The Company does not in any way influence the financial analysts to follow its position on certain financial assumptions and analysis even if it sometimes disagrees with the contents of the analyst reports.</i></p>	<p><i>The Company does not in any way influence the investment banks in preparing and analyzing their own valuation models even if it sometimes disagrees with the results.</i></p>	<p><b><i>The Company did not get in contact with the rating agency after the management meeting and correspondence with the analysts was only made when they asked for additional information.</i></b></p> <p><b><i>To ensure the independence of the rating process, the Company was not privy of the discussions made by the Rating Committee in coming up with a credit rating.</i></b></p>

<p><i>confirms the independence of the external auditors by obtaining statements from the auditors on the relationship between the auditors and the company, including non-audit services. The committee also ensures that the external auditor is rotated every five years or earlier or the handling partner is changed.</i></p>			
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(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company’s full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

*Mr. Eugenio L. Lopez III (Chairman of the Board)*  
*Ms. Ma. Rosario Santos-Concio (Chief Executive Officer)*  
*Mr. Aldrin M. Cerrado (Chief Financial Officer)*

**H. ROLE OF STAKEHOLDERS**

1) Disclose the company’s policy and activities relative to the following:

	<b>Policy</b>	<b>Activities</b>
Customers' welfare	<p><i>The Company is committed to the delivery of world class products and services and to the responsible and creative utilization of resources, most especially its human resource. It fosters and promotes an environment of professionalism based on competence, self-discipline and responsible behavior. In establishing such an environment a set of defined standards of acceptable behavior in performing one’s job and in dealing with co-employees and the public that is consistent with corporate policies and core values is necessary.</i></p>	<p><i>Under the Company’s Code of Conduct, favoring or conniving with suppliers, customers or any other person in consideration of kickbacks, personal rebates or any valuable consideration is considered an offense. Company personnel who do not adhere to this policy are dealt with accordingly.</i></p>
Supplier/contractor selection practice	None	None
Environmentally friendly value-chain	<p><i>The Company shall be actively involved in the preservation of natural resources.</i></p>	<p><i>The Company complies with several government environmental laws through the following initiatives: re-use or recycling of effluent water (PD984 or Clean Water Act); proper disposal of busted lamps used oil</i></p>

		<p><i>and used/spent batteries (RA6969 or Toxic Substance and Hazardous and Nuclear Waste Control Act) and annual stack emission testing of generator sets (RA8749 or Clean Air Act).</i></p> <p><i>The Company saves energy its office headquarters by installing variable frequency drives for chilled water pump operations in the centralized air conditioning system. It also has materials recovery facilities for solid waste management, which results in an average reduction of 25 tons per year of solid waste for disposal. The vermicomposting facilities reduce solid waste from tree and plant trimmings and the resulting organic fertilizer is used for plants propagation. The Company uses mostly “green sealed” or “designed for the environment” chemicals for housekeeping, which reduces the health risk among cleaners. The Company also has properly labeled trash cans (reusable, biodegradable, non-biodegradable) which makes it easy to segregate waste. It also uses biodegradable trash bags.</i></p>
Community interaction	<p><i>The Company shall be a good corporate citizen in the areas where it operates.</i></p>	<p><i>The ABS-CBN Lingkod Kapamilya Foundation, Inc. was established to become a holistic community builder. “Bantay Bata,” a child protection and welfare organization cited by the United Nations Convention on the Rights of the Child, responds to thousands of hotline calls and handles hundreds of rescue causes. The program also provides scholarships and conducts feeding programs. As the term implies, “BantayKalikasan” is engaged in environmental protection through policy formulation assistance, reforestation, river system rehabilitation and ecotourism promotion. “SagipKapamilya” is involved in relief operations and rehabilitation after a natural or man-made disaster. It also trains schools and communities in disaster risk reduction.</i></p>

