

# COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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l	a	c	e	,	N	e	w	B	o	n	i	f	a	c	i	o	G	l	o	b	a	l	C	i	t	y	,
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(Business Address: No. Street City/Town/Province)

<b>Mr. Ronaldo P. Mastrili</b> (Contact Person)
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<b>982-7777</b> (Group Telephone Number)
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09 <i>Month</i>
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30 <i>Day</i>
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17-Q (Form Type)
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 <i>Month</i>	 <i>Day</i>
(Annual Meeting)	

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(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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Amended Articles Number/Section

7 Total No. of Stockholders
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Total Amount of Borrowings	
 Domestic	 Foreign

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To be accomplished by SEC Personnel concerned

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File Number

\_\_\_\_\_ LCU

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Document ID

\_\_\_\_\_ Cashier

STAMPS

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**SEC FORM 17-Q**  
**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES**  
**REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended September 30, 2013
2. SEC Identification Number CS200602356
3. BIR Tax Identification No. 244-658-896-000
4. Exact name of issuer as specified in its charter GMA Holdings, Inc.

5. Philippines  
Province, country or other jurisdiction of incorporation

6.  (SEC Use Only)  
Industry Classification Code

7. Unit 5D Tower One, One McKinley Place,  
New Bonifacio Global City, Fort Bonifacio, Taguig City      1604  
Address of principal office      Postal Code

8. (632) 982-7777  
Issuer's telephone number, including area code

9. Not applicable .....  
Former name or former address, if changed since last report

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

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock</u> <u>Outstanding and Amount of Debt</u> <u>Outstanding.....</u>
<b>Philippine Depositary Receipts (PDRs)</b>	<b>857,509,800 shares</b>

11. Are any or all of the securities listed on a Stock Exchange?  
Yes  No

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 the registrant was required to file such reports)  
Yes  No

(b) has been subject to such filing requirements for the past ninety (90) days.  
Yes  No

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### **SIGNATURES**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

GMA Holdings ended the nine months of 2013 with a net loss of ₱280 thousand, a complete reversal from previous year's net income of ₱256 thousand, due to lower revenues aggravated by higher operating expenses.

The company realized total revenues of ₱918 thousand, lower by ₱523 thousand or 36% against last year's level of ₱1.44 million. Interest income declined by 34% or ₱477 thousand from ₱1.39 million brought about by lower interest rate of 1.23% versus 3.25% in the same period last year. Another factor that led to the reduction in the top line was the absence of conversion of PDRs to common shares versus last year's conversion of 926,700 PDRs which realized exercise fees of ₱46 thousand.

On the other hand, operating expenses went up by 22% or ₱182 thousand to ₱1.01 million, primarily due to hike in listing fees from ₱420 thousand last year to ₱600 thousand this year as an offshoot of higher market cap. The unexpired portion of PSE listing fee amounting to ₱200 thousand was shown under "Prepaid expenses and other current assets" in the statements of financial position. Professional fees of ₱360 thousand which represented legal, trust, and audit fees stood at par versus same period last year. Likewise taxes and licenses comprised of the monthly amortization of local business taxes amounting to ₱25 thousand, remained about the same as last year.

Thus, with higher operating expenses and the dearth in revenues, this year's bottom line wrapped up with a loss of ₱280 thousand. The provision for income tax of ₱190 thousand represents final tax on interest income from banks.

### *Financial Condition*

Total assets amounted to ₱48.32 million, a tad lower from last end-2012's ₱48.42 million due to reduction in cash and cash equivalents partly offset by increase in prepayments (represented by the unexpired portion of PSE listing fees and local taxes and licenses).

## **KEY PERFORMANCE INDICATORS**

The Company's key performance indicators are focused on the dividends it receives to meet PDR holders' expectations and to monitor cash and cash equivalents levels to meet its obligations with respect to the Company's current and succeeding year's operation.

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

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

As of September 30, 2013, there were no known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

- b) 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 September 30, 2013, there were no events which may trigger a direct or contingent financial obligation that is material to the Company.

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

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

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

For the period January 1, 2013 to September 30, 2013, there were no commitments for capital expenditures.

- e) 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.

