

# COVER SHEET

5	2	1	3						
---	---	---	---	--	--	--	--	--	--

S.E.C. Registration Number

G	M	A		N	E	T	W	O	R	K		I	N	C.					
---	---	---	--	---	---	---	---	---	---	---	--	---	---	----	--	--	--	--	--

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(Company's Full Name)

G	M	A		N	E	T	W	O	R	K		C	E	N	T	E	R		
---	---	---	--	---	---	---	---	---	---	---	--	---	---	---	---	---	---	--	--

E	D	S	A		C	O	R	N	E	R		T	I	M	O	G		A	V	E.
---	---	---	---	--	---	---	---	---	---	---	--	---	---	---	---	---	--	---	---	----

D	I	L	I	M	A	N		Q	U	E	Z	O	N		C	I	T	Y		
---	---	---	---	---	---	---	--	---	---	---	---	---	---	--	---	---	---	---	--	--

Atty. Roberto O. Parel
------------------------

Contact Person

816-3716
----------

--	--

Month

Day

Fiscal Year

1	7	-	A	
---	---	---	---	--

FORM TYPE

--	--

Month

Day

Annual Meetings

--

Secondary License Type, If Applicable

--	--	--

Dept. Requiring this Doc.

--

Amended Articles Number/Section

--

Total No. of Stockholders

--

Domestic

--

Foreign

To be accomplished by SEC Personnel concerned

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

File Number

\_\_\_\_\_  
LCU

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Document I.D.

\_\_\_\_\_  
Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

OF

GMA NETWORK, INC.

1. For the fiscal year ended: **December 31, 2014**
2. SEC Identification Number: **5213**
3. BIR Tax Identification No. 000-917-916-000
4. Exact name of issuer as specified in its charter: **GMA NETWORK, INC.**
5. **PHILIPPINES**
6.  (SEC Use Only)
- Province, Country or other jurisdiction of Incorporation or organization  Industry Classification Code:
7. **GMA NETWORK CENTER, EDSA CORNER TIMOG AVENUE, DILIMAN, QUEZON CITY**  
Address of principal office Postal Code
8. **(632) 982 7777**  
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

Title of Each Class Outstanding	Number of Shares of Common Stock Outstanding and Amount of Debt
<b>Common Stock</b>	<b>3,361,047,000</b>
<b>Preferred Stock</b>	<b>7,499,507,184</b>

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 herein:

**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 17.1 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 []

13. Aggregate market value of the voting stock held by non-affiliates of the registrant

State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

**Market Value = PhP32.3 B (as of March 31, 2015)**

**APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF  
PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

**NOT APPLICABLE**

## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

GMA Network, Inc. is a free-to-air broadcasting company principally engaged in television and radio broadcasting, the production of programs for domestic and international audiences, and other related businesses. The Company derives the majority of its revenues from advertising related to television broadcasting.

The Company's Congressional television broadcasting franchise was renewed on March 20, 1992 through Republic Act 7252, which allows it to operate radio and television facilities in the Philippines for 25 years. GMA Network has 47 VHF and 33 UHF TV stations throughout the Philippines with its signal reaching approximately 99% of the country's Urban TV Households (Source: 2014 AGB Nielsen Total Philippines Establishment Survey; Claimed reception among TV homes).

In 2014, GMA Network, Inc. maintained leadership in TV Ratings in the viewer-rich areas of Urban Luzon and Mega Manila. The Company posted decreases in its gross revenues and net income for 2014 versus 2013.

GMA Network's international operations continued to expand during the year. The Company's international syndication and distribution business likewise grew in 2014.

### GMA SUBSIDIARIES, JOINT VENTURE AND AFFILIATES

The Company's subsidiaries and affiliates are involved in media-related services such as movie making, sets and props construction, film syndication, music and video recording, new media, online gaming, post production services, and marketing, which complement the Company's core television and radio broadcasting business.

The following table shows the Company's holdings in its principal subsidiaries, joint ventures and affiliates as of December 31, 2014:

COMPANY	OWNERSHIP	PRINCIPAL ACTIVITIES
<b>Subsidiaries</b>		
GMA New Media, Inc. (NMI)	100%	Converging Technology
Citynet Network Marketing and Productions, Inc.	100%	Television entertainment production



GMA Network Films, Inc.	100%	Film production
GMA Worldwide (Philippines), Inc.	100%	International marketing, handling foreign program acquisitions and international syndication of the Parent Company's programs
RGMA Marketing and Productions, Inc. (GMA Records)	100%	Music recording, publishing and video distribution
Scenarios, Inc.	100%	Design, construction, maintenance and storage of sets for TV, stage plays and concerts; transportation services
Script2010, Inc. (Script2010)*	100%	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation and manpower services
Alta Productions Group, Inc.	100%	Pre- and post-production services
GMA Marketing & Productions, Inc. (GMPI)	100%	Exclusive marketing and sales arm of GMA's airtime; events management; sales implementation; traffic services and monitoring
Mediamerge Corporation**	100%	Business development and operations for the Company's online publishing/advertising initiatives
Digify, Inc. (Digify)**	100%	Crafting, planning and handling advertising and other forms of promotion including multi-media productions
<b>Joint Ventures</b>		
INQ7 Interactive, Inc.	50%	Internet publishing
Philippine Entertainment Portal, Inc. (PEP)**	50%	Internet publishing

Gamespan, Inc.**	50%	Sports betting and broadcasting
<b>Affiliates</b>		
Mont-Aire Realty and Development Corp.***	49%	Real estate
RGMA Network, Inc.	49%	Radio broadcasting and management

*Notes:*

\* Indirectly owned through Citynet Network Marketing and Productions, Inc.

\*\* Indirectly owned through GMA New Media, Inc.

\*\*\*49% owned by GMA Network, Inc.

**PUBLICLY ANNOUNCED NEW PRODUCT OR SERVICE**

The Company had no new publicly-announced product or service during the fiscal year covered by this report.

**COMPETITION**

The Company currently competes for audiences and advertising revenues directly with other broadcast stations, radio stations, newspapers, magazines, cable television, and outdoor advertising within their respective markets.

The following table presents major broadcasting networks in the country:

Network	Description		2014 Ratings & Audience Share (Total day; 6AM-12MN)		
			Mega Manila	Urban Luzon	Urban National
<b>GMA</b>		Household Ratings	14.1	13.4	12.0

Network	Description		2014 Ratings & Audience Share (Total day; 6AM-12MN)		
			Mega Manila	Urban Luzon	Urban National
		Audience Share	37.6	36.4	33
<b>ABS-CBN</b>	Radio and TV broadcasting network and multimedia company. Founded in 1953, and is the first television station in the Philippines.	Household Ratings	10.8	11.6	12.7
		Audience Share	28.8	31.3	35.1
<b>GNTV</b>	GMA Network's sister channel. It is programmed by GMA.  GMANEWS TV (GNTV) was launched on February 28, 2011.	Household Ratings	2.1	1.8	1.6
		Audience Share	5.6	5.0	4.4
<b>TV5</b>	Third-oldest TV network in the country, with main broadcast facilities in Novaliches, Quezon City. On March 2, 2010, Mediaquest acquired 100 percent ownership of the Associated Broadcasting Company and Primedia Inc., the broadcasting firm's major block airtimer.	Household Ratings	4.1	3.7	4.0
		Audience Share	10.9	10.1	10.9
<b>SOLAR TV/</b>	Radio Philippines Network	Household Ratings	0.2	0.2	0.2

Network	Description		2014 Ratings & Audience Share (Total day; 6AM-12MN)		
			Mega Manila	Urban Luzon	Urban National
<b>ETC (RPN)/ Solar News (RPN) *</b>	<p>(RPN 9) is a Philippine VHF television network of the Government Communications Group. On November 29, 2009, the network re-branded again under the new name Solar TV on RPN.</p> <p>*Solar TV went off air on February 26, 2011 and was re-launched as ETC (RPN) on March 2, 2011.</p> <p>It was re-launched anew as Solar News (RPN) on November 30, 2013, then was replaced by 9TV (RPN) starting Aug. 23, 2014.</p>	Audience Share	0.6	0.5	0.5
<b>Studio 23/ ABS-CBN Sports + Action **</b>	<p>Sister network to the main ABS-CBN Broadcasting Corporation, airing programming aimed towards young adults, such as North American imports and other English language programming.</p> <p>**Studio 23 was re-launched as ABS-CBN Sports + Action on January 18, 2014</p>	Household Ratings	1.0	1.2	1.3
		Audience Share	2.6	3.1	3.4

Network	Description		2014 Ratings & Audience Share (Total day; 6AM-12MN)		
			Mega Manila	Urban Luzon	Urban National
<b>National Broadcasting Network</b>	Official government TV, formerly called Maharlika Broadcasting System, Inc. and later the People's Television Network, Inc. (PTV).	Household Ratings	0.2	0.2	0.2
		Audience Share	0.7	0.5	0.5
<b>Intercontinental Broadcasting Corporation (IBC 13)</b>	IBC-13 is a VHF TV station of the Government Communications Group launched in 1975 by Roberto Benedicto.	Household Ratings	0.1	0.1	0.1
		Audience Share	0.3	0.3	0.3
<b>Southern Broadcasting Network  Solar News Channel/ TALK TV (SBN)/ ETC (SBN) ***</b>	On January 1, 2008, Solar Entertainment Corporation's entertainment channel ETC aired on this station.  ***SBN was launched as Talk TV (SBN) on March 3, 2011 and was later replaced by Solar News Channel on October 30, 2012. This channel was re-launched anew as ETC (SBN) on November 30, 2013	Household Ratings	0.1	0.1	0.1
		Audience Share	0.2	0.2	0.2
<b>RJTV (2<sup>nd</sup> Ave.)</b>	RJTV is a UHF free to air television channel owned and operated by Rajah Broadcasting Network, Inc. owned by Ramon "RJ" Jacinto. Solar is also programming 2 <sup>nd</sup> Ave.	Household Ratings	0	0	0
		Audience Share	0	0	0

NOTE: Ratings data are based on the Nielsen Television Audience Measurement (TAM).

## **RELATIVE SIZE AND FINANCIAL AND MARKET STRENGTH OF COMPETITORS**

The Company considers ABS-CBN as its longest and prime competitor, followed by TV5. ABS-CBN is the largest broadcasting company in the Philippines in terms of product and service range and financial asset base. Its broadcasting operations contribute approximately 60% of its total revenue generated, followed by its cable and satellite businesses with a share of nearly 35%. Its other businesses, which comprise movie production, new media ventures, publishing and other consumer products and services, make up about 5% of total sales. In comparison, GMA is the second largest and is the oldest broadcasting company in the region and derives more than 80% of its business from broadcasting. The Company's international operations provides close to 10% of gross revenues while other businesses which includes film production, new media services, and other services fill in the remaining 5%.

In more recent years, a third major player came into the picture in TV 5 which was formerly known as ABC 5. It was re-launched in 2008 as TV 5 after reaching a partnership with MPB Primedia, Inc. (MPB), a local company backed by Media Prima Berhad of Malaysia – with MPB producing and sourcing most of the entertainments programs of the channel. On October 20, 2009, Media Prima divested its share in TV5, selling it to Mediaquest Holdings Inc., the broadcasting division owned by the Beneficial Trust Fund of the Philippine Long Distance Telephone Company (PLDT). In the first half of 2010, along with dramatic changes in programming, TV 5 branded itself as the “Kapatid” network parallel to ABS-CBN’s “Kapamilya” and GMA’s “Kapuso” brands.

GMA effectively competes with these two main competitors and the rest of the industry players by enriching the lives of the Filipinos everywhere with superior Entertainment and the responsible delivery of News and Information. The Company prides itself in launching the first ever free-to-air news channel with the launch of GMA News TV under Channel 11 in the first quarter of 2011. The Company has likewise proven its competitiveness by grabbing the number one spot in nationwide TV ratings since early 2010, maintaining its lead up to 2012, thus providing the much needed leverage to generate advertising revenues. Financial-wise, the Company leads both competitors in most key financial indicators, from gross profit margins, net income margins, to debt-equity ratios, with GMA remaining debt free for the past couple of years.

### **INTERNATIONAL DISTRIBUTION**

The Company's television programs are distributed outside the Philippines in two ways. One is through its subscription-based international channels – GMA Pinoy TV, GMA Life TV, and GMA News TV International – and the other is through GMA Worldwide (Philippines), Inc. (GWI), a wholly-owned subsidiary of the Company. GWI distributes GMA's locally produced programs on all platforms through worldwide syndication sales to broadcasters/companies in China, Southeast Asia, Africa, and Europe.

### **GMA PINOY TV**

Launched in 2005, GMA Pinoy TV delivers to an international audience the Company's most popular news and public affairs and general entertainment programs.

GMA Pinoy TV is currently available in 50 states in the United States including Alaska and Hawaii, plus Puerto Rico and Washington DC; Canada; Japan; Guam; Saipan; Hong Kong; Singapore; Papua New Guinea; Australia; the British Indian Territory of Diego Garcia; Madagascar; Malaysia; Palau; Haiti; 16 countries in the Middle East including the key territories of the Kingdom of Saudi Arabia, United Arab Emirates, Qatar, Bahrain, and Kuwait; and 11 countries in North Africa. GMA Pinoy TV aims to establish global exposure and presence for the Network that will bring the company's programs to Filipino communities around the world.

Under the carriage and licensing agreements with international cable carriers, the Company generally receives a portion of the subscription fees and is also allocated a certain number of advertising minutes through which the Company may sell advertising spots, which it does, through its subsidiary, GMA Marketing and Productions, Inc. (GMPI). GMPI also participates in joint promotions with various carriers for the marketing of GMA Pinoy TV.

As of December 2014, GMA Pinoy TV's subscriber base closed at 278,000 – a 4% increase over the 2013 closing subscriber number of 267,000. GMA's subscriber base continues its steady growth despite the business challenges brought by overall industry and marketplace factors.

#### **GMA LIFE TV**

Three years after the success of GMA Pinoy TV, GMA Life TV, GMA Network's second international channel, was launched. More than just offering mainstream entertainment, GMA Life TV engages more viewers with its exciting line-up of heart-warming and innovative programs that feature the Filipinos' lifestyle and interests.

GMA Life TV is available in the United States, Canada, Guam, Hong Kong, Japan, Australia, Papua New Guinea, Madagascar, Malaysia, Palau, Saipan, Singapore, 16 countries in the Middle East and 11 countries in North Africa. As of December 2014, GMA Life TV's subscriber base closed at 91,000 – a 7% increase over the 2013 closing number of 85,000.

#### **GMA NEWS TV INTERNATIONAL**

In September 2011, GMA Network began distributing GMA News TV International in order to provide overseas Filipinos with the latest, most comprehensive, and most credible news coverage from the Philippines. It offers internationally acclaimed and award-winning news and public affairs programs with 7 to 8 hours of original content daily.

It is now available in Canada, Middle East, North Africa, Australia, Guam, Saipan, Japan, Malaysia, Madagascar, Singapore and Palau. As of December 2014, GMA News TV International's subscriber base closed at 21,000 – a 61% increase over the 2013 closing number of 13,000.

## CONVERGING TECHNOLOGY

**GMA New Media, Inc.** (GMA NMI) is a multimedia technology, value-added service provider. A wholly owned subsidiary of GMA Network, Incorporated, it has launched category-breaking projects in web, mobile, digital television and other emerging platforms. Since its inception in July 2000, it has embarked on a sure-footed foray into the dynamic world of new media.

### **GMA NMI AS GMA'S FUTURE-PROOFING AGENT**

GMA NMI functions as GMA Network's research and development (R&D) unit and innovation center. It is the *de facto* future-proofing agent of the Network tasked to spearhead the grand digital blueprint that will lay the foundation for audience loyalty and industry leadership in the digital era.

As such, NMI has been involved in all major projects across the various platforms that include the web, mobile, digital television and other emergent media.

## WEB

### *Online Publishing*

NMI launched GMA's official entertainment website, iGMA.tv, and its official news website, GMANews.tv. Both websites have won local and international acclaim as well as loyal patronage among Filipinos here and abroad.

In collaboration with various units in GMA Network, NMI launched in May 2014 a revamped portal, [www.gmanetwork.com](http://www.gmanetwork.com), the umbrella site for all things GMA. The revamp sought to improve the user experience of the website by making the site more sleek and accessible to a wider range of hand-held devices. The site is equipped with a system to detect the device and automatically adjust in ways that optimize viewing and browsing.

NMI's non-stop enhancements to the GMA portal enabled the site to sustain a steady upward trend in online metrics in 2014, particularly in terms of pageviews<sup>1</sup> and unique browsers<sup>2</sup>. It is currently among the top three entertainment websites in the country based on recent data from Effective Measure, a third party online audience measurement service provider.

2014 also proved to be a year of marked improvements for GMA News Online (GNO) as web metrics showed gradual but consistent improvements throughout the year.

---

<sup>1</sup> Pageviews refers to an instance of an Internet user visiting a particular page on a website.

<sup>2</sup> Unique Browser refers to a unique device (e.g. a computer or mobile phone) that has made requests for content to the site in the period being measured.



While GNO constantly ranked second among the sampled news sites of Effective Measure, persistence in making the site more competitive enabled it to shrink the lead that its main competitor, [www.abs-cbnnews.com](http://www.abs-cbnnews.com), has had for quite some time.<sup>3</sup> GNO appears well poised to strengthen its position further in the news category as efforts to broaden readership base and to making the site more relevant and engaging are being implemented on an on-going basis.

NMI entered into a joint venture with Summit Media and launched PEP.ph, the leading showbiz news portal in the Philippines. It also launched SPIN.ph or Sports Interactive Network, currently the No. 1 sports website based on recent data from Effective Measure. NMI provides the technology back-end of said sites. The joint venture is a way for GMA to capture a bigger slice of the online audience share by targeting readers who are keen on sports and entertainment.

## MOBILE

NMI pioneered interactive TV in the Philippines with the launch of SMS-TV services in “*Debate*” and Startalk, and Eat Bulaga’s Cool Dudes segment. This laid the foundation for succeeding SMS-TV initiatives that carried NMI through several years of growth and profit.

NMI also introduced SMS technology to Philippine broadcast TV and was the first to launch an interactive chat and gaming show called *Txtube*.

NMI launched *Fanatxt*, a mobile-based celebrity portal for Kapuso stars, considered as one of the most successful mobile VAS services ever launched locally.

NMI broke new ground with the launch of *Teledrama Text Saya*, the first ever mobile point of purchase promo for GMA’s primetime shows done in partnership with GMPI.

NMI also developed the GMA News Online iOS and Android mobile apps that sport a new user interface to keep up with current design trends. The mobile apps allow people easy access to GMA content using their handheld devices. The GMA portal mobile app has also been recently launched and is expected to be the perfect mobile companion to the top-rating GMA shows.

## CONVERGENT MEDIA

NMI works closely with GMA Marketing and Promotions, Incorporated (GMPI) in the launch of innovative convergent media campaigns such as *Win Mo Kapuso* and *Win Mo Pamasko*. The combination of TV plus new media has become a valuable strategic offering for clients in terms of ensuring the widest possible reach for both online and offline audiences.

**YouScoop** is NMI’s joint initiative with GMA News and Public Affairs (NPA) that aims to promote citizen journalism and vigilance. YouScoop helps empower the people to provide information and news when and where it happens. Users can send information, photographs, videos and even audio recordings of newsworthy events wherever and whenever they may be through the app. A team of editors chooses items that will be featured in the YouScoop page on GMA News Online, while significant contributions that merit public broadcast are aired on any one of the GMA News and Public Affairs programs.

---

<sup>3</sup> From the competitor’s 65% lead in pageviews at the first half of 2014, GNO trimmed it down to 49%; in terms of unique browsers, it reduced the 56% first half lead down to 35% in the second half of the year.

In collaboration with GMA NPA, NMI launched **IM Ready**, a one-stop online portal for public safety information to aid in traffic and disaster awareness and preparedness. The project aims to provide the public with timely and relevant information to minimize risks and better prepare them during emergency situations. It also enables the public to plan their routes and itineraries. IM Ready can be accessed on the internet and can be downloaded as an app in both iOS and Android.

In view of making IM Ready a cutting-edge application, NMI sealed an exclusive media partnership agreement with Google-owned Waze, a leading social GPS navigation system that provides crowd-sourced traffic information and real-time maps. Waze allows subscribers to share real-time traffic and road information that enables people to save time and gas money on their daily commute. By connecting drivers to one another, the app helps people create local driving communities that work together to improve the quality of everyone's daily driving.

The popularity of the IM Ready app can be gleaned from its consistent high rank in both the Apple App Store and Google Play. Since its launch, it has always ranked among the top 5 apps in both the News Category of the Apple App Store and in the News and Magazine Category of Google Play.

NMI will soon incorporate traffic cameras and MRT platform cameras on the IM Ready web and mobile applications. Negotiations with the local government units of Manila, Las Pinas and Pasig to broaden IM Ready's network of traffic cameras and include feeds from the Bureau of Fire Prevention, are underway. These are set for launch this year.

## BROADCAST

### *Election Coverage*

NMI has maintained its track record of providing GMA News and Public Affairs with speedy and accurate delivery of elections results using the latest technologies for the Eleksyon 2013 coverage. NMI spearheaded the count operations in PPCRV by acquiring, extracting, and prioritizing data from the COMELEC before sending it to GMA for processing.

To achieve multi-screen pervasiveness, NMI provided the most comprehensive election count data across all platforms—from television, mobile and the internet. The team deployed its *proprietary search engine* that enabled users of GMA News Online and its mobile app (in both Android and iOS) to retrieve election count data in the Search Results. While all the other websites and apps were incapable of integrating the count results in their search, our proprietary search returned the most relevant results for all candidates during election time.

NMI will serve the same function of ensuring fast and accurate delivery of elections results in the upcoming 2016 elections.

### *Digital TV*

In collaboration with the Office of the President and GMA Engineering, NMI has been involved in the development of GMA's Digital TV strategy. Efforts are underway to conduct testing for the service soon.

## NMI AS BUSINESS CENTER

NMI created two subsidiaries to fulfill its role as a business center.

The first is **MediaMerge, Incorporated**, the online publisher of GMA News Online. MediaMerge takes charge of online advertising sales.

MediaMerge ended 2014 on a positive note by achieving P53 million in total online sales as it earned P23.4 million more versus 2013. The variance translates to a 79% year-on-year growth. The increase is attributed to the strategic and aggressive use of social media, and to enhancements that have made the websites more intuitive, relevant and reader-friendly.

Designed to specialize in digital media, GMA NMI established **Digify, Incorporated**. Digify is a digital agency that handles research and development (R&D) on emerging technologies. As a spin-off from GMA NMI's Techno-Creative Unit, the team's extensive experience in both traditional and emerging media helped establish its expertise in digital branding, digital communications, multi-media content production and convergent end-to-end media solutions. Digify has launched a number of trailblazing projects that include award-winning apps for major clients (done in collaboration with GMA Marketing and Promotions) and leading-edge apps for clients in the technology industry.

## NMI AS GMA'S CONDUIT TO INDUSTRY PARTNERS

The Digital Age is marked by constant change and dynamism and favors those who can manage to always be way ahead of competition. It is in this context that NMI perceives its mandate to ensure that GMA Network is always at the leading edge in the digital space.

GMA NMI manages relationships with the major telecommunications companies in the Philippines and abroad, and with leading global brands such as Google, YouTube and Waze, to name some. It likewise serves as a conduit to advertising agencies and digital distribution partners meant to create new avenues for incremental revenue and expand the reach of GMA content, both in the local and international markets.

GMA NMI will seal a deal soon that makes use of a new content distribution platform. The platform, called *Over-the-Top* (OTT), is an IP-based<sup>4</sup> format for content delivery. This new type of video-on-demand service will enable users to enjoy online streaming access and an offline viewing option of TV shows and movies. This service will optimize GMA's existing library of content and will allow Filipinos here and in the region to watch their well-loved GMA shows whenever they want, wherever they may be. The project has been in the works and is set to launch this year.

---

<sup>4</sup> IP (or Internet Protocol) -based distribution of television content uses the internet rather than traditional terrestrial, satellite signal or cable television as a format for content delivery.

## MOVIE PRODUCTION

**GMA Network Films, Inc.** was established in August 1995 to produce movies that cater to both the local and international markets. Its movie productions have reaped both critical acclaim and commercial success.

## MUSIC AND VIDEO RECORDING

**RGMA Marketing and Productions, Inc. (GMA Records)** was incorporated in September 1997 and became operational in 2004 after the Company decided to reactivate its musical recording business through the "GMA Records" label. Since resuming operations, GMA Records has leveraged the Company's talent and media resources, releasing albums of various artists. It also partnered with sister company GMA Films and other major film production outfits to release their films on DVD. Likewise, it has introduced the network's top rating programs and blockbuster TV series into the home video market worldwide through GWI.

GMA Records works with GMA New Media and other local-based content providers and aggregators to take advantage of new revenue streams, particularly in the emerging market of digital music downloads. The company also secured non-exclusive mobile, web and kiosk-based deals with different content providers worldwide to continuously exploit the potentials of its music and video assets.

GMA Records publishes music and administers copyrights on behalf of composers. GMA Records is also actively pursuing publishing deals, building on its current catalog of original compositions. GMA Records serves as a clearing house and a source of music for the Company's television and film productions. It is also a member of FILSCAP, the Filipino Society of Composers, Authors and Publishers.

## STAGE DESIGN

**Scenarios, Inc.** was incorporated in July 1996 and is engaged in transportation and warehousing services.

**Script2010, Inc.** was formally established in early 2010 as a subsidiary of Citynet Network Marketing and Productions, Inc. It engages in conceptual design and design execution through fabrication, construction, set-up and dismantling of sets, and creation of props. It also provides other related services such as live performances and events management, sales activation and promotion, and tradeshow exhibits.

**Script2010, Inc.** is also engaged in transportation, hauling and trucking services to further fulfill the needs of its clients. Other business units of **Script2010, Inc** are band/audio equipment rental, and facility support services to various GMA departments.

## POST PRODUCTION

**Alta Productions Group, Inc.** was established in 1988 as a production house primarily to provide production services for the Network. Until the late 1990s, it operated a satellite studio in Makati, producing award-winning News and Public Affairs Programs for GMA Channel 7.

Today, Alta Productions Group's core business is audio dubbing and mixing for broadcast. Its fully digital audio recording and mixing studios is in sync with the Network's production requirements and broadcast standards. Aside from dubbing foreign content into the local vernacular for airing on the Network, Alta Productions Group also dubs station-produced content into English for international consumption.

In addition, Alta Productions Group's shoot and video post-production department produces TVCs, broadcast content, and documentaries for both local and international clients. Its creative group also provides concept development, staging, and activation services for various clients' on-ground activities.

Alta Productions Group is proud to be one of the few production houses capable of servicing the complete spectrum of shoot and post-production requirements all under one roof. From conceptualization, creatives, shoot, post-production, all the way to execution.

## MARKETING AND SALES OF COMMERCIAL AIRTIME AND EVENTS

**GMA Marketing and Productions, Inc.** (GMPI) was established in August 1980 and is the exclusive marketing and sales arm for the Company's commercial television and radio airtime and events. GMPI, a wholly owned subsidiary of the Company, provides the link between the Network and the advertisers and advertising agencies.

GMPI provides the Company's clients with services such as multi-media local and global media packages, promotional programs and materials, creative products, digital executions, and events. Part of GMPI's sales and marketing strategies are the integrated multi-platform packages, customized on-air, on-ground and online media solutions, branded entertainment, and other advertising and media-led promotional campaigns.

## DEPENDENCE UPON CUSTOMERS

The broadcasting business of the Company generates revenues mainly from the sale of regional and national advertising time to agencies/advertisers and other blocktime producers. No single customer accounts for twenty (20%) percent or more of the Company's total consolidated revenues. The top 30 agencies/advertisers comprise less than 60% of the Company's business with the top advertiser accounting for less than 10% of revenues. The Company is not critically dependent upon a single or few customers to provide and ensure sustainability of its operations and financial viability. Major existing contracts include airtime sales with regular agencies and advertisers such as Unilever Philippines, Inc., Nestle Philippines, Inc., P&G Distributing (Phils.) Inc., Unilab Group, Monde Nissin Corporation, Smart

Communications, Inc., Mead Johnson Nutrition (Philippines), Inc., Universal Robina Corporation and Coco-Cola Far East Limited.

## **TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES**

Please refer to **Item 12** of the report (p.63-64).

## **FRANCHISE, LICENSES AND GOVERNMENT APPROVALS**

The Company is a grantee of a congressional franchise to construct, install, operate and maintain for commercial purposes and in the public interest radio and television broadcasting stations in the Philippines. Its franchise was granted through Republic Act No. 7252 and has a term of twenty-five (25) years from the date of its approval or from March 20, 1992. The Company also operates and maintains various radio/TV stations nationwide under licenses/permits issued by the National Telecommunications Commission.

The Company has also applied for registration of its service marks (visible signs capable of distinguishing its services) with the Intellectual Property Office (IPO) and has complied with the provisions of Republic Act No. 8293 on the law on service marks for this purpose. A Certificate of Registration of Service Marks granted in favour of the Company remains in force for 20 years.

Similarly, the Company has applied for copyright registration with the IPO of its (a) published (b) unpublished works under Republic Act No. 8294 and Presidential Decree No. 49. A Certificate of Copyright Registration has a term of protection of Fifty (50) years from publication of the work.

The Company has also entered into several license agreements for its business of producing television programs aired over its local and international channels and producing television series based on a licensed property. The said license agreements are for periods between three to five years.

## **EFFECT OF GOVERNMENT REGULATIONS ON BUSINESS**

The foregoing franchise, licenses or permits, service marks, copyright registration and government approvals were obtained by the Company in accordance with the requirements of applicable laws and rules of regulatory agencies.

The Company's compliance with the above-mentioned government regulations are indispensable to its businesses, which are primarily, radio and television broadcasting, recording, film production and other information and entertainment business.

## **AMOUNT SPENT ON DEVELOPMENT ACTIVITIES**

The company approved specific budget for the operation/maintenance and upgrade of the following stations in 2014:

- TV-8 Daet, Camarines Norte (new 2KW TV relay station)  
Completion Date: March 12, 2014

Approved Budget: P20.793 million

- TV-7 Tuguegarao, Cagayan (transfer of location and upgrade of antenna system)  
Commissioning Date: May 30, 2014 (transfer of location only)

Approved Budget: P12.098 million

- TV-11 Iligan City, Lanao del Norte (transfer of transmitting station to enable the re-broadcast of Cagayan de Oro programs via free-to-air reception of TV-5 Ozamiz)  
Completion Date: August 19, 2014

Approved Budget: P7.238 million

To be completed in 2015:

- TV-26 Butuan City (new 5KW TV relay station)  
Expected Commissioning Date: May 2015

Approved Budget: P39.390 million

## **COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS**

The Company complies with various environmental laws such as R.A 8749 (Philippine Clean Air Act of 1999), R.A 6969 (Toxic Substance and Hazardous Wastes) under DENR, R.A. 9275 (Philippine Clean Water Act) under the Laguna Lake Development Authority and R.A. 9003 (Ecological Solid Waste Management Act) as follows:

1. R.A 8749 The Company has a DENR Permit to Operate for the generator set installed in the GMA Network Center. The permit was received on July 4, 2012 and costs around P 14, 500.00 and is valid for five (5) years or until April 28, 2017. As a requirement in the permit, the Company submits quarterly self-monitoring reports on the consumed fuel of the generator sets. In addition, all generator sets undergo annual emission tests conducted by DENR's accredited 3rd party group. The 2015 emission tests cost around P127,360.00 for the 5 units.

2. R.A. 6969 All generated hazardous wastes such as tapes, used engine oils, busted fluorescent lamp (BFL), empty paint cans, contaminated rags and others are treated, recycled and appropriately disposed of with the DENR's accredited 3rd party hazardous waste treatment group. The annual cost for 2014 for the treatment of hazardous waste is P39,508.00.
3. R.A 9275 GMA has a Discharge Permit from the Laguna Lake Development Authority (LLDA) to operate its Sewage Treatment Facility (STP) in the GMA Network Center. The annual permit for 2014 (August 2014 - August 2015) costs P 21,416.51.
4. R.A. 9003 GMA applied for an Environmental Permit to Operate (Environmental Clearance) to the Quezon City Environmental Protection and Waste Management Department pursuant to City Ordinance No. 1729 Series of 2006. The annual permit for 2015 costs P1,100.00.

In addition, the Company incurred approximately P344,877.82 in costs for other permits and licenses required by governmental regulations such as, but not limited to, special land use permits, DENR-EMB permits, etc.

## EMPLOYEES

As of December 31, 2014, the Company has 2,598 regular and probationary employees, a 2% growth from 2013. The Company also engaged 2,601 talents in 2014, a 6% decrease from the previous year. GMA Network, Inc. recognizes one labor union, the GMA Network, Inc. Employees Union. The Collective Bargaining Agreement (CBA) for the cycle 2014-2019 took effect in July 2014.

The classification of the Company's employees, including the number of employees it anticipates to have in the ensuing twelve (12) months, are presented below:

	AS OF DEC. 31, 2014	**2015 ESTIMATED ADDITIONAL	TOTAL
<b>Rank &amp; File *</b>	1,387	9	1,396
<b>Non-Rank and File</b>	1,150	26	1,176
<b>Officers</b>	61	0	61
<b>Total</b>	2,598	39	2,633



*\* Covered by Collective Bargaining Agreement (CBA)*

*\*\* Based on approved MRF and hired EEs as of March 2015*

## **LABOR DISPUTES**

There were no strikes nor observed strikes and disputes between the labor and management in the past three (3) years.

## **MAJOR RISKS INVOLVED IN THE BUSINESSES OF THE COMPANY AND ITS SUBSIDIARIES**

Both radio and television broadcasting are highly competitive businesses. GMA stations compete for listeners/viewers and advertising revenues within their respective markets directly with other radio and /or television stations, as well as with other media such as cable television and/ or cable radio, newspapers, magazines, the internet, billboard advertising, among others. Audience ratings and market shares are subject to change, and any change in a particular market could have a material adverse effect on the revenue of our stations located in that market.

Considering the potential impact of various risks to the company's ability to deliver quality content across multiple platforms, the Company has established a Programming Committee that deliberates weekly on the programming issues and strategies of the network. Regular monthly meetings of the Company's officers are also held to discuss plans, operational issues and strategies, implementation of projects and recommendations for improvements.

The Company's financial results are dependent primarily on its ability to generate advertising revenue through rates charged to advertisers. The advertising rates a station is able to charge is affected by many factors, including the ratings of its programs and the general strength of the local and national economies. Generally, advertising declines during periods of economic recession or downturns in the economy. As a result, the Company's revenue is likely to be adversely affected during such periods.

The Company's Board of Directors and management are mindful of the risks and uncertainties inherent in the business. In the formulation of corporate strategy and business decision-making, potential risks are always taken into account. Necessary steps are taken to minimize, if not eliminate, such risks.

The Audit and Risk Management Committee assists the Board in the oversight of the company's risk management, ensures that it has the proper controls in place, identifies and evaluates significant risk exposures and contributes to the improvement of risk management and control systems.

## **Item 2. Properties**

As of December 31, 2014, the Company's total property and equipment and real property amounted to P5,173.5 million. The property and equipment had a book value of P3,737.8 million, while its real property had a fair market value of P1,799.7 million (based on an Independent appraisal report as of December 17, 2013).

The following are the principal properties of the Company:

- The Channel 7 compound located in Barangay South Triangle, Diliman, Quezon City, which contains several buildings, including the GMA Network Center building;
- The GMA Network Center Studios, a four-storey building with an area of 4,053 square meter property adjacent to the GMA Network Center at GMA Network Drive cor. EDSA, Diliman Quezon City which houses two state-of-the-art studios, technical facilities and offices;
- The GMA-7 Antenna Tower in Tandang Sora Avenue, Barangay Culiati, Diliman Quezon City, which contains the TV and FM Transmitter building and the Satellite Uplink building;
- The GMA Fleet Center located on the east corner of Mother Ignacia Avenue and Sergeant Esguerra Avenue, Barangay South Triangle, Diliman Quezon City; and
- Properties in the key areas across different regions:

### **Luzon**

- Land in Barangay Malued, Dagupan City, where the Company's radio and television studios are located;
- A 51,135 square meter property in Panghulo, Obando, Bulacan, where an AM transmitter site, a two-storey building, a genset house, and an AM tower are situated;
- A 2,000 square meter property in Barangay Concepcion Pequeña, Naga City, where a TV relay transmitter and an FM transmitter site are located; and
- A 10,000 square meter property in La Trinidad, Benguet where an FM transmitter site and a one storey building are situated.
- A 2000 square meter property in Bayubay Sur, San Vicente, Ilocos Sur where a TV studio is located.

### **Visayas**

- Land located in Nivel Hills, Barangay Lahug, Cebu City, containing a multilevel building which houses radio and television operation facilities;
- Land in Barangay Tamborong, Jordan, Guimaras where an FM radio and television transmitter is located;
- Land in Alta Tierra, Jaro, Iloilo City where radio and television studios are located;
- Land in Barangay Jibao-an, Pavia, Iloilo where an AM transmitter site and building are located;
- Land in Barangay Sta. Monica, Puerto Princesa City, Palawan where a television relay transmitter site and building are located; and,
- Land in Barangay Bulwang, Numancia, Aklan where a television relay transmitter site

and a building are located.

**Mindanao**

- Land in Bo. Matina Hills, Davao City where an FM and television transmitter building and studio complex are located;
- Land in Barangay San Isidro, General Santos City where a television relay transmitter site and a building are located; and,
- Land in Barangay Cabatangan, Zamboanga City where a television relay transmitter site and a building are located.

The properties owned by the Company are currently unencumbered and are free from any existing liens.

The Company also leases land, building and studio/office space in various locations around the Philippines under lease agreements for periods of between three and 25 years. The lease agreements may be cancelled at the Company’s option. Rental expense of the Company related to this amounted to P18.9 million for the year ended December 31, 2014.

**Regional Broadcast Stations**

GMA owns regional broadcast stations in various parts of the country. Originating TV stations are stand-alone transmitter, studio and production facilities capable of producing and airing live and/or taped programs as well as plugs and advertising within their (local) service area/s independent of, or in conjunction with the national feed. Satellite TV stations are similar to originating TV stations except that they are not equipped with live production capability outside of news bulletins. Satellite TV stations are also capable of broadcasting local plugs or advertising within their respective (local) service areas either independent of, or in conjunction with national program feeds. TV relay stations are limited to transmitter and signal receiving facilities and only re-broadcast programs/content received from originating or satellite TV stations with which they are associated; either via satellite or other receiving methods.

The following are GMA’s television and radio stations throughout the Philippines:

**LIST OF GMA’s OPERATING TV STATIONS**

NO	STATION	ADDRESS	CONTACT NUMBER
	<b>LUZON</b>		
1	TV-7 Metro Manila (GMA)	Brgy. Culiat, Tandang Sora, Quezon City	(02) 931-9183 / (02) 924-2497
	TV-27 Metro Manila (GNTV)	Brgy. Culiat, Tandang Sora, Quezon	(02) 931-9183 / (02) 924-

		City	2497
2	TV-5 San Nicolas, Ilocos Norte (GMA)	Brgy. San Lorenzo, San Nicolas, Ilocos Norte	0916-6715439
	TV-27 San Nicolas, Ilocos Norte (GNTV)	Brgy. San Lorenzo, San Nicolas, Ilocos Norte	0916-6715439
3	TV-48 Bantay, Ilocos Sur (GMA)	Mt. Caniao, Bantay, Ilocos Sur	0915-8632841
	TV-40 Bantay, Ilocos Sur (GMA)	Mt. Caniao, Bantay, Ilocos Sur	0915-8632841
4	TV-7 Basco, Batanes (GMA)	Brgy. Kayvaluganan, Basco, Batanes	0915-6127197
5	TV-13 Aparri, Cagayan (GMA)	Hi-Class Bldg., De Rivera St., Aparri, Cagayan	0915-6130530
6	TV-7 Tuguegarao, Cagayan (GMA)	No. 91 Mabini St., Tuguegarao City	0915-6127263
	TV-27 Tuguegarao, Cagayan (GNTV)	No. 91 Mabini St., Tuguegarao City	0915-6127263
7	TV-7 Santiago City, Isabela (GMA)	Heritage Commercial Complex, Maharlika Hi-way, Brgy. Malvar, Santiago City, Isabela	0915-2700063
8	TV-5 Baler, Aurora (GMA)	Purok 3, Brgy. Buhangin, Baler, Aurora	0915-6127194
9	TV-10 Olongapo (GMA)	Upper Mabayuhan, Olongapo City	0915-6127265
	TV-26 Olongapo (GNTV)	Upper Mabayuhan, Olongapo City	0915-6127265
10	TV-28 Tarlac City (GNTV)	Exclusively His Bldg. located at F. Tanedo St. corner Espinosa St., Tarlac City	0915-2700185
11	TV-12 Batangas (GMA)	Mt. Banoy, Bo. Talumpok East, Batangas City	0915-8632860
	TV-26 Batangas (GNTV)	Mt. Banoy, Bo. Talumpok East, Batangas City	0915-8632860
12	TV-44 Jalajala, Rizal (GMA)	Mt. Landing, Jalajala, Rizal	0915-8632874
13	TV-13 San Jose, Occidental Mindoro (GMA)	Bonifacio St., San Jose, Occidental Mindoro	0915-6127199
	TV-26 San Jose, Occidental Mindoro (GNTV)	Bonifacio St., San Jose, Occidental Mindoro	0915-6127199
14	TV-6 Brooke's Point,	Poblacion, Brooke's Point, Palawan	0915-6127181

	Palawan (GMA)		
15	TV-8 Coron, Palawan (GMA)	Tapias Hill, Coron, Palawan	0915-6127178
16	TV-12 Puerto Princesa, Palawan (GMA)	Mitra Rd., Brgy. Sta. Monica, Puerto Princesa, Palawan	0915-6127185
	TV-27 Puerto Princesa, Palawan (GNTV)	Mitra Rd., Brgy. Sta. Monica, Puerto Princesa, Palawan	0915-6127185
17	TV-7 Tablas, Romblon (GMA)	Triple Peak, Sta. Maria, Tablas, Romblon	0915-6127225
18	TV-12 Legazpi, Albay (GMA)	Mt. Bariw, Estanza, Legaspi City	0915-8632867
	TV-27 Legazpi, Albay (GNTV)	Mt. Bariw, Estanza, Legaspi City	0915-8632867
19	TV-8 Daet, Camarines Norte (GMA)	Purok 2, Brgy. Mancruz, Daet, Camarines Norte	0915-2700056
20	TV-7 Naga, Camarines Sur (GMA)	Brgy. Concepcion Pequeña, Naga City	0915-4417071
	TV-28 Naga, Camarines Sur (GNTV)	Brgy. Concepcion Pequeña, Naga City	0915-4417071
21	TV-13 Virac, Catanduanes (GMA)	Brgy. Sto. Niño, Virac, Catanduanes	0915-6127174
22	TV-7 Masbate (GMA)	Brgy. Pinamurbuhan, Mobo, Masbate	0915-6127175
	TV-27 Masbate (GNTV)	Brgy. Pinamurbuhan, Mobo, Masbate	0915-6127175
23	TV-2 Juban, Sorsogon (GMA)	Mt. Bintacan, Brgy. Maalo, Juban, Sorsogon	0915-2700192
24	TV-7 Abra (GMA)	Brgy. Lusuac, Peñarrubia, Abra	0915-6130512
25	TV-10 Benguet (GMA)	Mt. Sto. Tomas, Tuba, Benguet	0915-4417080
	TV-22 Benguet (GNTV))	Mt. Sto. Tomas, Tuba, Benguet	0915-4417080
26	TV-5 Mountain Province (GMA)	Mt Amuyao, Barlig. Mountain Province	0915-2700124
	<b>VISAYAS</b>		
27	TV-2 Kalibo, Aklan (GMA)	New Busuanga, Numancia, Aklan	0915-6127216
	TV-27 Kalibo, Aklan (GNTV)	New Busuanga, Numancia, Aklan	0915-6127216

28	TV-5 Roxas City, Capiz (GMA)	Brgy. Milibili, Roxas City, Capiz	0915-6127217
	TV-27 Roxas City, Capiz (GNTV)	Brgy. Milibili, Roxas City, Capiz	0915-6127217
29	TV-6 Jordan, Guimaras (GMA)	Bo. Tamburong, Jordan, Guimaras	0915-4417084
	TV-28 Iloilo (GNTV)	Alta Tierra Subdivision, Jaro, Iloilo	0915-4417084
30	TV-13 Bacolod (GMA)	Security Bank Bldg., Rizal St. cor. Locsin St., Bacolod City	0915-8632864
	TV-48 Bacolod (GNTV)	Security Bank Bldg., Rizal St. cor. Locsin St., Bacolod City	0915-8632864
31	TV-30 Murcia, Negros Occidental (GMA)	Mt. Kanlandog, Brgy. Canlandog, Murcia, Negros Occidental	0915-2700132
32	TV-10 Sipalay (GMA)	Sipalay Municipal Building, Sipalay, Negros Occidental	0915-6127219
33	TV-11 Tagbilaran, Bohol (GMA)	Banat-I Hills, Brgy. Bool, Tagbilaran City	0915-6127214
34	TV-7 Cebu (GMA)	Bonbon, Cebu City	0915-4417075
	TV-27 Cebu (GNTV)	Bonbon, Cebu City	0915-4417075
35	TV-5 Dumaguete (GMA)	Barrio Looc, Sibulan, Negros Oriental	0915-6131185
	TV-28 Dumaguete (GNTV)	Barrio Looc, Sibulan, Negros Oriental	0915-6131185
36	TV-8 Borongan (GMA)	Poblacion, Borongan, Eastern Samar	0915-6127177
37	TV-12 Ormoc, Leyte (GMA)	Brgy. Alta Vista, Ormoc City	0915-6127213
38	TV-10 Tacloban (GMA)	Basper, Tigbao, Tacloban City	0915-6127208
	TV-26 Tacloban (GNTV)	Basper, Tigbao, Tacloban City	0915-6127208
39	TV-5 Calbayog City (GMA)	Purok 2 San Mateo St. Brgy. Matobato, Calbayog City, Western Samar	0915-6127176
<b>MINDANAO</b>			
40	TV-4 Dipolog (GMA)	Linabo Peak, Dipolog City, Zamboanga Del Norte	0915-6127247
	TV-26 Dipolog (GNTV)	Linabo Peak, Dipolog City, Zamboanga Del Norte	0915-6127247

41	TV-3 Pagadian (GMA)	Mt. Palpalan, Pagadian City	0915-6127245
	TV-26 Pagadian (GNTV)	Mt. Palpalan, Pagadian City	0915-6127245
42	TV-9 Zamboanga (GMA)	Brgy. Cabatangan, Zamboanga City	0915-8632870
	TV-21 Zamboanga (GNTV)	Brgy. Cabatangan, Zamboanga City	0915-8632870
43	TV-12 Mt. Kitanglad, Bukidnon (GMA)	Mt. Kitanglad, Bukidnon	0915-8632863
44	TV-5 Ozamis, Misamis Occidental (GMA)	Bo. Malaubang, Ozamis City, Misamis Occidental	0915-6127220
	TV-22 Ozamis, Misamis Occidental (GNTV)	Bo. Malaubang, Ozamis City, Misamis Occidental	0915-6127220
45	TV-11 Iligan City (GMA)	Brgy. Del Carmen, Iligan City	0915-6131202
46	TV-35 Cagayan de Oro (GMA)	Malasag Heights, Brgy. Cugman, Cagayan de Oro City	0915-8632875
	TV-43 Cagayan de Oro (GNTV)	Malasag Heights, Brgy. Cugman, Cagayan de Oro City	0915-8632875
47	TV-5 Davao (GMA)	Shrine Hills, Matina, Davao City	0915-4417082
	TV-27 Davao (GNTV)	Shrine Hills, Matina, Davao City	0915-4417082
48	TV-12 Cotabato (GMA)	Regional Government Center, Cotabato City	0915-6131170
	TV-27 Cotabato (GNTV)	Regional Government Center, Cotabato City	0915-6131170
49	TV-8 General Santos (GMA)	Nuñez St., Brgy. San Isidro, General Santos City	0915-8632871
	TV-26 General Santos (GNTV)	Nuñez St., Brgy. San Isidro, General Santos City	0915-8632871
50	TV-10 Surigao (GMA)	Lipata Hills, Surigao City	0915-6131227
	TV-27 Surigao (GNTV)	Lipata Hills, Surigao City	0915-6131227
51	TV-2 Tandag (GMA)	Capitol Hill, Brgy. Telaje, Tandag, Surigao del Sur	0915-6127248
52	TV-12 Jolo (GMA)	Ynawat Bldg., Hadji Butu St., Jolo, Sulu	0915-6131182

## GMA's RADIO STATIONS

AREA	FREQ.	CALL SIGN	POWER		ADDRESS
<b>LUZON</b>					
METRO MANILA	97.1 mhz.	DWLS	FM	25kW	GMA Complex, EDSA cor. Timog Ave., Diliman, Quezon City
	594 khz.	DZBB	AM	50kW	
BAGUIO	92.7 mhz.	DWRA	FM	5kW	2/F Baguio Midland Courier Bldg. 16 Kisdad Rd., Baguio City
DAGUPAN	93.5 mhz.	DWTL	FM	10kW	GMA TV 10 Compound, Claveria Road, Malued District, Dagupan City, Pangasinan
LEGASPI	96.3 mhz.	DWCW	FM	10kW	3rd level A.Bichara Silversreen Entertainment Center, Magallanes St., Legazpi City
LUCENA	91.1 mhz.	DWQL	FM	10kW	3/F Ancon Bldg., Merchan Street , Lucena City
NAGA	101.5 mhz.	DWQW	FM	5kW	GMA Complex, Diversion Road.(Roxas Ave) beside Mother Seton Hospital, Naga City
PALAWAN	909 khz.	DYSP	AM	5kW	Solid Road, San Manuel Puerto Princesa City, Palawan
	97.5 mhz.	DYHY	FM	5kW	
TUGUEGARAO	89.3 mhz.	DWWQ	FM	10kW	4/F Villablanca Hotel Pattau St. cor Pallua Rd., Ugac Norte Tuguegarao, Cagayan
<b>VISAYAS</b>					
BACOLOD	107.1mhz.	DYEN	FM	10kW	3/F San Jose Bldg., Jomabo Centre



					Rizal Cor. Lacson Sts., Bacolod City
CEBU	999 khz. 99.5 mhz.	DYSS DYRT	AM FM	10kW 25kW	GMA Skyview Complex Nivel Hills, Lahug, Cebu City
ILOILO	1323 khz	DYSI	AM	5kW	GMA Broadcast Complex, Phase 5, Alta Tierra Village Jaro, Iloilo City
	93.5 mhz.	DYMK	FM	10kW	
KALIBO	92.9 mhz.	DYRU	FM	5kW	Torres-Olivia Bldg. Roxas Ave. Extension, Kalibo, Aklan
<b>MINDANAO</b>					
CAGAYAN DE ORO	100.7 mhz.	DXLX	FM	5kW	2/F Marel Realty Bldg., Pabayo corner Hayes St. Cagayan de Oro City, Misamis Oriental
ILIGAN	DZBB Relay	DXND	FM	1kW	3/F Kimberly Bldg., A. Bonifacio cor. I. Emilia Ave., Iligan City, Lanao del Norte
DAVAO	103.5 mhz.	DXRV	FM	10kW	GMA Network Complex, Shrine Hills, Matina Davao City
	1125 khz	DXGM	AM	10kW	
GENERAL SANTOS	102.3 mhz.	DXCJ	FM	10kW	3/F PBC Bldg., Cagampang St. Gen. Santos City

### PROPERTIES INTENDED FOR ACQUISITION

As of the present, the Company does not intend to acquire any predetermined property within the next twelve (12) months.

### Item 3. Legal Proceedings

The Company and its subsidiaries are involved, from time to time, as plaintiff or defendant in litigation arising from transactions undertaken in the ordinary course of its business. Described below are the pending material litigation of which the Company and its subsidiaries or their

properties are subject. The Company believes that a judgment rendered against it in the cases indicated below will not have a material adverse effect on its operations or financial condition.

None of the Company's affiliates, or their property, namely, RGMA Network, Inc., Philippine Entertainment Portal, Inc. and Mont-Aire Realty and Development Corporation, are involved in any material pending litigation as of December 31, 2010.

### ***Labor Cases***

There is a pending case for illegal dismissal, unfair labor practices, non-payment of overtime pay, holiday pay, premium pay for holiday and rest day and night shift differential and service incentive leave pay filed by Carlos Pabriga, Geoffrey Arias, Kirby Campo, Arnold Lagahit and Armand Catibug. The complainants were engaged on various dates from 1993 to 1997 to replace regular employees of the Company's Cebu station who were on leave or otherwise unable to work. On August 24, 2000, the Labor Arbiter dismissed the complaints for illegal dismissal and unfair labor practices, but directed the Company to pay complainants their proportionate 13<sup>th</sup>-month pay. On appeal, the NLRC held that the complainants were regular employees with respect to the particular activity they were assigned until the activity ceased to exist and that they were entitled to separation pay, 13<sup>th</sup>-month pay, night shift differential and service incentive leave pay. The complainants claim that by virtue of this ruling, they are entitled to payment of a total of approximately ₱1.5 million as of March 2007. The Supreme Court denied our Petition and affirmed the findings of the Court of Appeals that complainants are regular employees of the Company. Execution proceedings are ongoing before the Labor Arbiter to determine the amount of the award for complainants.

There is also a case for illegal dismissal filed against GMA Marketing and Productions, Inc. ("GMPI"), another wholly-owned subsidiary of GMA Network, and its officers, Lizelle Maralag and Leah Nuyda initiated by Corazon Guison, a former Sales Director of GMPI. The complainant claimed that she was unceremoniously terminated from her employment sometime in May 2010 and is entitled to reinstatement as well as payment of full backwages, unpaid commissions and salaries, moral and exemplary damages and attorney's fees. On January 31, 2011, the Labor Arbiter rendered a decision finding for complainant Guison and ordered the respondents to pay P807,007.50 as backwages and P1,691,000.00 as separation pay, as well as attorney's fees. On appeal, the NLRC reversed the decision of the Labor Arbiter and ordered the dismissal of complainant's complaint. Complainant filed a Petition with the Court of Appeals where it is pending.