		<p><b>Programa Genio</b> is involved in curriculum enhancement, teacher training and learning resource development in public schools</p> <p><b>BayaniJuan</b> manages a 107-hectare resettlement community in Calauan, Laguna for families affected by the rehabilitation of the Pasig river and typhoon Ondoy .</p> <p><b>Kapit Bisig Para sa Ilog Pasig</b>, in partnership with the Pasig River Rehabilitation Commission (PRRC) is heavily involved in the rehabilitation of the Pasig River. Together it has so far cleaned 17 esteros in Manila and Quezon City. KBPIP has likewise rehabilitated the 100 year old Paco Market to keep Estero de Paco clean.</p> <p>The Company sends representatives to meetings, hearings and public consultations on various issues conducted by the barangay.</p> <p>The Company also requests for barangay clearance/permit for tapings, production shootings, and use of sidewalks as parking area during stockholders' meetings, trade events, program launchings, awarding ceremonies, etc.</p> <p>Incident reports to the barangay in relation to accidents, robbery, illegal parking, illegal vendors, violation of tricycle drivers and establishment are submitted by the Company.</p> <p>In addition, the Company supports the barangay on its information drive by covering barangay-related activities.</p> <p>The Company requests for issuance of community tax certificates to employees yearly.</p>
Anti-corruption programmes and procedures	The Company is committed to the delivery of world class products and services and to the responsible and creative utilization of resources, most especially its human resource. It fosters and promotes an environment of professionalism	Under its' Code of Conduct, the misappropriation of the Company's funds and property is considered an offense. Failure to remit, pay, reimburse, liquidate any money, collection or cash advance, or return and/or deliver

	<i>based on competence, self-discipline and responsible behavior. In establishing such an environment a set of defined standards of acceptable behavior in performing one's job and in dealing with co-employees and the public that is consistent with corporate policies and core values is necessary.</i>	<i>goods, stocks, and other properties is also considered an offense. Company personnel who do not follow the policies are given appropriate disciplinary actions. Employees who commit fraud can be charged criminally with the appropriate authorities.</i>
Safeguarding creditors' rights	<i>The Company shall comply with the debt servicing requirements of the creditors. The Company shall also ensure that the documentary requirements of the creditors are complete, accurate and submitted on time.</i>	<i>Creditors are regularly provided financial and operational information about the company through quarterly and annual investors' briefings. The Company's Treasury Head updates the creditors of the company's performance on a regular basis and when there is an immediate need.</i>  <i>New contracts/agreements for investments, loan availments, asset disposals, mergers and acquisitions, etc. are reviewed by the Company's Legal Department in order to determine if certain provisions may violate existing loan covenants. In cases when certain covenants will be breached, the Treasury seeks the consent of creditors to undertake the new initiative or when appropriate, negotiate with counter parties to remove/modify provisions that may have a consequence of breaching any loan covenants.</i>

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

	<b>Policy</b>
<i>Health</i>	<i>The Company values its human resources as its prime asset hence, health and wellness programs for the employees are part of the mandate that rests upon the HR Operations for implementation. These include programs mandated by the government and those initiated by the Company.</i>
<i>Security and Safety</i>	<i>The protection of the Company's assets (i.e., people, property, information and reputation), is essential to the long-term success of the business. Security and safety of these assets are therefore of paramount importance. For this purpose, management shall ensure that adequate resources are available to support and sustain security and safety programs, projects and activities.</i>
<i>Welfare</i>	<i>Aligned with the Company's mission of being in the service of the Filipino, the Company</i>

	takes this mission to heart, foremost, to its very own “Kapamilya,” its workforce. It provides assistance to its employees during contingencies such as calamities, accidents, illness and bereavement, among others.
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(b) Show data relating to health, safety and welfare of its employees.