The Company's results of operations depend largely on its ability to meet PDR holders' expectations from the dividends it receives and to monitor cash and cash equivalents levels to meet its obligations with respect to the Company's current and preceding year's operation. There are no known trends, events or uncertainties that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

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

As of September 30, 2013, there were no significant elements of income or loss that did arise from the issuer's continuing operations.

- g) Causes for material changes in the Financial Statements.

Statements of Financial Position September 30, 2013 (Unaudited) vs. December 31, 2012 (Audited))

- Cash and cash equivalents decreased by ₱249 thousand to ₱47.81 million as a result of lower interest earned as discussed earlier.
- Current liabilities, on the other hand increased by ₱117 thousand to ₱47.93 million on account of accrued professional fees for audit and law firm.

- h) 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.

**GMA HOLDINGS, INC.****STATEMENTS OF FINANCIAL POSITION**

	September 30, 2013	December 31, 2012
	Unaudited	Audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 6, 11, and 12)	₱47,812,788	48,061,553
Accounts receivable (Notes 11 and 12)	92,417	253,432
Prepaid expenses and other current assets	415,580	109,105
	<b>₱48,320,785</b>	<b>48,424,090</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Notes 7, 11, and 12)	₱660,214	483,072
Due to shareholders (Notes 10, 11, and 12)	47,271,600	47,271,600
Total Current Liabilities	47,931,814	47,754,672
<b>Equity</b>		
Capital stock	100,000	100,000
Retained earnings	288,971	569,418
Total Equity	388,971	669,418
	<b>₱48,320,785</b>	<b>48,424,090</b>

*See Accompanying Notes to Financial Statements.*

**GMA HOLDINGS, INC.****UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**

	3rd Quarter Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
<b>REVENUES</b>				
Interest income (Note 6)	₱310,665	₱412,720	₱918,125	₱1,394,888
Exercise fees (Note 5)	-	13,200	-	46,335
	310,665	425,920	918,125	1,441,223
<b>OPERATING EXPENSES (Note 8)</b>	328,051	269,817	1,008,933	826,934
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	(17,386)	156,103	(90,808)	614,289
<b>PROVISION FOR INCOME TAX (Note 9)</b>	62,133	84,619	189,639	357,851
<b>NET INCOME (LOSS)</b>	(79,519)	71,484	(280,447)	256,438
<b>OTHER COMPREHENSIVE INCOME</b>	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	(₱79,519)	₱71,484	(₱280,447)	₱256,438
<b>Basic/Diluted Earnings (Losses) Per Share (Note 13)</b>	(₱7.95)	₱7.15	(₱28.04)	₱ 25.64

*See Accompanying Notes to Financial Statements.*

**GMA HOLDINGS, INC.****UNAUDITED STATEMENTS OF CHANGES IN EQUITY**

	Nine Months ended September 30	
	2013	2012
<b>CAPITAL STOCK</b> - 10 par value		
Authorized and subscribed - 10,000 shares	<b>₱100,000</b>	<b>₱100,000</b>
<b>RETAINED EARNINGS</b>		
Balance at January 1	<b>569,418</b>	556,278
Total comprehensive income (loss)	<b>(280,447)</b>	256,438
Balance at September 30	<b>288,971</b>	812,716
	<b>₱388,971</b>	<b>₱912,716</b>

*See Accompanying Notes to Financial Statements.*



**GMA HOLDINGS, INC.****UNAUDITED STATEMENTS OF CASH FLOWS**

	3rd Quarter Ended September 30		Nine Months Ended September 30	
	2013	2012	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax	(17,386)	156,103	(90,808)	614,289
Adjustments for interest income from bank deposits and short term placements	(310,665)	(412,720)	(918,125)	(1,394,888)
Income before working capital changes	(328,051)	(256,617)	(1,008,933)	(780,599)
Working capital adjustments:				
Decreases (Increases) in:				
Accounts receivable	–	(13,200)	142,731	79,665
Prepaid expenses and other current assets	208,092	148,378	(306,475)	(217,484)
Increase in :				
Accounts payable and accrued expenses	59,959	60,922	177,142	178,414
Withholding taxes payable	–	18,564,539		18,823,939
Cash generated from (used in) operations	(60,000)	18,504,023	(995,535)	18,083,934
Interest received	374,433	415,149	936,409	1,400,536
Income and final taxes paid	(62,133)	(83,692)	(189,639)	(356,925)
Net cash provided by (used in) operating activities	252,300	18,835,479	(248,765)	19,127,546
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>				
Payment of Cash Dividends	–			(2,593,997)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>252,300</b>	<b>18,835,479</b>	<b>(248,765)</b>	<b>16,533,549</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>47,560,488</b>	<b>47,757,077</b>	<b>48,061,553</b>	<b>50,059,007</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>47,812,788</b>	<b>66,592,556</b>	<b>47,812,788</b>	<b>66,592,556</b>