There is a case (NLRC LAC No. 02-000863-13[8]) for regularization filed by pinch-hitters or relievers of GMA, namely, Ricky F. Villarín, Danilo Dela Cruz, Rolin Pilante and Johnny Anito, Jr. against GMA Network, Inc. The Labor Arbiter rendered a decision declaring the relievers as regular employees of GMA. GMA appealed to the NLRC which denied the same. GMA's motion for reconsideration was likewise denied. Hence, GMA filed with the Court of Appeals a Petition for Certiorari docketed as CA.G.R. No.132455, The Court of Appeals rendered a Decision denying GMA's petition. GMA then filed a motion for reconsideration which is still pending to date.

There is a case (NLRC NCR Case No. 12-18557-12) for illegal dismissal, backwages, damages and attorney's fees filed by James Aaron Castillo Manalili against GMA, et al.. Complainant Manalili was a segment producer whose Talent Agreement was terminated for cause. The Labor Arbiter rendered a decision dismissing the complaint on the finding that there was no employer-employee relationship. Hence, there is no illegal dismissal. The Labor Arbiter also affirmed the validity of the termination of the Talent Agreement. However, the Labor Arbiter awarded 13<sup>th</sup> month pay in favor of Manalili. Hence, we filed a partial appeal for GMA. On appeal, the NLRC, affirmed the labor arbiter's decision but deleted the award of 13<sup>th</sup> month pay to complainant. Complainant's motion for reconsideration was likewise denied by the NLRC. Complainant filed a Petition with the Court of Appeals where it is pending.

There is a case (NLRC NCR Case No. 01-00024-13) for illegal dismissal and money claims filed by Christopher Cruz Legaspi against GMA and its executives. Complainant Legaspi is an employee of GMA who was dismissed for cause. The Labor Arbiter rendered a decision finding illegal dismissal. However, the decision was reversed on appeal by the NLRC. Complainant filed a motion for reconsideration which was also denied by the NLRC.

There is a case for regularization and illegal dismissal (NLRC NCR Case No. 04-05664-13[22]) filed by Henry T. Paragele, Roland Elly C. Jaso, et al. against GMA. Complainants are relievers/pinch hitters whose services were no longer availed of by GMA. The Labor Arbiter rendered a decision dismissing the complaint. Complainants filed an appeal to the NLRC. NLRC rendered a decision dismissing the appeal. Complainants filed a motion for reconsideration which was also denied by the NLRC. Complainants filed a Petition with the Court of Appeals where it is pending.

There is another case for illegal dismissal and money claims (NLRC CASE No. NCR-07-09875-13; NCR-07-10010-13; NCR-07-10135-13) filed by the drivers of GMA, namely, Marcelo S. Santiago and Serafin R. Palopalo, Jr., assigned to various programs and covered by Talent Agreements which expired and were no longer renewed. The Labor Arbiter rendered a decision dismissing the complaint on the ground that the Talent Agreements are fixed term employment contracts. Complainants appealed to the NLRC which reversed the Labor Arbiter's decision by declaring complainants as regular employees of GMA. We filed a motion for reconsideration which was also denied by the NLRC. We filed a Petition with the Court of Appeals where it is pending.

There is a case for illegal dismissal, backwages and other money claims (NLRC-NCR-07-09474-13) filed by former segment producer De Chaves against GMA. Complainant was terminated for cause by GMA. The Labor Arbiter rendered a decision dismissing the complaint. De Chavez appealed to the NLRC which denied her appeal and affirmed the Labor Arbiter's decision.

Another pending case for illegal dismissal and regularization (NLRC NCR 01-00164-14) was filed by former utility personnel Reynaldo Delos Santos Aranas, et.al against GMA/Atty. Felipe L. Gozon. Complainants' talent agreements were not renewed by GMA. Proceedings before the Labor Arbiter are pending.

There is a case for regularization (NLRC NCR Case No. 06-06683-14) filed by Christian Bochee M. Cabaluna, et al. against GMA/Atty. Felipe L. Gozon. Both parties filed their position papers and replies. After filing the replies, the labor arbiter considered the case submitted for decision/resolution. However, on February 24, 2015, we received a copy of complainant's Rejoinder. We are set to file our Sur-Rejoinder thereto.

### ***Infringement Cases***

The Company's officers, Felipe L. Gozon, Gilberto R. Duavit, Jr., Marissa L. Flores, Jessica A. Soho, Grace dela Peña-Reyes, John Oliver Manalastas, John Does and Jane Does were named as respondents in a criminal case initiated in June 2004 for copyright infringement before the City Prosecutor's Office of Quezon City and the Department of Justice ("DOJ"). The case was subsequently consolidated with the Company's counter charge for libel.

The respondents were charged in their capacities as corporate officers and employees of the Company responsible for the alleged unauthorized airing of ABS-CBN's exclusive live coverage of the arrival in the Philippines of Angelo dela Cruz, a Filipino overseas worker previously held hostage in Iraq. Aside from seeking to hold the named respondents criminally liable for infringement and unfair competition, ABS-CBN sought damages from the respondents jointly and severally in the aggregate amount of ₱200 million.

On July 27, 2004, the Company and certain of its officers filed a case for libel against certain officers of ABS-CBN for statements made in their programs Insider and Magandang Umaga Bayan relative to the incident involving the dela Cruz feed. The Company also seeks damages in the aggregate amount of ₱100 million.

In a Resolution dated December 3, 2004, the DOJ dismissed the complaint for libel against the ABS-CBN officers and employees and dropped the charges against the Company's officers except for Ms. Dela Peña-Reyes and Mr. Manalastas against whom the DOJ found probable cause for violation of the Intellectual Property Code. ABS-CBN filed a motion for partial reconsideration of the resolution on the grounds that the other named respondents were erroneously exonerated. The Company filed a petition for review with the DOJ with respect to the finding of probable cause against Ms. Dela Peña-Reyes and Mr. Manalastas and the dismissal of the case for libel which was denied. On August 1, 2005, the DOJ reversed the fiscal's resolution finding probable cause against Ms. dela Peña-Reyes and Mr. Manalastas and directed the fiscal to withdraw the Information. ABS-CBN filed a motion for reconsideration. Meanwhile, the DOJ issued a Resolution dated September 15, 2005 denying the Company's Petition for Review and ruling that ABS-CBN's officers and employees did not commit libel. The Company filed a motion for reconsideration.

On June 29, 2010, the DOJ issued a Resolution granting both the Company's and ABS-CBN's Motion for Reconsideration, and directing the filing of Information against ABS-CBN's officers and employees for libel. ABS-CBN moved for reconsideration which was denied by the DOJ. ABS-CBN filed a Petition with the Court of Appeals. In the meantime, an Information for libel

was filed by the Quezon City Prosecutor with the Regional Trial Court of Quezon City, Branch 88.

The Company elevated the DOJ's June 29, 2010 Resolution directly to the Court of Appeals via a Petition for Certiorari docketed as CA-G.R. SP No. 115751. On November 9, 2010, the Court of Appeals issued a decision granting the Company's Petition for Certiorari and reversing the DOJ Resolution dated June 29, 2010 and reinstating the DOJ Resolution dated August 1, 2005 which ordered the withdrawal of Information for copyright infringement. ABS-CBN filed a Petition with the Supreme Court where it is pending.

### **Civil Cases**

A case for damages was filed by Ronaldo Virola against Miguel Enriquez and the Company. Ronaldo Virola filed a case for damages arising from the airing of **Imbestigador** episodes showing the interviews of "Myra" and "Chona" who accused Virola of placing drugs in their drinks before molesting them. The said **Imbestigador** episodes also showed the raid conducted by operatives of Task Force Jericho of the Department of Interior and Local Government who applied for a warrant to search the residence of Virola. The complaint sought ₱800,000 in moral damages, ₱300,000 in exemplary damages, attorney's fees in the amount of ₱100,000 and the cost of suit. The Regional Trial Court of Caloocan dismissed the complaint after trial. Plaintiff appealed to the Court of Appeals which dismissed his appeal and affirmed the trial court's decision dismissing his complaint for damages.

On June 25, 2008, Mary the Queen Hospital filed a case for damages against the Company, Mike Enriquez as well as certain other members of the show, **Imbestigador**. The hospital alleged that the show damaged its reputation by falsely accusing them of illegally detaining a patient for failure to settle hospital bills. The hospital claimed a total of ₱ 5.5 million in moral, exemplary and temperate damages, as well as costs of the suit. The plaintiff is in the process of presenting its evidence.

Another case involved the Company and members of the show **Imbestigador**, stemmed from a story involving a police officer allegedly extorting money from arrested drug dependents, which ultimately led to his arrest. On September 4, 2008, the complaint sought to enjoin the airing of the story relating to his arrest by filing a case for injunction. However, the plaintiff's application for restraining order was denied by the RTC of Quezon City. Plaintiff then filed an amended complaint to include a claim for damages. The plaintiff is still presenting evidence before the trial court.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Market Information

#### **Stock Prices GMA7**

<u>Period</u> <u>2014</u>	<u>in</u>	<u>Highest</u> <u>Closing</u>	<u>Lowest</u> <u>Closing</u>
1Q		8.85	7.40
2Q		7.97	7.40
3Q		7.90	7.15
4Q		7.68	6.30

#### **Stock Prices GMAP**

<u>Period</u> <u>2014</u>	<u>in</u>	<u>Highest</u> <u>Closing</u>	<u>Lowest</u> <u>Closing</u>
1Q		9.00	7.78
2Q		8.00	7.30
3Q		7.45	6.82
4Q		6.95	5.99

The Company's common shares and Philippine Deposit Receipts have been listed with the Philippine Stock Exchange since 2007. The price information as of the close of the latest practicable trading date February 28, 2015; GMA7's closing price is P6.30 for GMA 7 and P6.19 for GMAP (PDRs).

### Holders

There are 1,702 holders of common equity as of March 31, 2015. The following are the top 20 holders of the common equity of the Company:

<b>Name of Shareholders</b>	<b>No. of Common Shares</b>	<b>Percentage of Total Common Shares</b>
GMA Holdings, Inc.	847,509,800	25.17%
Group Mgmt. & Development, Inc.	789,813,389	23.47%
FLG Management & Development Corp.	669,929,127	20.01%
M.A. Jimenez Enterprises, Inc.	453,882,095	13.49%
Television International Corp.	334,378,037	9.94%
PCD Nominee Corp.	216,180,446	6.43%
Gozon Development Corp.	14,033,954	0.42%
Gozon Foundation, Inc.	4,514,361	0.13%
Gilberto R. Duavit, Jr.	4,007,006	0.12%
Ismael Gozon	2,814,900	0.08%
Miguel Enrique Singson Roa	2,566,400	0.08%
Alegria R. Sibal	1,093,252	0.03%
Felipe S. Yalong	1,025,000	0.03%
Alberto Tio Ong	1,000,000	0.03%
Jose Mari L. Chan	872,000	0.03%
Judith Duavit Vazquez	588,000	0.02%
Anna Teresa G. Abrogar	529,000	0.02%
Jose P. Marcelo	501,498	0.01%
Jaime Javier Gana and/or Ma. Erlinda G. Gana	444,900	0.01%
Kong Yu Uychoi	350,000	0.01%

The following are the top 20 holders of the Company's preferred shares as of March 31, 2015:

<b>Name of Shareholders</b>	<b>No. of Preferred Shares</b>	<b>Percentage of Ownership of Total Preferred Shares</b>
Group Mgmt. & Development Inc.	2,625,805,308	35.0130%
FLG Management & Development Corp.	2,181,898,644	29.0939%
M.A. Jimenez Enterprises	1,508,978,826	20.1210%
Television International Corp.	1,111,661,610	14.8231%
Gozon Development Corp.	46,245,306	0.6166%
Gozon Foundation Inc.	15,020,670	0.2003%
Alegria F. Sibal	2,623,806	0.0350%
Jose P. Marcelo	1,203,594	0.0160%
Sotero H. Laurel	830,706	0.0111%
Nita Laurel Yupangco	830,706	0.0111%
Jose C. Laurel V	830,706	0.0111%
Juan Miguel Laurel	830,706	0.0111%
Susana Laurel-Delgado	830,706	0.0111%
Ma. Asuncion Laurel-Uichico	830,706	0.0111%
Horacio P. Borromeo	784,164	0.0105%
Francis F. Obana	105,120	0.0014%
Eduardo Morato	38,028	0.0005%
Antonio Gomez	30,420	0.0004%
Jose N. Morales	30,420	0.0004%
Paul Sim	30,420	0.0004%

The information presented does not relate to an acquisition, business combination or other reorganization.

#### Dividend Information

Dividends shall be declared only from the surplus profits of the corporation and shall be payable at such times and in such amounts as the Board of Directors shall determine, either in cash, shares or property of the Company, or a combination of the three, as said Board of Directors shall determine. The declaration of stock dividends, however, is subject to the approval of at least two-thirds of the outstanding capital stock. No dividend which will impair the capital of the Company shall be declared. The Company has no contractual restrictions which would limit its ability to declare any dividend.



### *Dividend History of the Company*

<u>Year</u>	<u>Amount</u>	<u>Date Declared</u>	<u>Type of Dividend</u>
2005	₱ 218,521,203.5	February 17, 2005	Cash and Property
2005	₱ 3,000,000,000.0	October 11, 2005	Stock
2006	₱ 1,150,000,000.0	June 13, 2006	Cash and Property
2007	₱ 1,500,000,000.0	March 19, 2007	Cash
2007	₱ 375,000,000.0	April 26, 2007	Stock
2007	₱ 1,000,000,000.0	July 2, 2007	Cash
2008	₱ 1,214,163,001.0	May 21, 2008	Cash
2009	₱ 1,701,069,453.0	April 2, 2009	Cash
2010	₱ 2,187,089,296.56	March 25, 2010	Cash
2010	₱ 1,215,049,069.20	October 28, 2010	Cash
2011	₱ 2,187,089,296.56	March 11, 2011	Cash
2012	₱ 1,944,079,375	April 16, 2012	Cash
2012	₱ 1,264,794,293	August 22, 2012	Cash
2013	₱ 1,215,049,609	March 21, 2013	Cash
2014	₱ 1,312,253,577	April 2, 2014	Cash
2015	₱ 1,215,049,609.20	March 30, 2015	Cash

The Company's Board of Directors has approved a dividend policy which will entitle holders of the Common Shares to receive annual cash dividends equivalent to a minimum of 50% of the prior year's net income based on the recommendation of the Board of Directors. Such recommendation will take into consideration factors such as the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves and working capital, among others. The cash dividend policy may be changed by the Company's Board of Directors at any time.

#### Recent Sales of Unregistered or Exempt Securities

No sale of unregistered or exempt securities of the Company has occurred within the past three years.

### **Item 6. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

The Management Discussion and Analysis provides a narrative of the Company's financial performance and condition that should be read in conjunction with the accompanying financial statements, which have been prepared in accordance with accounting principles generally accepted in the Philippines.

As discussed below, the Company's financial statements do not show any losses from operation and hence the Company has not taken any measures to address the same.

## KEY PERFORMANCE INDICATORS

The Company uses the following measures to assess its performance from period to period.

### **Ratings**

The performance of a program and/or network as a whole with respect to household ratings is the primary consideration for an advertiser in the Philippines to determine whether to advertise on a given program and/or network. AGB Nielsen, a media research firm, provides ratings to the Company on a subscription basis.

### **Load Factor**

Load factor refers to the amount of advertising minutes aired during the breaks in a program as a percentage of the total minutes available for advertisement. The load factor is an indication of a program's or a timeblock's ability to sell advertising minutes. Load factor statistics are internally generated, although certain third parties monitor such statistics.

### **Signal reach/coverage**

The ability to reach a greater number of viewers is a part of the Company's strategy to provide its advertisers with more value for their advertising expenditures. The Company frequently assesses its signal strength and coverage by conducting field intensity surveys and tests.

### **Subscriber count**

Subscriber count is the key performance indicator for the Company's initiatives in the international cable arena to diversify its revenue base beyond advertising revenues. The number of subscribers to the Company's GMA Pinoy TV, GMA Life TV and GMA News TV International form the benchmark for measuring the success of this service. The Company makes internal assessments to determine the market potential for each new initiative and sets a subscriber count target accordingly.

### **Cost control**

The Company is continuously searching for ways to control costs and to improve efficiency. The Company has established systems and procedures to monitor costs and measure efficiency and has launched various initiatives and activities in relation to these efforts.

## FINANCIAL AND OPERATIONAL RESULTS

### For the Year Ended December 31, 2014

GMA Network and its subsidiaries (GMA/the Company) concluded 2014 with consolidated revenues at ₱11,983 million, 7% or nearly a billion shy compared to prior year's ₱12,951 million top line. Without some ₱724 million worth of non-recurring revenues from the 2013 mid-term elections which boosted prior year's top line – revenues for the twelve-month period in 2014 nonetheless trailed behind, albeit by only 2% or ₱244 million.

The Company incurred total operating expenses (OPEX) amounting to ₱10,574 million in 2014, yielding a flat growth vis-à-vis 2013 spending. In fact, cash OPEX even contracted by ₱136 million or 1%, which was offset by the hike in non-cash spending by ₱144 million.

With the foregoing results, consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) for 2014 concluded at ₱2,925 million, lower than last year by ₱794 million or 21% with the shortfall in the top line accounting for the drag. Similarly, consolidated net income sealed at ₱1,010 million, down ₱665 million or 40% year-on-year. The rise in non-cash operating expenses took its toll in further trimming down this year's bottom line.

<b>Income Data</b>	<b>2014</b> <i>(in millions PhP)</i>	<b>2013</b> <i>(in millions PhP)</i>	<b>Inc/(Dec)</b> <i>(in millions PhP)</i>	<b>%</b>
<b>Revenues</b>				
Television and radio airtime	<b>10,678.9</b>	11,726.8	(1,047.9)	-9%
Production and others	<b>1,304.0</b>	1,224.1	79.9	7%
	<b>11,982.9</b>	12,950.9	(968.0)	-7%
<b>Total operating expenses</b>	<b>10,573.8</b>	10,565.3	8.4	0.1%
<b>EBITDA</b>	<b>2,924.5</b>	3,718.2	(793.7)	-21%
<b>Net income</b>	<b>1,009.5</b>	1,675.0	(665.5)	-40%
<i>Attributable to Equity Holders of Parent Company</i>	<b>1,004.7</b>	1,666.9	(662.3)	-40%
<i>Noncontrolling Interest</i>	<b>4.9</b>	8.0	(3.2)	-39%

### Revenues

Consolidated revenues for the year 2014 reached ₱11,983 million, lower than prior period by 7% or ₱968 million as 2013 top line was boosted by the windfall from the mid-term elections that year. Airtime revenues provided the drag with a 9% drop partly cushioned by the rise in revenues from other sources which grew by 7%.

<b>Revenues</b>	<b>2014</b> <i>(in millions PhP)</i>	2013 <i>(in millions PhP)</i>	Inc/(Dec) <i>(in millions PhP)</i>	%
Television and radio airtime	<b>10,678.9</b>	11,726.8	(1,047.9)	-9%
Production and others	<b>1,304.0</b>	1,224.1	79.9	7%
	<b>11,982.9</b>	12,950.9	(968.0)	-7%

Airtime revenues pulled down combined topline, dropping by 9% or ₱1,048 million compared with 2013's full year performance. Biggest setback was seen in banner platform, Ch-7, which ended the year with a shortfall in revenues by 10%. After discounting the impact of political ads in 2013, the channel finished off only 4% less vs. recurring revenues of prior period.

Radio operations was more upbeat -- while revenues remained flat year-on-year, the platform exhibited a 6% hike in sales vis-à-vis recurring revenues in 2013. On a more positive note, leading free-to-air news channel, GNTV-11, wrapped up with recurring revenues ahead of prior period by 6%. Lastly, sales from Regional TV operations edged 2013 results by 2% even after carving out election-related placements. Moreover, discounting the impact of political ads, Regional TV improved sales from regular advertisers by 10% year-on-year.

Ratings-wise, GMA ended 2014 on a strong note as it ruled over competition in full year Urban Luzon and Mega Manila, according to the industry's widely-trusted ratings service provider Nielsen TV Audience Measurement.

Based on full year 2014 ratings, GMA reaffirmed its total day household shares supremacy in the viewer-rich areas of Urban Luzon and Mega Manila, while leading across all dayparts including the highly contested primetime slot in both areas.

In Urban Luzon, which accounts for 77 percent of the total urban TV households nationwide, GMA recorded an average total day household audience share of 36.4 percent, surpassing ABS-CBN's 31.3 percent by 5.1 points, and TV5's 10.1 percent by 26.3 points.

GMA also posted a commanding 37.6 percent in Mega Manila, higher than ABS-CBN's 28.8 percent by 8.8 points, and TV5's 10.9 percent by 26.7 points. Mega Manila represented 60 percent of all urban TV households in the country in 2014.

Moreover, GMA scored higher nationwide shares than rival networks in the daytime blocks based on data covering the entire year. In the morning block, GMA registered 31.7 percent against ABS-CBN's 29.9 percent and TV5's 12.9 percent; while in the afternoon block, GMA posted 34.8 percent versus ABS-CBN's 32.5 percent and TV5's 11.1 percent. GMA subscribes to the Nielsen TV Audience Measurement service, while ABS-CBN is the lone local major TV network that subscribes to Kantar Media, formerly known as TNS. Nielsen data is gathered through a greater number of sampled homes nationwide in comparison to Kantar Media.

In the meantime, revenues from other businesses showed improvements by recording a 7% or ₱80 million hike to ₱1,304 million compared to a year ago. The Company's international operations continued to gain ground worldwide with revenues climbing by 10% as GMA Pinoy

TV, GMA Life TV and GMA News TV International grew subscriber count by 4%, 8% and 59%, respectively. While the US remained the biggest area of concentration, Canada has been the primary source of growth for the platform in terms of new subscribers.

At the same time, audiences in Vietnam, Cambodia, Malaysia, and Nigeria, (to name a few) continue to enjoy popular *Kapuso* programs as GMA Worldwide, the global content distribution and acquisition arm of the Network, sold an aggregate 2,052 hours of locally-produced programs and movies, consequently increasing distribution revenues by 21% year-on-year. These were, however, partly weighed down by the decline in theatrical receipts as there were far less movies produced by GMA Network Films, Inc. in 2014 compared to previous year.

## Expenses

Total operating expenses for the year amounted to ₱10,574 million, about the same as 2013's ₱10,565 million. Total direct costs (cash and non-cash production costs) in fact even contracted by ₱346 million or 6%, but were equalized by the escalation in general and administrative expenses (GAEX) by ₱354 million or 8%.

Production costs (both cash and non-cash) comprising 53% of total costs wrapped up at ₱5,552 million, lower than previous year by ₱346 million or 6%. Cash production cost settled at ₱4,600 million even below 2013 spending by ₱444 million or 9%. This was partly offset by the rise in non-cash direct cost by ₱98 million or 12%. In particular, amortization of program rights grew by ₱81 million or 14% to ₱647 million attuned to the change in programming mix during the early part of the year which featured canned movies in selected slots during the weekday evening and afternoon primetime blocks vice station-produced programs.

<b>Production Costs</b>	<b>2014</b> <i>(in millions PhP)</i>	2013 <i>(in millions PhP)</i>	Inc/(Dec) <i>(in millions PhP)</i>	%
Talent fees	<b>2,738.8</b>	3,043.9	(305.0)	-10%
Rentals and outside services	<b>740.4</b>	819.2	(78.8)	-10%
Other program expenses	<b>1,121.2</b>	1,181.8	(60.6)	-5%
<b>Sub-total - Cash Production Costs</b>	<b>4,600.4</b>	5,044.8	(444.4)	-9%
Program rights amortization	<b>646.7</b>	565.4	81.3	14%
Depreciation and amortization	<b>304.7</b>	287.6	17.2	6%
<b>Sub-total - Non-cash Production Costs</b>	<b>951.4</b>	852.9	98.5	12%
<b>Total production costs</b>	<b>5,551.8</b>	5,897.7	(345.9)	-6%

General and administrative expenses (GAEX) by the end of the year wrapped up at ₱5,022 million, equivalent to a 8% or ₱354 million increase vs. the same period in 2013. Personnel cost was the main driver for the rise in spending brought about by the one-time signing bonus given to R&F employees in relation to the recently concluded Collective Bargaining Agreement and appreciation bonus granted to confidential employees. Without this non-recurring expense,

total GAEX climbed by only 2%. Manpower count has practically remained at about the same level with only a 3% increase in regular employees between periods.

Taxes and licenses likewise scaled to ₱232 million, higher by ₱91 million or 65% due to the rise in business taxes and payout of prior years' tax deficiency assessments. These increases were partly cushioned by the reduction seen in Outside services (such as advertising & promotions, marketing fees and research and survey) and from lower Facilities costs, particularly repairs & maintenance expenses.

Other increase in GAEX was seen in depreciation and amortization mostly in the Company's facilities, furniture and fixture and computers.

<b>General and Administrative Expenses</b>	<b>2014</b> <i>(in millions PhP)</i>	<b>2013</b> <i>(in millions PhP)</i>	<b>Inc/(Dec)</b> <i>(in millions PhP)</i>	<b>%</b>
Personnel costs	<b>2,528.8</b>	2,170.2	358.6	17%
Outside services	<b>422.2</b>	507.7	(85.6)	-17%
Facilities costs	<b>592.0</b>	665.0	(73.0)	-11%
Taxes and licenses	<b>231.9</b>	140.7	91.2	65%
Others	<b>751.5</b>	734.2	17.2	2%
<b>Subtotal - Cash GAEX</b>	<b>4,526.3</b>	4,217.9	308.5	7%
Depreciation and amortization	<b>471.6</b>	417.9	53.7	13%
Provision for doubtful accounts	<b>0.7</b>	0.8	(0.1)	-16%
Amortization of software costs	<b>23.4</b>	31.0	(7.6)	-25%
<b>Subtotal - Non-cash GAEX</b>	<b>495.6</b>	449.7	45.9	10%
<b>Total GAEX</b>	<b>5,022.0</b>	4,667.6	354.4	8%

## **EBITDA**

Earnings before interest, taxes, depreciation and amortization (EBITDA) sealed at ₱2,925 million, recording a 21% or ₱794 million reduction from prior year. Even as cash operating costs wrapped up lower in 2014 vs. a year ago, this was not enough to compensate for the shortfall in the topline

## **Net Income**

Net income was pushed back to ₱1,010 million, down ₱665 million or 40% from 2013's ₱1,675 million with the reduction in revenues year-on-year as the main culprit.

## **Balance Sheet Accounts**

Total assets as at end-2014 stood at ₱14,021 million, reflecting a 7% increase from end-2013's ₱13,084 million.

Cash and cash equivalents dropped to ₱1,599 million, 9% or ₱151 million less than the ₱1,750 million recorded as at December 31, 2013. On the other hand, trade and other receivables sealed at ₱4,638 million, 32% higher than previous year. Trade days-sales-outstanding (DSO)

closed the year 2014 at 114 days, 22 days longer than the recorded DSO of 92 days at end-2013.

Total liabilities climbed by 36% or ₱1,529 million as at end-December this year to ₱5,787 million from ₱4,529 million in 2013 mainly from additional availments of short-term loans from ₱1,107 million last year to ₱2,223 million as at end-2014.

Equity attributable to Parent Company stockholders of ₱8,191 million dipped by 7% or ₱598 million in between years arising from dividend declared in 2014 of ₱1,312 million, aggravated by lower net income earned during the year.

<b>Cash Flows</b>	<b>2014</b> <i>(in millions PhP)</i>	2013 <i>(in millions PhP)</i>
Net cash provided by operating activities	<b>661.9</b>	3,055.3
Net cash used in investing activities	<b>(553.1)</b>	(666.1)
Net cash used in financing activities	<b>(262.0)</b>	(1,941.7)
Effect of exchange rate changes on cash and cash equivalents	<b>2.3</b>	14.8
Net increase (decrease) in cash and cash equivalents	<b>(150.8)</b>	462.3
Cash and cash equivalents at beginning of period	<b>1,749.6</b>	1,287.3
<b>Cash and cash equivalents at end of period</b>	<b>1,598.8</b>	1,749.6

### **Operating Activities**

Net cash from operations registered at ₱662 million in 2014. This resulted from income before income tax of ₱1,457 million, adjusted mainly by depreciation expense of ₱776 million, program and other rights usage of ₱647 million, pension expense of ₱163 million, interest expense and financing charges of ₱36 million and amortization of software costs of ₱31 million apart from the changes in working capital. The primary components of the changes in working capital included the ₱1,115 million increase in trade and other receivables, partly offset by the ₱149 million rise in trade payables and other current liabilities.

### **Investing Activities**

Net cash used in investing activities amounted to ₱553 million, coming primarily from the ₱599 million net additions to property and equipment and ₱22 million worth of software costs. These were partly offset by the ₱75 million and ₱2 million proceeds from sale of property and equipment and investment properties, respectively.

### **Financing Activities**

Net cash used in financing activities amounted to ₱262 million basically due from the loan payment of ₱1,107 million and cash dividend payout amounting to ₱1,311 million during the year, plus some ₱35 million in interest expense netted by ₱2,192 million remaining proceeds from short-term loans.

## FINANCIAL AND OPERATIONAL RESULTS

### For the Year Ended December 31, 2013

Buoyed by election-related advertisements during the first half of the year, GMA Network, Inc. and its subsidiaries (GMA/the Company) sealed 2013 consolidated revenues at ₱12,951 million, ahead by 7% over last year. Airtime sales which comprised 91% of total revenues grew by ₱ 879 million or 8% year-on-year. On the other hand, revenues from other businesses slightly dipped by ₱14 million or 1%.

Spending-wise, the Company hiked total operating expenses to ₱10,565 million, up ₱762 million or 8% against a year ago. Production cost drove the increase in the pursuit of mounting value-creating and high-caliber programs as well in delivering one of the most comprehensive 2013 election coverages via *Eleksyon 2013*. In the same manner, general and administrative expenses (GAEX) recorded growth, albeit at a low single-digit rate, owing mainly to the rise in facilities costs.

Earnings before interest, taxes, depreciation and amortization (EBITDA) closed at ₱3,718 million, recording an improvement of ₱297 million or 9% from a year ago. The rise was boosted by the improvement in this year's top line coupled with managed growth in cash operating costs. Bottom line attributable to equity holders of the Parent Company amounted to ₱1,667 million, ₱ 50 million or 3% higher compared to same period last year.

<b>Income Data</b>	<b>2013</b> <i>(in millions PhP)</i>	2012 - as restated <i>(in millions PhP)</i>	Inc/(Dec) <i>(in millions PhP)</i>	%
<b>Revenues</b>				
Television and radio airtime	<b>11,738.6</b>	10,859.9	878.7	8%
Production and others	<b>1,212.3</b>	1,226.0	(13.8)	-1%
	<b>12,950.9</b>	12,085.9	864.9	7%
<b>Total operating expenses</b>	<b>10,565.3</b>	9,803.8	761.5	8%
<b>EBITDA</b>	<b>3,718.2</b>	3,421.2	297.0	9%
<b>Net income</b>	<b>1,675.0</b>	1,620.8	54.2	3%
<i>Attributable to Equity Holders of Parent Company</i>	<b>1,666.9</b>	1,616.9	50.1	3%
<i>Noncontrolling Interest</i>	<b>8.0</b>	3.9	4.1	107%

### **Revenues**

Consolidated revenues of ₱12,951 million overtook last year by 7% or ₱865 million. Airtime revenues drove the growth in the top line, boosted by election-related advertisements earlier this year amounting to about ₱724 million. On the other hand, revenues from other sources retracted by 1% or some ₱14 million in between periods.



<b>Revenues</b>	<b>2013</b> <i>(in millions PhP)</i>	2012 - as restated <i>(in millions PhP)</i>	Inc/(Dec) <i>(in millions PhP)</i>	%
Television and radio airtime	<b>11,738.6</b>	10,859.9	878.7	8%
Production and others	<b>1,212.3</b>	1,226.0	(13.8)	-1%
	<b>12,950.9</b>	12,085.9	864.9	7%

Airtime revenues tipped ₱11,739 million recording an increase of ₱878 million or 8% vs. a year ago. Discounting incremental sales from political advocacies and advertisements, the improvement in regular airtime revenue inched up by a percentage point year-on-year.

Core channel, GMA 7, contributed the bulk of the Company's total revenues recording a 7% upswing from last year. Election-related placements for the channel were at ₱676 million this year vs. ₱62 million last 2012 -- without which, airtime sales from recurring load inched up by a hairline.

Meanwhile, Regional TV continued to pick up steam sealing the year with a top line hike of 27% versus comparative period. While local political ads pitched in incremental sales during the period, it was still the significant improvement in regular ad placements that propelled the platform's top line gains. Partly accounting for this increase were the opening of additional originating stations in the region during middle of 2012 and first quarter of 2013.

The Company also dominated viewer-rich Urban Luzon and Mega Manila in all dayparts in 2013, effectively keeping its commanding lead over rival networks, according to data from the industry's leading ratings service provider Nielsen TV Audience Measurement.

From January to December 2013, GMA recorded an average total day audience share of 36 percent in Urban Luzon, which makes up 76 percent of the total urban television households in the country, impressively ahead of ABS-CBN's 30.8 percent by 5.2 points and of TV5's 12.8 percent by 23.2 points.

The Kapuso Network similarly kept its ratings edge in its bailiwick Mega Manila with a 37.2 percent average total day audience share. ABS-CBN trailed behind GMA by 8.4 points with 28.8 percent while TV5 was behind by 23.5 points with only 13.7 percent. Mega Manila notably accounts for 59 percent of all urban television households nationwide.

GMA captured majority in the list of top-performing programs (including specials) in Mega Manila with 17 out of 30. Following closely behind the Pacquiao-Rios fight and *Anna Karenina* in the top 10 are *KMJS*, *GMA Flash Report: Pangulong Aquino*, *Hindi Kami Nagnakaw at Hindi Kami Magnanakaw*, primetime soap *Mundo Mo'y Akin* and weekly drama anthology *Magpakailanman*.

GMA and TV5 subscribe to Nielsen TV Audience Measurement while ABS-CBN is the lone local major TV network that reportedly subscribes to Kantar Media, formerly known as TNS. In Mega Manila, Nielsen TV Audience Measurement gathers data based on a sample size of 1,190 homes as compared to Kantar Media's 770 homes. Meanwhile, Nielsen has a nationwide urban sample size of 2,000 homes, which is statistically higher than Kantar's sample size of 1,370.

The Company's second free-to-air channel, GNTV-11, was also on a roll as it wrapped up the year with the highest top line improvement percentage-wise equivalent to 34% more than a year ago. Barely aided by political ad placements during the period, the channel's increase was driven by the growth in recurring advertisements.

Meanwhile, its Radio business likewise edged last year's showing by pitching in revenues 11% better than 2012 contribution. Stripping election-related sales, Radio's revenues from regular advertising load still ended higher by 3% from last year.

Lastly, revenues from subsidiaries' operations and others recorded a reduction of ₱14 million or 1% by the close of the year. The Company's international operations registered moderate top line growth by 2% both in peso and dollar terms as the average forex rate remained about the same year-on-year. While subscriber count grew by 7% in North America which accounted for a little over 90% of the total subscriber base, a decline in subscriber take up was seen in the ASPAC and MENA regions, mainly due to transitioning of cable partners in view of improved margins in the long run. On the other hand, negating the slight gains posted by this segment, alongside with modest contribution from other subsidiaries, main drag came from the drop in theatrical receipts and other revenues of GMA Films. The outfit did not have any offering to the 2013 Metro Manila Film Festival (MMFF) vs. 2012 entries *Sosy Problems* and co-prod *Si Agimat, Si Enteng Kabisote and Me*. Moreover, there was only one movie produced in 2013, *My Lady Boss* in contrast to four last year, via *My Kontrabida Girl, The Witness, Boy Pick-up* and *Just One Summer*.

## **Expenses**

Total operating expenses for the year amounting to ₱10,565 million edged last year by 8%. Total direct costs (cash and non-cash production costs) escalated by 13% while general and administrative expenses (GAEX) stood about the same as last year.

Production costs (both cash and non-cash) comprising 56% of total costs hiked 13% or ₱671 million in 2013 vs. last year. Cash production cost rose by ₱533 million or 12% while non-cash (amortization of film rights and depreciation related to production) climbed 19% or ₱138 million. Primetime weekday programs this year were more costly, with the yet another trailblazer in Philippine television via the highly-budgeted series *Indio*, staged during the first half of this year. In the same manner, there were more in-house produced shows in the weekend grid replacing last year's *Kapuso Movie Nights* i.e. the re-launch of the top-rating real-life drama program *Magpakailanman* early this year. The weekday late morning block likewise carried more station-produced programs vice canned programs. Lastly, the comprehensive and timely delivery of the election coverage this year resulted in incremental expenses which also saddled this year's production costs.

<b>Production Costs</b>	<b>2013</b> <i>(in millions PhP)</i>	2012 - as restated <i>(in millions PhP)</i>	Inc/(Dec) <i>(in millions PhP)</i>	%
Talent fees	<b>3,102.5</b>	2,809.3	293.3	10%
Rentals and outside services	<b>819.2</b>	690.3	128.9	19%
Other program expenses	<b>1,181.8</b>	1,071.0	110.8	10%
<b>Sub-total - Cash Production Costs</b>	<b>5,103.5</b>	4,570.6	532.9	12%
Program rights amortization	<b>565.4</b>	460.9	104.4	23%
Depreciation and amortization	<b>287.6</b>	253.6	34.0	13%
<b>Sub-total - Non-cash Production Costs</b>	<b>852.9</b>	714.5	138.4	19%
<b>Total production costs</b>	<b>5,956.4</b>	5,285.1	671.2	13%

Amortization of film rights likewise exhibited an increase of ₱104 million or 23% compared to prior period as a result of higher charges from the inventory of films carried by the Network. Apart from this, incidental costs were further incurred for dubbing of movies in *Tagalog* to cater to viewer preference. Other sources of this year's increase in direct cost came from depreciation owing to the earlier-mentioned commissioning of new studios in the regions and from major renovations/ upgrade of other broadcast facilities nationwide.

General and administrative expenses (GAEX) for this year reached ₱4,609 million, inching up by 2% from same period last year. Cash GAEX grew even lower by 1% partly dragged by the rise in non-cash expenses by 7%. While manning complement for the Network alone recorded an augmentation of 6%, on top of the yearly adjustment in salaries, the rise in cost was mitigated by the presence of signing bonus during last year's collective bargaining agreement as well as higher bonuses.

<b>General and Administrative Expenses</b>	<b>2013</b> <i>(in millions PhP)</i>	2012 - as restated <i>(in millions PhP)</i>	Inc/(Dec) <i>(in millions PhP)</i>	%
Personnel costs	<b>2,111.5</b>	2,138.6	(27.0)	-1%
Outside services	<b>665.0</b>	658.6	6.4	1%
Facilities costs	<b>507.7</b>	432.2	75.5	17%
Taxes and licenses	<b>140.7</b>	143.6	(2.9)	-2%
Others	<b>734.2</b>	725.6	8.6	1%
<b>Subtotal - Cash GAEX</b>	<b>4,159.2</b>	4,098.7	60.5	1%
Depreciation and amortization	<b>417.9</b>	356.4	61.5	17%
Amortization of software costs	<b>31.0</b>	27.7	3.3	12%
<b>Subtotal - Non-cash GAEX</b>	<b>449.7</b>	419.9	29.8	7%
<b>Total GAEX</b>	<b>4,608.9</b>	4,518.6	90.3	2%

Other increase in GAEX was seen mostly in facilities costs partly due to rise in contractual agreements and regular upkeep and improvements company-wide.

## EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) closed at ₱3,718 million, recording 9% improvement from a year ago. The growth was boosted by the hike in this year's top line coupled with managed growth in cash operating costs.

### Net Income

The improvement in EBITDA was further trimmed down by the hike in non-cash expense during the period. Thus, bottom line attributable to equity holders of the Parent Company amounting to ₱1,667 million settled 3% more than same period last year.

### Balance Sheet Accounts

Total assets as at end-2013 stood at ₱13,084 million, reflecting a 3% increase from end-2012's ₱12,682 million (as restated due to consolidation of RGMA Network).

Cash and cash equivalents climbed to ₱1,750 million, 36% or ₱462 million more than the ₱1,287 million recorded as at December 31, 2012. On the other hand, trade and other receivables sealed at ₱3,521 million, 8% lower than previous year. Trade days-sales-outstanding (DSO) improved by 21 days to 92 days at end-2013 vs. 113 days at the close of 2012.

Land at revalued amounts climbed by 28% or ₱396 million to ₱1,805 million mainly resulting from the most recent appraisal.

Total liabilities dipped by 6% or ₱214 million as at end-December this year to ₱4,259 million from ₱4,533 million in 2012 with the reduction in notes payable from ₱1,700 million to ₱1,107 million as the main driver.

Equity of ₱8,788 million grew by 8% or ₱668 million in between years arising from net income earned during the year and the recognition of net revaluation increment in land of ₱277 million.

<b>Cash Flows</b>	<b>2013</b> <i>(in millions PhP)</i>	2012 - as restated <i>(in millions PhP)</i>
Net cash provided by operating activities	<b>3,055.3</b>	2,605.5
Net cash used in investing activities	<b>(666.1)</b>	(995.7)
Net cash used in financing activities	<b>(1,941.7)</b>	(1,548.0)
Effect of exchange rate changes on cash and cash equivalents	<b>14.8</b>	(3.2)
Net increase in cash and cash equivalents	<b>462.3</b>	58.6
Cash and cash equivalents at beginning of period	<b>1,287.3</b>	1,228.7
<b>Cash and cash equivalents at end of period</b>	<b>1,749.6</b>	1,287.3

### Operating Activities

Net cash from operations registered at ₱3,055 million this year. This resulted from income before income tax of ₱2,387 million adjusted mainly by depreciation expense of ₱705 million, program and other rights usage of ₱565 million, net movement of pension liability of ₱112 million, interest expense and financing charges of ₱53 million, net unrealized foreign currency exchange of ₱45 million and amortization of software costs of ₱31 million apart from the changes in working capital. The primary components of the changes in working capital include the ₱333 million reduction in trade and other receivables owing to more aggressive collection efforts partly offset by the ₱585 million acquisition of program and other rights.

### **Investing Activities**

Net cash used in investing activities amounted to ₱666 million, coming primarily from the ₱673 million additions to property and equipment and ₱12 million worth of software costs. These were partly offset by the ₱13 million proceeds from sale of property and equipment and investment properties.

### **Financing Activities**

Net cash used in financing activities amounted to ₱1,942 million basically for the loan payment of ₱2,500 million and cash dividend payout amounting to ₱1,214 million during the year plus some ₱53 million in interest expense netted by ₱1,825 million remaining proceeds from short-term loans.

## **KEY VARIABLE AND OTHER QUALITATIVE OR QUANTITATIVE FACTORS**

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

As of December 31, 2014, there were no known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

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

As of December 31, 2014, there were no events which may trigger a direct or contingent financial obligation that is material to the Company.

- iii. Material off-balance-sheet transactions, arrangements, obligations (including contingent obligations), and other relations of the company with unconsolidated entities or other persons created during the reporting period.

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

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

For 2015, the parent company has allotted ₱935 million for capital expenditures. This will be financed by internally-generated funds.

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

GMA Network's results of operations depend largely on the ability to sell airtime for advertising. The Company's business may be affected by the general condition of the economy of the Philippines.

- vi. Significant elements of income or loss that did not arise from the Company's continuing operations.

As of December 31, 2014, there were no significant elements of income or loss that did arise from the issuer's continuing operations.

- vii. Causes for Material Changes in the Financial Statements

Balance Sheet (December 31, 2014 vs. December 31, 2013)

- Cash and short-term investments dipped by 9% to ₱1,599 million at year-end which is directly attributed to this year's result of operation.
- Receivables grew by ₱1,284 million or 36% as a result of higher sales than collections.
- Short-term loans increased by 101% as availments made are higher at ₱2,185 million vs. payments of only ₱1,100 million.
- The 78% drop in income tax payable resulted from advance payment of income tax related to pay-before-broadcast receivables as part of taxable balance in 2013.

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

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

## Interim Periods

The Company currently cannot make available the financial information for the first quarter of 2015. The Company however, undertakes to submit its SEC Form 17-Q on or before May 15, 2015 and to make the same available upon request during the Company's Annual Stockholders' Meeting.

## **Item 7. Financial Statements**

**Refer to attached copy.**

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

The Audit and Risk Management Committee reviews the fee arrangements with the external auditor and recommends the same to the Board of Directors. The Company's Audit Committee was formed in 2007 and was formally organized during the latter portion of that year. The members of the Audit Committee are as follows:

Dr. Jaime C. Laya (Chairman)  
Chief Justice Artemio V. Panganiban  
Anna Teresa M. Gozon-Abrogar  
Judith D. Vasquez  
Laura J. Westfall

The Audit and Risk Management Committee has recommended the appointment of Sycip Gorres Velayo and Co., as the external auditor of the Company. The Sycip Gorres Velayo & Co. has acted as the Company's external auditors since 1994. The same accounting firm is being recommended for re-election at the scheduled annual meeting.

The Company has not had any disagreements on accounting and financial disclosures with its current external auditors during the two most recent fiscal years or any subsequent interim period.

Sycip Gorres Velayo & Co. has no shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

## AUDIT AND AUDITED RELATED FEES

The aggregate fees billed for each of the last two years for professional services rendered by Sycip Gorres Velayo and Co., amounted to P6.0 million both in 2013 and 2012 (these included the fees related to financial audit and services for general tax compliance).

## TAX FEES

There was no specific engagement availed by the Company for purely tax accounting. The total fees of P6.0 million already included basic tax review.

## ALL OTHER FEES

Other than the foregoing services, no other product or service was provided by the external auditor to the Company.

## PART III - CONTROL AND COMPENSATION INFORMATION

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

#### Board of Directors, Officers and Senior Management

Under the Articles of Incorporation of the Company, the Board of Directors of the Company comprises nine directors, two of whom are independent. The Board is responsible for the overall management and direction of the Company and meets regularly every quarter and other times as necessary, to be provided with updates on the business of the Company and consulted on the Company's material decisions. The directors have a term of one year and are elected annually at the Company's stockholders meeting. A director who was elected to fill a vacancy holds the office only for the unexpired term of his predecessor. As of March 31, 2015, the Company's Board of Directors and Senior Management are composed of the following:

Board of Directors				Senior Management		
Directors and Senior Management	Nationality	Position	Year Position was Assumed	Position	Year Position was Assumed	Age
Felipe L. Gozon	Filipino	Chairman/ Director	1975	Chief Executive Officer	2000	75
Michael John R. Duavit	Filipino	Director	2015	N/A	N/A	45
Gilberto R. Duavit, Jr.	Filipino	Director	1999	President/Chief Operating Officer	2010	51



Anna Teresa M. Gozon-Abrogar	Filipino	Director/ Assistant Corporate Secretary	2000	N/A	N/A	43
Joel Marcelo G. Jimenez	Filipino	Director	2002	N/A	N/A	51
Laura J. Westfall	Filipino	Director	2002	N/A	N/A	47
Felipe S. Yalong	Filipino	Director/ Corporate Treasurer	2002	Executive President	Vice 2011	58
Roberto O. Parel	Filipino	Corporate Secretary	1993	N/A	N/A	59
Marissa L. Flores	Filipino	N/A	N/A	Senior President, News and Public Affairs	Vice 2004	51
Ronnie P. Mastrili	Filipino	N/A	N/A	Senior President for Finance and ICT	Vice 2013	49
Lilybeth Rasonable G.	Filipino	N/A	N/A	Senior President for Entertainment TV	Vice 2013	50
Artemio Panganiban V.	Filipino	Independent Director	2007	N/A	2007	78
Jaime C. Laya	Filipino	Independent Director	2007	N/A	2007	76
Elvis B. Ancheta	Filipino	N/A	N/A	Senior President and Head, Engineering Group; Head, Transmission and Regional Engineering Department	Vice 2014	48

The following are descriptions of the business experiences of the Company's directors, officers and senior management:

**Felipe L. Gozon**, Filipino, 75 years old, is the Chairman of the Board of Directors and Chief Executive Officer of the Network.

Atty Gozon is a Senior Partner at the Law Firm of Belo Gozon Elma Parel Asuncion & Lucila. Aside from GMA Network, Inc., he is also Chairman and CEO of GMA Marketing and Productions, Inc. and GMA New Media, Inc.; Chairman and President of FLG Management and Development Corp., and Mont-Aire Realty and Development Corp.; Chairman of Alta Productions Group, Inc., Citynet Network Marketing and Productions, Inc., Philippine Entertainment Portal, Inc., Justitia Realty and Management Corp., Palawan Power Generation, Inc., Catanduanes Power Generation, Inc., Sycamore Global Shipping Corporation, Sycamore International Shipping Corporation, Cardinal Agri Products, Inc., and RGMA Network, Inc.; Vice Chairman of Malayan Savings and Mortgage Bank; President of, among other companies, Gozon Development Corp., Gozon Realty Corp., Antipolo Agri-Business and Land Development Corp., Capitalex Holdings, Inc., BGE Holdings, Inc., Philippine Chamber of Commerce and Industry, Chamber of Commerce of the Philippine Islands and President of Lex Realty, Inc. He serves as Chairman of the Board of Trustees of GMA Kapuso Foundation, Inc., Kapwa Ko Mahal Ko Foundation, Inc., and The Potter and Clay Christian School Foundation, Inc.; Chairman and President of Gozon Foundation; and Trustee of Bantayog ng mga Bayani Foundation. Gozon is also an Advisory Board Member of the Asian Television Awards.

Atty. Gozon is a recipient of several awards for his achievement in law, media, public service, and business, including the prestigious Chief Justice Special Award given by the Chief Justice of the Philippines (1991), Presidential Award of Merit given by the Philippine Bar Association (1990 & 1993), CEO of the Year given by Uno Magazine (2004), Master Entrepreneur – Philippines (2004) by Ernst and Young, Outstanding Citizen of Malabon Award for Legal and Business Management by the Kalipunan ng Samahan sa Malabon (KASAMA) (2005), People of the Year by People Asia Magazine (2005), Outstanding Manilan Award in the field of Social Responsibility and Broadcasting given by the City Government of Manila (2011), Quezon City Gawad Parangal Most Outstanding Citizen for 2011 given by the City Government of Quezon (2011), Tycoon of the Decade Award given by BizNews Asia (2011), Lifetime Achievement Award given by the UP Alumni Association (2012), Certificate of Recognition given by the Civil Aeronautics Board (2012), Personality of the Year for Broadcast Media given by SKAL International Makati (2013), Outstanding Member-Achiever given by Phi Kappa Phi UP Chapter (International Honor Society) (2013), Visionary Management CEO Award given by BizNews Asia (2013), Lifetime Achievement Award given by UP Preparatory High School Alumni (2014), Entrepreneurship Excellence Award and Best Broadcast CEO Award given by BizNews Asia (2014), The Rotary Golden Wheel Award for Corporate Media Management given by Rotary International District 3780 and Quezon City Government (2014), and Global Leadership Award for Excellence in Media Sector (first Filipino to win the award) given by The Leaders International together with the American Leadership Development Association in Kuala Lumpur, Malaysia (2015). He is also listed among Biz News Asia's Power 100 (2003 to 2010).

Atty. Gozon earned his Bachelor of Laws degree from the University of the Philippines (among the first 10 of his class) and his Master of Laws degree from Yale University Law School. He was admitted to the Bar in 1962, placing 13th in the Bar examinations.

**Gilberto R. Duavit, Jr.**, Filipino, 51 years old, is the President and Chief Operating Officer of the Network. He has been a Director of the Company since 1999 and is currently the Chairman of the Network's Executive Committee. Aside from GMA Network, Inc., he is the Chairman of the Board of GMA Network Films, Inc. and GMA Worldwide, Inc. and Vice Chairman of the Board of GMA Marketing and Productions, Inc. He also serves as President and CEO of GMA Holdings, Inc., Scenarios, Inc., RGMA Marketing and Productions, Inc., Film Experts, Inc., and Dual Management and Investments, Inc. He is the President and a Director of Group Management and Development, Inc.; President and Director of MediaMerge Corp., Citynet Network Marketing and Productions, Inc.; Director of RGMA Network, Inc., GMA New Media, Inc., Alta Productions Group, Inc., Optima Digital, Inc., and Mont-Aire Realty and Development Corp. He also serves as the President and a Trustee of GMA Kapuso Foundation, Inc., Trustee of Guronasyon Foundation, Inc. (formerly LEAF) and is a Trustee of the HERO Foundation.

Mr. Duavit holds a Bachelor's Degree in Philosophy from the University of the Philippines.

**Joel Marcelo G. Jimenez**, Filipino, 51 years old, has been a Director of the Company since 2002. He is currently the President and CEO of Menarco Holdings and the Chief Executive Officer of Alta Productions, Inc. He is a Director of RGMA Network, Inc., GMA New Media, Inc., Scenarios, Inc., and GMA Worldwide, Inc., besides also being a member of the Board of Directors of Malayan Savings and Mortgage Bank, and Unicapital Securities, Inc. He is also a Director of Nuvoland Philippines, a real-estate development company. He is a Trustee of GMA Kapuso Foundation, Inc.

He was educated in Los Angeles, California where he obtained a Bachelor's Degree in Business Administration from Loyola Marymount University. He also obtained a Master's Degree in Management from the Asian Institute of Management.