	<b>Programs/Initiatives</b>											
<i>Health</i>	<ul style="list-style-type: none"> <li>▪ Medical insurance with the Company’s accredited HMO provider is a standard benefit for all regular employees including their immediate dependents.</li> <li>▪ The Company has a flexible benefits program (Flexben) for its regular employees wherein allowances for medical, optical, rice and educational expenses may be availed of either in lump amounts or in the form of purchases of vaccine or medical insurance package for family members.</li> <li>▪ The Company has medical clinics which operates 24/7 in its premises. These clinics are manned by competent registered doctors and nurses who have varied specializations such as internal medicine, family medicine, pulmonary medicine, OB/gynecology and nutrition.</li> <li>▪ The annual physical exam and follow thru consultation for each employee are done regularly.</li> <li>▪ Health and Wellness Fair, sports/fitness activities, health symposium and awareness campaigns are regularly conducted to increase employees’ health consciousness and promote healthy lifestyle.</li> </ul>											
<i>Security and Safety</i>	<ul style="list-style-type: none"> <li>▪ Conduct of in-house basic occupational safety and health trainings and other technical safety trainings.</li> <li>▪ Conduct of safety patrols, inspections and risk assessment of various Company facilities.</li> <li>▪ Compliance to the Building Code.</li> <li>▪ Compliance to the Fire Code (Republic Act 9514) through the conduct of fire and earthquake evacuation drills as a result of which the Company was issued a fire safety inspection certificate.</li> <li>▪ Compliance to the Department of Labor and Employment’s Occupational Safety and Health Standards.</li> <li>▪ Compliance to the Tobacco Regulation Law.</li> <li>▪ Registration with and compliance to reporting requirements by the Department of Labor and Employment – Bureau of Working Conditions.</li> <li>▪ Implementation of contractor safety programs.</li> <li>▪ Promulgation of Studio Safety Guidelines.</li> <li>▪ Promulgation of Office Safety Guidelines.</li> <li>▪ Strengthening of regulations and refinement of procedures pertaining to the conduct of events especially remote events.</li> <li>▪ Promulgation of a policy on the mandatory deployment of safety officers at all location shoots/tapings.</li> <li>▪ Build-up and maintenance of credible capacity and capability for fire-fighting, collapsed structure search and rescue and especially water search and rescue. Search and rescue operations during floods to assist employees and dependents in distress have been regularly conducted.</li> </ul>											
<i>Welfare</i>	<ul style="list-style-type: none"> <li>▪ Regular and covered program employees are extended assistance in the event of natural calamities. In the case of the natural calamities that hit the country in 2014, the Company extended the following financial assistance:</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><i>No. of employees</i></th> <th style="text-align: center;"><i>Value (Php)</i></th> </tr> </thead> <tbody> <tr> <td><i>Calamity assistance</i></td> <td style="text-align: center;">40</td> <td style="text-align: center;">Php755M</td> </tr> <tr> <td><i>Calamity loan</i></td> <td style="text-align: center;">32</td> <td style="text-align: center;">Php700M</td> </tr> </tbody> </table> <p>There were 52 bereavement claims extended to employees amounting to more than PHP1M</p>				<i>No. of employees</i>	<i>Value (Php)</i>	<i>Calamity assistance</i>	40	Php755M	<i>Calamity loan</i>	32	Php700M
	<i>No. of employees</i>	<i>Value (Php)</i>										
<i>Calamity assistance</i>	40	Php755M										
<i>Calamity loan</i>	32	Php700M										

(c) State the company's training and development programmes for its employees in **2014**. Show the data.

<b>Course Name</b>	<b>No. of Graduates</b>
<i>Basic Management Courses</i>	38
<i>Basic Supervisory Courses</i>	42
<i>Coaching and Mentoring</i>	49
<i>Engineering the Performance System</i>	63
<i>Interaction Management</i>	28
<i>Project Management</i>	86

<b>Modules</b>	<b>No. of Graduates</b>
<i>Critical Thinking Skills</i>	21
<i>Finance for Non-Finance</i>	29
<i>Entrepreneurial Marketing</i>	27
<i>Operations Management</i>	48
<i>Organizational and Financial Resource Management</i>	28
<i>Leadership and Business Ethics</i>	28
<i>Environmental Analysis</i>	19
<i>Internal Analysis</i>	20
<i>Strategy Formulation, Implementation and Monitoring</i>	17
<i>Self-Mastery</i>	23

<b>2014 Leadership Courses (under Leadership Academy)</b>	<b>No. of Graduates</b>
<i>Self Discovery (2 Runs)</i>	41
<i>Coaching for Peak Performance</i>	29
<i>Engineering the Performance System</i>	23
<i>Critical Thinking Skills</i>	35
<i>Basic Management Program</i>	36
<i>5 Choices for Extraordinary Productivity (2Runs)</i>	50
<i>Developing Others and Individual Development Plan Workshops (2 Classes)</i>	32

<b>2014 Liberal Studies Academy</b>	<b>No. of Graduates</b>
<i>Reading Literature – Batch 1</i>	28