*See Accompanying Notes to Financial Statements.*

**GMA HOLDINGS, INC.**  
**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS**

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**1. Corporate Information**

GMA Holdings, Inc. (the Company) is incorporated in the Philippines to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose real and personal property of every kind and description. The registered office address of the Company is Unit 5D Tower One, One McKinley Place, New Bonifacio Global City, Fort Bonifacio, Taguig City. The Company was registered with the Securities and Exchange Commission (SEC) on February 15, 2006.

The accounting and administrative functions of the Company are undertaken by GMA Network, Inc. (GMA), an affiliate.

In 2007, the Company issued Philippine Deposit Receipts (PDRs), which were listed and traded in the Philippine Stock Exchange (PSE) (see Note 5).

The Company will not engage in any business or purpose other than in connection with the issuance of the PDRs, the performance of the obligations under the PDRs and the acquisition and holding of the underlying shares of GMA in respect of the PDRs issued. This includes maintaining the Company's listing with the PSE and maintaining its status as a Philippine person for as long as the Philippine law prohibits ownership of GMA's shares by non-Philippine person.

No reportable segment information is presented as the Company's limited operations are adequately presented in the statements of comprehensive income.

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**2. Basis of Preparation and Changes in Accounting Policies and Disclosures**

Basis of Preparation

The accompanying financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The accompanying financial statements of the Company have been prepared on a historical cost basis and are presented in Philippine peso, which is the Company's functional and presentation currency under PFRS. All values are rounded to the nearest Philippine peso, except when otherwise indicated.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended PFRS and PAS which were adopted starting January 1, 2012:

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendment), effective for annual periods beginning on or after July 1, 2011.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendment), effective for annual periods beginning January 1, 2012.

The changes introduced by such amendments and improvements are as follows:

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendment), the amendments require additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's financial statements to understand the relationship between the assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.
- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendment), the amendments clarified the determination of deferred income tax on investment property measured at fair value. The amendments introduced a rebuttable presumption that deferred income tax on investment property measured using the fair value model in *PAS 40, Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendment introduces the requirement that deferred income tax on depreciable assets measured the revaluation model in *PAS 16, Property, Plant and Equipment*, always be measured on a sale basis of the asset.

The adoption of the above amendments to PFRS and PAS did not have a significant impact on the financial statements.

#### Future Changes in Accounting Policies

The Company did not early adopt the following standards and Philippine Interpretations that have been approved but are not yet effective. The Company intends to adopt these standards when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these revised standards, interpretations and amendments to PFRS to have a significant impact on its financial statements.

#### *Effective in 2013*

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, becomes effective for annual periods beginning on or after January 1, 2013. The amendments require an entity to disclose information about rights of offset and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are offset in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  - a. The gross amounts of those recognized financial assets and recognized financial liabilities;

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

The amendments to PFRS 7 are to be applied retrospectively. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*, becomes effective for annual periods beginning on or after January 1, 2013. PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in Philippine Interpretation Standing Interpretations Committee (SIC) 12, *Consolidation – Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.
- PFRS 11, *Joint Arrangements* replaces PAS 31, *Interests in Joint Ventures*, and Philippine Interpretation SIC 13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*, become effective for annual periods beginning on or after January 1, 2013. The new standard focuses on the nature of the rights and obligations arising from the arrangement. It removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.
- PFRS 12, *Disclosure of Interests in Other Entities*, becomes effective for annual periods beginning on or after January 1, 2013. This standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.
- PFRS 13, *Fair Value Measurement*, becomes effective for annual periods beginning on or after January 1, 2013. This standard establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.
- PAS 19, *Employee Benefits (Revised)*, becomes effective for annual periods beginning on or after January 1, 2013. Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications

and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

- PAS 27, *Separate Financial Statements* (as revised in 2011), becomes effective for annual periods beginning on or after January 1, 2013. As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011), becomes effective for annual periods beginning on or after January 1, 2013. As a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.
- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI)*, becomes effective for annual periods beginning on or after July 1, 2012. The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, becomes effective for annual periods beginning on or after January 1, 2013. This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part.

*Annual Improvements to PFRS (2009-2011 cycle).* The Annual Improvements to PFRS (2009-2011 cycle) contain non-urgent but necessary amendments to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted. The Company will adopt these improvements to PFRS when these become effective.

- PFRS 1, *First-time Adoption of PFRS*, clarifies that an entity that has stopped applying PFRS may choose to either: (a) re-apply PFRS 1, even if the entity applied PFRS 1 in a previous reporting period; or (b) apply PFRS retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, in order to resume reporting under PFRS. It also clarifies that upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles may carryforward, without adjustment, the amount previously capitalized in its opening statement of financial

position at the date of transition. Such borrowing costs are then recognized in accordance with PAS 23, *Borrowing Costs*. The amendment will have no impact on the Company's financial position or performance.

- PAS 1, *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*, requires an entity to present a: (a) comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period; and (b) opening statement of financial position when an entity changes its accounting policies, makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. The opening statement will be at the beginning of the preceding period. The amendment has no impact on the Company's financial position or performance.
- PAS 16, *Property, Plant and Equipment – Classification of Servicing Equipment*, clarifies that major spare parts and servicing equipment that meet the definition of property and equipment are not inventory. The amendment has no impact on the Company's financial position or performance.
- PAS 32, *Financial Instruments: Presentation – Tax Effect of Distribution to Holders of Equity Instruments*, removes existing income tax requirements from PAS 32 and requires entities to apply requirements in PAS 12, *Income Taxes*, to any income tax arising from distributions to equity holders. The amendment will have no impact on the Company's financial position or performance.
- PAS 34, *Interim Financial Reporting and Segment Information for Total Assets and Liabilities*, clarifies that the requirements in PAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirement in PFRS 8, *Operating Segments*. The amendment will have no impact on the Company's financial position or performance.

#### *Effective in 2014*

- PFRS 10, *Consolidated Financial Statements – Investment Entities (Amendment)*, becomes effective for annual periods beginning on or after January 1, 2014. The amendment requires a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss instead of consolidating them. New disclosure requirements relating to investment entities were added in PFRS 12 and PAS 27. The amendment will have no impact on the Company's financial position or performance.
- PFRS 12, *Disclosure of Interests in Other Entities – Investment Entities (Amendment)*, becomes effective for annual periods beginning on or after January 1, 2014. The amendments require a parent that is an investment entity to disclose information about significant judgements and assumptions made in determining that it is an investment entity, as well as and any changes thereto. A parent that is an investment entity is also required to disclose certain information on unconsolidated subsidiaries, which are accounted for at fair value through profit or loss. The amendment will have no impact on the Company's financial position or performance.

- PAS 27, *Separate Financial Statements – Investment Entities*, becomes effective for annual periods beginning on or after January 1, 2014. The amendments require a parent that is an investment entity and does not consolidate its subsidiaries in accordance with the exceptions of PFRS 10, to present a separate financial statement as its only financial statement. The amendment will have no impact on the Company’s financial position or performance.
- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (Amendments). The amendments to PAS 32 are to be applied retrospectively for annual periods beginning on or after January 1, 2014. These amendments to PAS 32 clarify the meaning of “currently has a legally enforceable right to offset” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Company, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements.

*Effective in 2015*

PFRS 9, *Financial Instruments: Classification and Measurement*, becomes effective for annual periods beginning on or after January 1, 2015. PFRS 9 reflects the first phase of the work on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

The Company does not expect these changes and amendments to have a material impact on its financial statements. Additional disclosures which may be required by these amendments will be included in the Company’s financial statements when these amendments are adopted.