**Felipe S. Yalong**, Filipino, 58 years old, is the Executive Vice President and Chief Financial Officer of GMA Network, Inc. He is also the Head of the Corporate Services Group of the Network. He has been a Director of the Company since 2002. Aside from GMA Network, Inc., he also serves as Director and Corporate Treasurer of GMA Holdings, Inc., Scenarios, Inc., and GMA Network Films, Inc.; Director of Unicapital, Inc., Majalco Finance and Investments, Inc., and GMA Marketing and Productions, Inc.; Corporate Treasurer of RGMA Network, Inc.,

MediaMerge Corp.; Executive Vice President of RGMA Marketing and Productions, Inc.; and Corporate Treasurer of the Board of Trustees of GMA Kapuso Foundation, Inc.

Yalong was named CFO of the Year by ING FINEX in 2013.

He obtained a Bachelor of Science degree in Business Administration Major in Accounting from the Philippine School of Business Administration and completed the Management Development Program at the Asian Institute of Management. He is a Certified Public Accountant.

**Atty. Anna Teresa G. Abrogar**, Filipino, 43 years old, has been a Director of the Company since 2000. Atty. Anna Teresa G. Abrogar graduated valedictorian from grade school and high school at Colegio San Agustin. She graduated cum laude, BS Management Engineering from Ateneo de Manila University and obtained her Bachelor of Laws degree from the University of the Philippines where she graduated valedictorian, cum laude. She later obtained her Master of Laws from Harvard University.

She is a junior partner in Belo Gozon Elma Parel Asuncion & Lucila and was an Associate Professor in the University of the Philippines, College of Law where she taught taxation.

She is currently Programming Consultant to the Chairman/CEO of GMA Network, Inc. and the President of GMA Films, Inc. and GMA Worldwide, Inc. She is a trustee of GMA Kapuso Foundation.

**Michael John R. Duavit**, Filipino, 45 years old, was elected to the Company's Board of Directors in 2015. He is currently the Chairman, President and CEO of MRD Holdings & Investments, Inc. and the Chairman and Managing Director of Puresound Trading, Inc. He is a Director of Citynet Television, Inc. and GMA New Media, Inc., a subsidiary of GMA Network that specializes in interactive applications for television, mobile, web and marketing.

Mr. Duavit is the President and Trustee of Guronasyon Foundation, Inc., which recognizes outstanding teachers in the province of Rizal and the City of Antipolo, and is also a Trustee of GMA Network's socio-civic arm GMA Kapuso Foundation, Inc.

Mr. Duavit held a notable career in public service, having been elected as Representative of the

First District of Rizal and serving a full term from 2001 to 2010. During his tenure in Congress, he served as Vice-Chairman of the House Committee on Economic Affairs, the House Committee on Appropriations, and the House Committee on Trade and Industry.

Mr. Duavit earned his bachelor's degree from the De La Salle University-Manila, majoring in Marketing Management. He holds a graduate degree in Recording Arts Engineering from the Full Sail Center for Recording Arts in Orlando, Florida, and attended a Management of Information Technology Program in Sweden.

**Laura J. Westfall**, Filipino, 47 years old, has been a Director of the Company since 2000. She held the following positions in the Company — Senior Vice President of Corporate and Strategic Planning and Senior Vice President for Finance. In addition, she has served as Chairperson and President of GMA New Media. Prior to joining the Company, she worked for BDO Seidman – Los Angeles, an international audit and management consulting firm. She currently holds various positions in the Majent Group of Companies and serves as Board Member of Coffee Bean and Tea Leaf Philippines, Bronzeoak Clean Energy, Inc., and Museo Pambata.

She holds a Masters Degree in Public and Private Management from Yale University and a Bachelor of Science degree in Accounting from the University of Southern California. She is a Certified Public Accountant (CPA) in the State of California.

**Chief Justice Artemio V. Panganiban**, Filipino, 78 years old, has been an Independent Director of the Company since 2007. In 1995, he was named a Justice of the Supreme Court and in 2005, he was appointed Chief Justice of the Philippines — a position he held until December 2006. At present, he is also an Independent Director of these listed firms: First Philippine Holdings Corp., Metro Pacific Investments Corp., Manila Electric Company, Robinsons Land Corp., GMA Holdings, Inc., Philippine Long Distance Telephone Co., Petron Corporation, Bank of the Philippine Islands, Asian Terminals, and a regular Director of Jollibee Foods Corporation. He is also a Senior Adviser of Metropolitan Bank, Chairman, Board of Advisers of Metrobank Foundation, Adviser of Double Dragon Properties, Chairman of the Board of the Foundation for Liberty and Prosperity, President of the Manila Cathedral Basilica Foundation, Chairman Emeritus of Philippine Dispute Resolution Center, Inc., and Member, Advisory Board of the World Bank (Philippines) and of the Asian Institute of Management Corporate Governance Council. He also is a column writer of The Philippine Daily Inquirer.

Upon his retirement, he was unanimously conferred a Plaque of Acclamation by the Associate

Justices of the Supreme Court as the “Renaissance Jurist of the 21st Century;” and an Award of Honor by the Philippine Bar Association. In recognition of his role as a jurist, lawyer, civic leader, Catholic lay worker, business entrepreneur and youth leader, he had been the recipient of over 250 other awards from various governments, civic clubs, consumer associations, bar groups, religious movements and other non-government organizations, both local and international.

He obtained his Associate in Arts, “With Highest Honors” and later his Bachelor of Laws, with cum laude and “Most Outstanding Student” honors from the Far Eastern University. He placed sixth among more than 4,200 candidates who took the 1960 Bar examinations. He is likewise the recipient of several honorary doctoral degrees from various universities.

**Dr. Jaime C. Laya**, Filipino, 76 years old, has been an independent Director of GMA Network, Inc. since 2007. He is the Chairman and President of Philippine Trust Company (Philtrust Bank), Director of Ayala Land, Inc., Manila Water Company, Inc., and Philippine AXA Life Insurance Company, Inc. He also serves as Chairman of Don Norberto Ty Foundation, Inc. and Escuela Taller de Filipinas Foundation, Inc.; Trustee of St. Paul University - Quezon City, Cultural Center of the Philippines, Metropolitan Museum of Manila, Yuchengco Museum, Fundación Santiago, Inc., Ayala Foundation, Inc., and other foundations. He writes a weekly column for the *Manila Bulletin*.

He was Minister of Budget, 1975-1981; Minister of Education, Culture and Sports, 1984-86; Chairman of the Monetary Board and Governor, Central Bank of the Philippines, 1981-1984; Chairman, National Commission for Culture and the Arts, 1996-2001. He was faculty member of the University of the Philippines, 1957-1978 and Dean of the College of Business Administration, 1969-1974. In 1986, he founded J.C. Laya & Co., Ltd. (Certified Public Accountants and Management Consultants) later the Philippine member firm of KPMG International; he served as the firm's Chairman until his retirement in 2004.

He earned his BSBA, *magna cum laude*, University of the Philippines, 1957; M.S. in Industrial Management, Georgia Institute of Technology, 1960; Ph.D. in Financial Management, Stanford University, 1966. He is a Certified Public Accountant.

**Atty. Roberto O. Parel**, Filipino, 59 years old, has been the Corporate Secretary of the Company since 1993. He is a Partner at the Law Firm of Belo Gozon Elma Parel Asuncion & Lucila. His practice areas include labor relations, natural resources and intellectual property. He is a Director of Time-Life International Philippines, Berong Nickel Corporation, Ulugan Nickel Corporation, Ulugan Resources Holdings, Inc., Nickeline Resources Holdings, Inc., TMM

Management Inc. and Assetlex Development Company, Inc.; Corporate Secretary of Alta Productions Group, Inc., Scenarios, Inc., Citynet Network Marketing and Productions, Inc. and GMA Kapuso Foundation, Inc.

He graduated from the University of the Philippines with a Bachelor of Arts degree in Philosophy and a Bachelor of Laws degree. He was admitted to the Philippine Bar in 1981. Atty. Parel further pursued legal studies through short programs at the Center of American and International Law and the Southwestern Legal Foundation in Dallas, Texas. Later, he attended a training program on Industrial Property Rights held by the Japan Institute of Invention and Innovation and the Association for Overseas Technical Scholarship in Tokyo, Japan.

**Marissa L. Flores**, Filipino, 51 years old, is the Senior Vice President for News and Public Affairs, a position she has held since 2004. She joined the Company in 1987 as a researcher for public affairs documentaries and special reports and held the positions of Assistant Vice President for Public Affairs, Vice President for Production – News and Public Affairs before her appointment to her current position.

The Rotary Club of Manila recognized her as Television News Producer of the Year in 1996. In 2004, she was awarded the prestigious TOYM (The Outstanding Young Men) for Broadcast Management. In 2012, she received the CEO Excel Award from the International Association of Business Communicators (IABC) Philippines.

The News and Public Affairs group under Ms. Flores continues to be the recipient of international awards, notably the New York Festivals, US International Film and Video Festival Awards, Asian TV Awards. GMA News and Public Affairs remains as the only Philippine broadcast network which has won the highly-coveted Peabody Award (four Peabody awards as of 2014) — widely considered as broadcasting and cable's equivalent of the Pulitzer prize.

Besides overseeing news and public affairs programs in GMA Channel 7, it is also under Ms. Flores' leadership that GMA News Online was put up in 2007, and GMA News TV (GMA Network's news and public affairs channel on free TV) was launched in February 2011.

She earned her Bachelor's degree at the University of the Philippines, where she studied Journalism.

**Ronaldo P. Mastrili**, Filipino, 49 years old, is the Senior Vice President of GMA's Finance and ICT Departments. He obtained his Bachelor of Science in Business and Economics degree, major in Accounting from De La Salle University. He attended the Master in Business Administration Program from the same university and completed the Executive Development Program of the Asian Institute of Management. He is a Certified Public Accountant with expertise in the fields of accounting, auditing, finance, taxation and general management. He was formerly the Assistant Vice President of Controllershship of ABS-CBN and also served as its Group Internal Auditor before joining GMA Network in March 2001. He also worked with SGV and Co. in the early part of his career. Mr. Mastrili concurrently holds key positions in GMA Subsidiaries namely: Comptroller/Chief Accounting Officer of GMA Holdings, Treasurer of Alta Productions, Director of Script2010, and Comptroller of GMA Films, GMA Kapuso Foundation and GMA Worldwide.

**Lilybeth G. Rasonable**, Filipino, 51 years old, is the Senior Vice President of the Entertainment TV Group of GMA Network, Inc. She is mainly responsible for the production of all entertainment programs of the Network.

After earning her degree in Broadcast Communication from the University of the Philippines, Ms. Rasonable immediately worked in the broadcasting industry, starting out as a Production Assistant and later on, an Associate Producer of the Intercontinental Broadcasting Company. She likewise worked as Production Coordinator and Executive producer of GMA Network, Inc.

Ms. Rasonable's work experience also included a post as Technical Consultant for Local Production with the Associated Broadcasting Company (ABC-5) and freelance Executive Producer for film and television. After a few years, she rejoined GMA as a Production Manager under its Sales and Marketing Group.

From Program Manager, Ms. Rasonable was promoted to Assistant Vice President for Drama in 2004. As AVP, she was a key figure in the creation of groundbreaking and phenomenal hits such as *Mulawin*, *Encantadia* and *Darna*, which made the primetime block of GMA invincible and contributed to the unprecedented success of GMA in its quest for leadership in the Philippine broadcasting industry. It was also during her time as AVP for Drama when GMA produced programs that created superstars for the Network and afternoon dramas dramatically rose and established strong presence in their timeslots with breakthrough innovations.



In 2010, Ms. Rasonable was promoted to the position of Vice President, Drama Productions and tasked with the supervision of non-primetime and primetime drama programs of GMA. By February 2012, she took the helm as Officer-in-Charge of the Entertainment TV (ETV) Group. And in December 2013, she received her promotion and appointment as ETV's Senior Vice President.

**Engr. Elvis B. Ancheta**, Filipino, 48 years old, is GMA Network's Senior Vice President and Head of Engineering Group. He is concurrently the Head of Transmission and Regional Engineering Department of the Network.

Engr. Ancheta is a member of the Society of Broadcast Engineers and Technicians of the Philippines and the Institute of Electronics and Communications Engineers of the Philippines, Inc. He was also GMA's principal representative to the Technical Working Group chaired by the National Telecommunications Commission for the drafting of the Digital Terrestrial Television Broadcasting - Implementing Rules and Regulations.

Engr. Ancheta earned his Bachelor of Science in Electronics and Communications Engineering degree from Saint Louis University in Baguio City.

#### Significant Employees

Although the Company and its key subsidiaries have relied on, and will continue to rely on, the individual and collective contributions of their executive officers and senior operational personnel, the Company and its key subsidiaries are not dependent on the services of any particular employee.

#### Family Relationships

Michael John R. Duavit is the brother of Gilberto R. Duavit, Jr., and Joel Marcelo G. Jimenez and Laura J. Westfall are siblings. Anna Teresa M. Gozon-Abrogar is the daughter of Felipe L. Gozon. Felipe L. Gozon's sister, Carolina L. Gozon-Jimenez, is the mother of Joel Marcelo G. Jimenez and Laura J. Westfall.

#### Involvement in Certain Legal Proceedings

To the best of the Company’s knowledge, during the past five years and up to date, there had been no occurrence of any of the following events which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person of the Company:

- Any filing of an insolvency or bankruptcy petition by or against any business of which such person was a general partner or executive officer, either at the time of the insolvency or within two years prior to that time;
- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, of any such person, excluding traffic violations and other minor offenses;
- Any final and executory order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, against any such person, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and,
- Any final and executory judgment of any such person by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

Resignation of Directors

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 the Company because of a disagreement with the Company on matters relating to the Company’s operations, policies and practices.

**Item 10. Executive Compensation**

(a) CEO and Top 5 Compensated Executive Officers:

The following are the Company’s highest compensated executive officers:

<b>Name and Position</b>	
Felipe L. Gozon	Chairman and CEO
Gilberto R. Duavit, Jr.	President and COO
Felipe S. Yalong	Senior Vice President, Corporate Services Group
Marissa L. Flores	Senior Vice President, News and Public Affairs
Jessica A. Soho	First Vice President, News Programs

---

Year	Annual salaries (in Thousands)	13th Month & Bonuses (in Thousands)	Total (in Thousands)
------	-----------------------------------	--	-------------------------

---

5 Highest Officers	Compensated	2012	75,335.3	57,615.6	132,951.0
		2013	91,658.4	52,829.9	144,488.3
		2014	101,691.8	40,024.6	141,716.4
		2015 (estimate)	105,759.5	41,625.6	147,385.1
Aggregate compensation paid to all officers and directors as a group		2012	122,618.2	94,243.7	216,862.0
		2013	143,999.7	89,917.5	233,917.2
		2014	149,809.5	49,676.9	199,486.4
		2015 (estimate)	155,801.9	51,663.9	207,465.8

(a) Directors and other Executive Officers

Section 8 of Article IV of the Company's By-Laws provides that as compensation of the directors, the Members of the Board shall receive and allocate yearly an amount of not more than two and a half percent (2.5%) of the net income after income tax of the corporation during the preceding year. Of the said 2.5%, one percent (1%) shall be allocated to the members of the Board of Directors to be distributed share and share alike. The remaining one and a half percent (1.5%) shall be allocated to the members of the Executive Committee to be distributed share and share alike.

**Employee Stock Ownership Plan ("ESOP")**

The Company has no outstanding options or warrants held by its CEO, the named executive officers, and all officers and directors as a group.

**Item 11. Security Ownership of Certain Beneficial Owners and Management**

The security ownership of certain record and beneficial owners of more than 5% as of March 31, 2015 are as follows:

<b>Title Of class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Citizenship</b>	<b>Record / Beneficial</b>	<b>No. of shares held</b>	<b>Percent Owned</b>
Common	GMA Holdings, Inc. <sup>5</sup>  Unit 5D Tower One, One McKinley Place, Bonifacio Global City	Filipino	PCD Nominee Corporation	846,880,000	25.17%
Common	Group Management & Development Inc. <sup>6</sup>  No. 5 Wilson St., San Juan, Metro Manila	Filipino	The Record Owner is the Beneficial Owner	789,813,389	23.47%
Common	FLG Management & Development Corporation <sup>7</sup> Unit 2, 2/F, Building 2, 9 <sup>th</sup> Avenue, Bonifacio Global City, Taguig, Metro Manila	Filipino	The Record Owner is the Beneficial Owner	673,429,127	20.01%
Common	M.A. Jimenez Enterprises, Inc.  2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City <sup>8</sup>	Filipino	The Record Owner is the Beneficial Owner	453,882,095	13.49%
Common	Television International Corporation <sup>9</sup>  2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City	Filipino	The Record Owner is the Beneficial Owner	334,378,037	9.94%

<sup>5</sup> The Board of Directors of GMA Holdings, Inc. has the power to decide how the shares owned in the Company are to be voted and has authorized Felipe L. Gozon and/or Gilberto R. Duavit, Jr. to vote on the company's shares in GMA Network, Inc.

<sup>6</sup> The Board of Directors of Group Management & Development, Inc. has authorized Gilberto R. Duavit, Jr. to vote on the common and preferred shares of the company in GMA Network, Inc.

<sup>7</sup> The Board of Directors of FLG Management & Development Corporation has authorized Felipe L. Gozon to vote on the common and preferred shares of the company in GMA Network, Inc.

<sup>8</sup> The Board of Directors of M.A. Jimenez Enterprises, Inc. has authorized Joel Marcelo G. Jimenez and/or Laura J. Westfall to vote on the common and preferred shares of the company in GMA Network, Inc.

<sup>9</sup> The Board of Directors of Television International Corporation has authorized Joel Marcelo G. Jimenez and/or Laura J. Westfall to vote on the common and preferred shares of the company in GMA Network, Inc.

Owner					
<b>Total Common Shares</b>					
<b>3,097,382,648</b>					
<b>92.08%</b>					
Preferred	Group Management & Development Inc. No. 5 Wilson St., San Juan, Metro Manila	Filipino	The Record Owner is the Beneficial Owner	2,625,805,308	35.01%
Preferred	FLG Management & Development Corporation Unit 2, 2/F, Building 2, 9 <sup>th</sup> Avenue, Bonifacio Global City, Taguig, Metro Manila	Filipino	The Record Owner is the Beneficial Owner	2,181,898,644	29.09%
Preferred	M.A. Jimenez Enterprises, Inc. 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City	Filipino	The Record Owner is the Beneficial Owner	1,508,978,826	20.12%
Preferred	Television International Corporation 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City	Filipino	The Record Owner is the Beneficial Owner	1,111,661,610	14.82%
<b>Total Preferred Shares</b>					
<b>7,428,344,388</b>					
<b>99.04%</b>					

GMA Holdings, Inc. is 99% owned by Gilberto R. Duavit, Jr., Felipe L. Gozon and Joel Marcelo G. Jimenez. The shares of the Company owned by GMA Holdings, Inc. are covered by Philippine Deposit Receipts (“PDR”) which give the holder the right to delivery or sale of the underlying share. The PDRs are listed with the Philippine Stock Exchange.

Group Management and Development, Inc., FLG Management and Development Corporation, M.A. Jimenez Enterprises, Inc. and Television International Corporation are significant shareholders of the Company.

Security Ownership of Management as of March 31, 2015

Stockholder Name	Position	Citizenship	Record / Beneficial (R/B)	No. of Common Shares Held	Percent of Common Shares	No. of Preferred Shares Held	Percent of Preferred Shares
Anna-Teresa M. Gozon-Abrogar	Director/Assistant Corporate Secretary	Filipino	R/B	529,003	0.02%	6	0.00%
Gilberto R. Duavit Jr.	Director/Pres. and COO	Filipino	R/B	4,007,000	0.12%	12	0.00%
Felipe L. Gozon	Director/Chairman and CEO	Filipino	R/B	3,181	0.00%	26,880	0.00%
Joel Marcelo G. Jimenez	Director	Filipino	R/B	325,003	0.01%	6	0.00%
Michael John R. Duavit	Director	Filipino	R/B	1	0.00%	0	0.00%
Laura J. Westfall	Director	Filipino	R/B	2	0.00%	6	0.00%
Felipe S. Yalong	Director/Executive Vice-President	Filipino	R/B	1,025,002	0.03%	6	0.00%
Jaime C. Laya	Independent Director	Filipino	R/B	294,000	0.0087%	0	0.00%
Artemio V. Panganiban	Independent Director	Filipino	R/B	1	0.00%	0	0.00%
Marissa L. Flores	Senior Vice President – News and Public Affairs	Filipino		0	0.00%	0	0.00%
Donaldo P. Mastrili	Senior Vice President – Finance and ICT	Filipino	R/B	182,000	0.0054%	0	0.00%
Lilybeth G. Rasonable	Senior Vice President – Entertainment TV	Filipino	R/B	0	0.00%	0	0.00%
Elvis B. Ancheta	Senior Vice President and Head, Engineering Group; Head, Transmission and Regional Engineering	Filipino		0	0.00%	0	0.00%

	Department						
--	------------	--	--	--	--	--	--

As of March 31, 2015, the Company's directors and senior officers owned an aggregate of 6,365,193 common shares of the Company, equivalent to 0.1892% of the Company's issued and outstanding common capital stock and 27,294 preferred shares equivalent to 0.00% of the Company's issued and outstanding preferred capital stock.

Voting Trust Holders of 5% or more

The Company is unaware of any persons holding more than 5% of shares under a voting trust or similar agreement.

Changes in Control

There are no existing provisions in the Articles of Incorporation or the By-Laws of the Company which will delay, defer or in any manner prevent a change in control of the Company. There have been no arrangements which have resulted in a change in control of the Company during the period covered by this report.

**Item 12. Certain Relationships and Related Transactions**

***Advances to Affiliates***

The Company has, from time to time, made advances to certain of its affiliates. The advances are non-interest bearing.

The Company made advances to Mont-Aire in the amount of P121.4 million as of December 31, 2004. Of such advances, the Company converted the amount of P38.3 million into P38.3 million worth of common shares of Mont-Aire. Simultaneously, the other shareholders of Mont-Aire, namely, Group Management and Development, Inc., Television International Corporation and FLG Management and Development Corporation converted advances in the aggregate amount of P23.5 million made by them to Mont-Aire into P23.5 million worth of common shares of Mont-Aire. The SEC approved the conversion of the advances into equity on February 17, 2006. The Company owns 49% of Mont-Aire, with the remaining 51% being owned by the Duavit family, Gozon family and Jimenez family. Mont-Aire is a real estate holding company whose principal property is a 5.3 hectare property located in Tagaytay, Cavite. Such property is not used in the broadcasting business of the Company. As of December 31, 2014 and 2013, Mont-Aire has had advances owing to the Company in the amount of P87.6 million and P84.5 million, respectively. Please see Note 20 of the Company's financial statements.

***Agreements with RGMA Network, Inc. (“RGMA”)***

The Company has an existing agreement with RGMA for the latter to provide general management, programming and research, events management, on-air monitoring of commercial placements, certificates of performance, billing and collection functions, and local sales service for the 25 radio stations of the Company. RGMA is paid management and marketing fees based on billed sales. Please see Note 20 of the Company’s financial statements.

***Agreements with GMA Marketing and Productions, Inc. (“GMA Marketing”)***

The Company entered into a marketing agreement with its wholly-owned subsidiary, GMA Marketing wherein GMA Marketing agreed to sell television advertising spots and airtime in exchange for which GMA Marketing will be entitled to a marketing fee and commission. Apart from this, the Company likewise engaged the services of GMA Marketing to handle and mount promotional events as well as to manage the encoding, scheduling of telecast/broadcast placements and subsequent monitoring of sales implementations for which GMA Marketing is paid a fixed monthly service fee. Please see Note 20 of the Company’s financial statements.

***Belo Gozon Elma Parel Asuncion & Lucila Law Office***

The Company and the law firm of Belo Gozon Elma Parel Asuncion & Lucila entered into a retainer agreement in 1993 under which Belo Gozon Elma Parel Asuncion & Lucila was engaged by the Company as its external counsel. As such external counsel, Belo Gozon Elma Parel Asuncion & Lucila handles all cases and legal matters referred to it by the Company. Other than Felipe L. Gozon, who is part of the Gozon Family, one of the principal shareholders of the Company, and director of the Company since 1975, some of the lawyers of Belo Gozon Elma Parel Asuncion & Lucila eventually assumed certain positions and functions in the Company either in their individual capacities or as part of the functions of Belo Gozon Elma Parel Asuncion & Lucila as the Company’s external counsel. Please see Note 20 of the Company’s financial statements.

**PART V - EXHIBITS AND SCHEDULES**

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



**(a) Exhibits**

**Exhibit 1 - Financial Statements**

(b) Reports on SEC Form 17-C

Clarification on Inquirer news article, "Third Time Lucky?"	January 6, 2014
Results of BOD meeting: ASM date and record date	January 23, 2014
Clarification on Inquirer news article, "SMC chief eyes 30% stake in GMA7"	January 24, 2014
Clarification on Phil. Star article, "GMA7 owners expect P10.8-B bonanza from 'kapuso' Ramon Ang"	March 21, 2014
Approval of FS for the year 2013  Declaration of cash dividends, record date and payment date	April 2, 2014
Presentation materials used during the Q1 financial briefing  Press Release – "GMA Network reports P2851 billion recurring revenues for Q1 2014"; additional disclosures made during the financial briefing	May 5, 2014
Amendments of Articles of Incorporation (compliance to SEC MC No. 6)	May 15, 2014
Results of Annual Stockholders' Meeting  Results of Organizational Meeting of the Board	May 21, 2014
Clarification on news article, "GMA-Ang acquisition talks set to conclude in June"	May 22, 2014
Statement from the Company's major Shareholders – agreement to sell to Mr.	June 24, 2014

Ramon S. Ang	
Clarification on news article, "SMC's Ang acquires 30% of GMA7"	June 25, 2014
Conclusion of CBA	July 24, 2014
Presentation materials used during the Q2 financial briefing  Press Release – "GMA Network records P5.766 billion recurring revenues in H1 2014"; additional disclosures made during the financial briefing	August 14, 2014
Clarification on news article, "Ang's entry into GMA7 imminent"	September 18, 2014
Promotion of Elvis B. Ancheta as SVP – Engineering Group	October 23, 2014
Presentation materials used during the Q3 financial briefing  Press Release – "GMA Network posts 66 percent increase in Q3 2014 net income"; additional disclosures made during the financial briefing	November 14, 2014

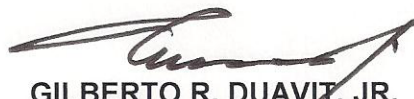
**SIGNATURES**


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on APR 10 2015, 2015

By:

  
**FELIPE L. GOZON**  
Principal Executive Officer

  
**RONALDO P. MASTRILI**  
Comptroller /Principal Accounting Officer

  
**GILBERTO R. DUAVIT, JR.**  
Principal Operating Officer

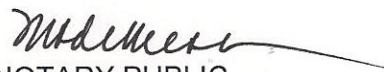
  
**FELIPE S. YALONG**  
Principal Financial Officer

  
**ROBERTO O. PAREL**  
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this APR 10 2015 day of \_\_\_\_\_ 2015 affiants exhibiting to me their Passport Numbers/SSS Numbers, as follows:

<b>Names</b>	<b>Passport No.</b>	<b>Date of Issue</b>	<b>Place of Issue</b>
Felipe L. Gozon	EB7372600	February 13, 2013	DFA, Manila
Gilberto R. Duavit, Jr.	EC1839631	August 8, 2014	DFA, Manila
Felipe S. Yalong	EB7528245	March 1, 2013	DFA, Manila
Ronaldo P. Mastrili	EC1756465	July 30, 2014	DFA, Manila
Roberto O. Parel	SSS # 03-6637759-0		

Doc. No. 309  
Page No. 37  
Book No. II  
Series of 2015

  
**NOTARY PUBLIC**  
**MARIA THERESA E. DE MESA**  
Appointment No. M-528  
Notary Public for Makati City  
Until December 31, 2015  
Roll No. 47224  
PTR No. 4754924/Jan. 9, 2015/Makati City  
Lifetime IDP No. 09348/Oct. 1, 2010/Manila IV  
15 & 16 Floors, Sagittarius Condominium  
H.V. dela Costa Street, Salcedo Village  
Makati City



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS**

March 30, 2015

Securities and Exchange Commission  
SEC Building, EDSA Greenhills  
Mandaluyong, Metro Manila

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

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

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of GMA Network, Inc. and Subsidiaries in accordance with the 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.

**FELIPE L. GOZON**  
Chairman of the Board  
Chief Executive Officer

**GILBERTO R. DUAVIT, JR.**  
President  
Chief Operating Officer

**FELIPE S. YALONG**  
Executive Vice President  
Chief Financial Officer

**APR 10 2015**

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of \_\_\_\_\_ at **MAKATI CITY** affiants exhibited to me their (Felipe L. Gozon) TIN 106-174-605, (Gilberto R. Duavit, Jr.) TIN 158-147-748 and (Felipe S. Yalong) TIN 102-874-052.

Doc. No. 708  
Page No. 37  
Book No. II  
Series of 2015

**MARIA THERESA E. DE MESA**  
Appointment No. M-528  
Notary Public for Makati City  
Until December 31, 2015  
Roll No. 47224  
PTR No. 4754924/Jan. 9, 2015/Makati City  
Lifetime IBP No. 09348/Oct. 1, 2010/Manila IV  
15 & 16 Floors, Sagittarius Condominium  
H.V. dela Costa Street, Salcedo Village  
Makati City

**GMA NETWORK, INC.**

GMA Network Center, EDSA cor. Timog Ave., Diliman, Quezon City, 1103, Philippines  
Telephone No.: (632) 982-7777



## **INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors  
GMA Network, Inc.  
GMA Network Center  
Timog Avenue corner EDSA  
Quezon City

We have audited the accompanying consolidated financial statements of GMA Network, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

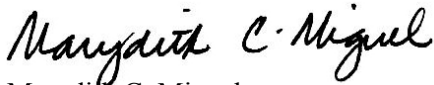




*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GMA Network, Inc. and Subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Marydith C. Miguel

Partner

CPA Certificate No. 65556

SEC Accreditation No. 0087-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 102-092-270

BIR Accreditation No. 08-001998-55-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 4751303, January 5, 2015, Makati City

March 30, 2015



**GMA NETWORK, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 6 and 30)	₱1,598,825,520	₱1,749,631,196
Short-term investments (Note 30)	–	7,874,002
Trade and other receivables (Notes 7, 20, and 30)	4,638,376,602	3,521,430,443
Program and other rights (Note 8)	1,198,270,709	1,209,229,281
Prepaid expenses and other current assets (Note 9)	785,435,141	635,093,804
	<b>8,220,907,972</b>	<b>7,123,258,726</b>
Asset classified as held for sale (Note 15)	26,432,472	–
<b>Total Current Assets</b>	<b>8,247,340,444</b>	<b>7,123,258,726</b>
<b>Noncurrent Assets</b>		
Available-for-sale financial assets (Notes 10, 30 and 31)	129,024,081	135,552,548
Investments and advances (Notes 11 and 20)	147,937,544	139,463,938
Property and equipment:		
At cost (Note 12)	3,373,810,427	3,589,651,781
At revalued amounts (Note 13)	1,799,712,858	1,805,300,051
Investment properties (Notes 14 and 31)	58,811,306	60,532,209
Deferred income tax assets - net (Note 28)	147,400,799	88,150,862
Other noncurrent assets (Notes 15, 30 and 31)	116,368,389	142,026,836
<b>Total Noncurrent Assets</b>	<b>5,773,065,404</b>	<b>5,960,678,225</b>
<b>TOTAL ASSETS</b>	<b>₱14,020,405,848</b>	<b>₱13,083,936,951</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Short-term loans (Notes 17 and 30)	₱2,222,960,000	₱1,106,875,000
Trade payables and other current liabilities (Notes 16, 20, and 30)	1,931,183,185	1,781,441,508
Income tax payable	61,653,785	276,055,923
Dividends payable (Note 30)	9,698,035	8,868,629
Current portion of obligations for program and other rights (Notes 18 and 30)	116,533,114	141,096,456
<b>Total Current Liabilities</b>	<b>4,342,028,119</b>	<b>3,314,337,516</b>
<b>Noncurrent Liabilities</b>		
Noncurrent portion of obligations for program and other rights (Notes 18, 30 and 31)	5,193,223	33,330,130
Pension liability (Note 26)	1,161,280,052	605,248,052
Other long-term employee benefits (Note 26)	259,012,979	264,368,057
Deferred income tax liabilities - net (Note 28)	19,696,301	41,580,015
<b>Total Noncurrent Liabilities</b>	<b>1,445,182,555</b>	<b>944,526,254</b>
<b>Total Liabilities</b>	<b>5,787,210,674</b>	<b>4,258,863,770</b>

(Forward)





	<b>December 31</b>	
	<b>2014</b>	2013
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock (Note 19)	<b>₱4,864,692,000</b>	₱4,864,692,000
Additional paid-in capital	<b>1,659,035,196</b>	1,659,035,196
Revaluation increment on land - net of tax (Note 13)	<b>1,017,247,029</b>	1,021,158,064
Remeasurement loss on retirement plans - net of tax (Note 26)	<b>(313,328,670)</b>	(24,953,087)
Net unrealized gain on available-for-sale financial assets - net of tax (Note 10)	<b>5,019,775</b>	3,083,187
Retained earnings (Note 19)	<b>992,079,088</b>	1,299,681,650
Treasury stocks (Note 19)	<b>(28,483,171)</b>	(28,483,171)
Underlying shares of the acquired Philippine Deposit Receipts (Note 19)	<b>(5,790,016)</b>	(5,790,016)
<b>Total Equity Attributable to Parent Company</b>	<b>8,190,471,231</b>	8,788,423,823
<b>Equity Attributable to Non-controlling Interest (Note 2)</b>	<b>42,723,943</b>	36,649,358
<b>Total Equity</b>	<b>8,233,195,174</b>	8,825,073,181
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱14,020,405,848</b>	₱13,083,936,951

*See accompanying Notes to Consolidated Financial Statements.*



**GMA NETWORK, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2014	2013	2012
<b>NET REVENUES</b> (Note 21)	<b>₱11,982,888,346</b>	₱12,950,879,322	₱12,085,934,970
<b>PRODUCTION COSTS</b> (Note 22)	<b>5,551,782,964</b>	5,956,381,705	5,285,143,492
<b>GROSS PROFIT</b>	<b>6,431,105,382</b>	6,994,497,617	6,800,791,478
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 23)	<b>5,021,969,892</b>	4,608,945,146	4,518,636,519
<b>OTHER INCOME (EXPENSE)</b>			
Interest expense and financing charges (Note 17)	<b>(36,355,793)</b>	(53,115,234)	(42,907,736)
Interest income (Note 6)	<b>15,640,942</b>	23,990,805	34,740,879
Net foreign currency exchange loss	<b>(12,972,272)</b>	(31,320,982)	(23,660,355)
Equity in net earnings (losses) of joint ventures (Note 11)	<b>5,338,761</b>	(5,362,051)	-
Others - net (Note 25)	<b>76,666,947</b>	67,561,044	64,022,050
	<b>48,318,585</b>	1,753,582	32,194,838
<b>INCOME BEFORE INCOME TAX</b>	<b>1,457,454,075</b>	2,387,306,053	2,314,349,797
<b>PROVISION FOR INCOME TAX</b> (Note 28)			
Current	<b>513,917,294</b>	909,190,340	740,211,754
Deferred	<b>(65,982,463)</b>	(196,859,299)	(46,634,794)
	<b>447,934,831</b>	712,331,041	693,576,960
<b>NET INCOME</b>	<b>1,009,519,244</b>	1,674,975,012	1,620,772,837
<b>OTHER COMPREHENSIVE INCOME (LOSS) -</b> net of tax			
<i>Item to be reclassified to profit or loss in subsequent periods -</i>			
Unrealized gain (loss) on available-for-sale financial assets (Note 10)	<b>1,936,588</b>	(982,740)	1,313,240
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation increment (decrement) on land (Note 13)	<b>(3,911,035)</b>	277,000,042	-
Remeasurement gain (loss) on retirement plans (Note 26)	<b>(287,169,226)</b>	(60,301,024)	77,784,655
	<b>(289,143,673)</b>	215,716,278	79,097,895
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱720,375,571</b>	₱1,890,691,290	₱1,699,870,732
<b>Net income attributable to:</b>			
Equity holders of the Parent Company	<b>₱1,004,651,016</b>	₱1,666,949,855	₱1,616,888,633
Non-controlling interest	<b>4,868,228</b>	8,025,157	3,884,204
	<b>₱1,009,519,244</b>	₱1,674,975,012	₱1,620,772,837
<b>Other comprehensive income attributable to:</b>			
Equity holders of the Parent Company	<b>(₱290,350,030)</b>	₱215,716,278	₱79,392,403
Non-controlling interest	<b>1,206,357</b>	-	(294,508)
	<b>(₱289,143,673)</b>	₱215,716,278	₱79,097,895
<b>Basic / Diluted Earnings Per Share</b> (Note 29)	<b>₱0.207</b>	₱0.343	₱0.333

*See accompanying Notes to Consolidated Financial Statements.*



**GMA NETWORK, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**Equity Attributable to Equity Holders of the Parent Company**

	Capital Stock (Note 19)	Additional Paid-in Capital	Revaluation Increment on Land - Net of Tax (Note 13)	Remeasurement Gain (Loss) on Retirement Plans - Net of Tax (Note 26)	Net Unrealized Gain on Available-for-sale Financial Assets - Net of Tax (Note 10)	Retained Earnings (Note 19)	Treasury Stock (Note 19)	Shares of the Acquired Philippine Deposit Receipts (Note 19)	Total Equity Attributable to Parent Company	Non- controlling Interest (Note 2)	Total Equity
Balances at January 1, 2014	₱4,864,692,000	₱1,659,035,196	₱1,021,158,064	(₱24,953,087)	₱3,083,187	₱1,299,681,650	(₱28,483,171)	(₱5,790,016)	₱8,788,423,823	₱36,649,358	₱8,825,073,181
Net income	-	-	-	-	-	1,004,651,016	-	-	1,004,651,016	4,868,228	1,009,519,244
Other comprehensive income	-	-	(3,911,035)	(288,375,583)	1,936,588	-	-	-	(290,350,030)	1,206,357	(289,143,673)
Total comprehensive income	-	-	(3,911,035)	(288,375,583)	1,936,588	1,004,651,016	-	-	714,300,986	6,074,585	720,375,571
Cash dividends - ₱0.27 a share (Note 19)	-	-	-	-	-	(1,312,253,578)	-	-	(1,312,253,578)	-	(1,312,253,578)
Balances at December 31, 2014	₱4,864,692,000	₱1,659,035,196	₱1,017,247,029	(₱313,328,670)	₱5,019,775	₱992,079,088	(₱28,483,171)	(₱5,790,016)	₱8,190,471,231	₱42,723,943	₱8,233,195,174
Balances at January 1, 2013	₱4,864,692,000	₱1,659,035,196	₱744,158,022	₱35,347,937	₱4,065,927	₱847,781,404	(₱28,483,171)	(₱5,790,016)	₱8,120,807,299	₱28,624,201	₱8,149,431,500
Net income	-	-	-	-	-	1,666,949,855	-	-	1,666,949,855	8,025,157	1,674,975,012
Other comprehensive income	-	-	277,000,042	(60,301,024)	(982,740)	-	-	-	215,716,278	-	215,716,278
Total comprehensive income	-	-	277,000,042	(60,301,024)	(982,740)	1,666,949,855	-	-	1,882,666,133	8,025,157	1,890,691,290
Cash dividends - ₱0.25 a share (Note 19)	-	-	-	-	-	(1,215,049,609)	-	-	(1,215,049,609)	-	(1,215,049,609)
Balances at December 31, 2013	₱4,864,692,000	₱1,659,035,196	₱1,021,158,064	(₱24,953,087)	₱3,083,187	₱1,299,681,650	(₱28,483,171)	(₱5,790,016)	₱8,788,423,823	₱36,649,358	₱8,825,073,181
Balances at January 1, 2012	₱4,864,692,000	₱1,659,035,196	₱744,158,022	(₱42,731,226)	₱2,752,687	₱2,439,766,439	(₱28,483,171)	(₱5,790,016)	₱9,633,399,931	₱25,034,505	₱9,658,434,436
Net income	-	-	-	-	-	1,616,888,633	-	-	1,616,888,633	3,884,204	1,620,772,837
Other comprehensive income	-	-	-	78,079,163	1,313,240	-	-	-	79,392,403	(294,508)	79,097,895
Total comprehensive income	-	-	-	78,079,163	1,313,240	1,616,888,633	-	-	1,696,281,036	3,589,696	1,699,870,732
Cash dividends - ₱0.40 a share (Note 19)	-	-	-	-	-	(1,944,079,375)	-	-	(1,944,079,375)	-	(1,944,079,375)
Cash dividends - ₱0.26 a share (Note 19)	-	-	-	-	-	(1,264,794,293)	-	-	(1,264,794,293)	-	(1,264,794,293)
Total cash dividends	-	-	-	-	-	(3,208,873,668)	-	-	(3,208,873,668)	-	(3,208,873,668)
Balances at December 31, 2012	₱4,864,692,000	₱1,659,035,196	₱744,158,022	₱35,347,937	₱4,065,927	₱847,781,404	(₱28,483,171)	(₱5,790,016)	₱8,120,807,299	₱28,624,201	₱8,149,431,500

See accompanying Notes to Consolidated Financial Statements.



**GMA NETWORK, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱1,457,454,075	₱2,387,306,053	₱2,314,349,797
Non-cash adjustments to reconcile income before income tax to net cash flows:			
Depreciation and amortization (Notes 12, 14, 22 and 23)	776,525,812	705,440,885	610,002,917
Program and other rights usage (Notes 8 and 22)	646,680,799	565,357,691	460,937,465
Pension expense (Note 26)	163,016,525	116,158,183	120,401,310
Interest expense and financing charges	36,355,793	53,115,234	42,907,736
Gain on sale of property and equipment (Note 25)	(32,718,382)	(11,243,730)	(29,045,447)
Amortization of software costs (Notes 15 and 23)	23,369,011	30,995,844	27,733,938
Interest income (Note 6)	(15,640,942)	(23,990,805)	(34,740,879)
Net unrealized foreign currency exchange loss	12,357,814	45,628,791	2,507,337
Equity in net losses (earnings) of joint ventures (Note 11)	(5,338,761)	5,362,051	–
Loss on asset disposed/written off (Note 25)	3,624,011	2,703,576	–
Dividend income (Note 25)	(514,942)	(22,130,300)	(1,394,334)
Provisions for impairment loss on AFS financial assets (Notes 10 and 23)	1,370,300	1,053,550	1,053,550
Provisions for doubtful accounts (Notes 7 and 23)	715,495	848,005	35,785,207
Working capital adjustments:			
Decreases (increases) in:			
Short-term investments	7,874,002	664,140	(8,538,142)
Trade and other receivables	(1,114,995,608)	331,802,822	285,882,517
Program and other rights	(635,722,227)	(585,446,302)	(920,079,984)
Prepaid expenses and other current assets	(150,341,337)	130,482,357	(22,782,892)
Increases (decreases) in:			
Trade payables and other current liabilities	148,703,419	185,598,970	141,445,141
Obligations for program and other rights	(51,500,114)	(76,383,888)	209,399,888
Other long-term employee benefits	12,240,548	21,711,880	(16,187,331)
Contributions to retirement plan assets (Note 26)	(17,595,626)	(3,578,687)	–
Benefits paid out of Group's fund	–	(420,198)	(12,768,387)
Cash flows provided by operations	1,265,919,665	3,861,036,122	3,206,869,407
Interest received	15,886,283	24,023,042	35,878,401
Income taxes paid	(619,881,084)	(829,742,855)	(637,255,049)
Net cash flows from operating activities	661,924,864	3,055,316,309	2,605,492,759
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Property and equipment (Note 12)	(563,896,491)	(672,652,227)	(976,038,618)
Software costs (Note 15)	(21,632,058)	(12,309,842)	(35,652,642)
Investment properties (Note 14)	(3,299,279)	(1,846,519)	–
Investment in joint venture	–	–	(10,000,000)
Proceeds from sale of property and equipment	38,937,409	13,257,506	30,884,703
Advances to an associate	(3,134,845)	–	–
Decrease (increase) in other noncurrent assets	(2,510,978)	7,465,632	(5,047,064)
Proceeds from sale of investment properties	2,410,001	–	–
Cash dividends received	65,902	–	144,387
Net cash flows used in investing activities	(553,060,339)	(666,085,450)	(995,709,234)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from availments of short-term loans (Note 17)	<b>₱2,191,559,000</b>	₱1,825,000,000	₱3,200,000,000
Payments of:			
Cash dividends (Note 19)	<b>(1,311,424,172)</b>	(1,213,829,077)	(3,206,167,851)
Short-term loans (Note 17)	<b>(1,106,824,000)</b>	(2,500,000,000)	(1,500,000,000)
Interest and financing charges	<b>(35,317,535)</b>	(52,848,510)	(41,841,069)
Net cash flows used in financing activities	<b>(262,006,707)</b>	(1,941,677,587)	(1,548,008,920)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(153,142,182)</b>	447,553,272	61,774,605
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>2,336,506</b>	14,792,364	(3,210,291)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,749,631,196</b>	1,287,285,560	1,228,721,246
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>₱1,598,825,520</b>	₱1,749,631,196	₱1,287,285,560

*See accompanying Notes to Consolidated Financial Statements.*



# **GMA NETWORK, INC. AND SUBSIDIARIES**

---

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

### **1. Corporate Information**

GMA Network, Inc. (GNI or the Parent Company) and its subsidiaries (collectively referred to as “the Group”) are incorporated in the Philippines. The Group is primarily involved in the business of radio and television broadcasting. The Group is also involved in film production and other information and entertainment-related businesses. The registered office address of the Parent Company is GMA Network Center, Timog Avenue corner EDSA, Quezon City. The Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) on June 14, 1950. On July 20, 1995, the Board of Directors (BOD) approved the extension of the corporate term of the Parent Company for another 50 years from June 14, 2000. In 1997, the SEC approved the said extension.

The Parent Company’s shares of stock are publicly listed and traded in the Philippine Stock Exchange.

The accompanying consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution of the BOD on March 30, 2015.

---

### **2. Basis of Preparation and Consolidation, Statement of Compliance and Changes in Accounting Policies and Disclosures**

#### Basis of Preparation

The consolidated financial statements of the Parent Company and its subsidiaries have been prepared on a historical cost basis, except for available-for-sale (AFS) investments and land, which are 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 peso, except when otherwise indicated.

#### Statement of Compliance

The Group’s consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Control is achieved when the Parent Company has power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee), is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns.



When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent 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; or
- The Parent Company's voting rights and potential voting rights.

The Parent 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 Parent Company obtains control over the subsidiary and ceases when the Parent 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 Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All significant intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation. Unrealized gains and losses are likewise eliminated.

A change in the ownership interest of a subsidiary (i.e., acquisition of NCI or partial disposal of interest over a subsidiary), without a loss of control, is accounted for as an equity transaction.

NCI represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to holders of the Parent Company. NCI represents the equity interest in RGMA Network, Inc. (RGMA Network).

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

The consolidated financial statements include additional information about subsidiaries that have non-controlling interests that are material to the Parent Company. Management determined material partly-owned subsidiaries as those with balance of NCI greater than 5% of non-controlling interests and those subsidiaries which type of activities they engage in is important to the Group as at end of the year.

Financial information of RGMA Network, a subsidiary that has material NCI, are summarized below:

	<b>2014</b>	2013
Proportion of equity interest held by NCI	<b>51%</b>	51%
Accumulated balances of material NCI	<b>₱41,617,623</b>	₱35,543,038
Net income allocated to material NCI	<b>4,868,228</b>	8,025,157

The summarized financial information of RGMA Network are provided below.



Summarized Statements of Income and Statements of Comprehensive Income

	2014	2013	2012
Revenues	<b>₱161,305,678</b>	₱161,133,002	₱151,353,083
Expenses	<b>147,595,904</b>	138,656,364	140,479,225
Provision for income tax	<b>4,164,229</b>	6,741,036	3,257,771
Net income	<b>9,545,545</b>	15,735,602	7,616,087
Other comprehensive income	<b>2,365,404</b>	-	(577,467)
<b>Total comprehensive income</b>	<b>₱11,910,949</b>	₱15,735,602	₱7,038,620
<b>Attributable to NCI</b>	<b>₱6,074,585</b>	₱8,025,157	₱3,589,696

Summarized Statements of Financial Position

	2014	2013
Total current assets	<b>₱144,057,618</b>	₱126,140,040
Total noncurrent assets	<b>24,781,992</b>	22,721,926
Total current liabilities	<b>18,520,518</b>	28,612,915
Total noncurrent liabilities	<b>68,715,910</b>	50,556,819
Total equity	<b>81,603,182</b>	69,692,232
Proportion of equity interest held by NCI	<b>51%</b>	51%
NCI's share in RGMA Network	<b>41,617,623</b>	35,543,038
Others	<b>1,106,320</b>	1,106,320
<b>Attributable to NCI</b>	<b>₱42,723,943</b>	₱36,649,358
<b>Attributable to equity holders of the Parent Company</b>	<b>₱38,879,239</b>	₱33,042,874

Summarized Cash Flow Information

	2014	2013	2012
Operating	<b>(₱4,136,038)</b>	₱1,843,305	₱512,952
Investing	<b>(610,168)</b>	(1,330,054)	(181,651)
Net increase (decrease) in cash and cash equivalents	<b>(₱4,746,206)</b>	₱513,251	₱331,301

There were no dividends paid to NCI for the years ended December 31, 2014, 2013 and 2012.





The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at December 31, 2014 and 2013:

	Principal Activities	Percentage of Ownership	
		Direct	Indirect
<b>Entertainment Business:</b>			
Alta Productions Group, Inc. (Alta)	Pre- and post-production services	100	–
Citynet Network Marketing and Productions, Inc. (Citynet)	Television entertainment production	100	–
GMA Network Films, Inc.	Film production	100	–
GMA New Media, Inc. (GNMI)	Converging Technology	100	–
GMA Worldwide (Philippines), Inc.	International marketing, handling foreign program acquisitions and international syndication of the Parent Company's programs	100	–
Scenarios, Inc.*	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation services	100	–
RGMA Marketing and Productions, Inc.	Music recording, publishing and video distribution	100	–
RGMA Network	Radio broadcasting and management	49	–
Script2010, Inc.**	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation and manpower services	–	100
<b>Advertising Business:</b>			
GMA Marketing & Productions, Inc. (GMPI)	Exclusive marketing and sales arm of the Parent Company's airtime; events management; sales implementation, traffic services and monitoring	100	–
Digify, Inc.***	Crafting, planning and handling advertising and other forms of promotion including multi-media productions	–	100
<b>Others:</b>			
Media Merge Corporation***	Business development and operations for the Parent Company's online publishing/advertising initiatives	–	100
Ninja Graphics, Inc.****	Ceased commercial operations in 2004	–	51
<small>*Under liquidation  **Indirectly owned through Citynet  ***Indirectly owned through GNMI  ****Indirectly owned through Alta; ceased commercial operations in 2004</small>			

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) that became effective during the year.

The nature and impact of each new standard and amendment are described below:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements*)  
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The



amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact on the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)  
These amendments clarify the meaning of ‘currently has a legally enforceable right to set-off’ and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

The additional disclosures required by the amendments are presented in Note 7 to the Group’s consolidated financial statements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)  
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

The additional disclosures required by the amendments are presented in Note 14 to the Group’s consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)  
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group’s financial position or performance as the Group does not have any derivative transactions.

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

#### Improvements to PFRSs

Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view of removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. These improvements are effective immediately but did not have a significant impact on the Group’s consolidated financial statements. These include:

- Annual improvements to PFRSs 2010 – 2012 Cycle (PFRS 13, *Fair Value Measurement*)  
The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.



- Annual improvements to PFRSs 2011 – 2013 Cycle (PFRS 1, *First-time Adoption of PFRS*)  
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

#### Future Changes in Accounting Policies

The Group did not early adopt the following new standards, amendments and improvements to PFRS and Philippine Interpretations that have been approved but are not yet effective. Except as otherwise stated, the Group does not expect these changes to have a significant impact on its consolidated financial statements unless otherwise indicated.

#### *Effective in 2015*

- PFRS 9, *Financial Instruments - Classification and Measurement (2010 version)*  
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

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

- Amendments to 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. This amendment is effective for annual periods beginning on or after January 1, 2015.



*Effective after 2015*

- 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. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted.
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)  
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. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments are not applicable to the Group.
- 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. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.
- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*  
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)  
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting.



The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, 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 prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts*  
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statements of financial position and present movements in these account balances as separate line items in the statements of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The amendments are not applicable to the Group.
- PFRS 9, *Financial Instruments - Hedge Accounting and Amendments to PFRS 9, PFRS 7, Financial Instruments: Disclosures, and PAS 39 (2013 version)*  
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

- PFRS 9, *Financial Instruments (2014 or final version)*  
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. 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 measurement, impairment, and hedge accounting.

PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.



*Annual Improvements to PFRSs*

These improvements to the following standards and interpretations are effective for annual periods beginning on or before January 1, 2015 and are not expected to have a material impact on the Group's consolidated financial statements.

- Annual Improvements to PFRS (2010-2012 Cycle)
  - 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 performance condition must contain a service condition
    - A performance target must be met while the counterparty is rendering service
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
    - A performance condition may be a market or non-market condition
    - 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 clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).
  - 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 - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*

The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

    - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.



- b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- PAS 24, *Related Party Disclosures - Key Management Personnel*  
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the Parent Company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.
- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*  
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  - b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- Annual Improvements to PFRS (2011-2013 Cycle)
  - 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 (or PFRS 9, as applicable).
- PAS 40, *Investment Property*  
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3.
- Annual Improvements to PFRSs (2012-2014 cycle)
  - 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, *Financial Instruments: Disclosures - 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).

*Deferred Effectivity*

- **Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate***  
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The interpretation will not be applicable to the Group.

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

---

### **3. Summary of Significant Accounting and Financial Reporting Policies**

#### 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 acquisition date 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.



### Fair Value Measurement

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 Group.

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 best economic 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 fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market. Where the Group has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available supportable market data as possible).