<i>Global Filipino – Batch 1</i>	21
<b>2014 Moving Images Academy</b>	<b>No. of Graduates</b>
<i>General Motion Picture Education (GEMPE: Cycle 1) – Batch 1</i>	23
<i>Self-Discovery for Creatives (Jung Workshop) – Batch 1</i>	25
<b>2014 Journalism Academy</b>	<b>No. of Graduates</b>
<i>Media Law and Ethics – Batch 1</i>	19
<i>How Government Works – Batch 1</i>	12
<i>Broadcast Journalism – Batch 1</i>	29
<i>Journalistic Research – Batch 1</i>	23
<b>2014 Digital Academy</b>	<b>No. of Graduates</b>
<i>Digital 101 – Batch 1</i>	30
<i>Digital Technologies – Batch 1</i>	34
<i>Content Marketing – Batch 1</i>	31
<i>Pitching Digital – Batch 1</i>	30
<i>Integrated Digital Strategy – Batch 1</i>	30

*In addition to the above training programs, 180 employees went through the face-to-face New Employee Orientation; 217 employees completed enrollments in the mandatory New Employee Orientation e-learning courses. The New Employee Orientation e-learning courses are composed of the following: Code of Conduct, Information Security, Safety Orientation, Security Orientation, and the Performance Management System; 368 enrollments were also completed in other e-learning courses such as Understanding TV Ratings, Social Media 101, Consulting Skills, Organization Design, and Engineering the Performance System;*

*Finally, an Instructional Design Workshop and Train the Trainer for Faculty Development of the ABS-CBN University's six academies was completed by 23 employees in the year 2014.*

*There were also special workshops or summits extended to employees. 236 employees who participated in the Digital Summit (face-to-face); including 30-40 pax were on livestream. Moreover, 89 managers who joined the Quarterly Leadership Learning Sessions with ABS Leaders as key speakers.*

State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

*The annual variable pay provides incentive for achieving target performance measures. Company officers and employees are given variable pay based on the actual financial performance of the Company and the officer's/employee's individual performance appraisal.*

- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

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

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

#### (a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
<i>Lopez Holdings</i>	446,231,607	52	<i>None</i>
<i>ABS-CBN Holdings</i>	321,681,100	38	<i>None</i>

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<i>Ma. Rosario Santos-Concio</i>	1	0	.00
<i>Rolando Valdueza</i>	<b>91,500</b>	0	.01
<i>Ma. Socorro Vidanes</i>	10,000	0	.00
<i>Mario Carlo Nepomuceno</i>	35,351	0	.00
<i>Vivian Tin</i>	8,600	0	.00
<i>Martin Lopez</i>	19,659	0	.00
<i>Regina Reyes</i>	48	0	.00
<i>Luis Paolo Pineda</i>	3,500	0	.00
<i>Manuel Torres</i>	12,705	0	.00
<i>Enrique Quiason</i>	9,615	0	.00
<b>TOTAL</b>	<b>190,979</b>	<b>0</b>	<b>0.02</b>

### 2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	12
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-

disclosure.

*Not applicable.*

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SyCip, Gorres, Velayo & Co.	<b>Php22,984,150</b>	<b>Php13,541,406</b>

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

*The Company disseminates information through its investor relations website, printed reports and online PSE disclosures.*

5) Date of release of audited financial report: *March 28, 2014 for the 2013 audited financial report; **March 30, 2015 for the 2014 audited financial report***

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

*Not applicable*

7) Disclosure of RPT

RPT	Relationship	Nature	Value
<i>Blocktime fees paid by the Parent Company (ABS-CBN Corp.) and Studio 23 to Amcara</i>	<i>Associate</i>	<i>Blocktime fees</i>	<i>PhP32,475</i>
<i>Expenses paid by ABS-C to Bayantel, a subsidiary of Lopez, Inc. and other related parties</i>	<i>Entities under common control</i>	<i>Rent and utilities</i>	<i>PhP431,236</i>
<i>Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related</i>	<i>Entities under common control</i>	<i>Rent and utilities</i>	<i>PhP221,867</i>