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### 3. Summary of Significant Accounting Policies

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and in banks and short-term deposits with maturities of three (3) months or less.

## Financial Assets

*Initial Recognition and Measurement.* Financial assets within the scope of PAS 39 are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at FVPL.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents and accounts receivable.

As at September 30, 2013 and December 31, 2012, the Company does not have any financial asset at FVPL, HTM investments, AFS financial assets and derivatives designated as hedging instruments.

*"Day 1" Profit or Loss.* Where the transaction price is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value of the financial instruments (a "Day 1" profit or loss) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data which is not observable is used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" profit or loss amount.

*Subsequent Measurement.* Loans and receivables are nonderivative 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, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortization is included in interest income in profit or loss. The losses arising from impairment are recognized in profit or loss in interest expense for loans and in other operating expenses for receivables.

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

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; or



- Either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company 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 Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Impairment of Financial Assets.* The Company assesses, at each reporting period, whether there is any objective evidence that a financial asset or a 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 has 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 the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors 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 when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial Assets Carried at Amortized Cost.* For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest income in profit or loss. Loans together with the associated allowance are written off when there is no

realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to interest expense in profit or loss.

### Financial Liabilities

*Initial Recognition and Measurement.* Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include accounts payable and other current liabilities (excluding withholding tax payable) and due to shareholders.

As at September 30, 2013 and December 31, 2012, the Company does not have any financial liabilities at FVPL or derivatives designated as hedging instruments.

*Subsequent Measurement.* After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in interest expense in profit or loss.

*Derecognition of 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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, therefore, the related assets and liabilities are presented at gross in the statements of financial position.

### Fair Value of Financial Instruments

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

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's-length market transactions;
- Reference to the current fair value of another instrument that is substantially the same; or
- A discounted cash flow analysis or other valuation models.

### 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.

### Earnings per share

Basic earnings per share (EPS) amounts are calculated by dividing net income for the year by the weighted average number of ordinary shares outstanding during the year. The Company has no dilutive potential common shares outstanding, therefore, basic EPS is the same as diluted EPS.

### Revenues

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount can be reliably measured, regardless of when the payment is being made. Revenue is 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 Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

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

*Exercise Fees.* Revenue is recognized upon conversion of PDRs to common shares.

### Expenses

Expenses presented as "Operating expenses" in the statements of comprehensive income are recognized as incurred.

## 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.

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

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

## Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company 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 financial statements. These are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

## Events after Reporting Period

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

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#### **4. Summary of Significant Accounting Judgment, Estimates and Assumptions**

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

### Judgment

In the process of applying the Company's accounting policies, management has made judgment on its functional currency, which has the most significant effect on the amounts recognized in the financial statements.

*Functional Currency.* The Company has determined that its functional currency is the Philippine peso. It is the currency of the primary economic environment in which the Company operates.

### 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 Company based its assumptions and estimates on parameters available when the 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 Company. Such changes are reflected in the assumptions when they occur.

*Estimating Realizability of Deferred Tax Assets.* The Company's assessment on the recognition of deferred tax assets on nondeductible temporary differences and carryforward benefits of NOLCO and excess MCIT is based on the forecasted taxable income in the subsequent periods. This forecast is based on the Company's future expectations on revenue and expenses.

In 2012, the Company made a reassessment on the realizability of the deferred tax assets. Based on the Company's judgment, taxable income in the future periods may not be sufficient against which the deductible temporary difference and carryforward benefits of MCIT and NOLCO, respectively, can be utilized.

The Company did not recognize deferred tax assets amounting to ₱0.72 million as at September 30, 2013.

*Fair Value of Financial Assets and Liabilities.* The Company carries certain financial assets and liabilities at fair value, which requires the use of accounting estimates and judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., interest rates). However, the timing and amount of changes in fair value would differ if the Company utilized different valuation methodologies and assumptions. Any changes in the fair value of these financial assets and liabilities would affect the reported fair value of these financial assets and liabilities.

The fair values of the Company's financial assets and liabilities are discussed in Note 13.