The Group 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.

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; and
- 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 Group 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 the end of each reporting period.



The Group determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Group 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.

The Group recognizes transfers into and transfers out of fair value hierarchy levels by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) as at the date of the event or change in circumstances that caused the transfer.

### Financial Instruments

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

*Initial Recognition of Financial Instruments.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

The Group classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS investments and other financial liabilities. The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

The Group's financial assets include cash and cash equivalents, short-term investments, trade and other receivables (excluding advances to suppliers), refundable deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position) and AFS financial assets.

The Group's financial liabilities include trade payables and other current liabilities (excluding payable to government agencies and customers' deposits), short-term loans, current and noncurrent obligations for program and other rights, dividends payable and other long-term employee benefits.

As at December 31, 2014 and 2013, the Group does not have any financial asset at FVPL, HTM investments or derivatives designated as hedging instruments.

As at December 31, 2014 and 2013, the Group does not have financial liabilities at FVPL.

*Subsequent measurement.* The subsequent measurement of financial assets depends on their classification as follows:

*Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including any separated derivatives, are also classified under financial



assets at FVPL, unless these are designated as hedging instruments in an effective hedge or financial guarantee contracts. Gains or losses on investments held for trading are included in the consolidated statements of comprehensive income. Interest income on investments held for trading is included in the consolidated statements of comprehensive income. Instruments under this category are classified as current assets if these are held primarily for the purpose of trading or expected to be realized/settled within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

Financial assets may be designated by management at initial recognition as at FVPL when any of the following criteria is met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis;
- The assets are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment 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.

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The effective interest amortization is included in interest income in profit or loss. The losses arising from impairment are recognized under “General and administrative expenses” account in the consolidated statements of comprehensive income. Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

*AFS Investments.* In the case of equity instruments classified as AFS investments, evidence of impairment would include a significant or prolonged decline in fair value of 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 statements of comprehensive income - is removed from the consolidated statements of comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in the consolidated statements of comprehensive income.

*Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and borrowings. Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the EIR amortization process.



#### 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 Group; 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 Group 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.

#### Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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

#### Impairment of Financial Assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or



principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Assets Carried at Amortized Cost.* If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If a future write-off is later recovered, the recovery is recognized in the consolidated statements of comprehensive income under "Others - net" account. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive 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 has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

'Day 1 Difference'. Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1 difference') in the consolidated statements of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is recognized in the consolidated statements of comprehensive income only



when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1 difference' amount.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements 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 assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

#### Program and Other Rights

Program and other rights with finite and infinite lives are stated at cost less amortization and any impairment in value. The cost of programs and other rights with finite lives is amortized using straight line method up to the date of expiry, which is the manner and pattern of usage of the acquired rights. The cost of program and other rights with infinite lives is amortized on accelerated method based on the sum of the year's digit of ten years with salvage value of 10% of the total cost. Amortization expense is shown as "Program and other rights usage" included under "Production costs" account in the consolidated statements of comprehensive income.

For series of rights acquired, the cost is charged to income as each series is aired on a per episode basis.

For rights intended for airing over the international channels, the cost is amortized on a straight-line basis over the number of years indicated in the contract.

Program and other rights are classified as current assets because the Group expects to air any given title at any time within its normal operating cycle.

#### Prepaid Production Costs

Prepaid production costs, included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position, represent costs paid in advance 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 under "Production costs" account in the consolidated statements of comprehensive income upon airing of the related program or episodes. Costs related to previously taped episodes determined not to be aired are charged to expense.

#### Materials and Supplies Inventory

Materials and supplies inventory, included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position, is stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the current replacement cost.

#### Tax Credits

Tax credits represent claims from the government arising from airing of government commercials and advertisements availed under Presidential Decree (PD) No. 1362. Pursuant to PD No. 1362, these will be collected in the form of tax credits which the Group can use in paying for import duties and taxes on imported broadcasting related equipment. The tax credits cannot be used to pay for any other tax obligation to the government.



As at December 31, 2014 and 2013, the Group's tax credits are classified as current under "Prepaid expenses and other current assets" account in the consolidated statements of financial position.

#### Asset Classified as Held for Sale

Asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

#### Investments and Advances

*Investment in an Associate.* This account consists of investments in and permanent advances to an associate.

The Group's investment in its associate are accounted for using the equity method. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. The consolidated statements of comprehensive income reflect the share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. An investment in associate is accounted for using the equity method from the date when it becomes an associate. On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as follows:

- Goodwill relating to an associate is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Group's share in the associate's profits or losses.
- Any excess of the Group's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share in the associate's profit or loss in the period in which the investment is acquired.





The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate and accounts for the investment in accordance with PAS 39 from that date, provided the associate does not become a subsidiary or a joint arrangement as defined in PFRS 11. Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any difference in the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in consolidated statements of comprehensive income. When the Group's interest in an investment in associate is reduced to zero, additional losses are provided only to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the investee that the Group has guaranteed or otherwise committed. If the associate subsequently reports profits, the Group resumes recognizing its share of the profits if it equals the share of net losses not recognized.

The financial statements of the associate are prepared for the same reporting period as the Parent Company. The accounting policies of the associate conform to those used by the Parent Company for like transactions and events in similar circumstances.

The Group's share in profit (loss) of the associate is shown on the face of the consolidated statements of comprehensive income as "Equity in net earnings (losses) of an associate and joint ventures", which is the profit (loss) attributable to equity holders of the associate.

*Interests in Joint Ventures.* This account consists of interests in joint ventures.

The Group has interests in joint ventures. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangements. 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 Group recognizes its interests in the joint ventures using the equity method. The financial statements of the joint ventures are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealized gains and losses on such transactions between the Group and its joint ventures. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss. The Group ceases to use the equity method of accounting on the date from which it no longer has joint control over, or significantly influence in the joint ventures or when the interests become held for sale.

Upon loss of joint control, the Group measures and recognizes its remaining 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 remaining investment and proceeds from disposal is recognized in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.



Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization and impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is measured at fair value less accumulated impairment losses, if any, recognized after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the “Revaluation increment on land - net of tax” account under equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case, the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the “Revaluation increment in land - net of tax” account.

Depreciation and amortization are computed on a straight-line basis over the following estimated useful lives of the assets:

Buildings, towers and improvements	11-20 years
Antenna and transmitter systems and broadcast equipment	5-10 years
Communication and mechanical equipment	3-5 years
Transportation equipment	4-5 years
Furniture, fixtures and equipment	5 years

An item of property and equipment and any significant part initially recognized 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 profit or loss when the asset is derecognized.

The assets’ residual values, useful lives and methods of depreciation and amortization are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

Investment Properties

Investment properties consist of real estate held for capital appreciation and rental.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties, except land, are measured at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

Depreciation and amortization are computed using the straight-line method over 11-20 years.



The remaining useful lives and depreciation and amortization method are reviewed and adjusted, if appropriate, at each financial year-end.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of derecognition.

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 fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

#### Investment in Artworks

Investment in artworks, included under “Other noncurrent assets” account in the consolidated statements of financial position, is stated at cost less any impairment in value.

#### Software Costs

Costs incurred in the acquisition and customization of new software, included under “Other noncurrent assets” account in the consolidated statements of financial position, are capitalized and amortized on a straight-line basis over three to five years.

#### Impairment of Nonfinancial Assets

The carrying values of program and other rights, prepaid production costs, tax credits, investments and advances, property and equipment, investment properties, software costs and investment in artworks are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets are considered impaired and are written down to their recoverable amount. The recoverable amount of these nonfinancial assets is the greater of an asset’s or cash-generating unit’s fair value less cost to sell or 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 group of assets. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm’s-length transaction less cost to sell. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss, except for land at revalued amount where the revaluation is taken to other comprehensive income, 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. That 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 profit or loss. After such a reversal, the depreciation and amortization charges 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. For land at revalued amounts, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

In the case of investments in associates and interests in joint ventures, after application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's investments in associates and interests in joint ventures. The Group determines at each reporting period whether there is any objective evidence that the investments in associates and interests in joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of investments in associates and the acquisition cost and recognizes the amount in the consolidated statements of comprehensive income.

#### Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.

Retained earnings include all current and prior period results of operations as reported in the consolidated statements of comprehensive income, net of any dividend declaration.

#### Treasury Stock and Underlying Shares of Acquired Philippine Deposit Receipts (PDRs)

The Parent Company's own reacquired equity instruments are deducted from equity. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

#### Dividends on Common Shares of the Parent Company

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

#### Revenues

Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured, regardless of when the payment is being made. Revenues are measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

*Airtime Revenue.* Revenue is recognized as income in the period the advertisements are aired. Such revenues are net of co-producers' share. The fair values of capitalizable exchange deals are included in airtime revenue and the related accounts. These transactions represent advertising time exchanged for program materials, merchandise or service.

Payments received before broadcast (pay before broadcast) are recognized as income on the dates the advertisements are aired. Prior to liquidation, these are net out against outstanding accounts receivable since a right of offset exists between the pay before broadcast balance and the regular accounts receivable with credit terms. These are classified as deferred liability under "Customers' deposits" included under "Trade payables and other current liabilities" account in the consolidated statements of financial position when no right of offset exists.



Goods received in exchange for airtime usage pursuant to ex-deal contracts executed between the Group and its customers are recorded at fair market values of assets received. Fair market value is the current market price.

Tax credits on aggregate airtime credits from government sales availed of under PD No. 1362 are recognized as income upon actual airing of government commercials and advertisements and when there is reasonable certainty that these can be used to pay duties and taxes on imported broadcasting related equipment.

*Subscription Income.* Revenue is recognized on an accrual basis in accordance with the terms of subscription agreements.

*Commission.* Revenue is recognized as income on an accrual basis in accordance with the terms of the related marketing agreements.

*Production and Others.* Production revenue is recognized when project-related services are rendered. Others pertain to revenue from sponsorship and licensing income. Revenue from sponsorship and licensing is recognized on an accrual basis in accordance with the terms of the agreement.

*Rental Income.* Revenue from lease of property and equipment is accounted for on a straight-line basis over the lease term.

*Dividend Income.* Revenue is recognized when the Group's right to receive payment is established.

*Interest Income.* Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

*Equity in Net Earnings (Losses) of Joint Ventures.* The Group recognizes its share in the net income or loss of an associate and joint ventures proportionate to the equity in the economic shares of such associates and joint ventures, in accordance with the equity method.

*Other Income.* Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Group through an increase in asset or reduction in liability that can be measured reliably.

#### Co-producers' Share

Co-producers' share is deducted from gross revenues in profit or loss in the period the advertisements are aired.

Share of co-producers on revenues of specific programs are covered by duly authorized contracts entered into between the Group and the co-producers. The co-producers normally undertake the production of such program in return for a stipulated percentage of revenue.

#### Borrowing Costs

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



Expenses

Expenses, presented as “Production costs” and “General and administrative expenses” in the consolidated statements of comprehensive income, are recognized as incurred.

Pension and Other Employee Benefits

The Parent Company and GMPI have funded, noncontributory defined benefit retirement plans covering permanent employees. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method.

*Defined Benefit 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 non-routine settlements are recognized as part of production costs and general and administrative expenses in the consolidated statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

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 “Personnel costs” included under “General and administrative expenses” account in the consolidated statements of comprehensive 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 other comprehensive income in the period in which they arise. 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 Group’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.



*Employee Leave Entitlements.* Employee entitlements to annual leave are recognized as a liability when they accrue to the employees. The liability relating to employee leave entitlement is recognized for services rendered equivalent to the maximum credit leaves earned by the employee, which is expected to be settled upon the employee's resignation or retirement. The present value of the noncurrent portion of the liability is determined by applying the discount rate based on government bonds.

#### Leases

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement depends on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease, if any, if the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is substantial change to the asset.

Where the reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

The Group determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

*Group as Lessee.* Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

*Group as Lessor.* Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases are recognized as income in the consolidated statements of comprehensive income on a straight-line basis over the lease term. 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. Contingent rents are recognized as revenue in the period in which they are earned.

#### Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency exchange rate 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 period. All differences are taken to profit or loss in the consolidated statements of comprehensive 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. For income tax purposes, foreign exchange gains and losses are treated as taxable income or deductible expenses when realized.

### Taxes

*Current Income Tax.* Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

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

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT over RCIT and unused NOLCO can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference 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 profit nor taxable profit; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill 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 profit nor taxable profit; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws to be enacted or substantially enacted at the reporting period.





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

Income tax relating to other comprehensive income is recognized in other comprehensive income section of the consolidated statements of comprehensive income.

*Creditable withholding taxes.* Creditable withholding taxes represent amounts withheld by the Group's customers and is deducted from the Group's income tax payable.

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

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade payables and other current liabilities" accounts in the consolidated statements of financial position.

#### Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the year attributable to the equity holders of the Parent Company, net of income attributable to preferred shares, by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared, if any.

Diluted EPS is calculated by dividing the net income for the year attributable to the equity holders of the Parent Company (inclusive of income attributable to preferred shares) by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued upon conversion of all dilutive potential common shares.

#### Segment Reporting

For management purposes, the Group's operating businesses are organized and managed separately into three business activities. Such business segments are the basis upon which the Group reports its primary segment information. The Group considers television and radio operations as the major business segment. The Group operates in two geographical areas where it derives its revenue. Financial information on business segments is presented in Note 5 to the consolidated financial statements.

#### Provisions

Provisions are recognized when the Group 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. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.



#### 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 are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

#### Events after Reporting Period

Post year-end events that provide additional information about the Group's position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

---

#### **4. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes at the end of the reporting period. However, uncertainty about these judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

*Functional Currency.* The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. The Philippine peso is also the functional currency of all the subsidiaries. It is the currency of the primary economic environment in which the Group operates.

*Asset Classified as Held for Sale.* The Group assessed that the interest in X-Play Online Games Incorporated (X-Play) met the criteria to be classified as held for sale in 2014 for the following reasons:

- X-Play is available for immediate sale and can be sold in its current condition.
- IP E-Games Ventures, Inc. (IPE) and GNMI have a recent agreement which provides the execution of the option agreement as discussed in Note 15. On July 28, 2014, the increase in capital stocks of IPE is already approved by the SEC.
- Asset classified as held for sale amounted to ₱26.43 million as at December 31, 2014 (see Note 15).

In 2013, the Group classified its investment in X-Play as noncurrent asset, included under "Other noncurrent assets" account in the 2013 consolidated statement of financial position (see Note 15).

*Consolidation of entities in which the Group holds less than majority of voting rights.* The Group considers that it controls RGMA Network even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of RGMA Network with a 49% equity interest. The remaining 51% of the equity shares in RGMA Network are owned by several parties. Since September 27, 1995, which is the date of incorporation of RGMA Network, there is



no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

*Assessing Joint Control of an Arrangement and the Type of Arrangement.* Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group assessed that it has joint control in all its joint arrangements by virtue of a contractual agreement with other shareholders. The Group's joint ventures have separate legal entity and its stockholders have rights to its net assets.

The carrying value of the investments in joint ventures amounted to ₱21.98 million and ₱16.64 million as at December 31, 2014 and 2013, respectively (see Note 11).

*Operating Leases - Group as Lessee.* The Group has entered into various lease agreements as a lessee. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessors retain all the significant risks and rewards of ownership of the properties and thus accounts for the contracts as operating leases.

Rental expense charged to operations amounted to ₱855.12 million, ₱919.49 million and ₱787.88 million in 2014, 2013, and 2012 respectively (see Note 27).

*Tax Credits.* The Parent Company has determined that tax credits earned from airing of government commercials and advertisements are recognized based on the Parent Company's forecast of importation for the next twelve (12) months from reporting period in which the tax credits will be applied and when the application is reasonably certain.

Revenue from tax credits recognized in profit or loss amounted to ₱80.00 million, ₱44.80 million and ₱40.00 million in 2014, 2013 and 2012, respectively (see Note 21).

*Classification of Leave Entitlements as Current or Noncurrent.* The Group assesses the classification of its leave entitlements as either current or noncurrent based on the historical experience of the outstanding leave availed.

Other employee benefits classified as current in "Accrued payroll and talent fees" included under "Trade payables and other current liabilities" account in the consolidated statements of financial position amounted to ₱18.14 million and ₱17.26 million as at December 31, 2014 and 2013, respectively, while other employee benefits classified as noncurrent amounted to ₱259.01 million and ₱264.37 million as at December 31, 2014 and 2013, respectively (see Note 26).

#### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Estimating Allowance for Doubtful Accounts.* Provisions are made for specific and groups of billed accounts where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances that affect the collectability of the accounts. The review is accomplished using a combination of specific and collective assessment. The



factors considered in specific and collective impairment assessments include, but not limited to, the length of the Group's relationship with customers, customers' current credit status and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in allowance for doubtful accounts would increase the recorded general and administrative expenses and decrease current assets.

Provision for doubtful accounts amounted to ₱0.72 million, ₱0.85 million and ₱35.79 million in 2014, 2013 and 2012, respectively (see Note 23). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱4,638.38 million and ₱3,521.43 million as at December 31, 2014 and 2013, respectively (see Note 7).

*Amortization of Program and Other Rights.* The Group estimates the amortization of program and other rights with finite lives using straight line method up to the date of expiry, which is the manner and pattern of usage of the acquired rights. The Group estimates the amortization of program and other rights with infinite lives using accelerated method based on the sum of the year's digit of ten years with salvage value of 10% of the total cost. The Group estimates that programs are generally more marketable in their initial airing as compared to the succeeding airings. In addition, estimation of the amortization of program and other rights is based on the Group's experience with such rights. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Program and other rights usage amounted to ₱646.68 million, ₱565.36 million and ₱460.94 million in 2014, 2013 and 2012, respectively (see Note 22). Program and other rights, net of accumulated impairment loss, amounted to ₱1,198.27 million and ₱1,209.23 million as at December 31, 2014 and 2013, respectively (see Note 8).

*Determination of Impairment of AFS Financial Assets.* For unquoted equity instruments, the financial assets are considered to be impaired when the Group believes that future cash flows generated from the investment is expected to decline significantly. The Group's management makes significant estimates and assumptions on the future cash flows expected and the appropriate discount rate to determine if impairment exists. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. For the quoted shares, the Group determines that the financial assets are considered to be impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Group determines that a decline in fair value of greater than 20% of cost is considered to be a significant decline and a decline for a period of more than 12 months is considered to be a prolonged decline. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share price for quoted equities.

Provision for impairment loss amounted to ₱1.37 million in 2014 and ₱1.05 million each in 2013 and 2012 (see Note 23). The carrying value of AFS financial assets amounted to ₱129.02 million and ₱135.55 million as at December 31, 2014 and 2013, respectively (see Note 10).

*Estimating Allowance for Inventory Losses.* The Group provides allowance for inventory losses whenever the net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account is reviewed periodically to reflect the accurate valuation of the inventories.



The carrying value of materials and supplies inventory amounted to ₱30.12 million and ₱58.58 million as at December 31, 2014 and 2013, respectively (see Note 9). There were no provisions for inventory losses in 2014, 2013 and 2012.

*Estimating Useful Lives of Property and Equipment, Software Costs and Investment Properties.*

The Group estimates the useful lives of property and equipment, software costs and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, software costs and investment properties are reviewed periodically and are 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 the assets. In addition, estimation of the useful lives of property and equipment, software costs and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment, software costs and investment properties would increase the recorded general and administrative expenses and decrease noncurrent assets.

There has been no change in the Group's estimate of useful lives of its property and equipment, software costs and investment properties in 2014 and 2013.

Total depreciation and amortization expense for the years ended December 31, 2014, 2013 and 2012 amounted to ₱776.53 million, ₱705.44 million, and ₱610.00 million, respectively (see Notes 12, 14, 22 and 23).

*Revaluation of Land.* The Group engages an accredited appraiser to determine the fair value of the land used in operations. Fair value is determined by reference to market-based evidence adjusted based on certain elements of comparison. The fair value amount would differ if the Group made different judgments and estimates or utilized a different basis for determining fair value.

Valuations from an accredited appraiser are performed every five years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The revalued amount of land amounted to ₱1,799.71 million and ₱1,805.30 million as at December 31, 2014 and 2013, respectively (see Note 13).

*Impairment of Nonfinancial Assets.* For prepaid production costs, tax credits, investments and advances, property and equipment, investment properties, program and other rights, investment in artworks and software costs, impairment testing is performed whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

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



The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs to sell and the asset's value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

Provision for impairment loss on the advances to joint venture for the year ended December 31, 2012 amounted to ₱2.61 million (see Note 23). There is no impairment for 2014 and 2013.

The carrying values of nonfinancial assets as at December 31 follow:

	2014	2013
Property and equipment (Note 12)	<b>₱3,373,810,427</b>	₱3,589,651,781
Program and other rights (Note 8)	<b>1,198,270,709</b>	1,209,229,281
Tax credits (Note 9)	<b>183,275,266</b>	117,846,102
Prepaid production costs (Note 9)	<b>179,060,055</b>	84,826,707
Investments and advances (Note 11)	<b>147,937,544</b>	139,463,938
Investment properties (Note 14)	<b>58,811,306</b>	60,532,209
Software costs (Note 15)	<b>35,917,092</b>	37,654,045
Investment in artworks (Note 15)	<b>10,406,255</b>	10,406,255

*Taxes.* The Group has exposures to the tax rules and regulations in the Philippines and significant judgment is involved in determining the provision for these tax exposures. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes are due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such difference will impact profit or loss in the period in which such determination is made.

*Estimating Realizability of Deferred Income Tax Assets.* The Group reviews the carrying amounts of deferred income tax assets on nondeductible temporary differences and carryforward benefits of NOLCO and excess MCIT over RCIT at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Based on the Group's assessment, not all nondeductible temporary difference and carryforward benefits of NOLCO and excess MCIT over RCIT will be realized.

Recognized deferred tax assets amounted to ₱589.54 million and ₱513.65 million as at December 31, 2014 and 2013, respectively, while unrecognized deferred tax assets amounted to ₱28.03 million and ₱20.73 million as at December 31, 2014 and 2013, respectively (see Note 28).

*Pension and Other Employee Benefits.* The determination of the Group's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 26 and include, among others, discount rate and salary increase rate. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

Pension liability amounted to ₱1,161.28 million and ₱605.25 million as at December 31, 2014 and 2013, respectively (see Note 26).

*Determination of Fair Value of Financial Assets and Financial Liabilities.* PFRS requires certain financial assets and financial liabilities are carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized a different



valuation methodology. Any changes in the assumptions could affect the fair value of these financial assets and financial liabilities. The fair value of financial assets and liabilities are enumerated in Note 31.

*Contingencies.* The Group is currently involved in various claims and legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on the Group's financial position.

---

## 5. Segment Information

### Business Segments

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments, as follows:

- The television and radio segment, which engages in television and radio broadcasting activities and which generates revenue from sale of national and regional advertising time.
- The international subscription segment which engages in subscription arrangements with international cable companies.
- Other businesses which include movie production, consumer products and other services.

The Executive Committee, the chief operating decision maker, and Management monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with the net income or loss in the consolidated financial statements. On a consolidated basis, the Group's performance is evaluated based on consolidated net income for the year.

### Geographical Segments

The Group operates in two major geographical segments. In the Philippines, the home country, the Group is involved in television operations. In the United States and in other locations (which include Middle East, Europe, Australia, Canada, Guam, Singapore, Hongkong and Japan), the Group ties up with cable providers to bring television programming outside the Philippines.

The Group's revenues are mostly generated in the Philippines, which is the Group's country of domicile. Revenues from external customers attributed to foreign countries from which the Group derives revenue are individually immaterial to the consolidated financial statements.

Noncurrent assets consist of property and equipment, land at revalued amounts, investment properties and intangible assets which are all located in the Philippines.

The Group does not have a single external customer whose revenue accounts for 10% or more of the Group's revenues.



Inter-segment Transactions

Segment revenues, segment expenses and segment 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.

Measurement Basis

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.





Business Segment Data

	Television and Radio Airtime			International Subscriptions			Other Businesses			Eliminations		Consolidated			
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
<b>Net Revenues</b>															
External sales	₱10,676,626,531	₱11,738,449,260	₱10,827,122,279	₱1,075,797,836	₱977,812,319	₱956,293,603	₱230,463,979	₱234,617,743	₱302,519,088	₱-	₱-	₱-	₱11,982,888,346	₱12,950,879,322	₱12,085,934,970
Inter-segment sales	-	-	-	-	-	-	772,809,560	761,156,750	909,768,842	(772,809,560)	(761,156,750)	(909,768,842)	-	-	-
	₱10,676,626,531	₱11,738,449,260	₱10,827,122,279	₱1,075,797,836	₱977,812,319	₱956,293,603	₱1,003,273,539	₱995,774,493	₱1,212,287,930	(₱772,809,560)	(₱761,156,750)	(₱909,768,842)	₱11,982,888,346	₱12,950,879,322	₱12,085,934,970
<b>Results</b>															
Segment results	₱583,750,944	₱1,816,913,584	₱1,763,346,005	₱827,781,275	₱531,126,610	₱513,773,226	(₱2,396,729)	₱37,512,277	₱5,035,728	₱-	₱-	₱-	₱1,409,135,490	₱2,385,552,471	₱2,282,154,959
Interest expenses and financing charges	(36,131,142)	(52,852,451)	(42,706,120)	-	-	-	(224,651)	(262,783)	(201,616)	-	-	-	(36,355,793)	(53,115,234)	(42,907,736)
Interest income from bank deposits and short-term investments	14,771,847	19,267,743	33,632,100	-	-	-	869,095	4,723,062	1,108,779	-	-	-	15,640,942	23,990,805	34,740,879
Net foreign currency exchange gains (losses)	(12,944,998)	(49,515,631)	(9,787,771)	-	17,340,273	(13,336,636)	(27,274)	854,376	(535,948)	-	-	-	(12,972,272)	(31,320,982)	(23,660,355)
Equity in net earnings (losses) of joint ventures	-	-	-	-	-	-	5,338,761	(5,362,051)	-	-	-	-	5,338,761	(5,362,051)	-
Other income - net	91,827,366	66,633,028	67,569,107	-	-	-	164,839,581	928,016	(547,057)	(180,000,000)	-	(3,000,000)	76,666,947	67,561,044	64,022,050
Provision for income tax	(192,377,804)	(535,160,705)	(540,707,890)	(248,334,382)	(159,337,983)	(127,639,914)	(52,222,645)	(17,832,353)	(25,229,156)	45,000,000	-	-	(447,934,831)	(712,331,041)	(693,576,960)
Net income	₱448,896,213	₱1,265,285,568	₱1,271,345,431	₱579,446,893	₱389,128,900	₱372,796,676	₱116,176,138	₱20,560,544	(₱20,369,270)	(₱135,000,000)	₱-	(₱3,000,000)	₱1,009,519,244	₱1,674,975,012	₱1,620,772,837
<b>Assets and Liabilities</b>															
Segment assets	₱12,109,164,612	₱11,655,665,602	₱11,657,844,976	₱1,804,517,475	₱1,365,518,823	₱932,477,981	₱942,507,866	₱853,416,184	₱946,239,689	(₱1,043,512,233)	(₱933,803,088)	(₱989,205,551)	₱13,812,677,720	₱12,940,797,521	₱12,547,357,095
Investment in an associate and interests in joint ventures - at equity	38,350,619	38,350,619	38,350,619	-	-	-	21,976,710	16,637,949	10,000,000	-	-	-	60,327,329	54,988,568	48,350,619
Deferred income tax assets	-	-	-	-	-	-	147,400,799	88,150,862	86,575,385	-	-	-	147,400,799	88,150,862	86,575,385
Total assets	₱12,147,515,231	₱11,694,016,221	₱11,696,195,595	₱1,804,517,475	₱1,365,518,823	₱932,477,981	₱1,111,885,375	₱958,204,995	₱1,042,815,074	(₱1,043,512,233)	(₱933,803,088)	(₱989,205,551)	₱14,020,405,848	₱13,083,936,951	₱12,682,283,099
Segment liabilities	₱5,261,372,401	₱3,890,259,616	₱3,999,688,501	₱292,609,818	₱188,876,025	₱200,966,316	₱926,552,875	₱839,168,812	₱1,068,255,438	(₱713,020,721)	(₱701,020,698)	(₱880,309,046)	₱5,767,514,373	₱4,217,283,755	₱4,388,601,209
Deferred income tax liabilities	19,696,301	41,580,015	144,250,390	-	-	-	-	-	-	-	-	-	19,696,301	41,580,015	144,250,390
Total liabilities	₱5,281,068,702	₱3,931,839,631	₱4,143,938,891	₱292,609,818	₱188,876,025	₱200,966,316	₱926,552,875	₱839,168,812	₱1,068,255,438	(₱713,020,721)	(₱701,020,698)	(₱880,309,046)	₱5,787,210,674	₱4,258,863,770	₱4,532,851,599
<b>Other Segment Information</b>															
Capital expenditures:															
Program and other rights and software cost	₱802,911,694	₱582,863,041	₱868,716,048	₱6,536,842	₱14,232,925	₱53,432,603	₱1,319,760	₱660,178	₱33,583,795	(₱150,000,000)	₱-	₱-	₱660,768,296	₱597,756,144	₱955,732,446
Property and equipment	561,411,874	656,219,043	956,155,200	1,452,393	14,365,659	9,830,044	1,032,224	2,067,525	10,053,374	-	-	-	563,896,491	672,652,227	976,038,618
Investment properties	3,299,279	1,846,519	-	-	-	-	-	-	-	-	-	-	3,299,279	1,846,519	-
Depreciation and amortization	1,425,864,346	1,282,171,980	1,079,790,144	6,473,949	5,764,666	6,455,694	14,237,327	13,857,774	12,428,482	-	-	-	1,446,575,622	1,301,794,420	1,098,674,320
Noncash expenses other than depreciation and amortization	-	-	-	-	-	11,761,460	-	-	-	-	-	(11,761,460)	-	-	-



Geographical Segment Data

	Local						International Subscriptions			Eliminations			Consolidated		
	Television and radio airtime			Other Businesses			2014	2013	2012	2014	2013	2012	2014	2013	2012
<b>Net Revenues</b>															
External sales	<b>₱10,676,626,531</b>	₱11,738,449,260	₱10,827,122,279	<b>₱230,463,979</b>	₱234,617,743	₱302,519,088	<b>₱1,075,797,836</b>	₱977,812,319	₱956,293,603	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱11,982,888,346</b>	₱12,950,879,322	₱12,085,934,970
Inter-segment sales	-	-	-	<b>772,809,560</b>	761,156,750	909,768,842	-	-	-	<b>(772,809,560)</b>	(761,156,750)	(909,768,842)	-	-	-
Total net revenues	<b>₱10,676,626,531</b>	₱11,738,449,260	₱10,827,122,279	<b>₱1,003,273,539</b>	₱995,774,493	₱1,212,287,930	<b>₱1,075,797,836</b>	₱977,812,319	₱956,293,603	<b>(₱772,809,560)</b>	(₱761,156,750)	(₱909,768,842)	<b>₱11,982,888,346</b>	₱12,950,879,322	₱12,085,934,970
<b>Results</b>															
Segment results	<b>₱583,750,944</b>	₱1,816,913,584	₱1,763,346,005	<b>(₱2,396,729)</b>	₱37,512,277	₱5,035,728	<b>₱827,781,275</b>	₱531,126,610	₱513,773,226	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>	<b>₱1,409,135,490</b>	₱2,385,552,471	₱2,282,154,959
Interest expenses and financing charges	<b>(36,131,142)</b>	(52,852,451)	(42,706,120)	<b>(224,651)</b>	(262,783)	(201,616)	-	-	-	-	-	-	<b>(36,355,793)</b>	(53,115,234)	(42,907,736)
Interest income from bank deposits and short-term investments	<b>14,771,847</b>	19,267,743	33,632,100	<b>869,095</b>	4,723,062	1,108,779	-	-	-	-	-	-	<b>15,640,942</b>	23,990,805	34,740,879
Net foreign currency exchange gains (losses)	<b>(12,944,998)</b>	(49,515,631)	(9,787,771)	<b>(27,274)</b>	854,376	(535,948)	-	17,340,273	(13,336,636)	-	-	-	<b>(12,972,272)</b>	(31,320,982)	(23,660,355)
Equity in net earnings (losses) of joint ventures	-	-	-	<b>5,338,761</b>	(5,362,051)	-	-	-	-	-	-	-	<b>5,338,761</b>	(5,362,051)	-
Other income - net	<b>91,827,366</b>	66,633,028	67,569,107	<b>164,839,581</b>	928,016	(547,057)	-	-	-	<b>(180,000,000)</b>	-	(3,000,000)	<b>76,666,947</b>	67,561,044	64,022,050
Provision for income tax	<b>(192,377,804)</b>	(535,160,705)	(540,707,890)	<b>(52,222,645)</b>	(17,832,353)	(25,229,156)	<b>(248,334,382)</b>	(159,337,983)	(127,639,914)	<b>45,000,000</b>	-	-	<b>(447,934,831)</b>	(712,331,041)	(693,576,960)
Net income	<b>₱448,896,213</b>	₱1,265,285,568	₱1,271,345,431	<b>₱116,176,138</b>	₱20,560,544	(₱20,369,270)	<b>₱579,446,893</b>	₱389,128,900	₱372,796,676	<b>(₱135,000,000)</b>	<b>₱-</b>	(₱3,000,000)	<b>₱1,009,519,244</b>	₱1,674,975,012	₱1,620,772,837
<b>Assets and Liabilities</b>															
Segment assets	<b>₱12,109,164,612</b>	₱11,655,665,602	₱11,657,844,976	<b>₱942,507,866</b>	₱853,416,184	₱946,239,689	<b>₱1,804,517,475</b>	₱1,365,518,823	₱932,477,981	<b>(₱1,043,512,233)</b>	(₱933,803,088)	(₱989,205,551)	<b>₱13,812,677,720</b>	₱12,940,797,521	₱12,547,357,095
Investment in an associate and interests in joint ventures - at equity	<b>38,350,619</b>	38,350,619	38,350,619	<b>21,976,710</b>	16,637,949	10,000,000	-	-	-	-	-	-	<b>60,327,329</b>	54,988,568	48,350,619
Deferred income tax assets	-	-	-	<b>147,400,799</b>	88,150,862	86,575,385	-	-	-	-	-	-	<b>147,400,799</b>	88,150,862	86,575,385
Total assets	<b>₱12,147,515,231</b>	₱11,694,016,221	₱11,696,195,595	<b>₱1,111,885,375</b>	₱958,204,995	₱1,042,815,074	<b>₱1,804,517,475</b>	₱1,365,518,823	₱932,477,981	<b>(₱1,043,512,233)</b>	(₱933,803,088)	(₱989,205,551)	<b>₱14,020,405,848</b>	₱13,083,936,951	₱12,682,283,099
Segment liabilities	<b>₱5,261,372,401</b>	₱3,890,259,616	₱3,999,688,501	<b>₱926,552,875</b>	₱839,168,812	₱1,068,255,438	<b>₱292,609,818</b>	₱188,876,025	₱200,966,316	<b>(₱713,020,721)</b>	(₱701,020,698)	(₱880,309,046)	<b>₱5,767,514,373</b>	₱4,217,283,755	₱4,388,601,209
Deferred income tax liabilities	<b>19,696,301</b>	41,580,015	144,250,390	-	-	-	-	-	-	-	-	-	<b>19,696,301</b>	41,580,015	144,250,390
Total liabilities	<b>₱5,281,068,702</b>	₱3,931,839,631	₱4,143,938,891	<b>₱926,552,875</b>	₱839,168,812	₱1,068,255,438	<b>₱292,609,818</b>	₱188,876,025	₱200,966,316	<b>(₱713,020,721)</b>	(₱701,020,698)	(₱880,309,046)	<b>₱5,787,210,674</b>	₱4,258,863,770	₱4,532,851,599
<b>Other Segment Information</b>															
Capital expenditures:															
Program and other rights and software cost	<b>₱802,911,694</b>	₱582,863,041	₱868,716,048	<b>₱1,319,760</b>	₱660,178	₱33,583,795	<b>₱6,536,842</b>	₱14,232,925	₱53,432,603	<b>(₱150,000,000)</b>	<b>₱-</b>	<b>₱-</b>	<b>₱660,768,296</b>	₱597,756,144	₱955,732,446
Property and equipment	<b>561,411,874</b>	656,219,043	956,155,200	<b>1,032,224</b>	2,067,525	10,053,374	<b>1,452,393</b>	14,365,659	9,830,044	-	-	-	<b>563,896,491</b>	672,652,227	976,038,618
Investment properties	<b>3,299,279</b>	1,846,519	-	-	-	-	-	-	-	-	-	-	<b>3,299,279</b>	1,846,519	-
Depreciation and amortization	<b>1,425,864,346</b>	1,282,171,980	1,079,790,144	<b>14,237,327</b>	13,857,774	12,428,482	<b>6,473,949</b>	5,764,666	6,455,694	-	-	-	<b>1,446,575,622</b>	1,301,794,420	1,098,674,320
Noncash expenses other than depreciation and amortization	-	-	-	-	-	-	-	-	11,761,460	-	-	(11,761,460)	-	-	-



---

## 6. Cash and Cash Equivalents

	2014	2013
Cash on hand and in banks	<b>₱1,439,180,767</b>	₱1,465,684,717
Short-term deposits	<b>159,644,753</b>	283,946,479
	<b>₱1,598,825,520</b>	₱1,749,631,196

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

Interest income, net of final tax, earned from bank deposits and short-term investments amounted to ₱15.64 million, ₱23.99 million and ₱34.74 million in 2014, 2013 and 2012, respectively.

---

## 7. Trade and Other Receivables

	2014	2013
Trade:		
Television and radio airtime	<b>₱3,294,544,056</b>	₱2,669,278,916
Subscriptions	<b>1,039,395,871</b>	771,491,924
Others	<b>174,239,390</b>	146,927,889
Nontrade:		
Advances to suppliers	<b>314,400,253</b>	133,338,872
Advances to officers and employees	<b>4,443,381</b>	4,623,714
Others	<b>86,047,923</b>	69,747,905
	<b>4,913,070,874</b>	3,795,409,220
Less allowance for doubtful accounts	<b>274,694,272</b>	273,978,777
	<b>₱4,638,376,602</b>	₱3,521,430,443

### Trade Receivables

*Television and Radio Airtime.* Television and radio airtime receivables are unsecured, noninterest-bearing and are generally on 60-90 day terms upon receipt of invoice by the customers. Invoicing normally takes around 30 days from airing.

Television and radio airtime receivables include unbilled airtime receivables, arising when advertisements have been aired but billing or acceptance by the customer has been delayed due to time lag in completing all required documents.

Television and radio airtime receivables are presented net of applicable payments received before broadcast amounting to ₱32.78 million and ₱230.23 million as at December 31, 2014 and 2013, respectively, since a right of offset exists between the advance payments and the regular outstanding trade receivables.



Offsetting of Financial Assets and Liabilities

	Gross Amounts of Recognized Financial Assets	Gross Amounts Recognized Financial Liabilities	Net Amount Presented in the Statement of Financial Position
Pay before broadcast			
<b>2014</b>	<b>₱3,327,320,663</b>	<b>(₱32,776,607)</b>	<b>₱3,294,544,056</b>
2013	2,899,511,357	(230,232,441)	2,669,278,916

*Subscriptions Receivable.* Subscriptions receivable pertain to receivables from international channel subscriptions and advertisements. These are unsecured, noninterest-bearing and normally collected within 30-60 days.

*Other Trade Receivables.* Other trade receivables are unsecured, noninterest-bearing and are generally on 60-90 day terms upon receipt of invoice by the customers.

Nontrade Receivables

*Advances to Suppliers.* Advances to suppliers are noninterest-bearing and are generally applied to acquisition of inventories and fixed assets and availment of services and others within the next financial year.

*Advances to Officers and Employees and Other Nontrade Receivables.* Advances to officers and employees and other nontrade receivables are noninterest-bearing and are normally collected within the next financial year.

Allowance for Doubtful Accounts

The movements in the allowance for doubtful accounts on trade receivables are as follows:

	<b>2014</b>		
	<b>Television and Radio Airtime</b>	<b>Others</b>	<b>Total</b>
Balance at beginning of year	₱269,872,570	₱4,106,207	₱273,978,777
Provision for the year (Note 23)	-	715,495	715,495
Balance at end of year	₱269,872,570	₱4,821,702	₱274,694,272

	2013		
	Television and Radio Airtime	Others	Total
Balance at beginning of year	₱269,872,570	₱3,258,202	₱273,130,772
Provision for the year (Note 23)	-	848,005	848,005
Balance at end of year	₱269,872,570	₱4,106,207	₱273,978,777



The allowance for doubtful accounts for television and radio airtime and other receivables in 2014 and 2013 are results of specific and collective impairment assessments performed by the Group as follows:

	2014	2013
Individually impaired	<b>₱247,892,830</b>	₱260,570,950
Collectively impaired	<b>26,801,442</b>	13,407,827
	<b>₱274,694,272</b>	₱273,978,777

As at December 31, 2014 and 2013, the aging analysis of receivables that are not impaired follows:

	2014				
	Trade				Total
	Television and Radio Airtime	Subscriptions	Others	Nontrade*	
Neither past due nor impaired	<b>₱2,140,146,851</b>	<b>₱443,781,464</b>	<b>₱86,788,965</b>	<b>₱76,032,053</b>	<b>₱2,746,749,333</b>
Past due but not impaired:					
1-30 days	288,547,267	231,072,682	18,039,978	1,452,601	539,112,528
31-60 days	211,665,092	43,665,297	17,240,581	987,169	273,558,139
61-90 days	61,975,452	29,746,225	4,528,069	447,105	96,696,851
91-180 days	65,746,533	51,220,843	6,327,944	707,705	124,003,025
181-365 days	174,371,503	142,142,691	4,893,784	808,267	322,216,245
Over 1 year	82,218,788	97,766,669	31,598,367	10,056,404	221,640,228
	<b>₱3,024,671,486</b>	<b>₱1,039,395,871</b>	<b>₱169,417,688</b>	<b>₱90,491,304</b>	<b>₱4,323,976,349</b>

\*Excluding advances to suppliers amounting to ₱314.40 million as at December 31, 2014.

	2013				
	Trade				Total
	Television and Radio Airtime	Subscriptions	Others	Nontrade*	
Neither past due nor impaired	<b>₱1,304,687,771</b>	<b>₱479,659,930</b>	<b>₱88,622,679</b>	<b>₱40,259,963</b>	<b>₱1,913,230,343</b>
Past due but not impaired:					
1-30 days	259,644,010	45,725,346	12,159,223	4,556,520	322,085,099
31-60 days	166,885,464	48,074,195	5,356,215	2,928,691	223,244,565
61-90 days	96,856,996	39,281,104	1,994,122	1,699,754	139,831,976
91-180 days	100,465,459	7,522,412	3,109,553	1,763,079	112,860,503
181-365 days	310,130,562	92,077,652	4,835,945	5,442,514	412,486,673
Over 1 year	160,736,084	59,151,285	26,743,945	17,721,098	264,352,412
	<b>₱2,399,406,346</b>	<b>₱771,491,924</b>	<b>₱142,821,682</b>	<b>₱74,371,619</b>	<b>₱3,388,091,571</b>

\*Excluding advances to suppliers amounting to ₱133.34 million as at December 31, 2013.

Trade and other receivables that are not impaired are assessed by the Group's management as good and collectible.

The Group's unbilled receivables amounted to ₱27.65 million and ₱27.28 million as at December 31, 2014 and 2013, respectively. These are included in trade receivables as "neither past due nor impaired" but with age of 31-60 days from date of airing.



## 8. Program and Other Rights

	2014		
	Program and Film Rights	Story/Format Rights	Total
Cost:			
Balance at beginning of year	₱1,195,316,111	₱16,615,430	₱1,211,931,541
Additions	631,035,288	8,100,950	639,136,238
Write-off (Note 25)	(3,414,011)	–	(3,414,011)
Program and other rights usage (Note 22)	(637,604,147)	(9,076,652)	(646,680,799)
Balance at end of year	1,185,333,241	15,639,728	1,200,972,969
Accumulated impairment in value - Balance at beginning and end of year	(2,702,260)	–	(2,702,260)
	<b>₱1,182,630,981</b>	<b>₱15,639,728</b>	<b>₱1,198,270,709</b>

	2013		
	Program and Film Rights	Story Format Rights	Total
Cost:			
Balance at beginning of year	₱1,161,376,706	₱30,466,224	₱1,191,842,930
Additions	538,361,476	47,084,826	585,446,302
Program and other rights usage (Note 22)	(504,422,071)	(60,935,620)	(565,357,691)
Balance at end of year	1,195,316,111	16,615,430	1,211,931,541
Accumulated impairment in value - Balance at beginning and end of year	(2,702,260)	–	(2,702,260)
	<b>₱1,192,613,851</b>	<b>₱16,615,430</b>	<b>₱1,209,229,281</b>

No impairment losses on program and other rights were recognized in 2014, 2013 and 2012.

## 9. Prepaid Expenses and Other Current Assets

	2014	2013
Tax credits	₱183,275,266	₱117,846,102
Prepaid production costs	179,060,055	84,826,707
Creditable withholding taxes	175,547,133	150,711,335
Input VAT	141,600,179	148,282,430
Prepaid expenses	75,790,955	74,805,709
Materials and supplies inventory - at cost	30,117,943	58,577,911
Others	43,610	43,610
	<b>₱785,435,141</b>	<b>₱635,093,804</b>

Tax credits represent claims of the Parent Company from the government arising from airing of government commercials and advertisements. The Parent Company expects to utilize these tax credits within the next financial year.



Prepaid production represents costs paid in advance prior to the airing of the programs or episodes. The Group expects to air the related programs or episodes within the next financial year. Prepaid expenses include prepayments for rentals, insurance and other expenses.

#### 10. Available-for-Sale Financial Assets

	2014	2013
Investments in shares of stock:		
Unquoted	<b>₱122,184,081</b>	₱130,662,548
Quoted	<b>6,840,000</b>	4,890,000
	<b>₱129,024,081</b>	₱135,552,548

The unquoted shares are stated at cost as there are no reliable sources and bases for subsequent fair value determination.

The movements in this account are as follows:

	2014	2013
Cost:		
Balance at beginning of year	<b>₱137,659,648</b>	₱107,397,148
Additions	-	31,502,800
Redemption	<b>(573,343)</b>	-
Net change in the fair value of AFS financial assets	<b>2,141,088</b>	(1,240,300)
Write-off	<b>(6,725,912)</b>	-
Balance at end of the year	<b>132,501,481</b>	137,659,648
Allowance for decline in value:		
Balance at beginning of year	<b>2,107,100</b>	1,053,550
Impairment loss (Note 23)	<b>1,370,300</b>	1,053,550
Balance at end of year	<b>3,477,400</b>	2,107,100
	<b>₱129,024,081</b>	₱135,552,548

As at December 31, 2014, AFS financial assets amounting to ₱3.48 million have been fully provided with allowance on account of the investee's cessation of operations.

The movements in net unrealized gain on AFS financial assets are as follows:

	2014	2013
Balance at beginning of year	<b>₱3,083,187</b>	₱4,065,927
Gain (loss) due to changes in fair market value of AFS financial assets	<b>2,141,088</b>	(1,240,300)
Tax effect of the changes in fair market values	<b>(204,500)</b>	257,560
	<b>1,936,588</b>	(982,740)
	<b>₱5,019,775</b>	₱3,083,187



## 11. Investments and Advances

Following are the details of this account in 2014 and 2013:

	2014	2013
Investment in an associate and interests in joint ventures	<b>₱60,327,329</b>	₱54,988,568
Permanent advances to an associate (Note 20)	<b>87,610,215</b>	84,475,370
	<b>₱147,937,544</b>	₱139,463,938

The movements in the above amounts are as follows:

	2014	2013
Investment in an associate and interests in joint ventures		
Acquisition cost:		
Balance at beginning of year	<b>₱131,722,056</b>	₱119,722,056
Additions	–	12,000,000
Balance at end of year	<b>131,722,056</b>	131,722,056
Accumulated equity in net losses:		
Balance at beginning of year	<b>(76,733,488)</b>	(71,371,437)
Equity in net earnings (losses) during the year	<b>5,338,761</b>	(5,362,051)
Balance at end of year	<b>(71,394,727)</b>	(76,733,488)
	<b>60,327,329</b>	54,988,568
Advances to an associate		
Balance at beginning of year	<b>84,475,370</b>	84,475,370
Additional advances during the year (Note 20)	<b>3,134,845</b>	–
Balance at end of year	<b>87,610,215</b>	84,475,370
Total investments and advances	<b>₱147,937,544</b>	₱139,463,938

The ownership interests in an associate and joint ventures, which were all incorporated in the Philippines and are accounted for under the equity method, consist of the following as at December 31, 2014 and 2013:

	Principal Activities	Percentage of Ownership	
		Direct	Indirect
Associate -			
Mont-Aire Realty and Development Corporation (Mont-Aire)	Real Estate	49	–
Joint Ventures:			
INQ7 Interactive, Inc. (INQ7)	Internet Publishing	50	–
Philippine Entertainment Portal (PEP)*	Internet Publishing	–	50
Gamespan, Inc. (Gamespan)*	Betting Games	–	50

\*Indirect investment through GNMI.





The carrying values of investments and the related advances are as follows:

	<b>2014</b>		
	<b>Investments</b>	<b>Advances (Note 20)</b>	<b>Total</b>
Associate -			
Mont-Aire	<b>₱38,350,619</b>	<b>₱87,610,215</b>	<b>₱125,960,834</b>
Joint ventures:			
Gamespan	<b>8,950,931</b>	-	<b>8,950,931</b>
PEP	<b>13,025,779</b>	-	<b>13,025,779</b>
	<b>₱60,327,329</b>	<b>₱87,610,215</b>	<b>₱147,937,544</b>
	<b>2013</b>		
	<b>Investments</b>	<b>Advances (Note 20)</b>	<b>Total</b>
Associate -			
Mont-Aire	<b>₱38,350,619</b>	<b>₱84,475,370</b>	<b>₱122,825,989</b>
Joint ventures:			
Gamespan	<b>8,813,159</b>	-	<b>8,813,159</b>
PEP	<b>7,824,790</b>	-	<b>7,824,790</b>
	<b>₱54,988,568</b>	<b>₱84,475,370</b>	<b>₱139,463,938</b>

All associates and joint ventures are not listed in any public stock exchanges.

PEP

As at December 31, 2012, the Group has unrecognized share in net losses of PEP amounting to ₱3.86 million. On November 15, 2013, the Group, through GNMI, converted its cash advances to PEP amounting to ₱12.00 million to additional investment in joint venture (see Note 32). As a result, in 2013, the Group recognized share in net losses amounting to ₱4.17 million which includes the prior year unrecognized losses.

In 2014, the Group recognized its share in net earnings of PEP amounting to ₱5.20 million.

Gamespan

On March 22, 2012, the Group, through GNMI, executed a Shareholder's Agreement with Manila Jockey Club (MJC) for the establishment of Gamespan, a joint venture corporation. The joint venture was organized to operate and manage the hardware and software owned by MJC, set-up new media infrastructure for offering and taking bets in horse racing and other sports.

In 2014 and 2013, the Group recognized its share in net earnings and net losses of Gamespan amounting to ₱0.14 million and ₱1.19 million, respectively.

INQ7

Losses of INQ7 recognized under the equity method in excess of the Group's interest were applied against its advances to the Parent Company. INQ7 ceased operations in 2007. In 2013, INQ7 submitted a request to liquidate its assets to SEC.



Mont-aire

The table below shows the condensed financial information of Mont-Aire as at December 31, 2014 and 2013, respectively:

Current assets	₱53,469,276
Noncurrent assets	107,750,283
	<u>161,219,559</u>
Current liabilities	1,269,154
Noncurrent liabilities	81,683,836
	<u>82,952,990</u>
Net assets	78,266,569
Proportion of the Group's ownership	49%
Carrying amount of investment	<u>₱38,350,619</u>

Mont-Aire ceased commercial operations in 2009. Noncurrent assets include parcels of land with an aggregate fair market value of ₱117.86 million determined by an accredited appraiser as at December 10, 2012. There were no changes in the land account and management expects no significant change in fair value.