<i>parties</i>			
<i>Expenses paid by the Parent Company and subsidiaries to Bayanteland other related parties</i>	<i>Entities under common control</i>	<i>Service fees and utilities expenses</i>	<i>PhP184,573</i>
<i>Expenses paid by Sky Cable to Bayantel and other related parties</i>	<i>Entities under common control</i>	<i>Bandwidth costs and utilities expenses</i>	<i>PhP148,699</i>
<i>Termination cost charges of Bayantel to ABS-CBN Global</i>	<i>Entities under common control</i>	<i>Termination cost</i>	<i>PhP56,973</i>
<i>Management and other service fees</i>	<i>Entities under common control</i>	<i>Management fee</i>	<i>PhP39,678</i>
<i>Airtime revenue from Bayantel</i>	<i>Entities under common control</i>	<i>Airtime fees</i>	<i>PhP19,862</i>
<i>Due from: Bayantel</i>	<i>Affiliate</i>	<i>Trade &amp; other receivables</i>	<i>PhP245,255</i>
<i>Due from: Amcara</i>	<i>Associate</i>	<i>Trade &amp; other receivables</i>	<i>PhP145,052</i>
<i>Due from: ABS-CBN Foundation, Inc.</i>	<i>Affiliate</i>	<i>Trade &amp; other receivables</i>	<i>PhP39,862</i>
<i>Due from: First Philippine Holdings Corporation</i>	<i>Affiliate</i>	<i>Trade &amp; other receivables</i>	<i>PhP10,264</i>
<i>Due from: Goldlink Securities and Investigative Services, Inc.</i>	<i>Affiliate</i>	<i>Trade &amp; other receivables</i>	<i>PhP5,772</i>
<i>Due from: Rockwell Land, Corp.</i>	<i>Affiliate</i>	<i>Trade &amp; other receivables</i>	<i>PhP4,254</i>
<i>Due from: Lopez Holdings</i>	<i>Affiliate</i>	<i>Trade &amp; other receivables</i>	<i>PhP3,095</i>
<i>Due from: Star Cinema</i>	<i>Associate</i>	<i>Trade &amp; other receivables</i>	<i>PhP2,153</i>
<i>Due from: Others</i>	<i>Affiliate</i>	<i>Trade &amp; other receivables</i>	<i>PhP10,558</i>
<i>Due to: Lopez Holdings</i>	<i>Affiliate</i>	<i>Trade &amp; other payables</i>	<i>PhP8,305</i>
<i>Due to: Lopez, Inc.</i>	<i>Parent</i>	<i>Trade &amp; other payables</i>	<i>PhP578</i>
<i>Due to: Others</i>	<i>Affiliates</i>	<i>Trade &amp; other payables</i>	<i>PhP21,046</i>

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

None.

#### J. RIGHTS OF STOCKHOLDERS

- 1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings
  - (a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

<b>Quorum Required</b>	<i>Majority of outstanding stock entitled to vote</i>
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	<i>Motioning and seconding</i>
<b>Description</b>	<i>A stockholder motions for the approval of corporate acts and should be seconded by another stockholder.</i>

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

<b>Stockholders' Rights under The Corporation Code</b>	<b>Stockholders' Rights <u>not</u> in The Corporation Code</b>
<i>None</i>	<i>None</i>

Dividends

<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>
March 27, 2014	April 16, 2014	May 7, 2014

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

<b>Measures Adopted</b>	<b>Communication Procedure</b>
<i>None</i>	<i>Not applicable</i>

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
  - a. Amendments to the company's constitution
  - b. Authorization of additional shares
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

*All of the above required the approval of shareholders. Shareholders vote on these in a stockholders meeting.*

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? *No.*
  - a. Date of sending out notices: *April 22, 2014*
  - b. Date of the Annual/Special Stockholders' Meeting: *May 14, 2014*

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

*No questions were asked during the last Annual Stockholders' meeting.*

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
<i>Election of the Directors</i>	95.84%	-	-
<i>Approval of the Acts of the BOD, Executive Committee and Management for the period January 1, 2011 to December 31, 2011</i>	95.84%	-	-
<i>Appointment of external auditor</i>	95.84%	-	-

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

*The results were not published.*

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
<i>None</i>	<i>Not applicable</i>

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual		May 14, 2014		95.78%	0.06%	95.84%

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

*Yes, through the stock transfer office.*

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

*Yes.*

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	<i>Any stockholder entitled to vote may be represented at any regular or special meeting of stockholders by a duly executed proxy. Proxies should be in writing, properly signed and witnessed by one party.</i>
Notary	<i>Not required.</i>

Submission of Proxy	<i>The written proxy shall be filed with the Office of the Corporate Secretary of the Company not later than 10 calendar days prior to the scheduled stockholders meeting.</i>
Several Proxies	<i>None</i>
Validity of Proxy	<i>None</i>
Proxies executed abroad	<i>None</i>
Invalidated Proxy	<i>None</i>
Validation of Proxy	<i>None</i>
Violation of Proxy	<i>None</i>