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## **5. Philippine Deposit Receipts**

On July 30, 2007, the Company issued 822,115,000 PDRs relating to 822,115,000 GMA shares. On August 21, 2007, additional 123,317,000 PDRs were issued relating to 123,317,000 GMA shares. Each PDR was issued for a total consideration of ₱8.50.

Each PDR grants the holders, upon payment of the exercise price and subject to certain other conditions, the delivery of one (1) GMA share or the sale of and delivery of the proceeds of such sale of one (1) GMA share. The Company remains to be the registered owner of the GMA shares covered by the PDRs. The Company also retains the voting rights over the GMA shares.

The GMA shares are still subject to ownership restrictions on shares of corporations engaged in mass media and GMA may reject the transfer of shares to persons other than Philippine nationals. The PDRs were listed in the PSE on July 30, 2007, and the same may be exercised at any time from said date. Any cash dividends or other cash distributions in respect of GMA shares received by the Company shall be applied toward the operating expenses of the Company for the current and preceding years. A further amount equal to the operating expenses in the preceding year shall be set aside to meet operating or other expenses for the succeeding years. Any amount in excess of the aggregate of the operating expenses paid and the operating fund for such period shall be distributed to PDR holders pro-rata on the first business day after such cash dividends are received by the Company.

Upon exercise of the PDRs, an exercise price of ₱0.05 per share shall be paid by the PDR holders. The exercise price is shown as "Exercise fees" account in the statements of comprehensive income. Exercise fees amounted to nil and ₱46 thousand as of September 30, 2013 and 2012, respectively.

Immediately prior to the closing of the PDR offering and additional issuances described above, GMA, to which the Company is affiliated, transferred 945,432,000 GMA shares to the Company in relation to which the PDRs were issued. For as long as the PDRs are not exercised, the shares underlying the PDRs will continue to be registered in the name of and owned by the Company, and all rights pertaining to these shares, including voting rights, shall be exercised by the Company. The obligations of the Company to deliver the GMA shares on exercise of the right contained in the PDRs are secured by the Pledge of Shares in favor of the Pledge Trustee acting on behalf of each holder of a PDR over the GMA shares.

At any time after the PDR offering, a shareholder may, at his option and from time to time, deliver shares to the Company in exchange for an equal number of PDRs. The exchange is based on prevailing traded value of GMA shares at the time of transaction with the corresponding PDR option price.

As mentioned above, the Company retains the rights to receive the cash flows from its investment in GMA and assumes a contractual obligation to pay those cash flows to the PDR holders, net of operating expenses (a "pass-through" arrangement). The "pass-through" test is met because the Company (a) has no obligation to the PDR holders unless it collects equivalent amounts from its investment in GMA, (b) is contractually prohibited from selling or pledging its investment in GMA other than as security to the PDR holders for the obligation to pay the cash flows, and (c) has an obligation to remit any cash flows from the investment in GMA to the PDR holders without material delay.

Under the "pass-through" test, the Company is deemed to have transferred substantially the risks and rewards of its investment in GMA. Accordingly, the investment in GMA and the liabilities related to the issuance of the PDRs are not recognized by the Company.

The following are the details and movements of the PDRs and the underlying GMA shares for the three months ended September 30:

	Amount		Number of Shares	
	2013	2012	2013	2012
Balance at beginning of year	<b>₱7,288,833,300</b>	₱7,326,668,500	<b>857,509,800</b>	861,961,000
Exercise of PDRs	–	(7,876,950)	–	(926,700)
Balance at end of year	<b>₱7,288,833,300</b>	₱7,318,791,550	<b>857,509,800</b>	861,034,300

On March 21, 2013, the company approved cash distribution to PDR holders of ₱0.25 per share in relation to dividends declared by GMA, totaling ₱ 214.38 million to all shareholders of record as at April 17, 2013. These were remitted to PDR holders on May 15, 2013.

On August 1, 2012, the Company approved a cash distribution to PDR holders of ₱0.26 per share, in relation to dividends declared by GMA, totaling to ₱223.87 million to all shareholders of record as at August 22, 2012. These were remitted to PDR holders on September 14, 2012.

On March 28, 2012, the Company approved a cash distribution to PDR holders of ₱0.40 per share, in relation to dividends declared by GMA, totaling to ₱344.62 million to all shareholders of record as at April 16, 2012. These were remitted to PDR holders on May 9, 2012.