**12. Property and Equipment at Cost**

	2014				
	January 1	Additions/ Depreciation (Notes 22 and 23)	Disposals	Reclassifications	December 31
Cost:					
Buildings, towers and improvements	₱2,819,009,872	₱45,899,980	(₱3,561,769)	₱16,612,180	₱2,877,960,263
Antenna and transmitter systems and broadcast equipment	5,757,631,807	309,423,264	(89,895,309)	153,277,816	6,130,437,578
Communication and mechanical equipment	924,212,961	96,681,933	(510,568)	29,199,391	1,049,583,717
Transportation equipment	472,743,730	69,319,527	(59,044,634)	1,659,995	484,678,618
Furniture, fixtures and equipment	190,002,542	9,049,182	(27,403,350)	2,402,785	174,051,159
	<u>10,163,600,912</u>	<u>530,373,886</u>	<u>(180,415,630)</u>	<u>203,152,167</u>	<u>10,716,711,335</u>
Accumulated Depreciation and Amortization:					
Buildings, towers and improvements	1,343,011,656	139,082,021	(1,982,298)	-	1,480,111,379
Antenna and transmitter systems and broadcast equipment	4,277,597,672	442,445,626	(86,733,460)	-	4,633,309,838
Communication and mechanical equipment	720,853,931	96,559,457	(458,572)	-	816,954,816
Transportation equipment	276,411,552	86,011,158	(58,106,820)	-	304,315,890
Furniture, fixtures and equipment	161,382,108	9,420,556	(26,915,453)	-	143,887,211
	<u>6,779,256,919</u>	<u>773,518,818</u>	<u>(174,196,603)</u>	<u>-</u>	<u>7,378,579,134</u>
Construction in progress and equipment for installation	205,307,788	33,522,605	-	(203,152,167)	35,678,226
	<u>₱3,589,651,781</u>	<u>(₱209,622,327)</u>	<u>(₱6,219,027)</u>	<u>₱-</u>	<u>₱3,373,810,427</u>

	2013				
	January 1	Additions/ Depreciation (Notes 22 and 23)	Disposals	Reclassifications	December 31
Cost:					
Buildings, towers and improvements	₱2,772,239,043	₱44,523,065	₱-	₱2,247,764	₱2,819,009,872
Antenna and transmitter systems and broadcast equipment	5,317,832,415	422,370,081	(4,849,146)	22,278,457	5,757,631,807
Communication and mechanical equipment	822,526,941	107,621,242	(4,467,868)	(1,467,354)	924,212,961
Transportation equipment	418,713,866	71,014,303	(16,984,439)	-	472,743,730
Furniture, fixtures and equipment	191,303,456	5,935,893	(7,406,477)	169,670	190,002,542
	<u>9,522,615,721</u>	<u>651,464,584</u>	<u>(33,707,930)</u>	<u>23,228,537</u>	<u>10,163,600,912</u>

(Forward)



	2013				
	January 1	Additions/ Depreciation (Notes 22 and 23)	Disposals	Reclassifications	December 31
Accumulated Depreciation and Amortization:					
Buildings, towers and improvements	₱1,207,772,932	₱135,238,724	₱-	₱-	₱1,343,011,656
Antenna and transmitter systems and broadcast equipment	3,902,638,948	379,807,870	(4,849,146)	-	4,277,597,672
Communication and mechanical equipment	626,626,802	98,680,935	(4,453,806)	-	720,853,931
Transportation equipment	213,532,494	77,881,288	(15,002,230)	-	276,411,552
Furniture, fixtures and equipment	158,229,348	10,469,929	(7,388,972)	71,803	161,382,108
	6,108,800,524	702,078,746	(31,694,154)	71,803	6,779,256,919
Construction in progress and equipment for installation	207,276,879	21,187,643	-	(23,156,734)	205,307,788
	₱3,621,092,076	(₱29,426,519)	(₱2,013,776)	₱-	₱3,589,651,781

The amount of depreciation expense includes amortization of previously capitalized borrowing costs amounting to ₱10.08 million each year. No borrowing costs were capitalized in 2014 and 2013.

The cost of fully depreciated assets still used by the Group amounted to ₱4,253.49 million and ₱4,050.18 million as at December 31, 2014 and 2013, respectively.

Construction in progress pertains to the costs incurred for signal strengthening of transmitters nationwide and construction/improvement of studios and stations in the regions.

As at December 31, 2014 and 2013, no property and equipment have been pledged as collateral or security for any of the Group's liabilities.

### 13. Land at Revalued Amounts

	2014	2013
Cost -		
Balance at beginning and end of year	₱346,502,817	₱346,502,817
Revaluation increment:		
Balance at beginning of year	1,458,797,234	1,063,082,889
Additions (deductions)	(5,587,193)	395,714,345
Balance at end of year	1,453,210,041	1,458,797,234
	₱1,799,712,858	₱1,805,300,051

Land used in operations was last appraised on December 17, 2013 by an accredited firm of appraisers and is valued in terms of its highest and best use. The ₱5.59 million reduction from the account represents adjustment to the previously recognized appraisal increase after completion of the asset reconciliation.

The fair value was arrived at through the use of the "Market Data Approach" as determined by independent professionally qualified appraisers. The fair value represents the amount that would be received to sell an investment property in an orderly transaction between market participants at the date of valuation.

The fair value is categorized under Level 3 of the fair value hierarchy and represents 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 in accordance with International Valuation Standards.



As at December 31, 2014 and 2013, no land has been pledged as collateral or security for any of the Group's liabilities and the Group has no restrictions on the realizability of its land and no contractual obligation to purchase, construct or develop land or for repairs, maintenance and enhancements.

#### 14. Investment Properties

	2014		
	Land and Improvements	Buildings and Improvements	Total
Cost:			
Balance at beginning of year	₱31,287,881	₱75,154,820	₱106,442,701
Additions	–	3,299,279	3,299,279
Disposal	(576,000)	(1,575,000)	(2,151,000)
Write-off (Note 25)	(210,000)	–	(210,000)
Balance at end of year	<b>30,501,881</b>	<b>76,879,099</b>	<b>107,380,980</b>
Accumulated depreciation:			
Balance at beginning of year	–	44,106,443	44,106,443
Depreciation during the year (Note 23)	–	3,006,994	3,006,994
Disposal	–	(347,812)	(347,812)
Balance at end of year	–	<b>46,765,625</b>	<b>46,765,625</b>
Accumulated impairment in value - Balance at beginning and end of year	–	1,804,049	1,804,049
Balance at end of year	<b>₱30,501,881</b>	<b>₱28,309,425</b>	<b>₱58,811,306</b>
	2013		
	Land and Improvements	Buildings and Improvements	Total
Cost:			
Balance at beginning of year	₱33,975,381	₱73,565,501	₱107,540,882
Additions	–	1,846,519	1,846,519
Write-off (Note 25)	(2,687,500)	(257,200)	(2,944,700)
Balance at end of year	31,287,881	75,154,820	106,442,701
Accumulated depreciation:			
Balance at beginning of year	–	40,744,304	40,744,304
Depreciation during the year (Note 23)	–	3,362,139	3,362,139
Balance at end of year	–	44,106,443	44,106,443
Accumulated impairment in value:			
Balance at beginning of year	–	2,045,173	2,045,173
Write-off (Note 25)	–	(241,124)	(241,124)
Balance at end of year	–	1,804,049	1,804,049
Balance at end of year	<b>₱31,287,881</b>	<b>₱29,244,328</b>	<b>₱60,532,209</b>

The Parent Company wrote off some of its investment properties with carrying value of ₱0.21 million and ₱2.70 million in 2014 and 2013, respectively, due to dispute in ownership (see Note 25).



Certain properties were provided with allowance for impairment in prior years. Management believes that the carrying values after impairment approximate its recoverable values.

The fair market value of investment properties owned by the Group amounted to ₱135.39 million and ₱133.67 million as at December 31, 2014 and 2013, respectively, as determined by accredited appraisers. The fair value was arrived at through the use of the “Market Data Approach” as determined by independent professionally qualified appraisers. The fair value represents the amount that would be received to sell an investment property in an orderly transaction between market participants at the date of valuation.

The fair value is categorized under Level 3 of the fair value hierarchy and represents 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 in accordance with International Valuation Standards.

Rental income and the directly related expenses arising from these properties follow:

	2014	2013	2012
Rental income derived from investment properties (Note 25)	<b>₱2,995,615</b>	₱2,942,417	₱3,382,565
Direct operating expenses for investment properties	<b>(3,006,994)</b>	(3,647,263)	(3,175,500)
	<b>(₱11,379)</b>	(₱704,846)	₱207,065

As at December 31, 2014 and 2013, no investment properties have been pledged as collateral or security for any of the Group’s liabilities and the Group has no restriction on the realizability of its investment properties and no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

---

#### 15. Other Noncurrent Assets

	2014	2013
Software costs	<b>₱35,917,092</b>	₱37,654,045
Deferred input VAT	<b>31,387,166</b>	31,901,813
Refundable deposits	<b>19,913,347</b>	15,671,300
Guarantee deposits	<b>17,162,764</b>	16,871,190
Investment in artworks	<b>10,406,255</b>	10,406,255
Video rights and other noncurrent assets	<b>1,581,765</b>	3,089,761
Investment in X-Play	–	26,432,472
	<b>₱116,368,389</b>	₱142,026,836



The movements in software costs follow:

	2014	2013
Cost:		
Balance at beginning of year	P234,479,164	P222,169,322
Additions	21,632,058	12,309,842
Balance at end of year	256,111,222	234,479,164
Accumulated amortization:		
Balance at beginning of year	196,825,119	165,829,275
Amortization during the year (Note 23)	23,369,011	30,995,844
Balance at end of year	220,194,130	196,825,119
	<b>P35,917,092</b>	<b>P37,654,045</b>

#### X-Play

GNMI holds 50% equity in X-Play Online Games Incorporated (X-Play). The other joint venture partner in X-Play is IPE. At the time of incorporation of X-Play, GNMI and IPE each subscribed to 1,000,000,000 common shares of X-Play's authorized capital stock with a par value of P100/share.

As discussed in Note 4, the Group, through GNMI's BOD, announced its decision to dispose of its shareholdings in X-Play on January 1, 2011, and classified its investment in X-Play as asset held for sale. The carrying value of asset held for sale previously classified as interest and advances to joint venture amounted to P26.43 million.

In connection with the planned disposal of X-Play, in March 2013, GNMI and IPE extended until June 30, 2013 the exercise period of the option agreement which was entered into by both companies on October 19, 2011. The option agreement states that IPE grants GNMI the option to sell all, but not less than all, of shares in stock of X-Play for a purchase price of P75.00 million in cash. Also, on March 23, 2012, GNMI agreed to subscribe to P130.00 million worth of shares of IPE's authorized but unissued capital stock to be offered on its Initial Public Offering in exchange for GNMI's shares of stock in X-Play at a subscription price per share equivalent to the offering price.

As at December 31, 2013, the sale of investment in X-Play has not materialized. The Group reassessed the classification of investment in X-Play and reclassified it under "Other noncurrent assets" account in the Group's 2013 consolidated statements of financial position.

The recent agreement provides that IPE will provide GNMI and the Parent Company 10,000 million (GNMI - 4,000 million; GNI - 6,000 million) of IPE shares in exchange for GNMI's investment in X-Play and the Parent Company's P30.00 million advances and P50.00 million airtime receivables granted to X-Play. Also, the increase in authorized capital stock of IPE is already approved by the SEC on July 28, 2014, thus, the Group's investment in X-Play was reclassified to "Asset classified as held for sale" account in the 2014 consolidated statement of financial position.



## 16. Trade Payables and Other Current Liabilities

	2014	2013
Trade payables	₱442,372,314	₱397,999,260
Payable to government agencies	716,452,892	513,380,680
Customers' deposits (Note 7)	220,874,091	447,112,904
Accrued expenses:		
Production costs	226,233,686	173,225,937
Payroll and talent fees (Note 26)	183,956,394	115,828,416
Commission	27,536,812	21,080,670
Utilities and other expenses	80,705,045	44,676,360
Others	33,051,951	68,137,281
	<b>₱1,931,183,185</b>	<b>₱1,781,441,508</b>

Trade payables to suppliers are noninterest-bearing and are normally settled on terms ranging from 7-30 days.

Payable to government agencies is remitted within 30 days after reporting period.

Customers' deposits include unimplemented payments received before broadcast from customers who have no outstanding trade receivables from which advance payments can be offset. These deposits will be settled and implemented within the next financial year. As provided in Note 7, certain payments received before broadcast were offset against television and radio airtime receivables.

Accrued expenses and other payables are noninterest-bearing and are generally settled within the next financial year.

## 17. Short-term Loans

The Parent Company obtained unsecured short-term peso and US dollar denominated loans from various local banks for the payment of the dividends declared during the year. Details and movements of the short-term loans are as follows:

	2014	2013
Balance at beginning of year	₱1,106,875,000	₱1,700,000,000
Additions	2,191,559,000	1,825,000,000
Payments	(1,106,824,000)	(2,500,000,000)
Foreign exchange loss	31,350,000	81,875,000
Balance at end of year	<b>₱2,222,960,000</b>	<b>₱1,106,875,000</b>

The interest rate of the short-term loan ranges from 1.95% to 2.25% and 3.30% to 4.00% for peso loans and 1.68% to 1.73% and 1.73% for US dollar denominated loans in 2014 and 2013, respectively. Interest expense and other financing charges amounted to ₱31.68 million, ₱37.63 million and ₱9.68 million in 2014, 2013 and 2012, respectively.



## 18. Obligations for Program and Other Rights

This account consists of:

	2014	2013
Current	₱116,533,114	₱141,096,456
Noncurrent	5,193,223	33,330,130
	<b>₱121,726,337</b>	<b>₱174,426,586</b>

Obligations for program and other rights represent liabilities to foreign and local film suppliers for program and other rights purchased by the Group. The current portion of the obligations for program rights is noninterest-bearing and is generally payable in equal monthly or quarterly installments. The amounts presented in the consolidated statements of financial position as at December 31, 2014 and 2013 represent the nominal amounts of the obligations which are expected to be settled within the next 12 months.

The noncurrent portion of obligations for program rights is payable in four years and is presented at its accreted value, using 4.03% discount rate, in the consolidated statements of financial position as at December 31, 2014 and 2013.

## 19. Equity

### a. Capital Stock

Details of capital stock as at December 31, 2014 and 2013:

	Preferred		Common	
	Number of Shares	Peso Equivalent	Number of Shares	Peso Equivalent
Authorized - ₱0.20 par value per preferred share/₱1.00 par value per common share	7,500,000,000	₱1,500,000,000	5,000,000,000	₱5,000,000,000
Subscribed and issued	7,500,000,000	1,500,000,000	3,364,692,000	3,364,692,000
Treasury shares	492,816	98,563	3,645,000	3,645,000
Underlying shares of the acquired PDRs	-		750,000	₱750,000

The preferred shares are of equal rank, preference and priority and are identical in all respect regardless of series. Preferred shares are participating at the rate of one fifth (1/5) of the dividends paid to common shares, the rate of which is adjusted proportionately by the Parent Company's BOD consequent to any stock split or stock dividend declaration affecting the common shares and preferred shares. Preferred shares are convertible at the option of the shareholders at the ratio of five preferred shares to one common share, based on par value.

Preferred shares enjoy priority over common shares in the distribution of assets of the Parent Company in the event of dissolution and liquidation, at such rates, terms and conditions as the





BOD may determine. Each preferred share is entitled to one vote and shall have the same voting rights as the common shares.

The Parent Company's BOD may specify other terms and conditions, qualifications, restrictions and privileges of the preferred shares or series/classes thereof, insofar as such terms, conditions, qualifications, restrictions and privileges are not inconsistent with the articles of incorporation and any applicable law or regulation.

The following summarizes the information on the Parent Company's registration of securities with the SEC which was approved on June 20, 2007, as required by Securities Regulation Code (SRC) Rule 68, As Amended (2011):

Securities	Authorized and issued shares	Issue/Offer Price
Initial public offering	91,346,000	₱8.50
Underlying common shares of PDRs	945,432,000	8.50
Over-allotment common shares	13,701,000	8.50
Common shares covering employee stock option plan	57,000,000	8.50
Underlying shares of the acquired PDRs	945,432,000	8.50

b. Retained Earnings

The retained earnings of the Parent Company is restricted for the payment of dividends to the extent of ₱34.27 million as at December 31, 2014 and 2013, representing the cost of shares held in treasury and underlying shares of the acquired PDRs amounting to ₱28.48 million and ₱5.79 million, respectively, in 2014 and 2013.

Consolidated retained earnings include undeclared retained earnings of subsidiaries amounting to ₱193.62 million and ₱100.08 million as at December 31, 2014 and 2013, respectively. The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in SRC Rule 68, As Amended (2011), amounted to ₱1,005.90 million and ₱1,343.61 million as at December 31, 2014 and 2013, respectively.

The BOD of the Parent Company approved the declaration of the following cash dividends in 2014, 2013 and 2012:

Year	Declaration Date	Record Date	Cash Dividend Per Share	Total Cash Dividend Declared
<b>2014</b>	<b>April 2, 2014</b>	<b>April 24, 2014</b>	<b>₱0.27</b>	<b>₱1,312,253,578</b>
2013	March 4, 2013	April 17, 2013	₱0.25	₱1,215,049,609
2012	March 28, 2012	April 6, 2012	₱0.40	₱1,944,079,375
	August 1, 2012	August 22, 2012	0.26	1,264,794,293
				<b>₱3,208,873,668</b>



## 20. Related Party Disclosures

Parties are considered to be related if one party has the ability, directly and 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 including the terms and conditions are as follows:

Related Party	Category	Year	Amount/ Volume of Transactions	Receivables (Payables)	Terms	Conditions
<b>Associate -</b>						
Mont-Aire	Noninterest-bearing advances (Note 11)	2014	<b>₱3,134,845</b>	<b>₱87,610,215</b>	Noninterest-bearing	Unsecured;
		2013	-	84,475,370		not impaired
<b>Common stockholders -</b>						
GMA Kapuso Foundation Inc.	Donations	2014	<b>197,020</b>	<b>4,011,857</b>	On demand,	Unsecured;
		2013	112,170	562,901	noninterest-bearing	not impaired
<b>Other related party -</b>						
Belo, Gozon, Elma Law	Legal, consulting and retainers' fees	2014	<b>11,548,513</b>	-		
		2013	10,110,391	-		

The advances made by the Parent Company to Mont-Aire in previous years are intended for future capital subscription.

### Compensation of Key Management Personnel

The compensation of key management personnel of the Group, by benefit type, follows:

	2014	2013	2012
Salaries and other long-term benefits	<b>₱286,346,811</b>	₱294,044,757	₱279,432,700
Pension benefits	<b>140,385,431</b>	40,322,398	39,191,038
	<b>₱426,732,242</b>	₱334,367,155	₱318,623,738

### Equity Investments of the Retirement Fund

The Group's retirement fund includes equity investments in GMA Network, Inc. and GMA PDRs amounting to ₱43.62 million and ₱342.76 million in 2014, respectively, and ₱59.10 million and ₱408.77 million in 2013, respectively (see Note 26).

## 21. Net Revenues

	2014	2013	2012
Television and radio airtime	<b>₱10,676,626,531</b>	₱11,740,503,370	₱10,883,125,479
Subscription income (Note 27)	<b>1,075,797,836</b>	977,812,319	956,293,603
Production and others	<b>231,668,941</b>	244,342,288	269,751,753
	<b>11,984,093,308</b>	12,962,657,977	12,109,170,835
Co-producers' shares	<b>(1,204,962)</b>	(11,778,655)	(23,235,865)
	<b>₱11,982,888,346</b>	₱12,950,879,322	₱12,085,934,970

Television and radio airtime include tax credits earned from airing of government commercials and advertisements amounting to ₱80.00 million, ₱44.80 million and ₱40.00 million in 2014, 2013 and 2012, respectively.



## 22. Production Costs

	2014	2013	2012
Talent fees and production personnel costs (Note 24)	<b>₱2,738,810,934</b>	₱3,102,519,989	₱2,809,269,723
Rental (Note 27)	<b>740,353,019</b>	819,150,879	690,288,940
Program and other rights usage (Note 8)	<b>646,680,799</b>	565,357,691	460,937,465
Tapes, sets and production supplies	<b>497,911,836</b>	575,808,346	481,758,193
Facilities and production services	<b>423,825,118</b>	368,904,457	408,466,261
Depreciation and amortization (Notes 12 and 14)	<b>304,727,337</b>	287,553,835	253,603,510
Transportation and communication	<b>199,473,921</b>	237,086,508	180,819,400
	<b>₱5,551,782,964</b>	₱5,956,381,705	₱5,285,143,492

## 23. General and Administrative Expenses

	2014	2013	2012
Personnel costs (Note 24)	<b>₱2,551,482,765</b>	₱2,136,684,981	₱2,170,180,871
Depreciation and amortization (Notes 12 and 14)	<b>471,798,475</b>	417,887,050	356,399,407
Advertising	<b>332,414,477</b>	393,148,883	394,319,329
Communication, light and water	<b>305,091,717</b>	300,090,593	303,969,254
Taxes and licenses	<b>231,918,830</b>	140,703,017	143,642,174
Marketing expense	<b>131,764,590</b>	140,909,480	146,057,392
Sales incentives	<b>131,295,671</b>	120,864,969	120,043,176
Professional fees	<b>128,295,409</b>	150,975,509	144,272,766
Repairs and maintenance	<b>117,069,321</b>	207,641,209	128,273,715
Rental (Note 27)	<b>114,768,310</b>	100,339,414	97,590,300
Research and surveys	<b>104,163,990</b>	145,899,290	133,792,810
Security services	<b>80,529,075</b>	76,193,077	69,005,838
Transportation and travel	<b>76,951,664</b>	80,977,911	68,951,374
Software maintenance	<b>62,371,317</b>	39,099,556	37,832,289
Insurance	<b>26,370,189</b>	21,218,563	22,294,801
Amortization of software costs (Note 15)	<b>23,369,011</b>	30,995,844	27,733,938
Materials and supplies	<b>22,480,776</b>	24,094,187	25,238,126
Janitorial services	<b>21,320,457</b>	16,616,542	15,101,036
Dues and subscriptions	<b>14,142,699</b>	10,646,983	10,114,917
Entertainment, amusement and recreation	<b>13,724,393</b>	13,728,404	15,421,953
Freight and handling	<b>12,266,107</b>	12,095,311	11,952,700
Provisions for impairment loss on:			
AFS financial assets (Note 10)	<b>1,370,300</b>	1,053,550	1,053,550
Advances to joint venture	-	-	2,610,287
Provision for doubtful accounts (Note 7)	<b>715,495</b>	848,005	35,785,207
Others	<b>46,294,854</b>	26,232,818	36,999,309
	<b>₱5,021,969,892</b>	₱4,608,945,146	₱4,518,636,519



## 24. Personnel Costs

	2014	2013	2012
Talent fees	₱2,652,472,280	₱2,971,320,857	₱2,633,735,276
Salaries and wages	1,710,460,808	1,553,164,989	1,488,095,414
Employee benefits and allowances	700,654,088	544,233,809	678,675,231
Pension expense (Note 26)	163,016,525	116,158,183	120,401,310
Sick and vacation leaves expense	63,689,998	54,327,132	58,543,363
	<b>₱5,290,293,699</b>	<b>₱5,239,204,970</b>	<b>₱4,979,450,594</b>

The above amounts were distributed as follows:

	2014	2013	2012
Production costs (Note 22)	₱2,738,810,934	₱3,102,519,989	₱2,809,269,723
General and administrative expenses (Note 23)	2,551,482,765	2,136,684,981	2,170,180,871
	<b>₱5,290,293,699</b>	<b>₱5,239,204,970</b>	<b>₱4,979,450,594</b>

## 25. Others - Net

	2014	2013	2012
Gain on sale of property and equipment	₱32,718,382	₱11,243,730	₱29,045,447
Tax refund of GMA Pinoy TV	20,138,635	19,161,027	19,246,077
Commissions	10,316,102	6,293,587	2,725,549
Rental income (Note 27)	5,175,461	4,845,450	5,467,117
Income from mall shows	4,232,090	2,908,221	2,546,799
Merchandising license fees and others	3,900,345	1,657,906	2,954,088
Loss on asset disposed/written off (Notes 8 and 14)	(3,624,011)	(2,703,576)	-
Dividends	514,942	22,130,300	1,394,334
Sales of DVDs and integrated receiver-decoders	135,984	1,279,078	1,014,342
Others	3,159,017	745,321	(371,703)
	<b>₱76,666,947</b>	<b>₱67,561,044</b>	<b>₱64,022,050</b>

## 26. Pension and Other Employee Benefits

### Pension Benefits

The Group operates non-contributory defined benefit retirement plans.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.



Pension benefits recognized in the profit or loss are as follows (see Note 24):

	2014	2013	2012
Current service cost	<b>₱123,391,933</b>	₱91,017,025	₱88,811,863
Net interest cost	<b>39,624,592</b>	25,141,158	31,589,447
	<b>₱163,016,525</b>	₱116,158,183	₱120,401,310

Net pension liability recognized in the consolidated statements of financial position is as follows:

	2014	2013	2012
Present value of defined benefit obligation	<b>₱1,642,786,529</b>	₱1,226,966,160	₱1,095,667,012
Fair value of plan assets	<b>481,506,477</b>	621,718,108	688,722,578
Net pension liability	<b>₱1,161,280,052</b>	₱605,248,052	₱406,944,434

The changes in the present value of the defined benefit obligation are as follows:

	2014	2013	2012
Balance at beginning of year	<b>₱1,226,966,160</b>	₱1,095,667,012	₱936,792,631
Current service cost	<b>123,391,933</b>	91,017,025	88,811,863
Interest cost	<b>75,185,302</b>	67,222,108	56,078,675
Benefits paid	<b>(97,319,728)</b>	(26,939,985)	(83,587,138)
Remeasurement losses (gains):			
Changes in financial assumptions	<b>146,438,354</b>	–	192,265,386
Changes in demographic assumptions	–	–	(287,109,775)
Experience adjustment	<b>168,124,508</b>	–	192,355,370
Balance at end of year	<b>₱1,642,786,529</b>	₱1,226,966,160	₱1,095,607,012

The changes in the fair value of plan assets are as follows:

	2014	2013	2012
Balance at beginning of year	<b>₱621,718,108</b>	₱688,722,578	₱526,360,186
Contribution during the year	<b>17,595,626</b>	3,578,687	–
Interest income	<b>35,560,710</b>	42,080,950	24,489,228
Benefits paid	<b>(97,689,078)</b>	(26,519,787)	(71,179,478)
Remeasurement gain (loss) - return on plan assets	<b>(95,678,889)</b>	(86,144,320)	209,052,642
Balance at end of year	<b>₱481,506,477</b>	₱621,718,108	₱688,722,578

At each reporting period, the Group determines its distribution based on the performance of its retirement fund.

The funds are managed and supervised by a trustee bank for the benefits of the members. However, the general administration of the funds is vested in a Retirement Committee.



The following table presents the carrying amounts and estimated fair values of the plan assets:

	2014		2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	<b>₱31,416</b>	<b>₱31,416</b>	₱32,124,185	₱32,124,185
Equity instruments (Note 20):				
GMA PDRs	<b>342,760,950</b>	<b>342,760,950</b>	408,774,170	408,774,170
GMA Network, Inc.	<b>43,621,200</b>	<b>43,621,200</b>	59,100,395	59,100,395
Debt instruments -				
Government securities	<b>82,435,325</b>	<b>82,435,325</b>	109,318,953	109,318,953
Others	<b>12,657,586</b>	<b>12,657,586</b>	12,400,405	12,400,405
	<b>₱481,506,477</b>	<b>₱481,506,477</b>	₱621,718,108	₱621,718,108

The plan assets consist of the following:

- Cash and cash equivalents consist of regular savings and time deposits.
- Investments in equity instruments consist of unsecured and not impaired investments on the listed shares of GMA Network, Inc. and GMA PDRs (see Note 20). Changes in the fair market value in these investments amounted to a gain of ₱63.91 million and ₱157.36 million in 2014 and 2013, respectively.
- Investments in debt instruments bear interest ranging from 3.15% to 7.89% and have maturities from February 2015 to October 2037.
- Others consist of loans and receivables which are collectible within the next twelve months.

Equity and debt instruments held have quoted prices in active market.

The person who exercises voting rights over shares is within the powers of the Trustee, who do not have any relationship with the directors or officers of the Group.

The plan assets consist of 80.24% and 75.26% investments in equity instruments as at December 31, 2014 and 2013, respectively. The plan assets are primarily exposed to financial risks such as liquidity risk and price risk.

Liquidity risk pertains to the plan's ability to meet its obligation to the employees upon retirement. To effectively manage liquidity risk, the Board of Trustees invests at least the equivalent amount of actuarially computed expected compulsory retirement benefit payments for the year to liquid/semi-liquid assets such as treasury notes, treasury bills, savings and time deposits with commercial banks.

Price risk pertains mainly to fluctuations in market prices of equity securities listed in the SEC. In order to effectively manage price risk, the Board of Trustees continuously assesses these risks by closely monitoring the market value of the securities and implementing prudent investment strategies.

However, in the event a benefit claim arises under the retirement plan and the retirement fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable to the retirement fund from the Group.

The Group expects to contribute ₱120.00 million to the defined benefit pension plan in 2015.



The principal assumptions used in determining pension liability for the Group's plans are shown below:

	2014	2013	2012
Discount rate	4-5%	6-7%	6-7%
Expected rate of salary increase	4.00%	4.00%	4.00%
Turn-over rates:			
19-24 years old	8.63%	10.44%	10.44%
25-29 years old	6.71%	6.95%	6.95%
30-34 years old	3.70%	3.87%	3.87%
35-39 years old	3.04%	2.55%	2.55%
40-44 years old	2.50%	2.18%	2.18%
≥45 years old	2.84%	2.75%	2.75%

The sensitivity analysis below has been determined by remeasuring the defined benefit obligation at the reporting period after first adjusting one of the current assumption that were reasonably possible at the valuation date while all other assumptions remained unchanged. It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation		
		2014	2013	2012
Discount rate	50	<b>(₱101,408,874)</b>	(₱69,078,195)	(₱62,567,130)
	(50)	<b>111,348,361</b>	63,311,454	68,589,919
Future salary increases	50	<b>103,936,573</b>	67,115,049	65,027,063
	(50)	<b>(95,817,259)</b>	(61,961,791)	(59,952,009)

The Group performed an Asset-Liability Matching Study (ALM) annually. The principal technique of the Group's ALM in order to minimize the portfolio liquidation risk is to ensure that the expected return on assets will be sufficient to support the desired level of funding arising from the defined benefit plans. The Group's current investment strategy consists of 80% equity instruments, 17% debt instrument and 3% loans and receivables.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2014:

Year	2014	2013	2012
Less than one year	<b>₱103,899,340</b>	₱49,613,321	₱138,161,607
More than 1 year to 3 years	<b>189,955,877</b>	206,832,446	206,605,654
More than 3 years to 7 years	<b>1,107,707,179</b>	953,524,310	559,743,487
More than 7 years to 15 years	<b>1,307,077,274</b>	1,384,008,046	1,452,008,824
More than 15 years to 20 years	<b>2,817,584,173</b>	2,577,809,201	2,043,861,533
More than 20 years	<b>15,039,983,913</b>	13,406,113,484	14,528,671,837

#### Other Employee Benefits

Other long-term employee benefits consist of accumulated employee sick and vacation leave entitlements. Noncurrent portion of other employee benefits amounted to ₱259.01 million and ₱264.37 million as at December 31, 2014 and 2013, respectively, while current portion of other employee benefits recorded in "Accrued payroll and talent fees" included under "Trade and other



current liabilities” account amounted to ₱18.14 million and ₱17.26 million as at December 31, 2014 and 2013, respectively (see Note 16).

---

## 27. Agreements

### Lease Agreements

*Operating Lease Commitments - Group as Lessee.* The Group entered into various lease agreements for the land, building, studio spaces, satellite and airtime that it presently occupies and uses for periods ranging from three to twenty five years. The leases are cancellable at the Group’s option.

Also, in June 2012, the Parent Company agreed to extend its non-cancellable Co-production/ Blocktime Rental Agreement with ZOE Broadcasting Network, Inc. (ZBN) for another seven years from June 2012 to May 2019. On the first year of the contract renewal, the Parent Company shall pay ZBN an amount equivalent to total payments from June 2011 to May 2012, subject to yearly escalation of 10.00%.

Total rental expense amounted to ₱855.12 million, ₱919.49 million and ₱787.88 million in 2014, 2013, and 2012 respectively (see Notes 22 and 23).

The future minimum rentals payable under the non-cancellable operating leases follow:

	2014	2013
Within one year	<b>₱158,804,204</b>	₱144,367,459
After one year but not more than five years	<b>669,743,603</b>	737,010,313
More than five years	-	91,537,494
	<b>₱828,547,807</b>	₱972,915,266

*Operating Lease - Group as Lessor.* The Group also leases out certain properties for a period of one year, renewable annually. The leased out properties include investment properties and portion of land in regional stations. Total rental income amounted to ₱5.18 million, ₱4.85 million and ₱5.47 million in 2014, 2013 and 2012, respectively (see Note 25).

### Subscription Agreements

The Parent Company entered into various subscription agreements with international cable providers for the airing of its programs and shows abroad. The agreements generally have terms of three to five years and are based on certain agreed service package rates.

Total subscription income amounted to ₱1,075.80 million, ₱977.81 million and ₱956.29 million in 2014, 2013 and 2012, respectively (see Note 21).





## 28. Income Taxes

The components of the Group's provision for (benefit from) income tax in the consolidated profit or loss are as follows:

	2014	2013	2012
Current - RCIT	<b>₱513,917,294</b>	₱909,190,340	₱740,211,754
Deferred	<b>(65,982,463)</b>	(196,859,299)	(46,634,794)
	<b>₱447,934,831</b>	₱712,331,041	₱693,576,960

### Income Tax

The reconciliation between the statutory income tax rate and effective income tax rates on income before income tax is shown below:

	2014	2013	2012
Statutory income tax rate	<b>30.00%</b>	30.00%	30.00%
Additions (deductions) in income tax rate resulting from:			
Nondeductible tax deficiency payment	<b>0.55</b>	-	-
Interest income already subjected to final tax	<b>(0.32)</b>	(0.23)	(0.23)
Nondeductible interest expense	<b>0.04</b>	0.08	0.07
Dividend income from investment	<b>(0.01)</b>	-	-
Nonclaimable foreign tax credit	-	-	0.21
Income tax holiday	-	-	(1.14)
Impairment loss on investment	-	-	0.04
Others - net	<b>0.47</b>	(0.01)	1.02
Effective income tax rates	<b>30.73%</b>	29.84%	29.97%



Deferred Income Taxes

The components of the Group's net deferred income tax assets and liabilities are as follows:

	2014	2013
Deferred income tax assets - net:		
Deferred income tax assets:		
Pension liability	₱96,338,924	₱81,314,345
Intercompany sale of intangible assets	45,000,000	-
Other long-term employee benefits	7,835,907	13,115,956
Allowance for probable losses in investment	1,893,651	-
Allowance for doubtful accounts	1,446,511	454,152
Excess MCIT over RCIT	780,366	-
Others	922,207	-
	<b>154,217,566</b>	94,884,453
Deferred income tax liabilities:		
Unrealized foreign exchange gain	(6,574,266)	(6,695,590)
Revaluation of AFS financial assets	(242,501)	(38,001)
	<b>(6,816,767)</b>	(6,733,591)
	<b>₱147,400,799</b>	₱88,150,862

	2014	2013
Deferred income tax liabilities - net:		
Deferred income tax assets:		
Pension liability	₱252,045,092	₱99,760,249
Allowance for doubtful accounts	80,961,771	80,961,771
Other long-term employee benefits	69,867,993	71,206,198
Accrued rent	25,870,239	18,759,170
Unrealized foreign exchange loss	5,973,762	13,946,337
Customers' deposits	605,392	134,133,871
	<b>435,324,249</b>	418,767,596
Deferred income tax liabilities:		
Revaluation increment on land	(435,963,012)	(437,639,170)
Unamortized capitalized borrowing costs	(18,138,874)	(21,162,020)
Discounting of noncurrent obligation for program and other rights	(496,254)	(1,268,511)
Revaluation of AFS financial assets	(422,410)	(277,910)
	<b>(455,020,550)</b>	(460,347,611)
	<b>(₱19,696,301)</b>	(₱41,580,015)

The components of deferred income tax assets (liabilities) pertaining to accounts presented under equity in the consolidated statements of financial position are as follows:

	2014	2013
Revaluation increment on land	(₱435,963,012)	(₱437,639,170)
Pension liability - remeasurement loss on retirement plan	134,283,716	10,694,180
Revaluation of AFS financial assets	2,151,332	(315,911)
	<b>(₱299,527,964)</b>	(₱427,260,901)



The components of the subsidiaries' deductible temporary differences and carryforward benefits of NOLCO and MCIT, for which no deferred income tax assets have been recognized in the Group's consolidated statements of financial position, are as follows:

	2014	2013
NOLCO	<b>₱80,242,746</b>	₱64,028,510
Allowance for doubtful accounts	<b>9,805,947</b>	2,592,367
Pension liability	<b>1,992,286</b>	1,666,073
Other long-term employee benefits	<b>627,035</b>	555,473
Allowance for impairment loss	<b>540,866</b>	-
MCIT	<b>154,354</b>	248,420
Unrealized foreign exchange loss	<b>57,200</b>	-
	<b>₱93,420,434</b>	₱69,090,843

The unrecognized deferred tax assets from the above deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to ₱28.03 million and ₱20.73 million as at December 31, 2014 and 2013, respectively.

The deferred income tax assets were not recognized as management believes that future taxable income against which the deferred income tax assets can be used for these entities may not be available.

As at December 31, 2014, the Group's MCIT and NOLCO are as follows:

Date Paid/Incurred	Carry forward Benefit Up To	MCIT	NOLCO
December 31, 2012	December 31, 2015	₱-	₱46,554,740
December 31, 2013	December 31, 2016	154,354	15,771,890
December 31, 2014	December 31, 2017	-	17,916,116
		<b>₱154,354</b>	<b>₱80,242,746</b>

The movements in MCIT and NOLCO in 2014 are as follows:

	MCIT	NOLCO
Balance at beginning of year	₱248,420	₱64,028,510
Additions	-	18,028,858
Application	(3,871)	(112,742)
Expirations	(90,195)	(1,701,880)
	<b>₱154,354</b>	<b>₱80,242,746</b>

#### Board of Investments (BOI) Regulation

On February 19, 2007, the Parent Company was registered with the BOI as a new export producer of television and motion picture on a non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order No. 226). As a registered enterprise, the Parent Company is entitled to income tax holiday for its registered activity for four years starting from registration date.

On December 10, 2010, the BOI granted the Parent Company an additional one year of income tax holiday for its registered activity from February 19, 2011 to February 18, 2012.

The total tax incentives availed of in 2012 amounted to ₱26.49 million.



## 29. EPS Computation

The computation of basic and diluted EPS follows:

	2014	2013	2012
Net income attributable to equity holders of the Parent Company (a)	<b>₱1,004,651,016</b>	₱1,666,949,855	₱1,616,888,633
Less attributable to preferred shareholders	<b>310,044,440</b>	514,435,885	498,986,536
Net income attributable to common equity holders of the Parent Company (b)	<b>₱694,606,576</b>	₱1,152,513,970	₱1,117,902,097
Common shares issued at the beginning of year (Note 19)	<b>3,364,692,000</b>	3,364,692,000	3,364,692,000
Treasury shares (Note 19)	<b>(3,645,000)</b>	(3,645,000)	(3,645,000)
Underlying shares on acquired PDRs (Note 19)	<b>(750,000)</b>	(750,000)	(750,000)
Weighted average number of common shares for basic EPS (c)	<b>3,360,297,000</b>	3,360,297,000	3,360,297,000
Weighted average number of common shares	<b>3,360,297,000</b>	3,360,297,000	3,360,297,000
Effect of dilution - assumed conversion of preferred shares	<b>1,500,000,000</b>	1,500,000,000	1,500,000,000
Reacquired preferred shares	<b>(98,563)</b>	(98,563)	(98,563)
Weighted average number of common shares adjusted for the effect of dilution (d)	<b>4,860,198,437</b>	4,860,198,437	4,860,198,437
Basic EPS (b/c)	<b>₱0.207</b>	₱0.343	₱0.333
Diluted EPS (a/d)	<b>₱0.207</b>	₱0.343	₱0.333

## 30. Financial Risk Management Objectives and Policies

The Group's principal financial instruments include cash and cash equivalents. The main purposes of these financial instruments include raising financing for the Group's operations and managing identified financial risks. The Group has other financial assets and liabilities such as trade and nontrade receivables (excluding advances to suppliers), refundable deposits, trade payables and other current liabilities (excluding payable to government agencies and customers' deposits), short-term loans, obligations for program and other right, dividends payable and other long-term employee benefits, which arise directly from its operations, and AFS financial assets. The main risks arising from the use of financial instruments are liquidity risk, foreign currency exchange risk, interest rate risk and credit risk.

The BOD reviews and approves the Group's objectives and policies.

*Liquidity Risk.* The Group is exposed to the possibility that adverse changes in the business environment and/or its operations would result in substantially higher working capital requirements and subsequently pose difficulty in financing the additional working capital.



The Group manages liquidity risk by using its cash and cash equivalents from operations to meet its short-term liquidity needs. The Group likewise regularly evaluates other financing instruments and arrangements to broaden the Group's range of financing sources.

The tables below summarize the maturity profile of the Group's financial assets used for liquidity risk management purposes and financial liabilities based on contractual undiscounted payments as at December 31:

	2014				Total
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	
Loans and receivables:					
Cash and cash equivalents*	₱1,412,013,951	₱159,644,753	₱-	₱-	₱1,571,658,704
Trade receivables:					
Television and radio airtime	550,910,486	2,473,761,000	269,872,570	-	3,294,544,056
Subscriptions	320,876,428	718,519,443	-	-	1,039,395,871
Others	47,348,164	122,069,524	4,821,702	-	174,239,390
Nontrade receivables:					
Advances to officers and employees	39,000	4,404,381	-	-	4,443,381
Others	11,980,481	74,067,442	-	-	86,047,923
Refundable deposits**	-	-	-	19,913,347	19,913,347
	2,343,168,510	3,552,466,543	274,694,272	19,913,347	6,190,242,672
AFS financial assets	-	-	-	129,024,081	129,024,081
	₱2,343,168,510	₱3,552,466,543	₱274,694,272	₱148,937,428	₱6,319,266,753
Other financial liabilities:					
Trade payables and other current liabilities***	₱427,501,183	₱500,295,668	₱66,059,351	₱-	₱993,856,202
Short-term loans	-	300,000,000	1,922,960,000	-	2,222,960,000
Obligations for program and other rights	-	116,533,114	-	5,193,223	121,726,337
Dividends payable	9,698,035	-	-	-	9,698,035
Other long-term employee benefits	-	-	-	259,012,979	259,012,979
	₱437,199,218	₱916,828,782	₱1,989,019,351	₱264,206,202	₱3,607,253,553

\*Excluding cash on hand and production fund amounting ₱27.17 million.

\*\*Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).

\*\*\*Excluding payable to government agencies and customer deposits amounting to ₱716.45 million and ₱220.87 million, respectively (see Note 16).

	2013				Total
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	
Loans and receivables:					
Cash and cash equivalents*	₱1,441,243,669	₱283,946,479	₱-	₱-	₱1,725,190,148
Short-term investments	-	-	7,874,002	-	7,874,002
Trade receivables:					
Television and radio airtime	668,189,101	1,731,217,245	269,872,570	-	2,669,278,916
Subscriptions	198,032,453	573,459,471	-	-	771,491,924
Others	-	106,138,117	9,939,620	30,850,152	146,927,889
Nontrade receivables:					
Advances to officers and employees	200	4,623,514	-	-	4,623,714
Others	26,626,245	43,121,660	-	-	69,747,905
Refundable deposits**	-	-	-	15,671,300	15,671,300
	2,334,091,668	2,742,506,486	287,686,192	46,521,452	5,410,805,798
AFS financial assets	-	-	-	135,552,548	135,552,548
	₱2,334,091,668	₱2,742,506,486	₱287,686,192	₱182,074,000	₱5,546,358,346

(Forward)



	2013				Total
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	
Other financial liabilities:					
Trade payables and other current liabilities***	₱438,449,654	₱342,875,920	₱39,622,350	₱-	₱820,947,924
Short-term loans	-	1,113,257,979	-	-	1,113,257,979
Obligations for program and other rights	-	141,096,456	-	33,330,130	174,426,586
Dividends payable	8,868,629	-	-	-	8,868,629
Other long-term employee benefits	-	-	-	264,368,057	264,368,057
	<b>₱447,318,283</b>	<b>₱1,597,230,355</b>	<b>₱39,622,350</b>	<b>₱297,698,187</b>	<b>₱2,381,869,175</b>

\*Excluding cash on hand and production fund amounting ₱24.44 million.

\*\*Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).

\*\*\*Excluding payable to government agencies and customer deposits amounting to ₱513.38 million and ₱447.11 million, respectively (see Note 16).

*Foreign Currency Exchange Risk.* Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to foreign currency exchange risk results from its business transactions denominated in foreign currencies. It is the Group's policy to ensure that capabilities exist for active but conservative management of its foreign currency exchange risk.

The Group's foreign currency-denominated monetary assets and liabilities are as follows:

	2014		2013	
<b>Assets</b>				
Cash and cash equivalents	<b>\$18,233,035</b>	<b>₱815,381,325</b>	\$11,899,486	₱528,337,179
Trade receivables	<b>24,933,815</b>	<b>1,115,040,207</b>	17,960,926	797,465,114
	<b>\$43,166,850</b>	<b>₱1,930,421,532</b>	\$29,860,412	₱1,325,802,293
<b>Liabilities</b>				
Trade payables	<b>\$614,398</b>	<b>₱27,475,879</b>	\$305,416	₱13,560,471
Short-term loans	<b>43,000,000</b>	<b>1,922,960,000</b>	24,929,617	1,106,875,000
Obligations for program and other rights	<b>1,114,846</b>	<b>49,855,913</b>	1,467,993	65,178,889
	<b>\$44,729,244</b>	<b>₱2,000,291,792</b>	\$26,703,026	₱1,185,614,360

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the exchange rate used were ₱44.72 and ₱44.40 to US\$1.00, the Philippine peso to U.S. dollar exchange rate as at December 31, 2014 and 2013, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in US\$ exchange rate, with all other variables held constant, of the Group's income before income tax from reporting period up to next reporting period (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity other than those already affecting profit or loss.

	Appreciation (Depreciation) of ₱	Effect on Income before Income Tax
<b>2014</b>	<b>0.50</b> <b>(0.50)</b>	<b>₱1,033,850</b> <b>(1,033,850)</b>
2013	0.50 (0.50)	(₱394,673) 394,673



*Interest Rate Risk.* Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates is attributed to cash and cash equivalents and short-term loans.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax from reporting period up to next reporting period. There is no impact on the Group's equity other than those already affecting profit or loss.

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax	
		2014	2013
Cash and cash equivalents	50	<b>(P19,645,734)</b>	(P21,564,877)
	(50)	<b>19,645,734</b>	21,564,877
Short-term loans	50	<b>(27,787,000)</b>	(13,835,938)
	(50)	<b>27,787,000</b>	13,835,938

*Credit Risk.* Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products and services are made to customers with appropriate credit history. The Group has an internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of the instruments. The Group does not require any collateral for its financial assets, thus, maximum exposure to credit risk is equal to the carrying value of the financial instruments.

The table below shows the maximum exposure to credit risk for the components of the consolidated financial position as at December 31:

	2014	2013
Loans and receivables		
Cash and cash equivalents*	<b>P1,571,658,704</b>	P1,725,190,148
Short-term investments	–	7,874,002
Trade receivables:		
Television and radio airtime	<b>3,024,671,486</b>	2,399,406,346
Subscriptions	<b>1,039,395,871</b>	771,491,924
Others	<b>169,417,688</b>	142,821,682
Nontrade receivables:		
Advances to officers and employees	<b>4,443,381</b>	4,623,714
Others	<b>86,047,923</b>	69,747,905
Refundable deposits**	<b>19,913,347</b>	15,671,300
	<b>5,915,548,400</b>	5,136,827,021
AFS financial assets	<b>129,024,081</b>	135,552,548
	<b>P6,044,572,481</b>	P5,272,379,569

\*Excluding cash on hand amounting to P27.17 million and P24.44 million as at December 31, 2014 and 2013, respectively.

\*\*Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).



The credit quality of financial assets is managed by the Group using high grade and standard grade as internal credit ratings.

- *High Grade.* Pertains to a counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes prime financial institutions and companies and top 20 advertisers in terms of volume of sales, who consistently pay on or before the maturity date and related parties.
- *Standard Grade.* Pertains to a counterparty with tolerable delays (normally from 1 to 30 days) in settling its obligations to the Group. The delays may be due to cut-off differences. This includes customers outside the top 20 advertisers in terms of volume of sales, who consistently pay on maturity date and officers and employees.

As at December 31, 2014 and 2013, the credit quality of the Group's financial assets is as follows:

	2014			
	Neither Past Due Nor Impaired		Past Due but not Impaired	Total
	High Grade	Standard Grade		
Loans and receivables:				
Cash and cash equivalents*	P1,571,658,704	P-	P-	P1,571,658,704
Trade receivables:				
Television and radio airtime	269,872,570	1,870,274,281	884,524,635	3,024,671,486
Subscriptions	-	443,781,464	595,614,407	1,039,395,871
Others	4,821,702	81,967,263	82,628,723	169,417,688
Nontrade receivables:				
Advances to officers and employees	-	4,404,381	39,000	4,443,381
Others	-	71,627,672	14,420,251	86,047,923
Refundable deposits**	19,913,347	-	-	19,913,347
	<b>1,866,266,323</b>	<b>2,472,055,061</b>	<b>1,577,227,016</b>	<b>5,915,548,400</b>
AFS financial assets	129,024,081	-	-	129,024,081
	<b>P1,995,290,404</b>	<b>P2,472,055,061</b>	<b>P1,577,227,016</b>	<b>P6,044,572,481</b>

\*Excluding cash on hand amounting to P27.17 million as at December 31, 2014.

\*\*Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).

	2013			
	Neither Past Due Nor Impaired		Past Due but not Impaired	Total
	High Grade	Standard Grade		
Loans and receivables:				
Cash and cash equivalents*	P1,725,190,148	P-	P-	P1,725,190,148
Short-term investments	7,874,002	-	-	7,874,002
Trade receivables:				
Television and radio airtime	269,872,570	1,034,815,201	1,094,718,575	2,399,406,346
Subscriptions	-	479,659,930	291,831,994	771,491,924
Others	-	88,622,679	54,199,003	142,821,682
Nontrade receivables:				
Advances to officers and employees	-	4,623,514	200	4,623,714
Others	-	35,636,449	34,111,456	69,747,905
Refundable deposits**	15,671,300	-	-	15,671,300
	<b>2,018,608,020</b>	<b>1,643,357,773</b>	<b>1,474,861,228</b>	<b>5,136,827,021</b>
AFS financial assets	135,552,548	-	-	135,552,548
	<b>P2,154,160,568</b>	<b>P1,643,357,773</b>	<b>P1,474,861,228</b>	<b>P5,272,379,569</b>

\*Excluding cash on hand amounting to P24.44 million as at December 31, 2013.

\*\*Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).





Capital Management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay off existing debts, return capital to shareholders or issue new shares.

The Parent Company is not subject to externally imposed capital requirements.

No changes were made in the objectives, policies or processes for the three years ended December 31, 2014, 2013 and 2012.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loan to total equity. The Group’s interest-bearing loans, which are the short-term loans, amounted to ₱2,222.96 million and ₱1,106.87 million as at December 31, 2014 and 2013, respectively. The Group’s total equity attributable to equity holders of the Parent Company as at December 31, 2014 and 2013 amounted to ₱8,190.47 million and ₱8,788.42 million, respectively.

**31. Fair Value Measurement**

The table below presents the carrying values and fair values of the Group’s assets and liabilities, by category and by class, as at December 31:

	2014			
	Carrying Value	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Loans and receivables -				
Refundable deposits*	₱19,913,347	₱-	₱-	₱18,144,416
AFS financial assets	5,009,000	6,840,000	-	-
Investment properties	58,811,306	-	-	135,390,479
Land at revalued amount	346,502,817	-	-	1,453,210,041
	<b>₱430,236,470</b>	<b>₱6,840,000</b>	<b>₱-</b>	<b>₱1,606,744,936</b>
<b>Liability</b>				
Other financial liability -				
Noncurrent portion of obligation for program and other rights	<b>₱5,193,223</b>	<b>₱-</b>	<b>₱-</b>	<b>₱6,526,340</b>

\*Included under “Other noncurrent assets” account in the consolidated statements of financial position (see Note 15).



	2013			
	Carrying Value	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Loans and receivables -				
Refundable deposits*	₱15,671,300	₱-	₱-	₱14,885,845
AFS financial assets	2,708,000	4,890,000	-	-
Investment properties	60,532,209	-	-	133,666,200
	<b>₱78,911,509</b>	<b>₱4,890,000</b>	<b>₱-</b>	<b>₱148,552,045</b>
<b>Liability</b>				
Other financial liability -				
Noncurrent portion of obligation for program and other rights	₱33,330,130	₱-	₱-	₱34,663,247

\*Included under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 15).

During the years ended December 31, 2014 and 2013, there were no transfers between levels of fair value measurement. There are no financial instruments classified under levels 1 and 2.

#### Fair Value Determination

The following methods and assumptions are used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

#### Cash and Cash Equivalents, Short-term Investments and Trade and Nontrade Receivables

The carrying values of cash and cash equivalents, short-term investments and trade and nontrade receivables are the approximate fair values primarily due to the relatively short-term maturity of these financial instruments.

#### Refundable Deposits

The fair value of refundable deposits is based on the present value of the future discounted cash flows. Discount rates used range from 3.64% to 4.83% in 2014 and 0.73% to 2.13% in 2013.

#### AFS Financial Assets

These are investments in quoted and unquoted shares of stock. The fair value of quoted shares is based on quoted market prices. For unquoted shares, the carrying amounts (cost less allowance for impairment losses) approximate fair values due to unpredictable nature of future cash flows and lack of other suitable methods for arriving at reliable fair value.

#### Investment Properties

The valuation for investment properties was derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property adjusted based on certain elements of comparison (e.g. market conditions, location, physical condition and amenities). Significant unobservable valuation input in determining the fair value of investment properties includes adjusted price per square meter that ranges from ₱900 to ₱118,945.

#### Land at Revalued Amount

The valuation for land was derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the



subject property adjusted based on certain elements of comparison (e.g. market conditions, location, physical condition and amenities). Significant unobservable valuation input in determining the fair value of land at revalued amount includes adjusted price per square meter that ranges from ₱200 to ₱50,000.

Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the properties.

Trade Payables and Other Current Liabilities (excluding payable to government agencies and customer deposits), Short-term Loans, Current Portion of Obligations for Program and Other Rights and Dividends Payable

The carrying values of trade payables and other current liabilities, short-term loans, current portion of obligations for program and other rights and dividends payable are the approximate fair values due to the relatively short-term maturity of these financial instruments.

Noncurrent Portion of Obligations for Program and Other Rights

The fair value of noncurrent portion of obligation for program and other rights is based on the present value of the future cash flows. Discount rates used is 4.03% in 2014 and 2.10% in 2013.

---

**32. Other Matters**

Non-cash transactions

Noncash investing activity for the year ended December 31, 2013 consists of increase in investment in PEP of ₱12.00 million which was settled through conversion of advances of GNMI to PEP (see Note 11). Moreover, noncash transaction under investing activities pertains to the revaluation of land credited to the “Revaluation increment on land - net of tax” account under equity. Details of the revaluation of land are further discussed in Note 13.