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

<b>Policies</b>	<b>Procedure</b>
<i>Notices to annual/special stockholders' meeting are to be sent to all stockholders 15 business days prior to the meeting.</i>	<i>The Company's Investor Relations Officer drafts the stockholders' meeting letter of invitation while the stock transfer agent sends out the notices via mail and monitors the attendance during the meeting itself.</i>

(i) Definitive Information Statements and Management Report<sup>9</sup>

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	<b>5,877</b>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	<i>April 22, 2014</i>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	<i>April 22, 2014</i>
State whether CD format or hard copies were distributed	<i>Hard copies</i>
If yes, indicate whether requesting stockholders were provided hard copies	<i>Yes</i>

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes

<sup>9</sup> STSI.

The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

*Not applicable.*

## 2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
None	Not applicable

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes.

## K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

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

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

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

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

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	<i>To provide all information requirements of investors. To ensure that all needs and requirements of investors are met.</i>
(2) Principles	<i>The Company fully respects shareholder rights and complies with</i>

	<i>regulatory and legal requirements that enforce and ensure that such rights are respected. These requirements include due and proper notification of general meetings and provision of adequate, transparent and timely information to shareholders.</i>
(3) Modes of Communications	<i>Email, telephone</i>
(4) Investors Relations Officer	<i>Ricardo Tan Jr., 4152272; ir@abs-cbn.com</i>

- 3) What are the company’s rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

*None.*

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

*None.*

**L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES<sup>10</sup>**

Discuss any initiative undertaken or proposed to be undertaken by the company.

*For more than two decades, the ABS-CBN Foundation, Inc. (AFI) has significantly affected various sectors of society through its array of advocacies in the environment, education, child welfare, disaster response and preparedness and community building. The foundation has six programs, namely: Bantay Bata, Bantay Kalikasan, Kapit Bisig Para sa Ilog Pasig, BayaniJuan, Programa Genio and Sagip Kapamilya.*

*“Sagip Kapamilya” provides relief in times of man-made or natural calamities and disasters. It endeavors to respond within 24 to 36 hours with immediate distribution of relief packs to families affected by fire, landslide, typhoon, flooding and even those displaced by war and demolitions. For those who are temporarily sheltered in evacuation centers, “Sagip Kapamilya” provides special care for nursing mothers and their babies through their “Sagip Kapamilya Kanlungan” Program. “Kapamilya Shower Na,” a project in partnership with Ted Failon and DZMM, provides evacuees with hygiene kits and a mobile shower room to promote proper hygiene and sanitation as well as help uplift the dampen spirits of survivors. Beyond providing relief, “Sagip Kapamilya” endeavors to exert effort on the lasting sustainability of communities by embarking on Rehabilitation and Risk Reduction projects. Rehabilitation efforts include repair of damaged schools, feeding program for children, shelter provision, water system installations and scholarship. Disaster Risk Reduction involves disaster preparedness training in various schools and communities. “Sagip Kalusugan” gives supplemental feeding to children affected by calamity. “Linis Eskwela” mobilizes volunteers to clean schools submerged in mud. To date, Sagip Kapamilya already distributed 447 tons of relief goods to more than a hundred thousand families affected by Typhoon Yolanda.*

*“Bantay Kalikasan has stayed true to its mission to initiate and catalyze initiatives to ensure an actively protected, adequately rehabilitated and sustainably-managed environment. It has pioneered successful watershed management in the country – the 1,552 hectares of La Mesa Watershed has been reforested. Different local government units have sought the technical expertise of La Mesa’s forest management team to duplicate its success among other watersheds in the country. The “No to Mining” Campaign has generated more than 7 million signatures to stop the mining operations in island ecosystems and key biodiversity areas as it directly pollutes the rivers, streams, fisheries and farmlands where the food industry thrives. But to say no to mining does not suffice; a sustainable solution is necessary especially for the community residing in proposed and existing mining areas. “Bantay Kalikasan,” as a catalyst in developing more ecotourism areas in the country, launched Green Initiative. This is a movement that aims to create more ecotourism sites in the country. By introducing ecotourism, communities become aware of the economic potential and viability of national attractions found within their region, not to mention the culture, cuisine and talent that can be discovered. The campaign to eradicate improper disposal of hazardous wastes is also one of the important tasks of “Bantay Kalikasan.” “Bantay Baterya” and “Bantay Langis” continue to provide and educate better options to dispose used lead acid*

<sup>10</sup> ABS-CBN Foundation Inc.

batteries and used industrial oil. “Kapit Bisig Para sa Ilog Pasig” was launched in 2009 to clean the “esteros” or tributaries around the Pasig River.