## 6. Cash and Cash Equivalents

This consists of:

	September 30, 2013	December 31, 2012
Cash on hand and in banks	<b>₱1,700,576</b>	₱2,752,085
Short-term placements	<b>46,112,212</b>	45,309,468
	<b>₱47,812,788</b>	₱48,061,553

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Interest income, net of final tax, earned from cash and cash equivalents amounted to ₱918 thousand and ₱1.39 million for the period ended September 30, 2013 and 2012, respectively.

## 7. Accounts Payable and Accrued Expenses

This account consists of:

	September 30, 2013	December 31, 2012
Accounts payable	<b>₱5,270</b>	₱9,910
Accrued expenses	<b>654,944</b>	473,118
Withholding taxes payable	–	44
	<b>₱660,214</b>	₱483,072

Accounts payable and accrued expenses are noninterest-bearing and are normally settled within the next financial year. Accrued expenses represent accrued audit fees, retainers' fees and petty cash expenses.

Withholding tax payable represents liabilities to the Bureau of Internal Revenue (BIR) for the remittance of final taxes withheld on dividend payments made to PDR holders. These are noninterest-bearing and are expected to be remitted within 15 days after reporting period.

## 8. Operating Expenses

The components of the company's operating expenses for the period ended September 30, 2013 and 2012 are as follows:

	2013	2012
Listing fees	₱599,399	₱420,206
Professional fees	359,876	359,876
Taxes and licenses	24,876	24,929
Miscellaneous	24,782	21,923
	<b>₱1,008,933</b>	<b>₱826,934</b>

## 9. Income Taxes

This account consists of final tax on interest income from bank deposits of ₱200 thousand and ₱356 thousand for the period ended September 30, 2013 and 2012, respectively.

## 10. 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.

### Terms and Conditions of Transactions with Related Parties

Transactions with related parties have been entered into at terms no less favorable than could have been obtained if the transactions were entered into with unrelated parties. As of September 30, 2013, no transactions have been entered into by the Company with its related parties.

Category	1 <sup>st</sup> Quarter	Amount/Volume of Transactions	Due to Shareholders	Terms	Conditions
<u>Shareholders</u>					
Portion of proceeds retained from issuance of PDRs	2013 2012	₱– –	₱47,271,600 47,271,600	Upon demand, non-interest bearing	Unsecured, settled in cash

The outstanding balances of "Due to Shareholders" pertain to the option price amounting to ₱0.05 per PDR which was retained by the Company, as the PDR issuer, in consideration for the rights granted under the PDRs. The PDR issuer agrees that on exercise of any PDRs, only the exercise price amounting to ₱8.45 shall be payable.



The Company's key management personnel are employed by GMA and no part of their salaries was allocated to the Company.

## 11. Financial Risk Management Objectives and Policies

The Company's principal financial instruments include cash and cash equivalents. The main purposes of these financial instruments include raising financing for the Company's operations and managing identified financial risks. The Company has other financial assets and liabilities such as accounts receivable, accounts payable and other current liabilities (excluding withholding tax payable) and due to shareholders, which arise directly from its operations. The main risks arising from the Company's financial instruments are liquidity risk, interest rate risk and credit risk.

The BOD reviews and approves the Company's objectives and policies.

*Liquidity Risk.* The Company 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 Company manages its liquidity risk by using its cash and cash equivalents from operations to meet its short-term liquidity needs. The Company likewise regularly evaluates other financing instruments and arrangements to broaden the Company's range of financing sources.

The table below summarizes the maturity profile of the Company's financial assets used for liquidity risk management purposes and financial liabilities based on contractual undiscounted payments as at September 30, 2013 and December 31, 2012:

	September 30, 2013		
	On Demand	3 to 12 Months	Total
Cash and cash equivalents	₱47,812,788	₱-	₱47,812,788
Accounts payable and other current liabilities*	₱660,214	₱-	₱660,214
Due to shareholders	47,271,600	-	47,271,600
	₱47,931,814	₱-	₱47,931,814
	December 31, 2012		
	On Demand	3 to 12 Months	Total
Cash and cash equivalents	₱48,061,553	₱-	₱48,061,553
Accounts payable and other current liabilities*	₱483,028	₱-	₱483,028
Due to shareholders	47,271,600	-	₱47,271,600
	₱47,754,628	₱-	₱47,754,628

\*Excluding withholding tax payable which is not considered as a financial liability.