This also consists of the increase in AFS financial assets amounting to ₱22.13 million which is attributable to the dividends declared by Unicapital to the Parent Company.

Events after Reporting Period

On March 30, 2015, the BOD approved the Parent Company’s declaration and distribution of cash dividends amounting to ₱0.25 per share totaling ₱1,216.15 million to all stockholders of record as at April 24, 2015 and will be paid on May 19, 2015.



## **INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
GMA Network, Inc.  
GMA Network Center  
Timog Avenue corner EDSA  
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of GMA Network, Inc. and Subsidiaries (the Group) as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 included in this Form 17-A, and have issued our report thereon dated March 30, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Marydith C. Miguel  
Partner

CPA Certificate No. 65556

SEC Accreditation No. 0087-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 102-092-270

BIR Accreditation No. 08-001998-55-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 4751303, January 5, 2015, Makati City

March 30, 2015



**GMA NETWORK, INC. AND SUBSIDIARIES**

**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY SCHEDULES  
DECEMBER 31, 2014**

---

**Annex 68 - E**

A. Financial Assets	Attached
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	<u>Not applicable</u>
C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	Attached
D. Intangible Assets and Other Assets	Attached
E. Long-term Debt	Not applicable
F. Indebtedness to Related Parties (Long-term Loans from Related Companies)	Not applicable
G. Guarantees of Securities of Other Issuers	Not applicable
H. Capital Stock	Attached

**Additional Components**

i) Reconciliation of Retained Earnings Available for Dividend Declaration	Attached
ii) List of Philippine Financial Reporting Standards Effective as at December 31, 2014	Attached
iii) Map of Relationships of the Companies within the Group	Attached
iv) Schedule of Financial Ratios	Attached

**GMA NETWORK, INC. AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E**  
**DECEMBER 31, 2014**

**Schedule A. Financial Assets**

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amounts of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotation at end of Reporting Period	Income Received and Accrued
<b>Cash and cash equivalents</b>				
Cash in Banks	–	₱1,412,013,951	₱–	₱4,768,045
Peso Placements:				
Abacus Capital & Investment Corporation	–	63,148,729	–	6,534,746
Philippine National Bank	–	11,378,955	–	60,419
Malayan Bank	–	–	–	949,013
Unicapital, Inc.	–	20,260,875	–	828,388
Metrobank	–	2,594,054	–	254,935
Philippine Bank of Communications	–	–	–	531,747
Asia United Bank	–	–	–	460,484
UCPB	–	–	–	99,860
Union Bank of the Philippines	–	–	–	240,000
	–	97,382,613	–	9,959,592
Dollar Placements:				
Asia United Bank	–	6,464,664	–	98,857
Eastwest Bank	–	31,349,082	–	352,881
Union Bank of the Philippines	–	24,448,394	–	461,567
	–	62,262,140	–	913,305
Total Placements	–	159,644,753	–	10,872,897
		₱1,571,658,704	₱–	₱15,640,942
<b>Available-for-sale investments</b>				
Unicapital, Inc.	–	₱75,109,800	₱–	₱17,903,300
Mabuhay Philippines Satellite	–	29,000,000	–	–
Optima Studio	–	11,023,156	–	–
Manila Electric Company shares	45,108	7,467,200	–	–
Ayala Alabang Country Club - A	1	2,300,000	2,300,000	–
Metropolitan Club (Metroclub) A	8	2,200,000	2,200,000	–
Baguio Country Club	1	1,650,000	1,650,000	–
Manila Southwoods A	1	400,000	400,000	–
Camp John Hay Golf Club	1	120,000	120,000	–
Reefpoint Picture	–	216,925	–	–
Royale Tagaytay (Tagaytay Country Club)	2	170,000	170,000	–
To Research Council	–	1,000	–	–
	45,122	₱129,658,081	₱6,840,000	₱17,903,300

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)  
December 31, 2014**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Current	Non Current	Balance at End of Period
			Amount Collected	Amount Written Off			
<b>Not Applicable:</b> The Company has no amounts receivable from directors, officers, employees, related parties and principal stockholders as at December 31, 2014.							

**Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements  
December 31, 2014**

*Alta Productions Company, Inc. (Alta)*

Account	January 1, 2014	Additions	Deductions		Current	Non Current	December 31, 2014
			Amount Collected	Amount Reclassified			
Receivables	₱1,409,710	₱-	(₱1,266,255)	₱-	₱143,455	₱-	₱143,455
Payables	(5,250,967)	(9,579,802)	4,472,299	-	(9,579,802)	(778,668)	(10,358,470)
<b>Total</b>	<b>(₱3,841,257)</b>	<b>(₱9,579,802)</b>	<b>₱3,206,044</b>	<b>₱-</b>	<b>(₱9,436,347)</b>	<b>(₱778,668)</b>	<b>(₱10,215,015)</b>

*Citynet Network Marketing and Productions, Inc. (Citynet)*

Account	January 1, 2014	Additions	Deductions		Current	Non Current	December 31, 2014
			Amount Collected	Amount Reclassified			
Receivables	₱14,820	₱7,294,427	(₱9,500,363)	₱2,191,116	₱-	₱-	₱-
Due from Citynet	899,800	-	-	(899,800)	-	-	-
Payables	(2,705,573)	41,573	2,464,000	-	-	(200,000)	(200,000)
<b>Total</b>	<b>(₱1,790,953)</b>	<b>₱7,336,000</b>	<b>(₱7,036,363)</b>	<b>₱1,291,316</b>	<b>₱-</b>	<b>(₱200,000)</b>	<b>(₱200,000)</b>

*GMA Network, Films, Inc. (GNFI)*

Account	January 1, 2014	Additions	Deductions		Current	Non Current	December 31, 2014
			Amount Collected	Amount Reclassified			
Advances to GNFI	₱44,511,314	₱-	₱-	₱-	₱-	₱44,511,314	₱44,511,314*
Due from GNFI	91,914,205	-	-	(91,914,205)	-	-	-
Receivables	10,447,097	18,065,341	(55,041,158)	91,914,205	18,065,342	47,320,143	65,385,485
Payables	(59,812,821)	-	59,529,321	(5,376,474)	(5,659,974)	-	(5,659,974)
Due to GNFI	(5,376,474)	-	-	5,376,474	-	-	-
<b>Total</b>	<b>₱81,683,321</b>	<b>₱18,065,341</b>	<b>₱4,488,163</b>	<b>₱-</b>	<b>₱12,405,368</b>	<b>₱91,831,457</b>	<b>₱104,236,825</b>

\*gross of ₱2,191,116 allowance for impairment.



*GMA Marketing and Productions, Inc. (GMPI)*

Account	January 1, 2014	Additions	Deductions		Current	Non Current	December 31, 2014
			Amount Collected	Amount Reclassified			
Receivables	₱1,105,982	₱3,815,536	(₱3,674,948)	₱224,226	₱1,470,796	₱-	₱1,470,796
Due from GMPI	224,226	-	-	(224,226)	-	-	-
Payables	(48,367,975)	(530,529,886)	389,994,099	-	(188,903,762)	-	(188,903,762)
<b>Total</b>	<b>(₱47,037,767)</b>	<b>(₱526,714,350)</b>	<b>₱386,319,151</b>	<b>₱-</b>	<b>(₱187,432,966)</b>	<b>₱-</b>	<b>(₱187,432,966)</b>

*GMA New Media, Inc. (GNMI)*

Account	January 1, 2014	Additions	Deductions		Current	Non Current	December 31, 2014
			Amount Collected	Amount Reclassified			
Advances to GNMI	₱35,524,846	₱-	₱-	₱-	₱-	₱35,524,846	₱35,524,846
Receivables	30,637,351	40,080,921	(16,170)	11,685,769	40,080,921	42,306,950	82,387,871
Due from GNMI	11,685,769	-	-	(11,685,769)	-	-	-
Payables	(38,317,177)	(76,515,892)	63,105,687	-	(51,727,382)	-	(51,727,382)
<b>Total</b>	<b>₱39,530,789</b>	<b>(₱36,434,971)</b>	<b>₱63,089,517</b>	<b>₱-</b>	<b>(₱11,646,461)</b>	<b>₱77,831,796</b>	<b>₱66,185,335</b>

*GMA Worldwide (Philippines), Inc. (GWI)*

Account	January 1, 2014	Additions	Deductions		Current	Non Current	December 31, 2014
			Amount Collected	Amount Reclassified			
Receivables	₱3,367,133	₱9,906,782	(₱10,919,344)	₱411,820	₱2,766,391	₱-	₱2,766,391
Due from GWI	411,820	-	-	(411,820)	-	-	-
Payables	(13,234,846)	(23,858,485)	25,901,803	-	(11,191,528)	-	(11,191,528)
<b>Total</b>	<b>(₱9,455,893)</b>	<b>(₱13,951,703)</b>	<b>₱14,982,459</b>	<b>₱-</b>	<b>(₱8,425,137)</b>	<b>₱-</b>	<b>(₱8,425,137)</b>

*RGMA Marketing & Productions, Inc. (GMA Records)*

Account	January 1, 2014	Additions	Deductions		Current	Non Current	December 31, 2014
			Amount Collected	Amount Reclassified			
Advances to GMA							
Records	₱20,806,216	₱-	₱-	₱-	₱-	₱20,806,216	₱20,806,216
Receivables	3,156,562	-	(966,249)	1,421,582	-	3,611,895	3,611,895
Due from GMA Records	3,867,102	-	-	(3,867,102)	-	-	-
Payables	(3,384,820)	-	939,300	2,445,520	-	-	-
<b>Total</b>	<b>₱24,445,060</b>	<b>₱-</b>	<b>(₱26,949)</b>	<b>₱-</b>	<b>₱-</b>	<b>₱24,418,111</b>	<b>₱24,418,111</b>

*Scenarios, Inc. (Scenarios)*

Account	January 1, 2014	Additions	Deductions		Current	Non Current	December 31, 2014
			Amount Collected	Amount Reclassified			
Advances to Scenarios	₱798,216	₱215,874	₱-	₱-	₱215,874	₱798,216	₱1,014,090
Receivables	24,542,978	-	(13,417,283)	1,607,798	-	12,733,493	12,733,493
Due from Scenarios	1,607,798	-	-	(1,607,798)	-	-	-
Payables	(37,028,407)	-	38,729,133	(1,700,726)	-	-	-
Due to Scenarios	(1,700,726)	-	-	1,700,726	-	-	-
<b>Total</b>	<b>(₱11,780,141)</b>	<b>₱215,874</b>	<b>₱25,311,850</b>	<b>₱-</b>	<b>₱215,874</b>	<b>₱13,531,709</b>	<b>₱13,747,583</b>

*Script2010, Inc. (Script2010)*

Account	January 1, 2014	Additions	Deductions		Current	Non Current	December 31, 2014
			Amount Collected	Amount Reclassified			
Due from Script2010	₱13,282,242	₱-	₱-	(₱13,282,242)	-	₱-	-
Receivables	-	6,723,868	(991,515)	13,282,242	6,723,868	12,290,727	19,014,595
Payables	(26,009,739)	(113,983,971)	137,686,581	-	(2,307,129)	-	(2,307,129)
<b>Total</b>	<b>(₱12,727,497)</b>	<b>(₱107,260,103)</b>	<b>₱136,695,066</b>	<b>₱-</b>	<b>₱4,416,739</b>	<b>₱12,290,727</b>	<b>16,707,466</b>

Media Merge Corporation (MM)

Account	January 1, 2014	Additions	Deductions		Current	Non Current	December 31, 2014
			Amount Collected	Amount Reclassified			
Due from MM	₱3,617,547	₱-	₱-	(₱3,617,547)	₱-	₱-	₱-
Receivables	-	8,731,971	(395,120)	3,617,547	8,336,851	3,617,547	11,954,398
Payables	(16,364,288)	(14,041,906)	16,149,312	-	(14,041,906)	(214,976)	(14,256,882)
<b>Total</b>	<b>(₱12,746,741)</b>	<b>(₱5,309,935)</b>	<b>₱15,754,192</b>	<b>₱-</b>	<b>(₱5,705,055)</b>	<b>₱3,402,571</b>	<b>(2,302,484)</b>

RGMA Network, Inc. (RGMA Network)

Account	January 1, 2014	Additions	Deductions		Current	Non Current	December 31, 2014
			Amount Collected	Amount Reclassified			
Receivables	₱45,987,710	₱-	(₱27,704,464)	₱-	₱-	₱18,283,246	₱18,283,246
Payables	(29,808,849)	(146,999,920)	166,760,978	-	(10,047,791)	-	(10,047,791)
<b>Total</b>	<b>₱16,178,861</b>	<b>(₱146,999,920)</b>	<b>₱139,056,514</b>	<b>₱-</b>	<b>(₱10,047,791)</b>	<b>₱18,283,246</b>	<b>₱8,235,455</b>

**Schedule D. Intangible Asset - Other Asset**  
**December 31, 2014**

Description	Beginning balance	Additions at cost	Charge to cost and expenses	Amount written off	Ending balance
Program and film rights	₱1,192,613,851	₱631,035,288	(₱637,604,147)	(₱3,414,014)	₱1,182,630,981
Story format rights	16,615,430	8,100,950	(9,076,652)	–	15,639,728
Software cost	37,654,045	21,632,058	(23,369,011)	–	35,917,092
	₱1,246,883,326	₱660,768,296	(₱670,049,810)	(₱3,414,014)	₱1,234,187,801

**Schedule E. Long-Term Debt**  
**December 31, 2014**

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption “Current portion of long term debt” in related balance sheet	Amount shown under caption “Long term debt” in related balance sheet
---------------------------------------	--------------------------------	---	--

**Not Applicable:** The Company has no long-term debt as at December 31, 2014.

**Schedule F. Indebtedness to Related Parties (Long-Terms from Related Companies)**  
**December 31, 2014**

Name	Balance, January 1, 2014	Balance, December 31, 2014
------	--------------------------	----------------------------

**Not Applicable:** The Company has no indebtedness to a related party as at December 31, 2014.

**Schedule G. Guarantees of Securities of Other Issuers**  
**December 31, 2014**

Name of Issuing Entity of Securities Guaranteed by the Company for which this statement is filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which the Statement is Filed	Nature of Guarantee
--	---	---	---	---------------------

**Not Applicable:** The Company has no guarantees of securities of other issuers as at December 31, 2014.

**Schedule H. Capital Stock**  
**December 31, 2014**

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statements of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
Common	5,000,000,000	3,361,047,000*	NA	3,119,007,963	6,917,006	235,122,031
Preferred	7,500,000,000	7,499,507,184**	NA	7,428,344,388	27,294	71,135,502

\*Net of treasury stock totaling 3,645,000 shares.

\*\*Net of treasury stock totaling 492,816 shares.

**GMA NETWORK, INC. AND SUBSIDIARIES****RECONCILIATION OF RETAINED EARNINGS AVAILABLE  
FOR DIVIDEND DECLARATION  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Unappropriated retained earnings, at beginning of year</b>		₱1,401,604,539
Adjustments:		
Less: Treasury shares	(28,483,171)	
Underlying shares of the acquired Philippine Deposit Receipts	(5,790,016)	
		(34,273,187)
<b>Adjusted beginning balance of unappropriated retained earnings available for dividend declaration</b>		<b>1,367,331,352</b>
<b>Net income during the period closed to retained earnings</b>	1,012,243,106	
Less: Non-actual/unrealized income, net of tax		
Movement in deferred tax assets recognized during the year	(23,456,652)	
Realized loss categorized as unrealized in previous year	(60,421,155)	
Add: Non-actual losses		
Unrealized foreign exchange loss	22,459,320	950,824,619
<b>Net income actually earned during the year, as adjusted</b>		<b>2,318,155,971</b>
<b>Less: Appropriations during the period</b>		<b>(1,312,253,578)</b>
<b>Unappropriated retained earnings as adjusted to available for dividend declaration, at end of year</b>		<b>₱1,005,902,393</b>

**GMA NETWORK, INC. AND SUBSIDIARIES**

**LIST OF PHILIPPINE FINANCIAL REPORTING STANDARDS EFFECTIVE AS AT DECEMBER 31, 2014**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2014		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>		✓		
<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	✓		✓
	Amendment to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - 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*	Not Early Adopted		
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Business Combinations - Accounting for Contingent Consideration in a Business Combination*	Not Early Adopted		
	Business Combinations - Scope Exceptions for Joint Arrangements*	Not Early Adopted		
<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	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2014		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	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	✓		
	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: Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*	Not Early Adopted		
<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		
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities	✓		✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
<b>PFRS 11</b>	Joint Arrangements	✓		
	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	✓		✓
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Fair Value Measurement - Portfolio Exception*	Not Early Adopted		
<b>PFRS 14</b>	Regulatory Deferral Accounts*	Not Early Adopted		
<b>PFRS 15</b>	Revenue from Contracts with Customers*	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	✓		✓



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2014		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Instruments and Obligations Arising on Liquidation			
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts	✓		✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*	Not Early Adopted		
	Amendment to PAS 16: Agriculture - Bearer Plants*	Not Early Adopted		
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19</b>	Employee Benefits	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions*	Not Early Adopted		
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate*	Not Early Adopted		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		✓
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans	✓		✓
<b>PAS 27</b>	Consolidated and Separate Financial Statements	✓		
<b>PAS 27 (Amended)</b>	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2014		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not Early Adopted		
<b>PAS 28</b>	Investments in Associates	✓		
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 31</b>	Interests in Joint Ventures	✓		
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		✓
	Amendment to PAS 32: Classification of Rights Issues	✓		✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting	✓		
	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*	✓		
<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	✓		✓
<b>PAS 39</b>	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	✓		✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 39: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	✓		✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40*	Not Early Adopted		
PAS 41	Agriculture	✓		✓
	Amendment to PAS 41: Agriculture - Bearer Plants*	Not Early Adopted		
<b>Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	✓		✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	✓		✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>	✓		✓
IFRIC 8	<i>Scope of PFRS 2</i>	✓		
IFRIC 9	Reassessment of Embedded Derivatives	✓		✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>	✓		
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements	✓		✓
IFRIC 13	Customer Loyalty Programmes	✓		✓
IFRIC 14	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	✓		✓
IFRIC 15	Agreements for the Construction of Real Estate*	Not Early Adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	✓		✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		✓
IFRIC 18	Transfers of Assets from Customers	✓		✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		✓
IFRIC 21	Levies	✓		

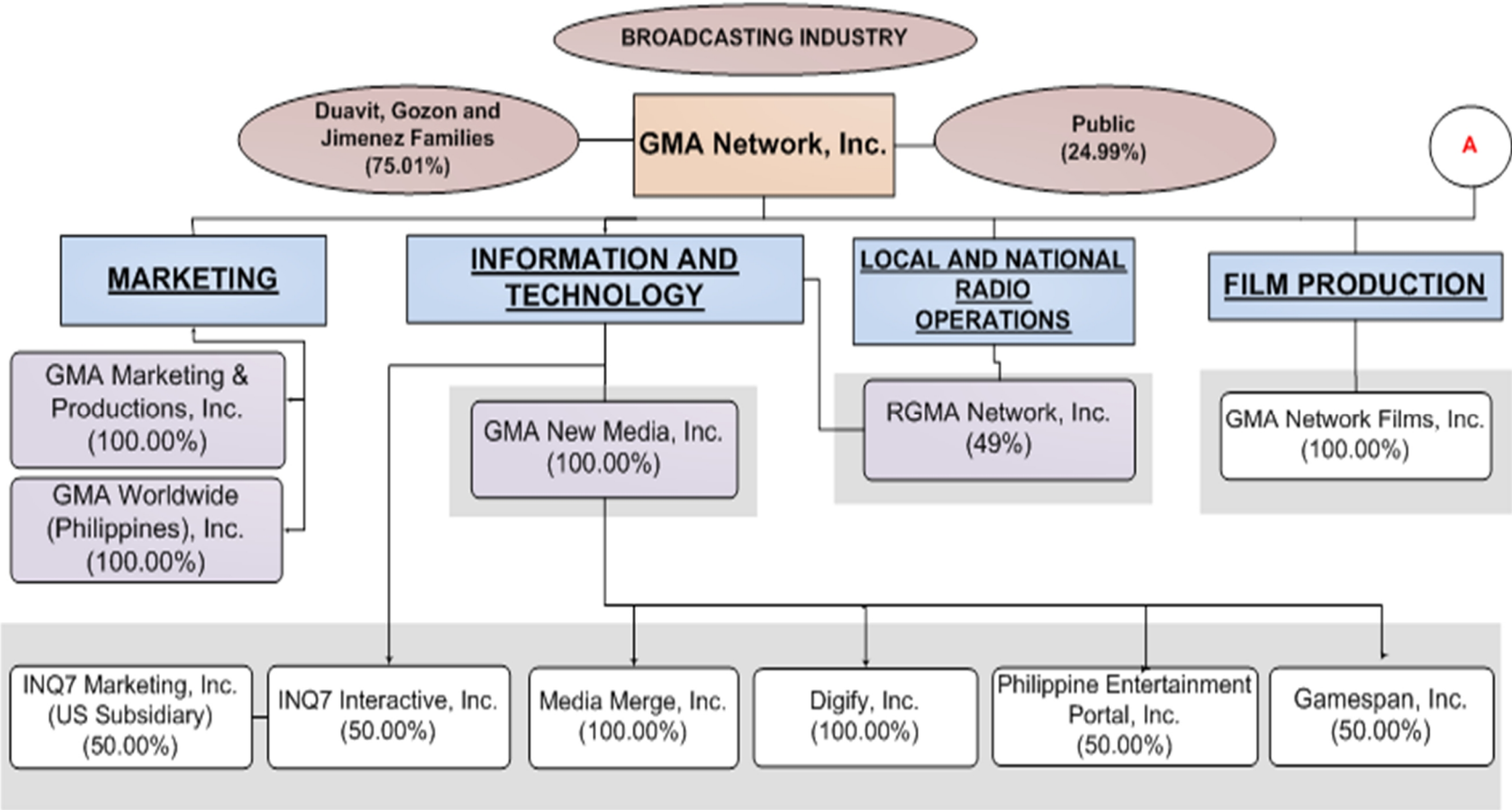
<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as at December 31, 2014		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>SIC-7</b>	Introduction of the Euro	✓		✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities	✓		✓
<b>SIC-12</b>	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	✓		

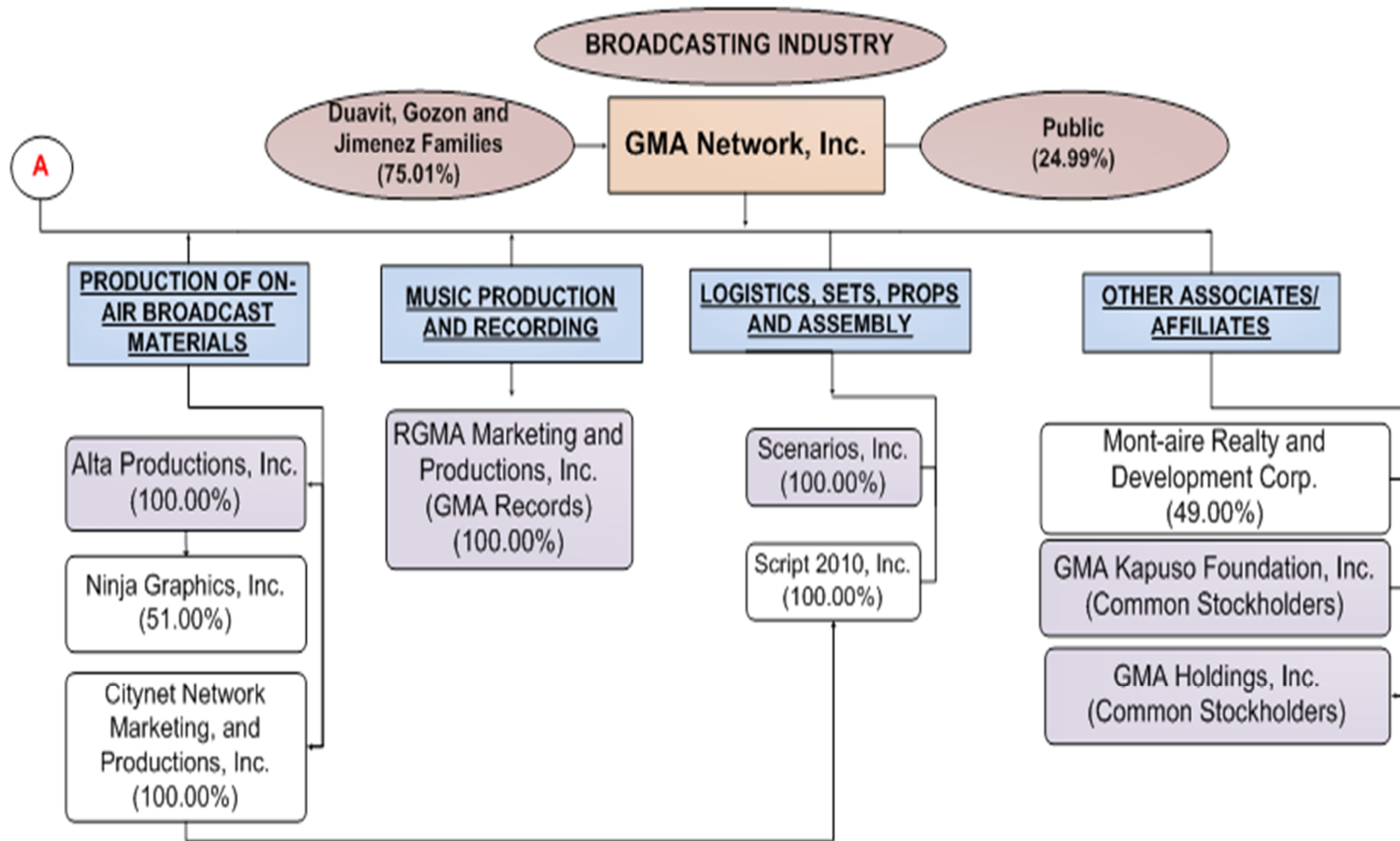
\* Standards and interpretations which will become effective subsequent to December 31, 2014.

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 and for the year ended December 31, 2014.

**GMA NETWORK, INC. AND SUBSIDIARIES**

**MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP**





**GMA NETWORK, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL RATIOS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**

<b>Financial Ratios</b>	<b>Description</b>	<b>December 31</b>	
		<b>2014</b>	<b>2013</b>
Current/liquidity ratio	Current assets over current liabilities	1.90:1	2.15:1
Asset to equity ratio	Total asset over total equity	1.70:1	1.48:1
Debt-to-equity ratio	Short-term loans over total equity	0.27:1	0.13:1
Net debt to equity ratio	Interest - bearing loans and borrowings less cash and cash equivalents over total equity	0.08:1	-0.07:1

<b>Financial Ratios</b>	<b>Description</b>	<b>Years Ended December 31</b>		
		<b>2014</b>	<b>2013</b>	<b>2012</b>
Interest rate coverage ratio	Earnings before interest, tax over interest expense	41.09:1	45.95:1	54.94:1
Gross profit margin	Gross profit over net revenues	53.67%	54.01%	56.27%
Net income margin	Net income over net revenues	8.42%	12.93%	13.41%

SECURITIES AND EXCHANGE COMMISSION

SEC FORM - ACGR

UPDATES IN THE ANNUAL CORPORATE GOVERNANCE REPORT FOR 2014

1. Report is Filed for the Year 2014
2. Exact Name of Registrant as Specified in its Charter **GMA NETWORK, INC.**
3. Address of Principal Office  
**GMA NETWORK CENTER, EDSA CORNER TIMOG AVENUE DILIMAN, QUEZON CITY**  
Postal Code
4. SEC Identification Number **5213**
5.   
(SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number **000-917-916-000**
7. Issuer's Telephone number, including area code  
**(632) 982 7777**
8. Former name or former address, if changed from the last report  
**NOT APPLICABLE**



**CONSOLIDATED CHANGES IN THE ANNUAL CORPORATE GOVERNANCE REPORT FOR  
2014**

**A. BOARD MATTERS**

1) Board of Directors

Number of Directors per Articles of Incorporation	Nine (9)
---	----------

Actual number of Directors for the year	Nine (9)
---	----------

(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	Nomination 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) <sup>1</sup>	Elected when (Annual/Special Meeting)	No. of Years served as director
Felipe L. Gozon	ED	FLG Management and Development Corporation	Nominated by Gilberto R. Duavit, Jr. as approved by the Nomination Committee	1975	<u>2014</u>	Annual Meeting	<u>39</u>
Judith D. Vazquez	NED	Group Management & Development Inc.	Nominated by Gilberto R. Duavit, Jr. as approved by the Nomination Committee	1988	<u>2014</u>	Annual Meeting	<u>26</u>

<sup>1</sup> Reckoned from the election immediately following July 31, 2014 (the date of filing of the latest ACGR).

Gilberto R. Duavit, Jr.	ED	Group Management & Development Inc.	Nominated by Gilberto R. Duavit, Jr. as approved by the Nomination Committee	1999	<u>2014</u>	Annual Meeting	<u>15</u>
Anna Teresa M. Gozon-Abrogar	ED	FLG Management and Development Corporation	Nominated by Gilberto R. Duavit, Jr. as approved by the Nomination Committee	2000	<u>2014</u>	Annual Meeting	<u>14</u>
Joel Marcelo G. Jimenez	NED	M.A. Jimenez Enterprises, Inc./ Television International Corporation	Nominated by Gilberto R. Duavit, Jr. as approved by the Nomination Committee	2002	<u>2014</u>	Annual Meeting	<u>12</u>
Laura J. Westfall	NED	M.A. Jimenez Enterprises, Inc./ Television International Corporation	Nominated by Gilberto R. Duavit, Jr. as approved by the Nomination Committee	2002	<u>2014</u>	Annual Meeting	<u>12</u>
Felipe S. Yalong	ED	N/A	Nominated by Gilberto R. Duavit, Jr. as approved by the Nomination Committee	2002	<u>2014</u>	Annual Meeting	<u>11</u>
Artemio V. Panganiban	ID	N/A	Nominated by Gilberto R. Duavit, Jr. as approved by the Nomination Committee (Nominator has no relationship with the Independent Director)	2007	<u>2014</u>	Annual Meeting	<u>7</u>
Jaime C. Laya	ID	N/A	Nominated by Gilberto	2007	<u>2014</u>	Annual Meeting	<u>7</u>

			R. Duavit, Jr. as approved by the Nomination Committee (Nominator has no relationship with the Independent Director)				
--	--	--	---	--	--	--	--

(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 Corporation believes that the essence of corporate governance is transparency.

1. All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.
2. Other information that shall always be disclosed includes the aggregate remuneration (including stock options) of all directors and senior management officers.
3. All disclosed information shall be released via the approved stock exchange procedure for the company announcements as well as through the annual report.
4. The Board shall commit at all times to fully disclose non-confidential material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.
5. The Board shall be committed to respect the following rights of the stockholders:
  - A. Voting Right
  - B. Power of Inspection
  - C. Right to Information
  - D. Right to Dividends
  - E. Appraisal Right

(c) How often does the Board review and approve the vision and mission?

In practice, the Board reviews and approves the Company's vision and mission every three years. In 2007, upon submission of the Manual on Corporate Governance, and in 2014 upon submission of the revision thereto pursuant to SEC Memorandum Circular No. 9, Series of 2014.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>2</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:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman
Felipe L. Gozon	GMA Marketing and Productions, Inc.	Chairman/Executive
	Alta Productions Group, Inc.	Chairman/Non-Executive
	Citynet Network Marketing and Productions, Inc.	Chairman/Non-Executive
	Mont-Aire Realty and Development Corporation	Chairman/Non-Executive
	Philippine Entertainment Portal, Inc.	Chairman/Non-Executive
	RGMA Network, Inc.	Chairman and Non-Executive
	GMA Kapuso Foundation, Inc.	Chairman of the Board of Trustees/Non-Executive

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Gilberto R. Duavit, Jr.	GMA Network Films, Inc.	Chairman/Non-Executive
	GMA Worldwide, Inc.	Chairman/Non-Executive
	GMA Marketing and Productions, Inc.	Vice-Chairman/Non-Executive
	GMA Holdings, Inc.	Director/President and Chief Executive Officer
	Scenarios, Inc.	Director/President and Chief Executive Officer
	RGMA Marketing and Productions, Inc.	Director/President and Chief Executive Officer
	MediaMerge Corp.	Director/President
	Alta Productions Group, Inc.	Director/Non-Executive
	Optima Digital, Inc.	Director/Non-Executive
	Monte-Aire Realty and Development Corp.	Director/Non-Executive
GMA Kapuso Foundation, Inc.	Trustee/Non-Executive	
Joel Marcelo G. Jimenez	Alta Productions, Inc.	Director/Chief Executive Officer
	RGMA Network, Inc.	Director/Non-Executive
	GMA New Media, Inc.	Director/Non-Executive
	Scenarios, Inc.	Director/Non-Executive
	GMA Worldwide, Inc.	Director/Non-Executive
	Malayan Savings and Mortgage Bank	Director/Non-Executive
	GMA Holdings, Inc.	Director/Non-Executive
	GMA Kapuso Foundation, Inc.	Trustee

Felipe S. Yalong	GMA Holdings, Inc. Scenarios, Inc. GMA Network Films, Inc. GMA Marketing and Productions, Inc. RGMA Network, Inc. GMA Kapuso Foundation, Inc.	Corporate Treasurer Director/Corporate Treasurer Director/Corporate Treasurer Director/Non-Executive Director/Executive Corporate Treasurer
Atty. Anna Teresa G. Abrogar	GMA Films, Inc. GMA Worldwide, Inc. GMA Kapuso Foundation	Director/President Director/President Trustee
Judith Duavit Vazquez	RGMA, Inc. GMA New Media, Inc. GMA Worldwide, Inc. GMA Films, Inc. GMA Kapuso Foundation, Inc.	Director/Non-Executive Director/Non-Executive Director/Non-Executive Director/Non-Executive Director/Non-Executive
Dr. Jaime Laya	GMA Holdings, Inc.	Independent Director
Chief Justice Artemio V. Panganiban	GMA Holdings, Inc.	Independent Director

(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:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman
Dr. Jaime Laya	Philippine Trust Company (Philtrust Bank)	Director/Non-Executive
Chief Justice Artemio V. Panganiban	First Philippine Holdings Corporation	Independent Director/Non-Executive
	Metro Pacific Investments Corp.	Independent Director/Non-Executive
	Manila Electric Company	Independent Director/Non-Executive
	Robinsons Land Corporation	Independent Director/Non-Executive
	GMA Holdings, Inc.	Independent Director/Non-Executive
	Petron Corporation	Independent Director/Non-Executive
	Bank of the Philippine Islands	Independent Director/Non-Executive
	Asian Terminals Incorporated	
	Jollibee Foods Corporation	Independent Director/Non-Executive
		Independent Director/Non-Executive

(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:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Judith D. Vazquez	Gilberto R. Duavit	sister-brother
Laura J. Westfall	Joel Marcelo G. Jimenez	sister-brother
Gilberto R. Duavit	Judith D. Vazquez	brother-sister
Anna Teresa M. Gozon-Abrogar	Felipe L. Gozon	daughter-father
Felipe L. Gozon	Anna Teresa M. Gozon-Abrogar	father-daughter

- (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 of CEO may hold simultaneously? **NO**. In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

**No limit is imposed because all of the Company's directors have shown extraordinary competence in performing their duties as such, notwithstanding their directorship in other corporations. This is evidenced by their active participation, valuable inputs and almost complete attendance in the Board meetings as well as in their respective Committees' meetings.**

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	N/A	N/A
Non-Executive Director	N/A	N/A
CEO	N/A	N/A

(c) 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:

Name of Director	Number of Direct Shares (COMMON)	Number of Direct Shares (Preferred)	Number of Indirect Shares/ Through (name of record owner)	% of Capital Stock
Felipe L. Gozon	3,181	26,880	N/A	0.00%
Gilberto R. Duavit, Jr.	4,007,000	12	N/A	0.00%
Joel Marcelo G. Jimenez	325,003	6	N/A	0.00%
Anna Teresa M. Gozon-Abrogar	529,003	6	N/A	0.00%
Judith D. Vazquez	588,158	378	N/A	0.00%



Laura J. Westfall	2	6	N/A	0.00%
Felipe S. Yalong	1,025,002	6	N/A	0.00%
Chief Justice Artemio V. Panganiban	1	N/A	N/A	0.00%
Dr. Jaime Laya	294,000	N/A	N/A	0.00%
<b>TOTAL</b>	<b>4,335,580</b>	<b>27,294</b>		<b>0.00%</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	Felipe L. Gozon
CEO/President	Chief Executive Officer: Felipe L. Gozon President: Gilberto R. Duavit

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO:

	<b>Chairman</b>	<b>Chief Executive Officer</b>
Role	Shall preside at all meetings of the Board of Directors	Execute on behalf of the Corporation contracts and agreements which the Corporation may enter into  Appoint employees below the level of Assistant Vice-President;  Exercise such other power and perform such other duties as the Board of Directors may from time to time fix or delegate
Accountabilities	Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary;	Sign, endorse and deliver, in conjunction with other officials whom the Board may designate, all

	Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the Management and the directors; and  Maintain qualitative and timely lines of communication and information between the Board and Management;	checks, drafts, bills of exchange, promissory notes and orders of payments or sums of money in the name and on behalf of the corporation;
Deliverables	Reviews and approves the minutes of the meeting of the stockholders and the members of the Board of Directors	Submit an annual report of the Corporation to the Board of Directors and at such other times as the latter may request, and an annual report to the stockholders ;

- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Company's By-laws provides that the Board of Directors shall annually, at their first meeting, elect a Chairman of the Board of Directors, a President, Vice-Presidents, and a Secretary, and may also from time to time appoint such other officers and agents as it may deem proper. The Board of Directors may create such additional positions as it may consider proper.

It further provides that the office of the Chairman, President, Vice-President, Treasurer, or Secretary becomes vacant by death, resignation, or otherwise, the remaining directors, if still constituting a quorum, by a majority vote choose a successor or successors who shall hold office for the unexpired term.

In case of temporary absence of any officer of the Corporation or for any other reason that the Board of Directors may deem sufficient, the Board of Directors may delegate the powers and duties for the time being to any other officers, provided that a majority of the Board concur therein and such delegation is not covered by any express prohibition of these By-laws.

- 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. The Nomination Committee in the Board of Directors ensures that all nominees to the Board of Directors are competent and qualified to be nominated as Director based on internal guidelines so that:

1. There is a proper mix of competent directors that would continuously improve shareholder's value;
2. Directors will ensure a high standard of best practices for the Corporation and its stakeholders.

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 Nomination Committee recommends guidelines in the selection of nominees for directorships based on the perceived needs of the Board of Directors with respect to the nature of the business of the Company.**

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

**All of the members of the Company's Board of Directors have such powers and authorities as are set by Company's By-Laws, Manual on Corporate Governance, by Philippine law and rules.**

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
Role	Determine the period, manner and conditions under which the Corporation shall engage in the kinds of business as stated in the primary and secondary purposes of the Articles of Incorporation.	Determine the period, manner and conditions under which the Corporation shall engage in the kinds of business as stated in the primary and secondary purposes of the Articles of Incorporation.	To be independent of management and be free from any business relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company.
	Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives	Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives	Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives
	Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practice	Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practice	Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practice
Accountabilities	Determine the declaration of dividends out of profits or surplus	Determine the declaration of dividends out of profits or surplus	Determine the declaration of dividends out of profits or surplus
	Institute, maintain, defend, compromise	Institute, maintain, defend, compromise	Institute, maintain, defend,

	<p>or drop any litigation in which the Corporation or its officers may be interested as plaintiff or defendant, in connection with the business of the Corporation.</p> <p>Adopt a system of internal checks and balances</p> <p>Identify key risk areas and key performance indicators and monitor these factors with due diligence;</p> <p>Properly discharge Board functions by meeting regularly</p>	<p>or drop any litigation in which the Corporation or its officers may be interested as plaintiff or defendant, in connection with the business of the Corporation.</p> <p>Adopt a system of internal checks and balances</p> <p>Identify key risk areas and key performance indicators and monitor these factors with due diligence;</p> <p>Properly discharge Board functions by meeting regularly</p>	<p>compromise or drop any litigation in which the Corporation or its officers may be interested as plaintiff or defendant, in connection with the business of the Corporation.</p> <p>Adopt a system of internal checks and balances</p> <p>Identify key risk areas and key performance indicators and monitor these factors with due diligence;</p> <p>Properly discharge Board functions by meeting regularly</p>
Deliverables	<p>Submit annually to the regular general meeting of the stockholders the Balance Sheet, Profit and Loss Statement, and Annual Report to the Condition of the Corporation</p> <p>Provide sound strategic policies and guidelines to the corporation on major capital expenditures.</p> <p>Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and</p>	<p>Submit annually to the regular general meeting of the stockholders the Balance Sheet, Profit and Loss Statement, and Annual Report to the Condition of the Corporation</p> <p>Provide sound strategic policies and guidelines to the corporation on major capital expenditures.</p> <p>Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including</p>	<p>Submit annually to the regular general meeting of the stockholders the Balance Sheet, Profit and Loss Statement, and Annual Report to the Condition of the Corporation</p> <p>Provide sound strategic policies and guidelines to the corporation on major capital expenditures.</p> <p>Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and</p>

	<p>strategies, including the business plans, operating budgets and Management's overall performance;</p> <p>Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.</p>	<p>the business plans, operating budgets and Management's overall performance;</p> <p>Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.</p>	<p>strategies, including the business plans, operating budgets and Management's overall performance;</p> <p>Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.</p>
--	--	--	--

Provide the company's definition of "independence" and describe the company's compliance to the definition.

**"Independence" means not having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.**

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.

**The Company does not have a policy providing for a limit in the term of its independent directors. However, the Company adopts the qualifications and standards on the nomination and appointment/election of independent directors prescribed under the Securities Regulation Code. The said qualifications and standards are also expressly contained in the Company's Manual on Corporate Governance. Other than the foregoing, no limitation or restriction is imposed on the appointment/election of independent directors in order to give primacy to the right of the stockholders to elect**

the director of their choice granted them under the Company's By-laws as well as the Corporation Code.

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: **NOT APPLICABLE**

Name	Position	Date of Cessation	Reason
N/A	N/A	N/A	N/A

(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
a.		
Selection/Appointment		
(i) Executive Directors	<p>The Nomination Committee, in determining the qualified nominees to the Board of Directors, shall consider the following in addition to the relevant provision of the Articles of Incorporation and the By-laws of the Corporation:</p> <p>(1) That the director to be appointed possesses the Qualifications as set by the Company's By-laws, Manual on Corporate Governance, the law and the rules.</p> <p>(2) That the director to be appointed possesses none of the permanent disqualifications set by the Company's Manual on</p>	<p>(1) Holder of at least one (1) share of stock of the Corporation;</p> <p>(2) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;</p> <p>(3) He shall be at least twenty five (25) years old;</p> <p>(4) He shall have proven to possess integrity and probity; and</p> <p>(5) He shall be assiduous;</p>

	<p>Corporate Governance, the law and the rules.</p> <p>(3) That the director to be appointed possesses none of the temporary disqualifications set by the Company's Manual on Corporate Governance, the law and the rules.</p>	
<p>(ii) Non-Executive Directors</p>	<p>The Nomination Committee, in determining the qualified nominees to the Board of Directors, shall consider the following in addition to the relevant provision of the Articles of Incorporation and the By-laws of the Corporation:</p> <p>(1) That the director to be appointed possesses the Qualifications as set by the Company's By-laws, Manual on Corporate Governance, the law and the rules.</p> <p>(2) That the director to be appointed possesses none of the permanent disqualifications set by the Company's Manual on Corporate Governance, the law and the rules.</p> <p>(3) That the director</p>	<p>(1) Holder of at least one (1) share of stock of the Corporation;</p> <p>(2) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;</p> <p>(3) He shall be at least twenty five (25) years old;</p> <p>(4) He shall have proven to possess integrity and probity; and</p> <p>(5) He shall be assiduous;</p>

	to be appointed possesses none of the temporary disqualifications set by the Company's Manual on Corporate Governance, the law and the rules.	
(iii) Independent Directors	<p>The Nomination Committee, in determining the qualified nominees to the Board of Directors, shall consider the following in addition to the relevant provision of the Articles of Incorporation and the By-laws of the Corporation:</p> <p>(1) That the director to be appointed possesses the Qualifications as set by the Company's By-laws, Manual on Corporate Governance, the law and the rules.</p> <p>(2) That the director to be appointed possesses none of the permanent disqualifications set by the Company's Manual on Corporate Governance, the law and the rules.</p> <p>(3) That the director to be appointed possesses none of the temporary disqualifications set by the Company's Manual on Corporate</p>	<p>(1) Is independent of Management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Company and includes any person who:</p> <ol style="list-style-type: none"> <li>1. Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;</li> <li>2. Does not own more than two percent (2%) of the shares of the covered company and/or its related companies or any of its substantial shareholders;</li> <li>3. Is not related to the director, officer or substantial shareholder of the covered company, and of its related companies or any of its substantial shareholders.</li> <li>4. Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;</li> <li>5. Is not acting as a nominee or representative of any director or substantial</li> </ol>



	Governance, the law and the rules.	<p>shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;</p> <p>6. Has not been employed in any executive capacity by the covered company, any of its related companies and/or with any of its substantial shareholders within the last five (5) years;</p> <p>7. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or</p> <p>8. Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial.</p>
<b>b. Re-appointment</b>		
(i) Executive Directors	The Nomination Committee, in determining the qualified nominees to be re-appointed to the Board of Directors, shall consider the following in addition to the relevant provision of the Articles of	<p>(1) Holder of at least one (1) share of stock of the Corporation;</p> <p>(2) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;</p>

	<p>Incorporation and the By-laws of the Corporation:</p> <p>(1) That the director to be re-appointed maintains the Qualifications as set by the Company's By-laws, Manual on Corporate Governance, the law and the rules.</p> <p>(2) That the director to be appointed possesses none of the permanent disqualifications set by the Company's Manual on Corporate Governance, the law and the rules.</p> <p>(3) That the director to be appointed possesses none of the temporary disqualifications set by the Company's Manual on Corporate Governance, the law and the rules.</p>	<p>(3) He shall be at least twenty five (25) years old;</p> <p>(4) He shall have proven to possess integrity and probity; and</p> <p>(5) He shall be assiduous;</p>
<p>(ii) Non-Executive Directors</p>	<p>The Nomination Committee, in determining the qualified nominees to be re-appointed to the Board of Directors, shall consider the following in addition to the relevant provision of the Articles of Incorporation and the By-laws of the Corporation:</p> <p>(1) That the director to be re-</p>	<p>(1) Holder of at least one (1) share of stock of the Corporation;</p> <p>(2) He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;</p> <p>(3) He shall be at least twenty five (25) years old;</p> <p>(4) He shall have proven to possess integrity and probity; and</p> <p>(5) He shall be assiduous;</p>

	<p>appointed maintains the Qualifications as set by the Company's By-laws, Manual on Corporate Governance, the law and the rules.</p> <p>(2) That the director to be appointed possesses none of the permanent disqualifications set by the Company's Manual on Corporate Governance, the law and the rules.</p> <p>(3) That the director to be appointed possesses none of the temporary disqualifications set by the Company's Manual on Corporate Governance, the law and the rules.</p>	
(iii) Independent Directors	<p>The Nomination Committee, in determining the qualified nominees to be re-appointed to the Board of Directors, shall consider the following in addition to the relevant provision of the Articles of Incorporation and the By-laws of the Corporation:</p> <p>(1) That the director to be re-appointed maintains the Qualifications as set by the Company's By-laws, Manual on</p>	<p>(1) Is independent of Management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Company and includes any person who:</p> <ol style="list-style-type: none"> <li>1. Is not a director or officer of the covered company or of its related companies or any of its substantial shareholders except when the same shall be an independent director of any of the foregoing;</li> <li>2. Does not own more than two percent (2%) of the</li> </ol>

	<p>Corporate Governance, the law and the rules.</p> <p>(2) That the director to be appointed possesses none of the permanent disqualifications set by the Company's Manual on Corporate Governance, the law and the rules.</p> <p>(3) That the director to be appointed possesses none of the temporary disqualifications set by the Company's Manual on Corporate Governance, the law and the rules.</p>	<p>shares of the covered company and/or its related companies or any of its substantial shareholders;</p> <p>3. Is not related to the director, officer or substantial shareholder of the covered company, and of its related companies or any of its substantial shareholders.</p> <p>4. Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;</p> <p>5. Is not acting as a nominee or representative of any director or substantial shareholder of the covered company, and/or any of its related companies and/or any of its substantial shareholders, pursuant to a Deed of Trust or under any contract or arrangement;</p> <p>6. Has not been employed in any executive capacity by the covered company, any of its related companies and/or with any of its substantial shareholders within the last five (5) years;</p> <p>7. Is not retained, either personally or through his firm or any similar entity, as professional adviser, by that covered company, any of its related companies and/or any of its substantial shareholders, within the last five (5) years; or</p> <p>8. Has not engaged and does not engage in any transaction with the covered company and/or with any of its related companies and/or with any of its substantial</p>
--	---	--

		shareholders, whether by himself and/or with other persons and/or through a firm of which he is a partner and/or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	In case any vacancy shall occur among the directors, such vacancy may be filled by the remaining directors at any meeting at which a quorum shall be present. Any such vacancy may also be filled by the stockholders entitled to vote at any meeting held during such vacancy.	<p>a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <p>b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above,</p>

		<p>or willfully violating the laws that govern securities and banking activities;</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.</p> <p>c. Any person convicted by final judgment or order by court or competent administrative body of an offense involving moral turpitude or fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>d. Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral</p>
--	--	--

		<p>ng Pilipinas;</p> <p>e. Any person judicially declared to be insolvent;</p> <p>f. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;</p> <p>g. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and,</p> <p>h. Any person engaged in or connected with any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged or connected:</p> <p>i. If he is an officer, manager, director, consultant, controlling person of, or the owner (either of record or beneficially) of 5% or more of any outstanding class of shares of, any other corporation or entity engaged in a business which the Board, by a majority vote, determines to be competitive or antagonistic to that of the Corporation;</p> <p>ii. If the Board, in the exercise of its judgment in good faith, determines by a majority vote that he is the nominee of any person set forth in the immediately preceding subparagraph (i).</p>
(ii) Non-Exec	In case any vacancy shall occur among the	a. Any person convicted by final judgment or order by a

<p>utive Direc tors</p>	<p>directors, such vacancy may be filled by the remaining directors at any meeting at which a quorum shall be present. Any such vacancy may also be filled by the stockholders entitled to vote at any meeting held during such vacancy.</p>	<p>competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <p>b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities;</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral</p>
---------------------------------	--	---



		<p>ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.</p> <p>c. Any person convicted by final judgment or order by court or competent administrative body of an offense involving moral turpitude or fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>d. Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;</p> <p>e. Any person judicially declared to be insolvent;</p> <p>f. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;</p> <p>g. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a</p>
--	--	---

		<p>violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and,</p> <p>h. Any person engaged in or connected with any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged or connected:</p> <p>i. If he is an officer, manager, director, consultant, controlling person of, or the owner (either of record or beneficially) of 5% or more of any outstanding class of shares of, any other corporation or entity engaged in a business which the Board, by a majority vote, determines to be competitive or antagonistic to that of the Corporation;</p> <p>ii. If the Board, in the exercise of its judgment in good faith, determines by a majority vote that he is the nominee of any person set forth in the immediately preceding subparagraph (i).</p>
(iii) Independent Directors	<p>In case any vacancy shall occur among the directors, such vacancy may be filled by the remaining directors at any meeting at which a quorum shall be present. Any such vacancy may also be filled by the stockholders entitled to vote at any meeting held during such vacancy.</p>	<p>a. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p>

		<p>b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities;</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.</p> <p>c. Any person convicted by final judgment or order by court or competent administrative body of an offense involving moral</p>
--	--	---

		<p>turpitude or fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>d. Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;</p> <p>e. Any person judicially declared to be insolvent;</p> <p>f. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs;</p> <p>g. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and,</p> <p>h. Any person engaged in or connected with any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged or connected:</p> <p>i. If he is an officer, manager, director, consultant, controlling person of, or the owner (either of record or</p>
--	--	--

		<p>beneficially) of 5% or more of any outstanding class of shares of, any other corporation or entity engaged in a business which the Board, by a majority vote, determines to be competitive or antagonistic to that of the Corporation;</p> <p>ii. If the Board, in the exercise of its judgment in good faith, determines by a majority vote that he is the nominee of any person set forth in the immediately preceding subparagraph (i).</p>
<p><b>d. Temporary Disqualification</b></p>		
<p>(i) Executive Directors</p>	<p>In case any vacancy shall occur among the directors, such vacancy may be filled by the remaining directors at any meeting at which a quorum shall be present. Any such vacancy may also be filled by the stockholders entitled to vote at any meeting held during such vacancy.</p>	<p>a. Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</p> <p>b. Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;</p> <p>c. Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;</p> <p>d. Being under preventive suspension by the Corporation;</p> <p>e. If the independent director</p>

		<p>becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director; and,</p> <p>f. Conviction that has not yet become final referred to in the grounds for the disqualification of directors.</p>
<p>(ii) Non-Executive Directors</p>	<p>In case any vacancy shall occur among the directors, such vacancy may be filled by the remaining directors at any meeting at which a quorum shall be present. Any such vacancy may also be filled by the stockholders entitled to vote at any meeting held during such vacancy.</p>	<p>a. Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</p> <p>b. Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;</p> <p>c. Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;</p> <p>d. Being under preventive suspension by the Corporation;</p> <p>e. If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director; and,</p> <p>f. Conviction that has not yet become final referred to in the grounds for the disqualification</p>

		of directors.
(iii) Independent Directors	In case any vacancy shall occur among the directors, such vacancy may be filled by the remaining directors at any meeting at which a quorum shall be present. Any such vacancy may also be filled by the stockholders entitled to vote at any meeting held during such vacancy.	<p>a. Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</p> <p>b. Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;</p> <p>c. Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;</p> <p>d. Being under preventive suspension by the Corporation;</p> <p>e. If the independent director becomes an officer or employee of the same corporation he shall be automatically disqualified from being an independent director; and,</p> <p>f. Conviction that has not yet become final referred to in the grounds for the disqualification of directors.</p>
<b>e. Removal</b>		
(i) Executive Directors	In case of any vacancies in the Board of Directors constituting a quorum, may fill the same by the affirmative vote of a majority of such	The Company adopts the criteria set by the Philippine Corporation Code on the Removal of Directors. Under Section 28 of the said Code, removal of a Director may be with or without cause; however, removal without cause cannot be used

	<p>remaining members for the unexpired term subject to the Article IV (Section 1) of the Company's By-laws on Qualification and Term of Office.</p> <p>The stockholders of the corporation may at any special meeting depose or remove from office any director or directors, including any director or directors appointed by the Board of Directors pursuant to the provisions of Section 1 of Article IV (on Qualification and Term of Office) and in case of such removal the stockholders may choose a successor or successors to hold office for the unexpired term.</p>	<p>to deprive minority or members of the right of representation to which they may be entitled under Section 24 of the Corporation Code requiring cumulative voting (Villanueva, Cesar, The Corporate Law, citing Sec. 28, Corporation Code).</p> <p>Any director may be removed from office by a vote of the stockholders holding or representing two-thirds (2/3) of the outstanding capital stock. When the removal is for cause, the two-thirds (2/3) vote is the minimum requirement to remove a director (Ibid).</p> <p>When the removal is without cause, the two-thirds (2/3) vote is also enough to remove a director. The exception is that when the director is elected by the minority through cumulative voting, he may not be removed without cause even if there is two-thirds (2/3) vote (Ibid).</p>
(ii) Non-Executive Directors	<p>In case of any vacancies in the Board of Directors constituting a quorum, may fill the same by the affirmative vote of a majority of such remaining members for the unexpired term subject to the Article IV (Section 1) of the Company's By-laws on Qualification and Term of Office.</p> <p>The stockholders of the corporation may at any special meeting depose or remove from office any director or directors, including any director or directors appointed by the Board of Directors pursuant to the provisions of Section 1 of Article IV (on Qualification and Term of Office) and in case of such removal the stockholders may choose a successor or</p>	<p>The Company adopts the criteria set by the Philippine Corporation Code on the Removal of Directors. Under Section 28 of the said Code, removal of a Director may be with or without cause; however, removal without cause cannot be used to deprive minority or members of the right of representation to which they may be entitled under Section 24 of the Corporation Code requiring cumulative voting (Villanueva, Cesar, The Corporate Law, citing Sec. 28, Corporation Code).</p> <p>Any director may be removed from office by a vote of the stockholders holding or representing two-thirds (2/3) of the outstanding capital stock. When the removal is for cause, the two-thirds (2/3) vote is the minimum requirement to remove a director (Ibid).</p> <p>When the removal is without cause, the two-thirds (2/3) vote is also enough to remove a director. The exception is that when the director is elected by the minority through cumulative voting, he may not be removed without cause even if there is two-thirds (2/3) vote</p>



	successors to hold office for the unexpired term.	(ibid).
(iii) Independent Directors	<p>In case of any vacancies in the Board of Directors constituting a quorum, may fill the same by the affirmative vote of a majority of such remaining members for the unexpired term subject to the Article IV (Section 1) of the Company's By-laws on Qualification and Term of Office.</p> <p>The stockholders of the corporation may at any special meeting depose or remove from office any director or directors, including any director or directors appointed by the Board of Directors pursuant to the provisions of Section 1 of Article IV (on Qualification and Term of Office) and in case of such removal the stockholders may choose a successor or successors to hold office for the unexpired term.</p>	<p>The Company adopts the criteria set by the Philippine Corporation Code on the Removal of Directors. Under Section 28 of the said Code, removal of a Director may be with or without cause; however, removal without cause cannot be used to deprive minority or members of the right of representation to which they may be entitled under Section 24 of the Corporation Code requiring cumulative voting (Villanueva, Cesar, The Corporate Law, citing Sec. 28, Corporation Code)</p> <p>Any director may be removed from office by a vote of the stockholders holding or representing two-thirds (2/3) of the outstanding capital stock. When the removal is for cause, the two-thirds (2/3) vote is the minimum requirement to remove a director (ibid).</p> <p>When the removal is without cause, the two-thirds (2/3) vote is also enough to remove a director. The exception is that when the director is elected by the minority through cumulative voting, he may not be removed without cause even if there is two-thirds (2/3) vote (ibid).</p>
<b>f. Re-instatement</b>		
Except as may be provided under the existing laws and rules, the Company has no specific policy on re-instatement of the Board of Directors.		
(i) Executive Directors	N/A	N/A
(ii) Non-Executive Directors	N/A	N/A
(iii) Independent Directors	N/A	N/A
<b>g. Suspension</b>		
Except as may be provided under the existing laws and rules, the Company has no specific policy on suspension of the Board of Directors.		
(i) Executive Directors	N/A	N/A

(ii) Non-Executive Directors	N/A	N/A
(iii) Independent Directors	N/A	N/A

Voting Result of the last Annual General Meeting

All the directors received the unanimous vote of all shareholders present and represented during the Annual Stockholders' Meeting constituting 97.06% of the Company's total issued and outstanding shares.