Launched in 2007, “BayaniJuan” was conceived following AFI’s extensive experience in various rehabilitation and development programs which includes education, child protection, microfinance and environment. AFI synergized the efforts of these key programs into one project to holistically develop sustainable communities. Rooted from the spirit of “bayanihan,” this project partners with the government, NGOs, private groups and various sectors.

“Bantay Bata,” Asia’s model for child care services, celebrated its 16<sup>th</sup> anniversary in 2014. Its toll free hotline, 1-6-3, remains as the country’s only helpline devoted to receiving and responding to child abuse reports. The program’s services have widened through the years and now includes medical and legal assistance, counseling and family therapy, educational scholarships through “Bantay Edukasyon,” feeding programs through “Bantay Kalusugan,” and community outreach programs such as medical and dental mission. “

“Programa Genio” envisions to discover and develop the inherent genius in every child. In partnership with the Department of Education, this program focuses on public elementary school children and their immediate communities. It maintains current partnerships with private sector donors that advocate school development. The program seeks to achieve its goal by providing a holistic school development program with the following components: Needs Assessment, Teacher Training, Supplementary Instructional Materials (Educational TV Packages), Monitoring & Consultancy and, Parental Involvement Seminars. “Programa Genio” is involved with curriculum enhancement, teacher training and learning resource development.

#### M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	None	None
Board Committees	None	None
Individual Directors	None	None
CEO/President	None	None

#### N. INTERNAL BREACHES AND SANCTIONS

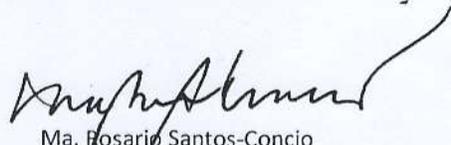
Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

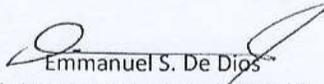
Violations	Sanctions
Non-compliance with the Corporate Governance Manual.	<p>The Board may take appropriate actions, after notice and hearing, on the individual directors, officers and employees such as censure, suspension or removal from office depending on the gravity of the offense as well as the frequency of the violation.</p> <p>The commission of a serious violation of a material provision of the corporate governance manual by any member of the Board shall be sufficient cause from removal from directorship.</p>

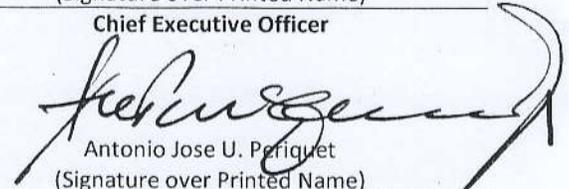
Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of PASIG CITY on 27 MAR 2015 20  .

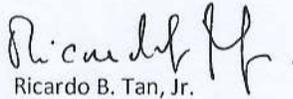
**SIGNATURES**

  
 Eugenio Lopez III  
 (Signature over Printed Name)  
 Chairman of the Board

  
 Ma. Rosario Santos-Concio  
 (Signature over Printed Name)  
 Chief Executive Officer

  
 Emmanuel S. De Dios  
 (Signature over Printed Name)  
 Independent Director

  
 Antonio Jose U. Periquet  
 (Signature over Printed Name)  
 Independent Director

  
 Ricardo B. Tan, Jr.  
 (Signature over Printed Name)  
 Compliance Officer

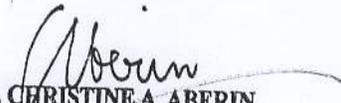
**27 MAR 2015**

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 20  , affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

NAME	VALID ID NO.	DATE OF ISSUE / EXPIRY	PLACE OF ISSUE
Eugenio L. Lopez III	Passport No. EB88352063	07 June 2018	DFA, Manila
Ma. Rosario Santos- Concio	Passport No. EB88879911	26 July 2018	DFA, Manila
Emmanuel De Dios	Passport No. EE21235609	March 23, 2011	DFA Manila
Antonio Jose U. Periquet	SSS No. 03-8032428-6		
Ricardo B. Tan, Jr.	SSS No. 33-3032693-0		

**NOTARY PUBLIC**

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 Book No. 7  
 Series of 2015

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