*Interest Rate Risk.* Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to changes in interest rates is minimal and is attributed to cash and cash equivalents.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax from reporting period up to next reporting period. There is no impact on the Company's equity other than those already affecting profit or loss:

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax
<b>3Q – 2013</b>	<b>50</b>	<b>₱239,604</b>
	<b>(50)</b>	<b>(239,604)</b>
<b>3Q – 2012</b>	<b>50</b>	<b>₱332,963</b>
	<b>(50)</b>	<b>(332,963)</b>

*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 Company's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Company ensures that services are made to customers with appropriate credit history. The Company has an internal mechanism to monitor the granting of credit and management of credit exposures. The Company has made provisions, where necessary, for potential losses on credits extended. The Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of the instruments. The Company does not require any collateral for its financial assets.

The credit quality of financial assets is managed by the Company using high grade and standard grade as internal credit ratings.

*High Grade.* Pertains to a counterparty who is not expected by the Company to default in settling its obligations, thus, credit risk exposure is minimal. This normally includes large prime financial institutions and related parties.

*Standard Grade.* Other financial assets not classified as high grade are included in this category.

The Company classified its cash and cash equivalents and accounts receivable as high grade financial assets.

As at September 30, 2013 and December 31, 2012, the aging analysis of accounts receivable is as follows:

	September 30, 2013	December 31, 2012
Neither past due nor impaired	₱92,417	₱253,432
Past due but not impaired:		
31-60 days	—	—
61-150 days	—	—
151-365 days	—	—
	<b>₱92,417</b>	<b>₱253,432</b>

## Capital Management

The primary objective of the Company'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 Company 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 Company may adjust the dividend payment to shareholders, payoff existing debts, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for the three months ended June 30, 2013.

The Company's capital management is undertaken by GMA. The Company's capital includes the total equity, which amounted to ₱389 thousand and ₱669 thousand as of September 30, 2013 and December 31, 2012, respectively.

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## 12. Financial Assets and Liabilities

The following table sets forth the carrying values and fair values of financial assets and liabilities, by category and by class, as of September 30, 2013 and December 31, 2012:

	September 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	₱47,812,788	₱47,812,788	₱48,061,553	₱48,061,553
Accounts receivable	92,417	92,417	253,432	253,432
	<b>₱47,905,205</b>	<b>₱47,905,205</b>	<b>₱48,314,985</b>	<b>₱48,314,985</b>
<b>Financial Liabilities</b>				
Other financial liabilities:				
Accounts payable and accrued expenses	₱660,214	₱660,214	₱483,028	₱483,028
Due to shareholders	47,271,600	47,271,600	47,271,600	47,271,600
	<b>₱47,931,814</b>	<b>₱47,931,814</b>	<b>₱47,754,628</b>	<b>₱47,754,628</b>

*\*Excluding withholding tax payable which is not considered as a financial liability.*

The carrying values of the above financial instruments are the approximate fair values due to the relatively short-term maturity.

### Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- a. Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at September 30, 2013 and December 31, 2012, there were no financial assets measured at fair value using any valuation techniques.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements during the quarter ended September 30, 2013 and 2012.

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### **13. Basic/Diluted Earnings Per Share Computation**

Basic/diluted EPS is computed as follows:

	September 30, 2013	September 30, 2012
Net income (loss) attributable to equity holders (a)	(₱280,447)	₱256,438
Common shares issues at beginning and end of year (b)	10,000	10,000
Basic/Diluted Earnings (Losses) Per Share (a/b)	(₱28.04)	₱25.64

**OTHER FINANCIAL INFORMATION**


The Company has no other information that needs to be disclosed other than disclosures made under SEC Form 17-C, if any.

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **GMA HOLDINGS, INC.**

By:

  
**FELIPE S. YALONG**  
Chief Operating Officer/Chief Financial Officer

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