Name of Director	Votes Received
Gilberto R. Duavit	Unanimous
Felipe L. Gozon	Unanimous
Felipe S. Yalong	Unanimous
Anna Teresa M. Gozon-Abrogar	Unanimous
Joel Marcelo G. Jimenez	Unanimous
Laura J. Westfall	Unanimous
Judith D. Vazquez	Unanimous
Dr. Jaime Laya	Unanimous
Chief Justice Artemio V. Panganiban	Unanimous

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

**Not Applicable. The Company has not appointed new directors for several years, thus the need to create an orientation program for new directors has not arisen.**

- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years.

- (1) Strategic Planning
- (2) Election and Election-related briefings and planning
- (3) Performance Management Briefings

- (c) Continuing education program for directors; programs and seminar and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
--------------------------	------------------	---------	------------------------------

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Gilberto R. Duavit	N/A	N/A	N/A
Felipe L. Gozon	2010 - Feb. 5, 6, 12 & 13	MCLE Compliance No. III	Center for Global Best Practices
	2013 - Jan. 24, 25, 31 and Feb. 1	MCLE Compliance No. IV	Asian Center for Legal Excellence, Inc.
	March 19, 2013	Private Business Luncheon	Bloomberg/Chairman Peter Grauer
	September 19, 2013	3 <sup>rd</sup> Integrity Summit (Panelist)	Integrity Summit Implemented by Makati Business Club and the European Chamber of Commerce of the Philippines
	<u>December 11, 2014</u>	<u>Corporate Governance</u>	<u>Sycip Gorres and Velayo</u>
Felipe S. Yalong	March 1 and 2, 2010	Seminar for Corporate Governance	Unicapital, Inc.
	<u>December 11, 2014</u>	<u>Corporate Governance</u>	<u>Sycip Gorres and Velayo</u>
Anna Teresa M. Gozon-Abrogar	<u>December 11, 2014</u>	<u>Corporate Governance</u>	<u>Sycip Gorres and Velayo</u>
Joel Marcelo G. Jimenez	<u>December 11, 2014</u>	<u>Corporate Governance</u>	<u>Sycip Gorres and Velayo</u>
Laura J. Westfall	<u>December 11, 2014</u>	<u>Corporate Governance</u>	<u>Sycip Gorres and Velayo</u>
Judith D. Vazquez	<u>December 5, 2014</u>	<u>Corporate Governance</u>	<u>ROAM</u>
Dr. Jaime Laya	February 4, 2014	Corporate Governance & Risk Management Summit	The Institute of Corporate Directors
Chief Justice Artemio V. Panganiban	December 14, 2010	Board of Directors Fiduciary Duties...	PLDT CG Education Program...
	December 8, 2011	Board Governance Responsibilities...	PLDT CG Education Program...
	November 19, 2012	Corporate Governance Forum...	First Pacific Leadership Academy...
	February 4, 2014	Corporate	The Institute of

		Governance & Risk Management Summit	Corporate Directors
Marissa Flores	2013	Strategic Planning	GMA Network, Inc.
		Election and Election-related briefings and planning	GMA Network, Inc./PCIJ
	2010	Broadcast Asia Conference	Broadcast Asia Singapore
	2010-2011-2012	Budget Planning	GMA Network, inc.
	<u>December 11, 2014</u>	<u>Corporate Governance</u>	<u>Sycip Gorres &amp; Velayo</u>
Ronaldo P. Mastrili	2013	Strategic Planning	GMA Network, Inc.
	2010-2011-2012	Performance Management Briefings	GMA Network Inc.
	2010-2011-2012	Budget Planning	GMA Network, Inc.
	January 29, 2013	13 <sup>th</sup> Quarterly Executive Briefing (IFRS Executive Briefings)	SGV
	June 18, 2013	14 <sup>th</sup> Quarterly Executive Briefing	SGV
	September 17, 2013	Mid-year Philippine Economic Briefing	GRP
	<u>December 11, 2014</u>	<u>Corporate Governance</u>	<u>Sycip Gorres &amp; Velayo</u>
<u>Lilybeth G. Rasonable</u>	<u>December 11, 2014</u>	<u>Corporate Governance</u>	<u>Sycip Gorres &amp; Velayo</u>
<u>Engr. Elvis B. Ancheta</u>	<u>December 11, 2014</u>	<u>Corporate Governance</u>	<u>Sycip Gorres &amp; Velayo</u>

<u>Atty. Eduardo P. Santos</u>	<u>December 11, 2014</u>	<u>Corporate Governance</u>	<u>Sycip Gorres &amp; Velayo</u>
<u>Atty. Roberto O. Parel</u>	<u>December 11, 2014</u>	<u>Corporate Governance</u>	<u>Sycip Gorres &amp; Velayo</u>

**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:

<b>Business Conduct &amp; Ethics</b>	<b>Directors</b>	<b>Senior Management</b>	<b>Employees</b>
(a) Conflict of Interest	<p>The Corporation adheres to the standards set under SEC Memorandum Circular No. 6 Series of 2009 (Revised Code of Corporate Governance) which states that a director should observe the conduct fair business transactions with the corporation, and ensure that his personal interest does not conflict with the interests of the corporation.</p> <p>The basic principle to be observed is that a director should not use his position to profit or gain some benefit or advance for himself and/or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest may arise on the part of the director, he should fully disclose it and should not participate in their decision-making process. A director who</p>	<p>There is full section – i.e., D. DISHONESTY AND CONFLICT OF INTEREST – under the Company's Code of Conduct. Offenses are punishable with penalties ranging from 30 days suspension to dismissal (depending on gravity).</p> <p>In case of News and Public Affairs (NPA), it has its own Ethics and Editorial Manual ("Manual"), which includes a particular section on "Independence/Conflict of Interest".</p>	

	<p>has a continuing material conflict of interest should seriously consider resigning from his position.</p> <p>A conflict of interest shall be considered material if the director's personal or business interest is antagonistic to that the corporation, or stands to acquire or gain financial advantage at the expense of the corporation.</p>	
(b) Conduct of Business and Fair Dealings	<p>Under the Company's Revised Manual on Corporate Governance, a director shall conduct fair business transactions with the Corporation, shall act judiciously and ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment.</p>	<p>The network's Supply and Asset Management Department (SAMD) has policies on ACCREDITATION OF SUPPLIERS, GENERAL POLICY AND PROCEDURES FOR PURCHASING and Accreditation acceptance Letter and Business Practices, wherein the conduct of business and fair dealings is discussed, as found in the following parts of its policies:</p> <p><u>Policy on Accreditation of Suppliers:</u></p> <ol style="list-style-type: none"> <li>1) Section V (General Guidelines), Item b – Requirements for Accreditation</li> <li>2) Section V, Item C – Factors in Supplier Evaluation</li> <li>3) Section V, Item E – Grounds for Cancellation of Accreditation</li> </ol> <p><u>General Policy and Procedures for Purchasing:</u></p> <ol style="list-style-type: none"> <li>1) Section V (General Guidelines), Item 3 – Bidding</li> <li>2) Section V, Item 4 – Award of Bids / Contracts</li> <li>3) Section V, Item 13 – Prohibition</li> <li>4) Section VII – Purchasing Ethics and Standards</li> </ol> <p>Attached with this file are the softcopies of the policies for your reference.</p>
(c) Receipt of gifts from third parties	<p>There is Policy on "Solicitation/Acceptance of Gifts/Favors" issued</p>	<p>There is Policy on "Solicitation/Acceptance of Gifts/Favors" issued to all in May</p>

	to all in May 2009.	2009.  For NPA, its Manual includes a particular section on "Bribes & Gifts".
(d) Compliance with Laws & Regulations	The Company has in place several policies and rules intended to ensure that the Network is compliant with existing laws and regulations as well as regulatory requirements. Moreover, the Company's Compliance Officer, Corporate Secretary and its internal and external counsels regularly issue memoranda addressed to the directors in order to inform and remind them of existing laws and policies.	The Company has in place several policies and rules intended to ensure that the Network is compliant with existing laws and regulations as well as regulatory requirements. These policies pertain to the exhibition of programs/ads, engagement of child talents, use of copyrighted materials, among others. Trainings/seminars are regularly conducted to facilitate dissemination and compliance with said policies.
(e) Respect for Trade Secrets/Use of Non-public Information	The Company executes and adheres to non-disclosure/confidentiality agreements respecting trade secrets and confidential information of other parties transacting business with the Network. Unauthorized disclosure of trade secrets/confidential information by employees is subject to disciplinary action under the Code of Conduct.	The Company executes and adheres to non-disclosure/confidentiality agreements respecting trade secrets and confidential information of other parties transacting business with the Network. Unauthorized disclosure of trade secrets/confidential information by employees is subject to disciplinary action under the Code of Conduct.
(f) Use of Company Funds, Assets & Information	To ensure the integrity in the use of funds, assets and information, specific offenses have been identified in the Code of Conduct, specifically, in the following sections of said Code: (1) C. INAPPROPRIATE CONDUCT AND BEHAVIOR; (2) D. DISHONESTY AND CONFLICT OF INTEREST; and (3)	To ensure the integrity in the use of funds, assets and information, specific offenses have been identified in the Code of Conduct, specifically, in the following sections of said Code: (1) C. INAPPROPRIATE CONDUCT AND BEHAVIOR; (2) D. DISHONESTY AND CONFLICT OF INTEREST; and (3) ENDANGERING HEALTH, SAFETY & SECURITY.  As regards 'confidential information', there is a specific "Policy on Handling Confidential

	<p>ENDANGERING HEALTH, SAFETY &amp; SECURITY.</p> <p>As regards 'confidential information', there is a specific "Policy on Handling Confidential Information", implemented since February 2002</p>	<p>Information", implemented since February 2002</p>
(g) Employment & Labor Laws & Policies	<p>The Company has several policies and rules that ensure compliance with labor laws, rules and regulations. These include policies on benefits, which even prescribe rates over what are legally mandated.</p>	<p>The Company has several policies and rules that ensure compliance with labor laws, rules and regulations. These include policies on benefits, which even prescribe rates over what are legally mandated.</p>
(h) Disciplinary Action	<p>Under the Company's Revised Manual on Corporate Governance, in case of violation of its provisions, the following penalties shall be imposed, after notice and hearing, on the company's directors:</p> <ol style="list-style-type: none"> <li>(1) In the case of first violation, the subject person shall be reprimanded;</li> <li>(2) Suspension from shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation as determined by the Board.</li> <li>(3) For third violation, the maximum penalty of removal from office may be</li> </ol>	<p>Aside from Labor Code, these are governed by: (1) Policy on Employee Discipline (implemented in May 2008); (2) Code of Conduct (also implemented in May 2008); and (3) collective bargaining agreement (CBA) effective 2009-2014.</p>



	<p>imposed.</p> <p>The commission of a third violation of this Revised Manual by any member of the board of the Company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.</p>	
(i) Whistle Blower	<p>The Company has no formal 'whistleblower policy'. However, the Company has a mechanism by which anyone can give feedback to top management at any time via the "Letter to the Chairman", through drop boxes strategically situated within the Network premises.</p> <p>The performance appraisal form also has the 'Remarks' portion that allows subordinates to give feedback/comments to superiors.</p>	<p>The Company has no formal 'whistleblower policy'. However, we have mechanism by which anyone can give feedback to top management at any time via the "Letter to the Chairman", through drop boxes strategically situated within the Network premises.</p> <p>The performance appraisal form also has the 'Remarks' portion that allows subordinates to give feedback/comments to superiors.</p>
(j) Conflict Resolution	<p>The Company has no express policy on resolving conflict or disputes between and among directors. Nonetheless, pursuant to the Company's Revised Manual on Corporate Governance, the Directors are expected to act in a manner characterized by transparency, accountability and fairness.</p> <p>If all else fails, conflict may be resolved either</p>	<p>There is no express policy in place. The observed practice though is that disputes (official only) are elevated first to the immediate superior, then to next level superior, then department/group head. If still not resolved, the issue may be referred to HRDD (sometimes, with Legal) to help mediate the issues.</p> <p>In case dispute is with rank-and-file (RF) employee and/or the Union, there is specific procedure for 'grievance' outlined in the CBA (Article XIII).</p> <p>If all else fails, conflict may be resolved either through voluntary or</p>

	through voluntary or compulsory arbitration.	compulsory arbitration.
--	--	-------------------------

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

**Yes, the Directors, Senior Management and Employees were all furnished copies of the Code of Conduct.**

- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The implementation and monitoring of the Code of Conduct (as well as the NPA Manual) is a "line" function. The management within the concerned departments oversees the compliance with the code and Manual. Any possible violation is investigated at department level, then, endorsed to the Human Resource Department. Human Resource Department conducts administrative investigations observing due process. If a rank and file employee is involved, the Union is required to take part in the proceedings. After the investigations, HRDD writes a report of its findings with recommendations, clears the report with Legal, then submits to the President & COO (in some cases, submission is also to the Chairman & CEO) for final approval of the recommendation.

- 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.

**All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.**

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Corporation believes that the essence of corporate governance is transparency. It is the Company's policy that all material information, such as related party transactions shall be disclosed.
(2) Joint Venture	
(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. **NOT APPLICABLE**

	Details of Conflict of Interest (Actual or Probable)
Name of Directors/	N/A
Name of Officer/s	N/A
Name of Significant Shareholders	N/A

(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.

Directors/Officers/Significant Shareholders	
Company Group	<p>Under the Company's By-laws, no person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in or connected with any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged or connected:</p> <p>(a) If he is an office, manager, director, consultant, 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 a business which the Board, by a majority vote, determines to be antagonistic to that of the Corporation; or</p> <p>(b) If the Board, in the exercise of its judgment in good faith, determining whether or not a person set forth in determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relationship.</p>

(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.

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

Name of Related Significant Shareholders	Type of Relationship	Brief Description
Judith D. Vasquez and Gilberto R. Duavit, Jr.	Familial	Judith D. Vasquez is the sister of Gilberto R. Duavit, Jr.
Felipe L. Gozon and Anna Teresa M. Gozon-Abrogar	Familial	Felipe L. Gozon is the father of Anna Teresa M. Gozon-Abrogar
Joel Marcelo G. Jimenez Laura J. Westfall	Familial	Felipe L. Gozon's sister, Carolina L. Gozon-Jimenez, is the mother of Joel Marcelo G. Jimenez and Laura J. Westfall

(Note, however, that all of the aforementioned shareholders are record and beneficial holders of less than 5% equity).

- (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: **NOT APPLICABLE**

Name of Related Significant Shareholders	Type of Relationship	Brief Description
N/A	N/A	N/A

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company: **NOT APPLICABLE**

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
N/A	N/A	N/A

(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 the third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	The Company has not had any disputes with its Stockholders and Regulatory Authorities, thus there has been no need for the application of a dispute resolution
Corporation & Third Parties	
Corporation & Regulatory Authorities	

	<p>process. With respect to the conflict or differences with third companies, it is the Company's practice to first exert all possible avenues to reach an amicable settlement, before going into litigation.</p> <p>Nonetheless, the Company is currently in the process of crafting an alternative dispute resolution rules pursuant to its Revised Manual on Corporate Governance.</p>
--	---

### C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

**As a matter of practice and policy, the Company's Board of Directors consistently meets every quarter.**

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Felipe L. Gozon	May 21, 2014	6	6	100%
Member	Gilberto R. Duavit, Jr.	May 21, 2014	6	6	100%
Member	Joel Marcelo G. Jimenez	May 21, 2014	6	6	100%
Member	Felipe S. Yalong	May 21, 2014	6	6	100%
Member	Anna Teresa M. Gozon-Abrogar	May 21, 2014	6	6	100%
Member	Judith D. Vazquez	May 21, 2014	6	3	50%
Member	Laura J. Westfall	May 21, 2014	6	5	83.33%
Independent	Artemio V. Panganiban	May 21, 2014	6	6	100%
Independent	Jaime C. Laya	May 21, 2014	6	6	100%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

**No.**

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

**No. A majority of the number of directors as fixed in the Company's Amended Articles of Incorporation shall constitute quorum for the transaction of corporate business, and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board. However,**

the Company adopts the provisions of the law and the rules for matters which require 2/3 votes of the board members.

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?

**One month to one week before the meeting.**

- (c) Do Board members have independent access to Management and the Corporate Secretary?

**Yes.**

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain.

**Yes, the Company's Corporate Secretary is a lawyer and member of the Philippine Bar.**

(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:

YES

NO

Committee	Details of the Procedure
Executive	<p>Management provides the members of the committees complete, adequate and timely information about the matters to be taken in their meetings.</p> <p>Moreover, the members of the Committees are given independent access to the Management and the Corporate Secretary as well as the Corporate records.</p> <p>Finally, the members of the Board, either individually or as a Board, and in furtherance of their duties and responsibilities, have</p>
Audit	
Nomination	
Remuneration	
Others (specific)	

<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.

	access to the Company's external counsel to seek independent professional advice at the corporation's expense.
--	--

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice, and if so, provide details:

Procedures	Details
The members of the Board of Directors, may via telephone call, email or a written letter/memorandum, seek advice from the Company's external counsel.	In furtherance of their duties and responsibilities, the members of the Board of Directors may seek independent professional advice at the Corporation's expense.

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
Under Company's Collective Bargaining Agreement, in the event of death or disability, the employee is entitled to benefits regardless of the years of service. However, under the Retirement Plan the employee is required to have at least ten (10) years of Credited Service.	Under the Retirement Plan the employee is no longer required to have at least 10 years of credited service in order to avail of the benefits. He may avail such benefits regardless of his length of service.	In order to reconcile the provisions of the Collective Bargaining Agreement (CBA) with that of the Employees' Retirement Benefit Plan ("Retirement Plan").

**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	The compensation of the CEO is recommended by the EXCOM and approved by the Board of Directors.	Approved by the Executive Committee as may be recommended by the Compensation and Remuneration Committee of the Board of Directors

(2) Variable remuneration	N/A	N/A
(3) Per diem allowance	All per diem and allowances are recommended and approved by the Executive Committee and Board Directors.	N/A
(4) Bonus	N/A	Declared by the Executive Committee (as may be recommended by the Compensation and Remuneration Committee of the Board of Directors) and paid to all employees during mid-year, November and December.
(5) Stock Options and other financial instruments	N/A	N/A
(6) Others (specify)	N/A	N/A

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.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	<p>The compensation of the CEO, Executive Directors and non-executive directors, are recommended by the Executive Committee and approved by the Board of Directors. Similarly, all per diem and allowances are all approved by the Executive Committee and Board Directors.</p> <p>The members of the Board of Directors receive a total of not more than 2.5% of the net income of the Company, 1.5% of which is paid to the members of the Executive Committee and the remaining 1% is distributed pro rata to the members of the Board.</p>		
Non-Executive Directors			

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowance, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

During the Annual Stockholders' Meeting, the stockholders may vote to ratify or revoke the acts and decisions of the Board of Directors. However, there was no remuneration scheme specifically submitted to the stockholders for approval for the past three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
N/A	N/A



3) Aggregate Remuneration

Complete the following table on aggregate remuneration accrued during the most recent year:

Remuneration item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	80,264,590	N/A	N/A
(b) Variable Remuneration	N/A	N/A	N/A
(c) Per Diem Allowance	5,550,000	4,500,000	1,500,000
(d) Bonuses (including Profit Sharing)	69,890,376	14,166,667	3,333,333
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Others (specify)	N/A	N/A	N/A
<b>TOTAL</b>	<b>155,704,996</b>	<b>18,666,667</b>	<b>4,833,333</b>

Other Benefits	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
1) Advances	N/A	N/A	N/A
2) Credit granted	N/A	N/A	N/A
3) Pension Plan/s Contribution/Expenses	12,568,818.78	N/A	N/A
4) Pension Plans, Obligations incurred	N/A	N/A	N/A
5) Life Insurance Premium	121,040	N/A	N/A
6) Hospitalization Plan / Premium	107,223	N/A	N/A
7) Car Plan*	9,200,000	N/A	N/A
8) Others (specify)	N/A	N/A	N/A

\*once every 4 years

4) Stock Rights, Options and Warrants

(a) Board of Directors **NOT APPLICABLE**

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 Direct Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
N/A	N/A	N/A	N/A	N/A

(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: **NOT APPLICABLE**

Incentive Program	Amendments	Date of Stockholders' Approval
N/A	N/A	N/A

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 during the financial year:

Name of Officer/Position	Total Remuneration
Marissa L. Flores, Luz Annalee O. Escudero,	<u>28,336,515.00</u>
Ronaldo P. Mastrili, lanessa S. Valdellon	
Jessica A. Soho, Lilybeth G. Rasonable	

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 (NED)	Independent Director (ID)				
Executive	2	1	0	Revised Manual on Corporate Governance (currently in the process of fixing its own rules of procedure)	The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act by majority vote of all its members of such specific matters within the competence of the Board as Directors as may from time to time be delegated to the	All actions of the Executive Committee shall be reported to the Board of Directors at the meeting thereof following such action and shall be subject to revision or	An act of the Executive Committee which is within the scope of its powers shall not require the ratification or approval for its validity and effectivity

					Executive Committee, except with respect to certain matters exclusively vested in the Board of Directors.	alteration by the Board of Directors.	
Audit and Risk Management	1	2	2	Audit Committee Charter	<p>a. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;</p> <p>b. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;</p> <p>c. Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;</p> <p>d. Review the reports</p>	<p>The Committee shall be responsible to the Board of Directors, shall act independently of management and shall be provided with resources as may be necessary, including access to outside advisors, as that will enable it to fulfill its functions satisfactorily. It shall meet at least four (4) times a year.</p>	<p>The Audit Committee shall assist the Board of Directors in its fiduciary responsibility for the over-all effectiveness of risk management systems and both the internal and external audit functions of the Corporation.</p>

					submitted by the internal and external auditors;		
Nominati on	2	1	1	Revised Manual on Corporate Governance (currently in the process of fixing its own rules of the procedure)	The purpose of the Nomination committee is to assist the Board of Directors in its responsibility in ensuring that all nominees to the Board of Directors are competent and qualified to be nominated as Director based on internal guidelines.	The Nomination Committee shall be responsible for ensuring that the selection of new members of the Board of Directors is transparent with the end Objective of having the Board of Directors increase shareholder value.	The powers of the Nomination Committee include: <ul style="list-style-type: none"> <li>a. Pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with pertinent provisions of the Articles of Incorporation and By-laws of the corporation, as well as established guidelines on qualifications and disqualifications.</li> <li>b. Recommend guidelines in the selection of nominees for directorships which may include the following based on the perceived needs of the Board of Directors at a certain point in time: <ul style="list-style-type: none"> <li>i. The nature of the business of the corporations of which his is a director;</li> <li>ii. Age of the director;</li> <li>iii. Number of directorship/active memberships and officerships in other corporations or organizations, and</li> </ul> </li> </ul>

							<p>iv. Possible conflicts of interest.</p> <p>c. Recommend guidelines in the determination of the optimum number of directorships/active memberships and officerships in other corporations allowable for members of the Board of Directors. The capacity of directors to serve with diligence shall not be compromised.</p> <p>d. Recommend to the Board of Directors regarding the size and composition of the Board in view of long-term business plans, and the needed approximate skills and characteristics of the Board members.</p>
Compensation and Remuneration	1	2	2	Revised Manual on Corporate Governance (currently in the process of fixing its own rules of the procedure)	To recommend a formal and transparent remuneration and compensation system for the Directors and key executives and to provide assurance that this system is properly functioning.	Recommend a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation	The Nomination Committee shall report directly to the Board of Directors in performing its mission to provide the shareholders with an independent and objective evaluation and assurance that the membership of the Board of Directors is competent and will foster the long-term success of the Corporation and secure its sustained competitiveness.

					<p>is consistent with the Corporation's culture, strategy and control environment.</p> <p>Recommend a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers;</p> <p>Disallow any director to decide on his or her own remuneration.</p> <p>Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provision on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.</p>
--	--	--	--	--	--

						Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of aggregate compensation of its executive officers for the previous fiscal year and the ensuing year as prescribed by the Securities and Exchange Commission or other regulator agency.	
Others (specify)							

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (ED)	Felipe L. Gozon	<u>May 21, 2014</u>	<u>29</u>	<u>29</u>	100%	Over ten years (re-appointed annually since 1975)
Chairman	Gilberto R. Duavit, Jr.	<u>May 21, 2014</u>	<u>29</u>	<u>29</u>	100%	Over ten years (re-appointed annually since 2002)
Member (NED)	Joel Marcelo Jimenez	<u>May 21, 2014</u>	<u>29</u>	<u>29</u>	100%	Over ten years (re-appointed annually)

						since 1999)
Member (ID)	N/A	N/A	N/A	N/A	N/A	N/A

(b) Audit and Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Dr. Jaime C. Laya	<u>May 21, 2014</u>	<u>5</u>	<u>5</u>	100%	7 years (re-appointed annually since 2007)
Member (ED)	N/A	N/A	N/A	N/A	N/A	N/A
Member (NED)	Judith R. Duavit-Vazquez	<u>May 21, 2014</u>	<u>5</u>	<u>5</u>	100%	7 years (re-appointed annually since 2007)
	Laura J. Westfall	<u>May 21, 2014</u>	<u>5</u>	<u>5</u>	100%	7 years (re-appointed annually since 2007)
	Anna-Teresa M. Gozon-Abrogar	<u>May 21, 2014</u>	<u>5</u>	<u>5</u>	100%	7 years (re-appointed since 2007)
Member (ID)	Chief Justice Artemio V. Panganiban	<u>May 21, 2014</u>	<u>5</u>	<u>5</u>	100%	7 years (re-appointed since 2007)

Disclose the profile or qualifications of the Audit Committee members.

**Gilberto R. Duavit, Jr.**, Filipino, 50 years old, is the President and Chief Operating Officer of the Network. He has been a Director of the Company since 1999 and is currently the Chairman of the Network's Executive Committee. Aside from GMA Network, Inc., he is the Chairman of the Board of GMA Network Films, Inc. and GMA Worldwide, Inc. and a member of the Board of GMA Marketing and Productions, Inc. He also serves as President and CEO of GMA Holdings, Inc., Scenarios, Inc., RGMA Marketing and Productions, Inc., Film Experts, Inc., and Dual Management and Investments, Inc. He is the President and a Director of Group Management



and Development, Inc.; President and Director of MediaMerge Corp., Citynet Network Marketing and Productions, Inc.; Director of RGMA Network, Inc., GMA New Media, Inc., Alta Productions Group, Inc., Optima Digital, Inc., and Monte-Aire Realty and Development Corp. He also serves as the President and a Trustee of GMA Kapuso Foundation, Inc., President of Guronasyon Foundation, Inc. and is a Trustee of the HERO Foundation.

Mr. Duavit holds a Bachelor's Degree in Philosophy from the University of the Philippines.

**Judith Duavit Vazquez**, Filipino, 51 years old, has been a Director of the Company since 1988. She is a member of the following special committees: Audit & Risk Committee and Compensation & Remuneration Committee. Moreover, she sits on the boards of the following GMA7 subsidiaries: RGMA, Inc., GMA New Media, Inc., GMA Worldwide, Inc., and GMA Films, Inc. She is a member of the Board of Trustees of the GMA Kapuso Foundation, Inc.

Judith is an acknowledged visionary and industry mover in Philippine Information and Communication Technology space. In 1995, she laid the nation's first fiber in the Central Business District of Makati and developed the country's first ICT ready intelligent skyscraper - the 45-storey Peak Tower, which boasts the largest neutral telecommunications tower in the city.

Judith is the founder and chairman of PHCOLO, Inc. - the premier interconnection site of telecommunications and Internet Service Provider companies on four platforms: fixed-line fiber, cable, wireless and satellite.

Her successful and visionary efforts in the field of Information and Communications Technology, have earned her the moniker "Godmother of the Philippine Internet," a position in Computerworld's list of "Philippines' Most Powerful in ICT" and in 2011 "IT Executive of the Year" by the Philippine Cyber Press.

Her philanthropic endeavors include Asian Institute of Management's first Professorial Chair for Entrepreneurship and support to the University of the Philippines' School of Economics, among others. International organization memberships include the Asia Pacific Network Information Center, Pacific Telecommunications Council, IEEE, Clinton Global Initiatives Foundation, Young Presidents'/World Presidents' Organization and other local business organizations. She has served the Management Association of the Philippines as a member of the Board of Governors, and is a Senior Lecturer for Entrepreneurship at the College of Business Administration, University of the Philippines.

Judith holds a Bachelor of Science degree in Business Economics from the University of the Philippines and is an alumna of Harvard Business School, University of Michigan (Ann Arbor) and Asian Institute of Management.

In October 2011, she was elected to the Board of Directors of ICANN - the Internet Corporation For Assigned Names and Numbers - governing body of the Global Internet. ICANN coordinates the 3 unique identifiers, which permit the Internet to function as a single infrastructure: Domain names, IP addresses and Port Assignments. Judith is the First Asian Female elected to this august and powerful international body. She is a member of the following ICANN board committees: Audit, Risk, and Structural Improvements. Eligible to serve ICANN for 3 terms, Judith's first term as a voting board member ends in 2014.

**Laura J. Westfall**, Filipino, 46 years old, has been a Director of the Company since 2000. She held the following positions in the Company - Senior Vice President of Corporate and Strategic Planning and Senior Vice President for Finance. In addition, she has served as Chairperson and President of GMA New Media. Prior to joining the Company, she worked for BDO Seidman - Los

Angeles, an international audit and management consulting firm. She currently holds various positions in the Majent Group of Companies and serves as Board Member of Coffee Bean and Tea Leaf Philippines, Bronzeoak Clean Energy, Inc., and Malayan Bank.

She holds a Masters Degree in Public and Private Management from Yale University and a Bachelor of Science degree in Accounting from the University of Southern California. She is a Certified Public Accountant (CPA) in the State of California.

**Atty. Anna Teresa G. Abrogar**, Filipino, 42 years old, has been a Director of the Company since 2000. Atty. Anna Teresa G. Abrogar graduated valedictorian from grade school and high school at Colegio San Agustin. She graduated cum laude, BS Management Engineering from Ateneo de Manila University and obtained her Bachelor of Laws degree from the University of the Philippines where she graduated valedictorian, cum laude. She later obtained her Master of Laws from Harvard University.

She is a junior partner in Belo Gozon Elma Parel Asuncion & Lucila and was an Associate Professor in the University of the Philippines, College of Law where she taught taxation.

She is currently Programming Consultant to the Chairman/CEO of GMA Network, Inc. and the President of GMA Films, Inc. and GMA Worldwide, Inc. She is a trustee of GMA Kapuso Foundation.

**Chief Justice Artemio V. Panganiban**, Filipino, 77 years old, has been an Independent Director of the Company since 2007. In 1995, he was named a Justice of the Supreme Court and in 2005, he was appointed Chief Justice of the Philippines — a position he held until December 2006. At present, he is also an Independent Director of these listed firms: First Philippine Holdings Corp., Metro Pacific Investments Corp., Manila Electric Company, Robinsons Land Corp., GMA Holdings, Inc., Philippine Long Distance Telephone Co., Petron Corporation, Bank of the Philippine Islands, Asian Terminals, and a regular Director of Jollibee Foods Corporation. He is also a Senior Adviser of Metropolitan Bank, Chairman, Board of Advisers of Metrobank Foundation, Chairman of the Board of the Foundation for Liberty and Prosperity, President of the Manila Cathedral Basilica Foundation, Chairman Emeritus of Philippine Dispute Resolution Center, Inc., and Member, Advisory Board of the World Bank (Philippines) and of the Asian Institute of Management Corporate Governance Council. He also is a column writer of The Philippine Daily Inquirer.

Upon his retirement, he was unanimously conferred a Plaque of Acclamation by the Associate Justices of the Supreme Court as the "Renaissance Jurist of the 21st Century;" and an Award of Honor by the Philippine Bar Association. In recognition of his role as a jurist, lawyer, civic leader, Catholic lay worker, business entrepreneur and youth leader, he had been the recipient of over 250 other awards from various governments, civic clubs, consumer associations, bar groups, religious movements and other non-government organizations, both local and international.

He obtained his Associate in Arts, "With Highest Honors" and later his Bachelor of Laws, with cum laude and "Most Outstanding Student" honors from the Far Eastern University. He placed sixth among more than 4,200 candidates who took the 1960 Bar examinations. He is likewise the recipient of several honorary doctoral degrees from various universities.

**Dr. Jaime C. Laya**, Filipino, 75 years old, has been an independent Director of GMA Network, Inc. since 2007. He is the Chairman and President of Philippine Trust Company (Philtrust Bank), Director of Ayala Land, Inc., Philippine AXA Life Insurance Company, Inc., Philippine Ratings

Services Corporation, and Bankers Association of the Philippines. He also serves as Chairman of Don Norberto Ty Foundation, Inc. and Escuela Taller de Filipinas Foundation, Inc.; Trustee of St. Paul University - Quezon City, Cultural Center of the Philippines, Metropolitan Museum of Manila, Yuchengco Museum, Fundación Santiago, Inc., Ayala Foundation, Inc., and other foundations. He writes a weekly column for the *Manila Bulletin*.

He was Minister of Budget, 1975-1981; Minister of Education, Culture and Sports, 1984-86; Chairman of the Monetary Board and Governor, Central Bank of the Philippines, 1981-1984; Chairman, National Commission for Culture and the Arts, 1996-2001. He was faculty member of the University of the Philippines, 1957-1978 and Dean of the College of Business Administration, 1969-1974. In 1986, he founded J.C. Laya & Co., Ltd. (Certified Public Accountants and Management Consultants) later the Philippine member firm of KPMG International; he served as the firm's Chairman until his retirement in 2004.

He earned his BSBA, magna cum laude, University of the Philippines, 1957; M.S. in Industrial Management, Georgia Institute of Technology, 1960; Ph.D. in Financial Management, Stanford University, 1966. He is a Certified Public Accountant.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee's responsibilities relative to the external auditor are as follows:

- (1) Evaluate and approve the Annual Audit Plans, programs, scope and frequency submitted by the External Auditor.
- (2) Evaluate all significant issues reported by the External Auditor relating to the adequacy, efficiency and, effectiveness of policies, controls, processes, and activities of the Corporation.
- (3) Ensure that other non-audit work provided by the External Auditor is not in conflict with his functions as External Auditor. The External Auditor shall not at the same time provide the service of Internal Auditor to the company.
- (4) Review the external auditor's management letter and the responses from management and serve as a useful channel of communication between the Board of Directors and External Auditors on matters related to and arising out of the external audit.
- (5) Nominate/re-nominate the External Auditor to the shareholders through the Board of Directors. The nominated External Auditor should enable an environment of good corporate governance as reflected in the Corporation's financial records and reports.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Gilberto R. Duavit, Jr.	<u>May 21, 2014</u>	<u>1</u>	<u>1</u>	100%	7 years (re-appointed annually since 2007)
Member	Felipe L.	<u>May 21, 2014</u>	<u>1</u>	<u>1</u>	100%	7 years (re-

(ED)	Gozon					appointed annually since 2007)
Member (NED)	Joel Marcelo G. Jimenez	<u>May 21, 2014</u>	<u>1</u>	<u>1</u>	100%	7 years (re-annually appointed since 2007)
Member (ID)	Chief Justice Artemio V. Panganiban	<u>May 21, 2014</u>	<u>1</u>	<u>1</u>	100%	7 years (re-appointed annually since 2007)

(d). Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Felipe L. Gozon	<u>May 21, 2014</u>	<u>1</u>	<u>1</u>	100%	7 years (re-appointed since 2008)
Member (ED)	N/A	N/A	N/A	N/A	N/A	N/A
Member (NED)	Judith R. Duavit-Vazquez	<u>May 21, 2014</u>	<u>1</u>	<u>1</u>	100%	7 years (re-appointed annually since 2007)
	Laura J. Westfall				100%	7 years (re-appointed annually since 2007)
Member (ID)	Chief Justice Artemio V. Panganiban	<u>May 21, 2014</u>	<u>1</u>	<u>1</u>		7 years (re-appointed annually since 2007)

3) Changes in the Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the change: **NOT APPLICABLE**

Name of Committee	Name	Reason
Executive	N/A	N/A
Audit	N/A	N/A
Nomination	N/A	N/A
Remuneration	N/A	N/A
Others (Specify)	N/A	N/A

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
Executive	Acted on matters delegated to it by the Board of directors which matters were acted upon in the ordinary course of business (the acts of the Executive Committee during the year <b>2014</b> are attached in the minutes of every meeting).	No issues outside the ordinary course of business were addressed (see attached)
Audit	Creation of the Audit Committee Charter and submission of the Audit Committee Self-Assessment;  Meetings with the internal auditor on and external auditor on the Financials of the Company.  The Committee reviewed and recommended the approval of the <b>2014</b> Consolidated Financial Statements as prepared by the external auditors.	The Audit and Risk Management Committee was authorized by the Board to determine, along with the Management, the best proposal for the conduct of an exhaustive study on the risk management of the Company
Nomination	Appointment of the Directors for the forthcoming year	No significant issues encountered and addressed
Compensation Remuneration	Recommendation of Salaries and Bonuses of Directors,	No significant issues encountered and addressed
Others (Specify)	N/A	N/A

5) Committee Program

Provide all 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.

Name of Committee	Planned Programs	Issues to be
-------------------	------------------	--------------

		Addressed
Executive	To fix its own written rules of procedure;	No specific issues yet to be addressed
Audit	To engage an independent group to conduct an formal and exhaustive study on the relevant risks faced by the Company;	No specific issues yet to be addressed
Nomination	To fix written guidelines in the determination of the optimum number of directorships/active memberships and officerships in other corporations allowable for members of the Board of Directors.  To fix written guidelines regarding the size and composition of the Board in view of long-term business plans, and the needed appropriate skills and characteristics of the Board members.	No specific issues yet to be addressed
Remuneration	To recommend a written framework of remuneration and evaluation for the members of the Board of Directors and key executives	No specific issues yet to be addressed
Others (Specify)	N/A	N/A

#### F. RISK MANAGEMENT SYSTEM

1) Disclose the following;

(a) Overall risk management philosophy of the company;

The GMA Network's Board of Directors and management are mindful of the risks and uncertainties inherent in the business. In the formulation of corporate strategy and business decision-making, potential risks are always taken into account. Necessary steps are taken to minimize, if not eliminate, such risks.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Board of Directors has not yet conducted a review of the risk management system of the Company. However, during the March 4, 2013 regular meeting of the Board of Directors, the Chairman of the Audit and Risk Management Committee raised the need of conducting a formal risk study on the Company by a third person or entity, as the Audit Committee is not qualified to do an exhaustive study on the risks faced by the Company. The Audit Committee has discussed that, with the recommendation of the Board, it will obtain the opinion or suggestion of the external auditor, Sycip Gorres and Velayo, on the matter. Thus, the Board of

Directors authorized the Audit and Risk Management Committee to determine, along with the Management, the best proposal for the conduct of an exhaustive study on the risk management of the Company. Upon submission to the formal study on the risk management system of the Company, the Board undertakes to review the same and report the result thereof to this Commission.

(c) Period covered by the review;

**NOT APPLICABLE.**

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

The Audit and Risk Management Committee assists the Board in the oversight of the company's risk management, ensures that it has the proper controls in place, identifies and evaluates significant risk exposures and contributes to the improvement of risk management and control systems (please refer to answer in 1(b) above)

(e) Where no review was conducted during the year, an explanation why not.

On March 4, 2013, the Board of Directors authorized the Audit and Risk Management Committee to determine, along with the Management, the best proposal for the conduct of an exhaustive study on the risk management of the Company. Upon submission of the said formal study on the risk management system of the Company, the Board undertakes to review the same and report the result thereof to this Commission.

## 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
Radio and Television broadcasting are highly competitive business; GMA stations compete for listeners/viewers and advertising revenues within their respective markets directly with other radio and or television stations, as well as other media such as cable television and/or cable radio, newspapers, magazines, the internet, billboard advertising, among others. Audience	The GMA Network's Board of Directors and management are mindful of the risks and uncertainties inherent in the business. In the formulation of corporate strategy and business decision-making, potential risks are always taken into account. Necessary steps are taken to minimize, if not eliminate, such risks.	Considering the potential impact of various risks to the company's ability to deliver quality content across multiple platforms, the Company has established a Programming Committee that deliberates weekly on the programming issues and strategies of the network. Regular monthly meetings of the Company's officers are also held to discuss plans, operational issues and strategies,

Ratings and market shares are subject to change, and any change in a particular market could have a material adverse effect on the revenues of our stations located in that market.		implementation of projects and recommendations for improvements.
---	--	--

(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 policy), along with the objective for each kind of risk: **NOT APPLICABLE, please refer to answer in 1 (b) above.**

Risk Exposure	Risk Management Policy	Objective
N/A	N/A	N/A

(c) Minority Shareholders **NOT APPLICABLE, please refer to answer in 1 (b) above.**

Indicate the principal risk of the exercise of controlling shareholders' voting power:

Risk to Minority Shareholders
N/A

3) Control System Set Up

(a) Company **NOT APPLICABLE, please refer to answer in 1 (b) above.**

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company.

Risk Exposure	Risk Assessment (Monitoring and measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
N/A	N/A	N/A

(b) Group **NOT APPLICABLE, please refer to answer in 1 (b) above.**

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company.

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
N/A	N/A	N/A

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanism, and give details of its functions.

Committee/ Unit	Control Mechanism	Details of its Functions
Audit and Risk Management Committee	Recommends improvements in risk management systems and improvement on policies	The purpose of the Audit Committee is to lead the general evaluation and to



	and procedures.	provide assistance in the continuous improvement of the Corporation's risk management, control, and governance processes as designed by management and provide assurance that these are properly functioning. This is to ensure that risks are properly identified, evaluated and managed. The Audit Committee provides assessment and independent recommendations on risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.
--	-----------------	--

## G. INTERNAL AUDIT CONTROL

### INTERNAL AUDIT 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 control as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: a.) effectiveness and efficiency of operations; b.) reliability of financial reporting; and c.) compliance with laws and regulations.**
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate-One of the duties and responsibilities of a Director is to ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment. Further, the Audit Committee assists the Board in the oversight of the company's risk management, ensures that it has proper controls in place, identifies and evaluates significant risk exposures and contributes to the improvement of risk management and control systems.
- (c) Period covered by the review; Year 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 effectiveness and adequacy of internal control system annually based on the results of the audits and assessment of the Internal and External Audit.
- (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
<p>To provide an independent objective assurance and consulting services designed to add value and improve the organization's operations. It assists the organization achieve its objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.</p>	<p>Purpose and Scope of Work: The purpose of Internal Audit is to examine and evaluate whether the Corporation's risk management, controls and processes, as designed by management are adequate, efficient, and functioning in a manner to ensure that:</p> <ol style="list-style-type: none"> <li>1. Programs, plans, goals and objectives are achieved.</li> <li>2. Employee's actions are in compliance with policies, code of conduct, standards, procedures, and applicable laws and regulations.</li> <li>3. Authorities and responsibilities are clear, properly assigned and documented.</li> <li>4. Risks are appropriately identified, evaluated, and managed.</li> <li>5. Changes in</li> </ol>	<p>In-house Internal Audit Function</p>	<p>Atty. Eduardo P. Santos-VP for Internal Audit</p>	<p>Reporting functionally to the Audit Committee and administratively to the President/CEO. Its activities are guided and performed in accordance with the revised "Standards for the Professional Practice of Internal Auditing" and "Code of Ethics" developed by the Institute of Internal Auditors (IIA) and/or any other auditing standards as may be developed by the Internal Audit.</p>

	<p>functions, services, processes, and operations are properly evaluated.</p> <p>6. Significant legislative or regulatory issues impacting the Corporation are recognized and addressed appropriately.</p> <p>7. Control activities are integral part of daily operations. The minimum internal control mechanisms for management's operational responsibility shall center on the Chief Executive Officer, being ultimately accountable for the corporation's organizational and procedural controls.</p> <p>8. Adequate controls are incorporated into information technology systems.</p> <p>9. Assets or resources are acquired economically, used efficiently, and adequately protected or safeguarded.</p> <p>10. Financial management and operating information are</p>			
--	--	--	--	--

reliable, timely, relevant, accurate, accessible, and provided in a consistent format.			
11. Channels of communication are effective to ensure that interaction with business units, corporate centers, or divisions occurs as needed.			
Continuous quality improvement is fostered in the business unit and corporate center's control processes.			

- (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? **Yes, one of the responsibilities of the Audit Committee is to organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.**
- (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 internal Auditor has direct and unfettered access to the board of directors, audit committee and to all records, properties and personnel. The internal Auditor is reporting directly to the Audit Committee and to the Chairman/CEO of GMA Network, Inc. Further, the Internal Auditor is invited to attend the Board of Directors and Audit Committee meetings. The Internal Audit Department also has full access to any of the Company's records, physical properties, and personnel relevant to the performance of audit procedures.**
- (d) Resignation, Re-assignment and Reasons

Disclose any registration/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Not applicable, no internal audit staff has resigned nor re-assigned to date.	

(e) Progress against Plans, issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	The progress of Annual Internal Audit Plan vs. Actual is being monitored on a semi-annual basis and is reported to Audit Committee and Management.
Issues <sup>[1]</sup>	Audit issues noted during the examination are discussed with the process owners/auditee. After discussion, an audit report is issued containing the identified audit issues or findings as well as the corresponding recommendations to rectify or at least mitigate it. We also perform progress audit to ascertain that all audit recommendations were actually implemented.
Findings <sup>[2]</sup>	Findings are reported to the Management through the Internal Audit Report, and to the Audit Committee through the Internal Audit Updates during the Audit Committee meetings.
Examination Trends	The examination is done using the risk based approach.

[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;

The Internal Audit Process includes Managing the Internal Audit Activities, part of which is the preparation of the Annual Internal Audit Plan.

**Planning and managing the internal audit activity**

**1.1 Understanding the business and control environment**

**1.2 Risk Assessment**

**1.3 Managing the internal audit activity**

**1.3.1 Planning work schedules**

**1.3.2 Staffing and budgets**

**1.3.3 Approval by Board (Audit Committee) and Senior Management**

The Annual Internal Audit Plan is being submitted to the Audit Committee for approval.

- 2) Conduct of examination based on the plan;

The process of conducting the examination based on the plan is also part of the Internal Audit Process under "Internal audit engagement". It includes the following:

[1] "Issues" are compliance matters that arise from adopting different interpretations.

[2] "Findings" are those with concrete basis under the company's policies and rules.

- 2.1 Engagement planning
- 2.1.1 Familiarization, preliminary survey/research and setting of initial objectives and scope.
  - 2.1.2 Opening conference with auditee
  - 2.1.3 Preparation of audit engagement work program and allocation of audit resources

- 2.2 Performing the Engagement
- 2.2.1 Identifying, gathering data
  - 2.2.2 Analyzing/Evaluating data/Information
  - 2.2.3 Documenting/recording data/information

- 2.3 Communicating Results
- 2.3.1 Draft audit report
  - 2.3.2 Review of draft audit report
  - 2.3.3 Exit conference with auditee.
  - 2.3.4 Preparation of final audit report
  - 2.3.5 Disseminate approved audit report

- 2.4 Follow-up and monitoring
- 2.4.1 Audit follow-up
  - 2.4.2 Disseminate approved report

3) Evaluation of the progress in the implementation of the plan;

The progress in the implementation of the plan is being monitored on a regular basis and the result of the annual internal audit performance vs. the annual internal audit plan is submitted to the Audit Committee and to the Management.

4) Documentation of issues and findings as a result of the examination;

Documentation of the audit engagement (including issues and findings) is done thru the auditor's work papers. There is a duly approved process and procedures for the proper preparation of audit's work papers. Portion of the approved work paper preparation process/procedures are shown below:

#### Work paper preparation

The work paper file documents the work the auditor has done. The work papers serve as the connecting link between the audit assignment, the auditor's fieldwork and the final report. Work papers contain the records of planning and preliminary surveys, the audit program, audit procedures, fieldwork and other documents relating to the audit. Most importantly, the work papers document the auditor's conclusions and the reasons those conclusions were reached. The disposition of each audit finding identified during the audit and its related corrective action should be documented.

In the preparation of the audit work papers, the following should be observed:

- Work papers should be completed throughout the audit;
- The work papers should provide a basis for evaluating the Internal Audit's quality assurance program and demonstrate compliance with the Standards for the Professional Practice of Internal Auditing (SPPIA);
- Work papers should be economical to prepare and not difficult to review.
- Work papers should be complete but concise-a usable record of work performed. Auditors should include in their work papers only what is essential; and, they should ensure that each work paper included serves a

purpose that relates to an audit procedure. Work papers that are created and later determined to be unnecessary should be deleted.

Also, the findings, issues and other relevant information in the audit engagement are further documented in the minutes of the closing meeting, and the final internal audit engagement report.

- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;

Through the follow-up and monitoring process, the status of the audit findings and issues are tracked as to the Auditee's committed implementation plans.

- 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".

Policies and Procedures	Implementation
Purchasing Policy	Implemented
Accreditation of Suppliers Policy	Implemented
Program Related Policy & Procedures on Food Entitlement & Requirement	Implemented
Policy on Engagement of Catering Service Providers	Implemented
Policy on Disposal of Vehicles	Implemented
Employees' Accountability on Company Assets Policy	Implemented
Disbursement Policy	Implemented
Policy on Advances Subject to Liquidation-Trade	Implemented
Cash Advance-Miscellaneous Expenses and Production Fund (News and Public Affairs) Policy	Implemented
Cash Advance Miscellaneous Expenses Production Fund (Entertainment TV and QTV)	Implemented
Scheduling, Airing, and Billing of Spots	Implemented
Policy on Political Ads	Implemented
Company Vehicle Utilization-Trip Ticket Policy	Implemented
Vehicle Rental Policy	Implemented
Vehicle Use Policy	Implemented
Policy on the Issuance, Utilization, Archiving and Borrowing of Tapes	Implemented
Information Security Policy	Implemented
Efficient Use/Deployment of Engineering Technical Facilities, Equipment & Manpower Policy	Implemented
Policy on Timekeeping and Attendance	Implemented
Solicitation/Acceptance of Gifts/Favors	Implemented

Policy	
Policy on Employee Discipline	Implemented
Policy on Dealing with Employee Relatives	Implemented
Policy on Local Travel	Implemented
Policy on Foreign Travel	Implemented
Policy on the Use of Car/Public Transport for Official Business	Implemented
Policy on Recruitment, Selection and Hiring	Implemented
Policy on Employees' Promotion	Implemented

**(g) Mechanism 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):

Auditors (Internal and External)	Financial Analyst	Investment Banks	Rating Agencies
<p>The following are the mechanisms established by the company to safeguard the independence of external and internal auditors:</p> <p>a. The Audit Committee:</p> <ul style="list-style-type: none"> <li>Ensures that the other non-audit work provided by the External Auditor is not in conflict with his functions as External Auditor. The External Auditor shall not at the same time provide the services of internal auditor of the</li> </ul>			



Company.

- Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.
- Evaluate and determine the non-audit work, if any, of the external auditor and review periodically the non-audit fees paid to the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report.
- Establish and identify the reporting line of the Internal Auditor to

enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.			
---	--	--	--

- (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.

The Company's Compliance Officer and Chief Executive Officer annually submits a certification (SEC Form MCG-2002) to this Honorable Commission stating that the Company substantially adhered to and complied with the provisions of its Revised Manual on Corporate Governance, as prescribed by SEC Memorandum Circular No. 6, Series of 2009. In 2013, in lieu of the filing of a Certificate of Compliance with the Manual of Corporate Governance, the Company submitted the Annual Corporate Governance Report which was signed by its Chairman and Chief Executive Officer, Compliance Officer and Independent Directors.

#### H. ROLE OF STAKEHOLDERS

- 1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customer's Welfare	The Company recognizes and treats its clients (agencies and advertisers) as its partners.	<p>Provide excellent service through:</p> <ul style="list-style-type: none"> <li>-cost efficient packages to maximize clients' budget.</li> <li>-creative executions to better improve delivery of their campaigns</li> </ul> <p>Provide relevant information regarding the network's programs to aid them in preparing their media plans</p> <p>Ensure proper implementation and billing of all negotiated placements as confirmed through telecast orders, contracts and agreements</p>

Supplier/contractor selection practice	<p>1. Accreditation of Suppliers</p> <p>2. General Policy and Procedures for Purchasing</p>	<p>1.1) Section V (General Guidelines), Item B – Requirements for Accreditation</p> <p>1.2) Section V, Item C – Factors in Supplier Evaluation</p> <p>1.3) Section V, Item E – Grounds for Cancellation of Accreditation</p> <p>2.1) Section V (General Guidelines), Item 3 – Bidding</p> <p>2.2) Section V, Item 4 – Award of Bids/Contracts</p>
Environmentally friendly value-chain	<p>1. Energy Conservation</p> <p>2. Waste Management</p> <p>3. Sewage Treatment</p> <p>4. DENR Compliance</p> <p>5. Other Green Practices</p>	<p>1.1) Conversion of office and utility lights to LED to reduce electricity consumption</p> <p>2.1) Fabrication of segregation/waste bins to properly segregate biodegradable, non-biodegradable and recyclable materials</p> <p>2.2) Proper disposal of recyclable materials</p> <p>3.1) Operation of Sewage Treatment Plant and use of recycled water for GMA Annex Building (Studios)</p> <p>4.1) Compliance with DENR regulations on proper disposal of toxic/hazardous waste</p> <p>5.1) Use of eco-friendly cleaning materials and supplies</p>
Community interaction	1. GMA G.I.V.E.S. (Guide, Interact, Volunteer, Educate, Serve)	1.1) GMA G.I.V.E.S. is the Network's employee-volunteer group that engages in various CSR/volunteering activities.
Anti-corruption programmes and procedures	1. General Policy and Procedures for Purchasing	<p>1.1) Section V, Item 13 – Prohibition</p> <p>1.2) Section VII – Purchasing Ethics and Standards</p>

	<p>2. Policy on acceptance of gifts</p> <p>3. Conflict of Interest</p> <p>4. Suggestion Box</p> <p>5. Letter to Supplier on Accreditation acceptance and Business Principle Guidelines</p> <p>6. Audit Committee/Internal Audit</p>	<p>2.1) Guidelines on accepting gifts covering all employees.</p> <p>3.1) Guidelines on conflict of interest covering all employees</p> <p>4.1) Suggestion boxes are strategically placed all over the Network's compound where employees can leave messages/letters that are read and acted upon by the CEO</p> <p>5.1) Suppliers are notified of the accreditation acceptance and business principle guidelines</p> <p>6.1) Conducts regular audit</p>
Safeguarding creditor's rights	<p>1. Corporate Vision</p> <p>2. Core Values</p> <p>3. Compliance with SEC required reports</p>	<p>1.1) We provide the best returns to our shareholders</p> <p>2.1) We uphold Integrity and Transparency</p> <p>2.2) We are driven by our Passion for Excellence</p> <p>2.3) We Strive for Efficiency in everything we do</p> <p>2.4) We pursue Creativity and Innovation</p> <p>3.1) Submission of required reports to the SEC (Annual Reports, etc.)</p>

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

**The Company's annual report, distributed to shareholders during the Annual Stockholders' Meeting as well as select recipients, contains a special feature on the Company's Corporate Responsibility programs and initiatives.**

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

(b) Show data relating to health, safety and welfare of its employees.

**Answers to letters (a) and (b) are as follows:**

For letters (a) & (b): The Company aims to create a motivational environment that fosters better cooperation and retention of talented and skilled employees for a long period of time. In order to achieve this, the Company instituted various policies and programs to promote employees' welfare, safety, and health.

Aside from providing statutory benefits, the Company also provides superior health benefits for the employees to enjoy. These Company benefits include: leave benefits (above statutorily provided), optical subsidy, health and life insurance, among others.

As part of promoting the welfare and safety of employees, the Company provides various activities and programs like: livelihood programs, pre-retirement planning program, sports tournaments, family day outing, annual safety drills, health fairs, and various employee engagement programs like Christmas party, birthday lunch with the Chairman, and general assemblies, which bring employees closer together

- (c) State the company's training and development programmes for its employees. Show the data.

The Company has various learning and development programs that are intended to reinforce management, leadership, functional, technical-creative, and behavioral competencies of employees across the organization. Most of these programs are institutionalized and customized to fit the needs of the company. Per record, 2,000 employees have benefited from the various learning and development programs offered by the Company.

The Company, likewise, allows employees to attend foreign training programs to provide them the opportunity to interact with foreign counterparts and acquire broadcast or broadcast-related knowledge and skills that will be transferred back at work.

- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

The Company puts premium on "meritocracy". Thus, it implements a Performance Appraisal (PA) System that serves as a tool to determine employees' performance against set standards. This System serves as a basis in determining the appropriate reward for employees' good performance and contribution in the attainment of the desired business results. In addition to the employees' annual salary increase and the mandated 13th month pay – depending on business performance – the Company may grant bonuses to recognize the performance of employees. The Company also has a Continuous Improvement Awards Program (CIAP), whereby employees who have made significant contribution/s in improving work processes, systems, methods, products or solutions to problems that resulted to generation of savings are recognized and rewarded. For Senior Managers and Executives, there is a car plan.

- 4) What are the company's procedure for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

The Company has an existing Memo (042-2008) issued by the Chairman & CEO in July 2008, prescribing a "no retaliation" policy for employees who complain of violations of rules by co-employees or officers.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

- (a) Holding 5% shareholding or more

#### Common Shares

Shareholder	Number of Shares	Percent	Beneficial Owner
GMA Holdings, Inc.	848,957,000	25.23%	PCD Nominee Corporation
Group Management and Development, Inc.	789,813,389	23.47%	The Record Owner is the Beneficial Owner
FLG Management and Development Corporation	673,429,127	20.01%	The Record Owner is the Beneficial Owner
M.A. Jimenez Enterprises, Inc.	453,882,095	13.49%	The Record Owner is the Beneficial Owner
Television International Corporation	334,378,037	9.94%	The Record Owner is the Beneficial Owner

#### Preferred Shares

Shareholder	Number of Shares	Percent	Beneficial Owner
Group Management & Development Inc.	2,625,805,208	35.01%	The Record Owner is the Beneficial Owner
FLG Management and Development Corporation	2,181,898,644	29.09%	The Record Owner is the Beneficial Owner
M.A. Jimenez Enterprises, Inc.	1,508,978,826	20.12%	The Record Owner is the Beneficial Owner
Television International Corporation	1,111,661,610	14.82%	The Record Owner is the Beneficial Owner

Name of Senior Management	Number of Direct Shares	Number of Indirect Shares/Through (name of record)	% of Capital Stock

		owner)	
Felipe L. Gozon	3,181	N/A	0.00%
Gilberto R. Duavit, Jr.	4,007,000	N/A	0.00%
Felipe S. Yalong	1,025,002	N/A	0.00%

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	No
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	No
Number of board of directors/commissioner's meetings held during the year	Yes
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

3) External Auditor's Fee

Name of Auditor	Audit Fee	Non-Audit Fee
SGV & Co	PhP6M	None

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

**External**

1. TV
2. Radio
3. Online (Websites)
4. Newsletter
5. Annual Report
6. Social Media (Facebook, Twitter, etc.)

**Internal**

1. Intranet
2. Email blast
3. Quarterly General Assembly
4. Monthly Birthday Lunch with the CEO

- 5. Family Day (Yearly Outing)
- 6. Christmas Party
- 7. Newsletter
- 8. Internal memos

5) Date of release of audited financial report:

April 2, 2014

6) Company Website

Does the company have website disclosing up-to-date information about the following?

<b>Business Operations</b>	Yes
<b>Financial Statements/Reports (current and prior years)</b>	Yes
<b>Materials provided in briefing to analysts and media</b>	Yes
<b>Shareholding structure</b>	Yes
<b>Group corporate structure</b>	Yes
<b>Downloadable annual report</b>	Yes
<b>Notice of AGM and/or EGM</b>	Yes
<b>Company's constitution (company's by-laws, memorandum and articles of association)</b>	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereon.

7) Disclosure of RPT

RPT	Relationship	Nature	Value
Advances to Alta Tierra Resources (as of December 31, 2012)	Alta Tierra is an affiliate of the Company. Alta Tierra's outstanding shares are 8.2% owned by Majent Management and Development Corporation, and 91.8% by Group Management and Development, Inc.	The Company's advances to Alta Tierra Resources are non-interest bearing.	₱4 M
Advances to RGMA Network, Inc. (as of December 31, 2006)	As of the date hereof, RGMA's outstanding shares are 49% owned by	On February 21, 2006, the Company's Board of Directors approved the	₱225.3 million for RGMA's working capital requirements.



	<p>the Company, 17.8% owned by Rachel Espiritu, 17.8% owned by the Jimenez family through Television International Corporation and 15.3% owned by the Gozon family through FLG Management and Development Corporation.</p>	<p>conversion of a portion of such advances in the amount of P168 million into 7,205,882 shares of RGMA with a par value of P1.00 per share, representing approximately 49% of the outstanding capital stock of RGMA. The SEC approved the conversion of the advances into equity as of February 6, 2007.</p>	
<p>Advances to Mont-Aire</p>	<p>The Company owns 49% of Mont-Aire, with the remaining 51% being owned by the Duavit, family, Gozon family and Jimenez Family.</p>	<p>Of the P121.4 million advances, the Company converted the amount of P38.3 million into P38.3 million worth of common shares of Mont-Aire. Simultaneously, the other shareholders of Mont-Aire, namely, Group Management and Development, Inc. Television International Corporation and FLG Management and Development Corporation converted advances in the aggregate amount of P 23.5 million made by them to Mont-Aire into P23.5 million worth of common shares of Mont-Aire. The SEC approved the conversion of the advances into equity on February 17, 2006.</p>	<p>P121.4 million as of December 31, 2004.</p>
<p>Agreements with RGMA Network, Inc. ("RGMA")</p>	<p>As of the date hereof, RGMA's outstanding shares are 49% owned by the Company, 17.8% owned by Rachel</p>	<p>The Company has an existing agreement with RGMA for the latter to provide general management,</p>	<p>RGMA is paid by management and marketing fees based on billed Sales.</p>

	Espiritu, 17.8% owned by the Jimenez family through Television International Corporation and 15.3% owned by the Gozon family through FLG Management and Development Corporation.	programming and research, events management, on-air monitoring of commercial placements, certificates of performance, billing and collection functions, and local sales service for the 25 radio stations of the Company.	
Marketing agreement with GMA Marketing	Wholly-owned subsidiary of the Company	Under the marketing agreement GMA Marketing agreed to sell television advertising spots and airtime in exchange for which GMA Marketing will be entitled to a marketing fee and commission. Apart from this, the Company likewise engaged the services of GMA Marketing to handle and mount promotional events as well as to manage the encoding, scheduling of telecast/broadcast placements and subsequent monitoring of sales implementations.	Fixed monthly service fees.
Belo Gozon Elma Parel Asuncion and Lucila Law Office	Other than Felipe L. Gozon, who is part of the Gozon family, one of the principal shareholders of the Company, and director of the Company since 1975, some of the lawyers of Belo Gozon Elma Parel Asuncion and Lucila eventually assumed certain positions and functions in the Company either in their individual capacities or as part	The Company and the law firm of Belo Gozon Elma Parel Asuncion & Lucila was engaged by the Company as its external counsel.	Legal, Consulting and retainer's fees

	<p>of the functions of Belo Gozon Elma Parel Asuncion and Lucila eventually assumed certain positions and functions in the Company either in their individual capacities or as part of the functions of Belo Gozon Elma Parel Asuncion &amp; Lucila as the Company's external counsel.</p>		
--	--	--	--

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?

In order to safeguard the interest of the Company especially the minority shareholders, all material information that could potentially affect share price, such as related party transactions, are publicly disclosed. Moreover, the Company ensures compliance with existing laws, rules and regulations, pertaining to such transactions.

**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

<p><b>Quorum Required</b></p>	<p>The holders of a majority of the shares of the subscribed stock of the corporation outstanding, present in person or by proxy at any meeting of stockholders, shall constitute a quorum for the transaction of business, except as may otherwise specially be provided with respect to particular matters by applicable statutory provisions in force at the time of voting with respect to such matters. All provisions of the Company's By-laws which specify or relate to the powers of the stockholders or to action which may be taken by the stockholders at or in connection with meetings thereof shall be interpreted as referring to the holders of shares of stock of the corporation. If there is no quorum at any meeting, the stockholders present in person and by proxy at such meeting may</p>
-------------------------------	--

	adjourn from time to time to secure the attendance of a quorum and no notice of any such adjournment need be given.
--	---

(b) Systems Used to Approve Corporate Acts

Explain the system used to approve corporate acts

System Used	Voting
Description	Unless otherwise provided by law, each stockholder shall at every meeting of the stockholders be entitled to one vote, in person or by proxy, for each share with voting right held by such stockholder. At all meetings of the stockholders, all elections and all questions, except in cases where other provisions is made by statute, or by the Articles of Incorporation, shall be resolved by the plurality of vote of stockholders present in person or by proxy and be entitled to vote thereat, a quorum being present. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be by the stockholders voting, or in his name by his proxy if there by such proxy, and shall state the number of shares voted by him.

(c) Stockholders' Rights

List any Stockholders' rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code:

Existing laws and rules are deemed incorporated and form part of the Company's policy on the rights of its stockholders. Thus, no rights of the stockholders differ from those laid down in the Corporation Code.

Stockholders' rights under the Corporation Code	Stockholders' rights <u>not</u> in the Corporation Code
The Corporation adopts the same rights found in the Corporation Code	The Corporation adopts the same rights found in the Corporation Code

Dividends

Declaration Date	Record Date	Payment Date
April 2, 2009	April 29, 2009	May 11, 2009
March 25, 2010	April 14, 2010	May 7, 2010
October 28, 2010	November 17, 2010	December 8, 2010
March 11, 2011	April 8, 2011	May 5, 2011
March 28, 2012	April 16, 2012	May 9, 2012
August 1, 2012	August 22, 2012	September 14, 2012

March 21, 2013	April 17, 2013	May 14, 2013
April 2, 2014	April 24, 2014	May 19, 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' meeting.

The Company's Corporate Secretary files with the Securities and Exchange Commission and the Philippine Stock Exchange a Notice of the Annual Stockholders' Meeting and distributes the same to the stockholders upon approval of SEC but not later than 15 business days before the said meeting. The agenda for the meeting is also included in the notice. Moreover, during the Stockholders' Meeting, the Chairman elicits questions or points of clarification from the stockholders present and represented for which the Company provides microphones at the floor during the open forum. Finally, glossy copies of the annual report as well as CD copies thereof are made available to the stockholders during the Annual Stockholders' Meeting. The Company provides microphones at the floor for the audience during the open forum.

2. Measures Adopted	3. Communication Procedure
See answer in (1)	See answer in (1)

8. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- a. Amendments to the company's constitution:

The Company adopts the provisions of the Corporation Code on amendments to and revisions of the Articles of Incorporation which provides that any provision or matter stated in the articles of incorporation may be amended by a majority vote of the Board of Directors or Trustees and the vote or written consent of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

- b. Authorization of additional share.

The Company adopts the requirements of the laws, as well as the rules and regulations of this Commission and of the Philippine Stock Exchange on the issuance/authorization of additional shares.

- c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The Company adopts the requirements of the laws, as well as the rules and regulations of this Commission and of the Philippine Stock Exchange on the transfer of all or substantially all assets.

9. 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?

Yes.

- a. Date of sending out notices: Preliminary SEC Form 20-IS filed on April 10, 2014 and uploaded on the Philippine Stock Exchange Website on even date;

Definitive 20-IS filed on April 24, 2014, uploaded on the Philippine Stock Exchange Website on even date and distributed to the stockholders on April 24, 2014.

- b. Date of the Annual/Special Stockholders' Meeting:

May 21, 2014

10. State, if any, questions and answers during the Annual/Stockholders' Meeting.

One of the stockholders commended the News and Public Affairs of GMA for reliable reporting. He added that since television is a very powerful vehicle, GMA should strive to reinforce patriotism among the Filipinos. He also advised the Network to try to avoid gender identification especially in its comedy shows which may be offensive to majority of the Filipinos who are mostly Christians.

In reply, the Chairman stated that the programming Committee of the Network has been looking at value-laden shows and has been taking measures to avoid gender offensive language or scenes.

When the question of what areas GMA was expanding its reach was raised, the Chairman stated that the Company's Engineering Department is looking at ways to expand the Company's technological expansion (originating stations) and the expenses for the same have already been budgeted by the Company. It is also tasked with determining whether there is a significant number of viewers in the area and whether the area will have a significant contribution to the total ratings before the Company budgets the necessary amount to put up an expansion. The Chairman added that GMA is focusing on the Visayas and Mindanao region.

11. Result of Annual/Special Stockholders' Meeting's Resolutions

All matters were unanimously approved.

12. Resolution	13. Approving	14. Dissenting	15. Abstaining
16.	17.	18.	19.
20.	21.	22.	23.

24. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

May 21, 2014

- (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:

NOT APPLICABLE

Modifications	Reason for Modification
N/A	N/A

(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	9	<u>May 21, 2014</u>	Show of hands (for objections)	<u>0.00%</u> <u>(7,315,844)</u> <u>total and</u> <u>outstanding</u> <u>shares</u>	<u>99.705%</u> <u>(10,540,785,</u> <u>680) total</u> <u>and</u> <u>outstanding</u> <u>shares</u>	0.00 %
Special	N/A	N/A	N/A	N/A	N/A	N/A

(iii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

**Yes, the Stock Transfer Services, Inc.**

(iv) 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, the Company's common shares carry one vote for one share. The Company's preferred shares have the same voting rights as the Common Shares.**

(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	Any stockholder may in writing authorize any person or corporation to vote as the proxy of such stockholder at any meeting or meetings of the corporation; provided however, that such authorization in writing must be filed with or presented to the corporation prior to any meeting or meetings at which such proxy may act pursuant thereto and shall hold good until a written revocation of the same shall be superseded by another written authorization of later dates.
Notary	The Company does not require a proxy

	form to be notarized
Submission of Proxy	Duly accomplished proxies must be submitted to the Office of the Corporate Secretary not later than seven (7) working days prior to the date of the stockholders' meeting.
Several Proxies	N/A
Validity of Proxy	A proxy shall hold good until a written revocation of the same shall be superseded by another written authorization of later date.
Proxies executed abroad	Since the Company does not require a proxy form to be notarized, the same may be executed abroad
Invalidated Proxy	A proxy form is deemed valid so long as it is duly signed by the stockholder
Validation of Proxy	Validation of proxies shall be conducted by the Proxy Validation Committee at least five (5) working days prior to the date of the stockholders' meeting.
Violation of Proxy	The proxy is deemed valid so long as it is duly signed by the stockholder who is represented by the person authorized thereby.

(h) Sending of Notices

State the company's policies and procedures on the sending of notices of Annual/Special Stockholders' Meeting

Policies	Procedure
The Company adopts the rules and regulations as prescribed by the law, the Securities and Exchange Commission and the Philippine Stock Exchange.	The Company's Corporate Secretary files with the Securities and Exchange Commission and the Philippine Stock Exchange a Notice of the Annual Stockholders' Meeting at least 25 business days before the meeting and distributes the same to the stockholders upon approval of SEC but not later than 15 business days before the said meeting.

(i) Definitive Information Statements and Management Report

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	<u>1,743</u> holders of common shares and <u>37</u> holders of preferred shares
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	<u>April 24, 2014</u>
<b>Date of Actual Distribution of Definitive</b>	<u>April 24, 2014</u>



Information Statement and Management Report and other Materials held by stockholders	
State whether CD format or hard copies were distributed	Both CD format and hard copies were distributed
If yes, indicate whether requesting stockholders were provided hard copies	Requesting shareholders were provided with copies

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each Resolution to be taken up deals with only one item	Yes
Profile 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
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. N/A

## 2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Voting Right	Cumulative Voting shall be used in the election of directors
Power of Inspection	All shareholders shall be allowed to inspect corporate books and records including minutes of the Board meetings and stock registries during office hours in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions
Right to Information	The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers

	and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers and aggregate compensation of directors and officers.
Appraisal Right	<p>The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:</p> <ol style="list-style-type: none"> <li>(1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;</li> <li>(2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and</li> </ol>

(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 committees with this responsibility, if it has been assigned to a committee.

**The Company's Corporate Communications Department handles all external communications (PR and Publicity) requirements while Corporate Affairs Division is in charge of internal communications. Corporate Affairs also handles CSR and other projects as determined by the Office of the Chairman and CEO.**

The Company has a Crisis Communications manual that contains detailed policies and procedures in dealing with various crises. The Network also has a Media Plan Committee, chaired by the Executive Vice President, which regularly meets to discuss the Company's communication strategies, etc.

The Company holds a quarterly general assembly where the CEO provides updates to the employees. Other internal communication tools that ensure the smooth flow of information include the intranet, newsletter and email blasts.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders and the public in general.

In line with the Company's practice of transparency, it provides as much information as it can to the investing public.

The Company holds quarterly financial briefings attended by the Company's Senior Management; Chairman and Chief Executive Officer, President and Chief Operating Officer, Executive Vice President and Chief Financial Officer, President of Sales and Marketing and various Company officers. The briefings are attended not only by members of the press or financial analysts but at times retail investors. The Company submits to the PSE/SEC the presentation materials used during the briefing, the relevant press release/s, and additional disclosures (if any) during the Question and Answer portion of the briefing.

The Company proactively discloses information that may have been a result of an interview with an Officer during a corporate event, socials or even ambush interviews.

During the Company's Annual Stockholders Meeting, Philippine Deposit Receipt (PDR) Holders (which by structure are not considered shareholders of the Company) are still allowed to attend as guests.

The Company through its Investor Relations Division meets with various Fund Managers, Investment, Financial and Research Analysts upon request. When possible, it also attends local and foreign Investor Conferences.

The Company also maintains an Investor Relations section in its corporate website [www.gmanetwork.com/corporate/ir](http://www.gmanetwork.com/corporate/ir) <<http://www.gmanetwork.com/corporate/ir>> where one can download the Company's quarterly financials/annual reports, latest disclosures as well as the Company's IPO prospectus.

The Head of Investor Relations personally answers queries that are sent via email or telephone call regardless if they are not existing investors, retail as well as their investment size.

Disclose the contact details (e.g., telephone, fax and email) of the officer responsible for investor relations.

Investors Relations Officer  
Ayahi Ari Augusto P. Chio

10/F GMA Network Center  
982-7777 ext 8042

	Details
(1) Objectives	To provide the investing public as much information possible that would allow them to make the best decision possible on whether to invest in the company or not.
(2) Principles	To provide equal access (for information or meetings) to anybody interested in the Company.
(3) Modes of Communications	The Company's Investor Relations can be reached through email (through the IR website), telephone and once the technical issues are resolved, through twitter.
(4) Investors Relations Officer	Ayahl Ari Augusto P. Chio 10/F GMA Network Center 982-7777 ext 8042

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and the extraordinary transactions such mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company adopts the requirements of the laws as well as the rules and regulations of the Securities and Exchange Commission and the Philippine Stock Exchange relating to the acquisition of corporate control in the capital markets, and extraordinary transactions such as sale or merger.

With respect to the transaction price, it is the practice for the buyer and the seller to engage the services of a financial adviser to determine the same.

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Building/Painting activity of Multi-Purpose Hall	Angono Elementary School
Outreach Program with children afflicted with cancer	Kapwa Ko Mahal Ko "Batang K"

Mandela Day Celebration - Outreach Program in collaboration with South African Embassy	Street children supported by Child Hope Asia Philippines
Nutrijuice – GMA Network and Coca Cola Philippines collaborated to fight Iron Deficiency Anemia in Filipino children	Kapwa Ko Mahal Ko and GMA Kapuso Foundation children-beneficiaries
Kapuso Bloodletting Day in February 2013	Philippine Red Cross
GMA Network Excellence Award	<p>2013 GMA Network Excellence Awardees:</p> <p>Igal Jada P. Andres – Journalism, UP Diliman</p> <p>Trizia S. Terada -- Broadcast Communication, UP Diliman</p> <p>Jestine Mari Sanchez – Communication Research, UP Diliman</p> <p>Cheska Micaela B. Kabiling – AB Mass Communication, Angeles University Foundation</p> <p>Jessica Camille G. Mamaril – Electronics and Communications Engineering, Don Bosco Technical College</p> <p>King Anthony V. Perez – Mass Communication, UP Cebu</p> <p>Alethea Louise D. Gamalong – Communication Arts, UP Mindanao</p>
National Teachers Month – select Kapuso artists performed for public school teachers during the Dept. of Education's celebration of World Teachers Day	Public school teachers
December Outreach Program – UP students affected by Typhoon Yolanda and cross enrolled in UP Diliman were given schools supplies	UP students from Visayas region who were affected by Typhoon Yolanda
GMA Telethon – employee-volunteers manned the telethon in the wake of the onslaught of Typhoon	GMA Kapuso Foundation

Yolanda	
Kapusong Totoo - dedicated segment (24 Oras) for GMA Kapuso Foundation	Television viewers nationwide
Run of station plugs (ROS) for select advocacies	Television viewers nationwide
Free airtime for Kapwa Ko Mahal Ko	Television viewers nationwide

**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	In assessing the performance of its Directors, Committees, CEO and President, the Company is guided by the criteria found in its Manual on Corporate Governance, as well as the requirements of existing laws and the rules and regulations of this Commission.	
Board Committees		
Individual Directors		
CEO/President		

**N. INTERNAL BREACHES AND SACTIONS**

Discuss the internal policies on sanctions imposed for any violation nor breach of the corporate governance manual involving directors, officers, management and employees.

Violations	Sanctions
First Violation	Subject person shall be reprimanded
Second Violation	Suspension from office shall be imposed. The duration of the suspension shall depend on the gravity of the violation as determined by the Board
Third Violation	Maximum penalty of removal from office may be imposed

NB: All of the information/data herein provided, are based on the Company's available records as of December 31, 2014.

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY ) S.S.

**SECRETARY'S CERTIFICATE**

I, **ROBERTO O. PAREL**, Filipino, of legal age, with office address at the 15<sup>th</sup> Floor, Sagittarius Condominium, H.V. dela Costa Street, Salcedo Village, Makati City, after having been duly sworn in accordance with law, hereby certify that:

1. I am the Corporate Secretary of **GMA NETWORK, INC.** (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines with principal office address at the GMA Network, Center, EDSA corner Timog Avenue, Diliman, Quezon City.
2. As Corporate Secretary, I have custody and access to the corporate records of the Corporation;
3. According to the said corporate records, the Stockholders, Board of Directors of the Corporation held meetings on the following dates and passed the following resolutions:

**A. Regular Meeting of the Board of Directors**

January 23, 2014	<b>Setting of the Record date and venue of the Annual Stockholders' Meeting</b> - "RESOLVED, that the Company be authorized to set the record date on April 21, 2014 for the purpose of determining the stockholders entitled to notice and to vote at the Company's Annual Stockholders' Meeting."
------------------	--

**B. Special Meeting of the Board of Directors**

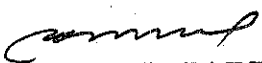
April 2, 2014	<b>Approval and Release of the 2012 Audited Financial Statements of the Company</b> - "Resolved, that the accounting firm of Sycip Gorres Velayo & Co. (SGV&Co.) is hereby indorsed to the shareholders for election as the External Auditor of the Corporation."
	<b>Declaration of Cash Dividends</b> - "RESOLVED, AS IT IS HEREBY RESOLVED, That the Corporation be authorized to declare cash dividends equivalent to twenty seven centavos (P0.27) per share, from the retained earnings as of December 31, 2013 to be paid on May 19, 2014 to the stockholders of record as of April 24, 2014."



C. Annual Stockholders Meeting

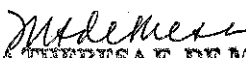
May 21, 2014	<p><b>Election of Directors</b></p> <p>- The following were unanimously declared elected as members of the Board of Directors for the ensuing year until their successors shall have been duly elected.</p> <p>Felipe L. Gozon Gilberto R. Duavit, Jr. Joel Marcelo G. Jimenez Felipe S. Yalong Anna-Teresa M. Gozon-Abrogar Judith R. Duavit-Vazquez Laura J. Westfall Chief Justice Artemio V. Panganiban (Ret.) (Independent Director) Jaime C. Laya (Independent Director)</p>
--------------	--

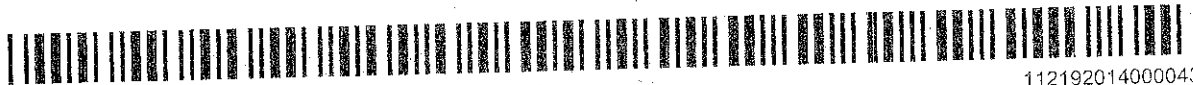
IN WITNESS WHEREOF, I have hereunto affixed my signature this FEB 05 2015 day of February 2015 at Makati City.

  
**ROBERTO O. PAREL**  
Corporate Secretary  
**FEB 05 2015**

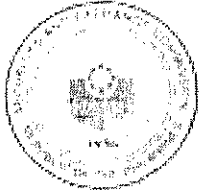
SUBSCRIBED AND SWORN to before me this \_\_\_ day of February 2015 at Makati City, the affiant exhibiting to me his Social Security System No. 03-6637759-0.

Doc. No. 526  
Page No. 106  
Book No. 5  
Series of 2015.

  
**MARIA THERESA E. DE MESA**  
Appointment No. M-528  
Notary Public for Makati City  
Until December 31, 2015  
Roll No. 47224  
PTR No. 02334997-9, 2014/Makati City  
Lifetime IBP No. 09345/Oct. 1, 2010/Manila IV  
15 & 16 Floors, Sagittarius Condominium  
H.V. dela Cruz Street, Salcedo Village  
Makati City



112192014000043



# SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

## Barcode Page

The following document has been received:

Receiving Officer/Encoder : Buen Jose Mose - COS  
Receiving Branch : SEC Head Office  
Receipt Date and Time : December 19, 2014 09:11:49 AM  
Received From : Head Office

## Company Representative

---

Doc Source

## Company Information

---

SEC Registration No. 0000005213  
Company Name GMA NETWORK, INC.  
Industry Classification  
Company Type Stock Corporation

## Document Information

---

Document ID 112192014000043  
Document Type LETTER/MISC  
Document Code LTR  
Period Covered December 18, 2014  
No. of Days Late 0  
Department CED/CFD/CRMD/MRD/NTD.  
Remarks



December 18, 2014

SECURITIES AND EXCHANGE COMMISSION  
SEC Building, EDSA, Greenhills  
Mandaluyong City, Metro Manila

Attention: Ms. Justina F. Callangan  
*Director*  
Corporate Governance & Finance Department

Re: Notice of Compliance

Gentlemen:

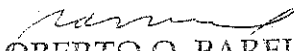
In line with the Commission's requirement for directors and key officers to attend a Corporate Governance seminar, we attach the attendance sheet for the directors and officers present during the seminar held on December 11, 2014 from 9:00 a.m. to 12:00 noon at 16<sup>th</sup> Floor, GMA Network Center, EDSA corner Timog Avenue, Diliman, Quezon City.

Attached also are the certificates of attendance issued by the service provider SGV & Co.

Of the listed director' Chief Justice Artemio V. Panganiban and Dr. Jaime C. Laya have already undergone the required Corporate Governance seminar for which we attach their respective certificates of attendance.



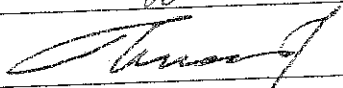
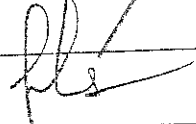
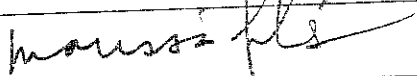
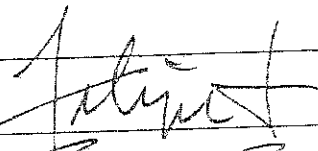
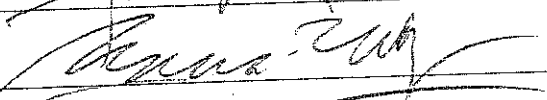
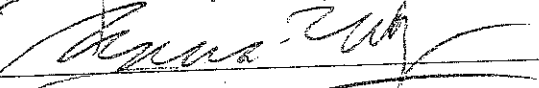
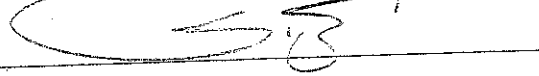

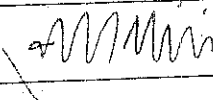
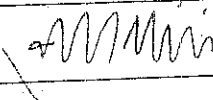
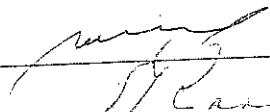
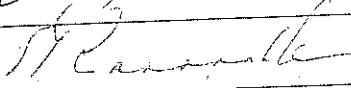
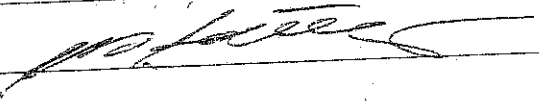
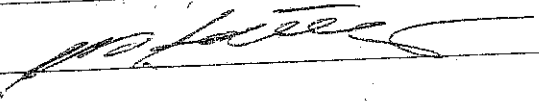



Thank you.

Very truly yours,

  
ROBERTO O. PAREL  
*Corporate Secretary*

GMA NETWORK, INC.  
GMA Network Center, EDSA cor. Timog Ave., Diliman, Quezon City, 1103, Philippines

GMA NETWORK, INC.  
 CORPORATE GOVERNANCE UPDATE  
 16<sup>TH</sup> Floor GMA Network Center,  
 EDSA corner Timog Avenue,  
 Diliman, Quezon City  
 December 11, 2014, 9:00AM to 12NN

NAME	SIGNATURE
✓ ANCHETA, ELVIS B.	
✓ CHIO, ARI P.	
✓ DUAVIT, GILBERTO JR. R.	
✓ ENRIQUEZ, MIGUEL C.	
✓ FLORES, MARISSA L.	
✓ GALLARES, EDILBERTO I.	
✓ GOZON, FELIPE L.	
✓ GOZON-ABROGAR, ANNA-TERESA M.	
✓ JIMENEZ, JOEL MARCELO G.	
✓ LAYA, JAIME C.	
✓ MARALAG, LIZELLE G.	
✓ MASTRILI, RONALDO P.	
✓ PANGANIBAN, ARTEMIO V.	
✓ PAREL, ROBERTO O.	
✓ RASONABLE, LILYBETH G.	
✓ SANTOS, EDUARDO P.	
✓ VAZQUEZ, JUDITH D.	
✓ WESTFALL, LAURA J.	
✓ YALONG, FELIPE S.	



SECURITY GROUP VOUCHER  
NO. 10000000000000000000

This

# Certificate of Attendance

is presented to

**Felipe L. Gozon**

for having completed the seminar on

## Corporate Governance

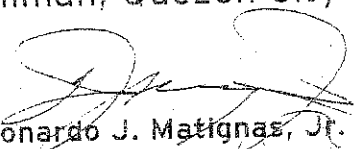
11 December 2014

9:00 a.m. to 12:00 p.m.

16<sup>th</sup> Floor Board Room, GMA Network Center

EDSA corner Timog Avenue,

Diliman, Quezon City

  
Leonardo J. Matignaz, Jr.

Partner, SGV & Co.

**SGV**

SECURITY GROUP  
INCORPORATED

This

# Certificate of Attendance

is presented to

**Gilberto R. Duavit, Jr.**

for having completed the seminar on

## Corporate Governance

11 December 2014

9:00 a.m. to 12:00 p.m.

16<sup>th</sup> Floor Board Room, GMA Network Center

EDSA corner Timog Avenue,

Diliman, Quezon City

  
**Leonardo J. Matignas, Jr.**  
Partner, SGV & Co.



Building a better  
working world

This

## Certificate of Attendance

is presented to

**Joel Marcelo G. Jimenez**

for having completed the seminar on

### Corporate Governance

11 December 2014

9:00 a.m. to 12:00 p.m.

16<sup>th</sup> Floor Board Room, GMA Network Center

EDSA corner Timog Avenue,

Diliman, Quezon City

A handwritten signature in black ink, appearing to read 'Leonardo J. Matigas, Jr.'.

Leonardo J. Matigas, Jr.  
Partner, SGV & Co.

**SGV**

SECURITIES REGULATOR  
OF THE PHILIPPINES

This

## Certificate of Attendance

is presented to

**Anna-Teresa M. Gozon-Abrogar**

for having completed the seminar on

### Corporate Governance

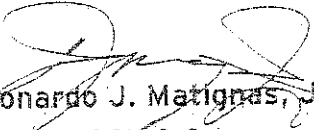
11 December 2014.

9:00 a.m. to 12:00 p.m.

16<sup>th</sup> Floor Board Room, GMA Network Center

EDSA corner Timog Avenue,

Diliman, Quezon City

  
Leonardo J. Matigas, Jr.  
Partner, SGV & Co.





Building a better  
working world

This

# Certificate of Attendance

is presented to

**Felipe S. Yalong**

for having completed the seminar on

## Corporate Governance

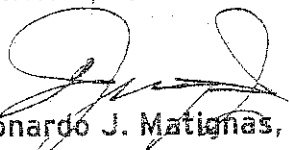
11 December 2014

9:00 a.m. to 12:00 p.m.

16<sup>th</sup> Floor Board Room, GMA Network Center

EDSA corner Timog Avenue,

Diliman, Quezon City



Leonardo J. Matigas, Jr.  
Partner, SGV & Co.

Member firm of Ernst & Young Global Limited



Building a better  
working world

This

# Certificate of Attendance

is presented to

**Roberto O. Parel**

for having completed the seminar on

**Corporate Governance**

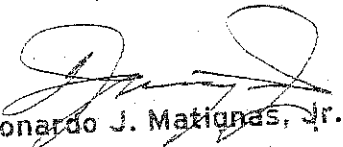
11 December 2014

9:00 a.m. to 12:00 p.m.

16<sup>th</sup> Floor Board Room, GMA Network Center

EDSA corner Timog Avenue,

Diliman, Quezon City



Leonardo J. Matigas, Jr.  
Partner, SGV & Co.

A member firm of Ernst & Young Global Limited



Building a better  
working world.

This

## Certificate of Attendance

is presented to

**Marissa L. Flores**

for having completed the seminar on

### Corporate Governance

11 December 2014

9:00 a.m. to 12:00 p.m.

16<sup>th</sup> Floor Board Room, GMA Network Center  
EDSA corner Timog Avenue,  
Diliman, Quezon City



Leonardo J. Matignas, Jr.  
Partner, SGV & Co.



SGV & Co.  
ATTORNEY AT LAW

This

## Certificate of Attendance

is presented to

**Lilybeth G. Rasonable**

for having completed the seminar on

### Corporate Governance

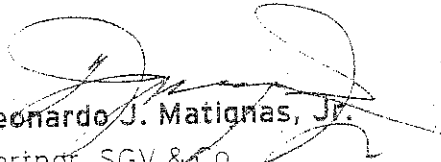
11 December 2014

9:00 a.m. to 12:00 p.m.

16<sup>th</sup> Floor Board Room, GMA Network Center

EDSA corner Timog Avenue,

Diliman, Quezon City



Leonardo J. Matigas, Jr.

Partner, SGV & Co.



SECURITY GROUP  
INCORPORATED

This

# Certificate of Attendance

is presented to

**Ronaldo P. Mastrili**

for having completed the seminar on

## Corporate Governance

11 December 2014

9:00 a.m. to 12:00 p.m.

16<sup>th</sup> Floor Board Room, GMA Network Center

EDSA corner Timog Avenue,

Diliman, Quezon City



Leonardo J. Matignas, Jr.  
Partner, SGV & Co.



Building a better  
working world

This

## Certificate of Attendance

is presented to

**Elvis B. Ancheta**

for having completed the seminar on

**Corporate Governance**

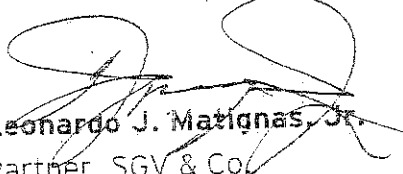
11 December 2014

9:00 a.m. to 12:00 p.m.

16<sup>th</sup> Floor Board Room, GMA Network Center

EDSA corner Timog Avenue,

Diliman, Quezon City



Leonardo J. Matignas, Jr.

Partner, SGV & Co.

A member firm of Ernst & Young Global Limited



Building a better  
working world

This

## Certificate of Attendance

is presented to

**Eduardo P. Santos**

for having completed the seminar on

**Corporate Governance**

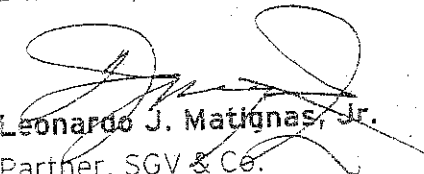
11 December 2014

9:00 a.m. to 12:00 p.m.

16<sup>th</sup> Floor Board Room, GMA Network Center

EDSA corner Timog Avenue,

Diliman, Quezon City

  
**Leonardo J. Matigas, Jr.**  
Partner, SGV & Co.

A member firm of Ernst & Young Global Limited



THE INSTITUTE OF CORPORATE DIRECTORS

INCORPORATED

## Certificate of Attendance

### Artemio V. Panganiban

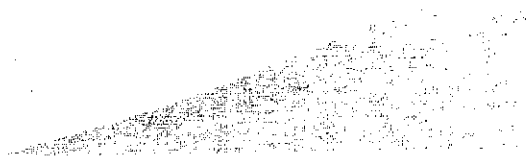
Bank of the Philippine Islands

has attended the Corporate Governance & Risk Management Summit held on the 4<sup>th</sup> day of February 2011 at the Fairmont Hotel Manila

from the 4<sup>th</sup> day of February 2011

Richard Nicolas M. Macinro

Secretary







THE INSTITUTE OF CORPORATE DIRECTORS

presents this

## *Certificate of Attendance*

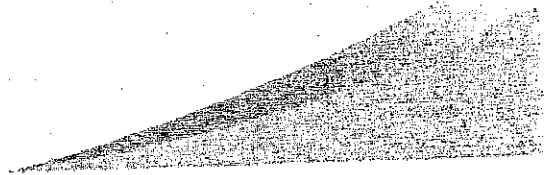
**Retired Chief Justice  
Artemio Panganiban**

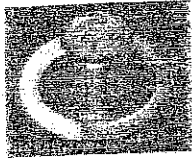
Meralco

having completed the ASEAN Corporate Governance  
Secrecard Orientation held on the 31<sup>st</sup> day of March  
2014 at the 1<sup>st</sup> Floor, Meralco Lighthouse Lopez  
Building, Ortigas Avenue, Pasig City.

Given this 31<sup>st</sup> day of March 2014

Ricardo Nicanor N. Jacinto  
President of ICD





THE INSTITUTE OF CORPORATE DIRECTORS

*presents this*

# *Certificate of Attendance*

TO

**Jaime C. Laya**

*for having completed the Orientation Course on  
Corporate Governance held on October 18, 2014 at the Manila  
Bulletin Penthouse, Intramuros, Manila.*

*Given this 18<sup>th</sup> day of October 2014*

*Enrique Micanor S. Jacinto  
President & CEO*



112222014002611



# SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

### Barcode Page

The following document has been received:

Receiving Officer/Encoder : Buen Jose Mose - COS  
Receiving Branch : SEC Head Office  
Receipt Date and Time : December 22, 2014 04:53:13 PM  
Received From : Head Office

Company Representative

---

Doc Source

Company Information

---

SEC Registration No. 0000005213  
Company Name GMA NETWORK, INC.  
Industry Classification  
Company Type Stock Corporation

Document Information

---

Document ID 112222014002611  
Document Type LETTER/MISC  
Document Code LTR  
Period Covered December 22, 2014  
No. of Days Late 0  
Department CED/CFD/CRMD/MRD/NTD  
Remarks





December 22, 2014

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills  
Mandaluyong City, Metro Manila

Attention: **Ms. Justina F. Callangan**  
*Director*  
Corporate Governance & Finance Department

Re: Notice of Compliance

Gentlemen:

In line with the Commission's requirement for directors and key officers to attend a Corporate Governance seminar, we attach the certificate of completion for Ms. Judith D. Vazquez, who attended the seminar last December 5, 2014 at the Risks, Opportunities and Assessment and Management (ROAM), Inc. at the RCBC Plaza, Ayala Avenue, Makati City.

Thank you.

Very truly yours,

  
**ROBERTO O. PAREL**  
*Corporate Secretary*

**GMA NETWORK, INC.**

GMA Network Center, EDSA cor. Timog Ave., Diliman, Quezon City, 1103, Philippines  
Telephone No.: (632) 982-7777



Risks, Opportunities, Assessment and  
Management (ROAM), Inc.

awards this

## CERTIFICATE OF COMPLETION

to

*Judith D. Vazquez*

for having completed the seminar on

## CORPORATE GOVERNANCE

held on December 5, 2014 at  
RCBC Plaza, Ayala Ave., Makati City

Benjamin I. Espiritu, Ph.D.  
Director



January 30, 2015

**SYCIP GORRES VELAYO & CO.**  
6760 Ayala Avenue, Makati City

Attention: Ms. Marydith C. Miguel  
*Partner-in-Charge*

Re: GMA Network, Inc.

SYCIP GORRES VELAYO & CO.  
**RECORDED**  
FEB 04 2015  
BY: *Arro P* TIME: *2:00* ASUPM

Gentlemen:

In connection with your examination of the financial statements as of December 31, 2014 of **GMA NETWORK, INC.** (the "Corporation"), the undersigned Corporate Secretary certifies that the Corporation held the following meetings during the period April 3, 2014 to date, the minutes of which are attached hereto:

Date of Meeting	Meeting of	Annual/Organizational/ Regular/Special/ Executive Committee
April 3, 2014	Board of Directors	Executive Committee
April 10, 2014	Board of Directors	Executive Committee
April 11, 2014	Board of Directors	Executive Committee
April 24, 2014	Board of Directors	Executive Committee
May 6, 2014	Board of Directors	Executive Committee
May 20, 2014	Board of Directors	Executive Committee
May 21, 2014	Stockholders	Annual
May 21, 2014	Board of Directors	Organizational
July 7, 2014	Board of Directors	Executive Committee
July 25, 2014	Board of Directors	Executive Committee
August 7, 2014	Board of Directors	Executive Committee

**GMA NETWORK, INC.**

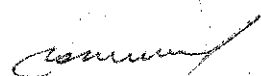
GMA Network Center, EDSA cor. Timog Ave., Diliman, Quezon City, 1103, Philippines  
Telephone No.: (632) 982-7777

August 8, 2014	Board of Directors	Regular
August 20, 2014	Board of Directors	Executive Committee
September 1, 2014	Board of Directors	Executive Committee
September 9, 2014	Board of Directors	Executive Committee
September 26, 2014	Board of Directors	Executive Committee
October 8, 2014	Board of Directors	Executive Committee
October 17, 2014	Board of Directors	Executive Committee
October 23, 2014	Board of Directors	Regular
October 29, 2014	Board of Directors	Executive Committee
November 4, 2014	Board of Directors	Executive Committee
November 10, 2014	Board of Directors	Executive Committee
November 19, 2014	Board of Directors	Executive Committee
November 24, 2014	Board of Directors	Executive Committee
December 3, 2014	Board of Directors	Executive Committee <sup>1</sup>
December 9, 2014	Board of Directors	Executive Committee <sup>2</sup>
December 17, 2014	Board of Directors	Executive Committee <sup>3</sup>
January 9, 2015	Board of Directors	Executive Committee <sup>4</sup>
January 12, 2015	Board of Directors	Executive Committee <sup>5</sup>
January 22, 2015	Board of Directors	Regular <sup>6</sup>

Very truly yours,

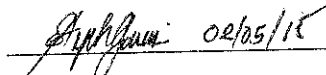
GMA NETWORK, INC.

By:

  
ROBERTO O. PAREL

COPY FURNISHED:

**MR. RONALDO P. MASTRILI**  
Senior Vice-President - Finance & ICT  
GMA Network, Inc.  
GMA Network Center  
EDSA corner Timog Avenue  
Diliman, Quezon City

 02/05/15

- <sup>1</sup> For signature
- <sup>2</sup> For signature
- <sup>3</sup> For signature
- <sup>4</sup> For signature
- <sup>5</sup> For signature
- <sup>6</sup> Draft



REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY ) S.S.

SECRETARY'S CERTIFICATE

I, **ROBERTO O. PAREL**, Filipino, of legal age, with office address at the 15<sup>th</sup> Floor, Sagittarius Condominium, H.V. dela Costa Street, Salcedo Village, Makati City, after having been duly sworn in accordance with law, hereby certify that:

1. I am the Corporate Secretary of **GMA NETWORK, INC.** (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines with principal office address at the GMA Network, Center, EDSA corner Timog Avenue, Diliman, Quezon City.
2. As Corporate Secretary, I have custody and access to the corporate records of the Corporation;
3. According to the said corporate records, the Stockholders, Board of Directors and Executive Committee of the Corporation held meetings during the same period on the following dates:

**A. Regular Meeting of the Board of Directors**

August 8, 2014  
October 23, 2014  
January 22, 2015

**B. Annual Stockholders Meeting**

May 21, 2014

**D. Organizational Meeting of the Board of Directors**

May 21, 2014

**B. Executive Committee**

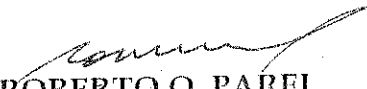
April 3, 2014  
April 10, 2014  
April 11, 2014  
April 24, 2014  
May 6, 2014  
May 20, 2014  
July 7, 2014  
July 25, 2014  
August 7, 2014  
August 20, 2014  
September 1, 2014  
September 9, 2014  
September 26, 2014  
October 8, 2014  
October 17, 2014

October 29, 2014  
November 4, 2014  
November 10, 2014  
November 19, 2014  
November 24, 2014  
December 3, 2014  
December 9, 2014  
December 17, 2014  
January 9, 2015  
January 12, 2015

This certificate is issued upon the request of the Corporation's auditor in connection with the examination of the Corporation's financial statements as of December 31, 2014.

FEB 03 2015

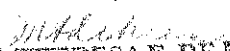
IN WITNESS WHEREOF, I have hereunto affixed my signature this \_\_\_\_ day of February 2015 at Makati City.

  
**ROBERTO O. PAREL**  
Corporate Secretary

FEB 03 2015

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of February 2015 at Makati City, the affiant exhibiting to me his Social Security System No. 03-6637759-0.

Doc. No. 520  
Page No. 104  
Book No. 1  
Series of 2015.

  
**MARIA THERESA E. DE MESA**  
Appointment No. M-528  
Notary Public for Makati City  
Until December 31, 2015  
Roll No. 47324  
PTR No. 4253 009/Jen. 2, 2014/Makati City  
Lisodma IBP Co. 00348/Oct. 1, 2010/Manila IV  
H.V. dela Cruz Street, Salcedo Village  
Makati City