COVER SHEET

5213
S.E.C. Registration Number

GMA NETWORK INC.

(Company's Full Name)

GMA NETWORK CENTER
EDSA CORNER TIMOG AVE.
DILIMAN QUEZON CITY

Atty. Roberto O. Parel
Contact Person

816-3716

Month *Day*
Fiscal Year

17-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

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, 2013**
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	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**3,361,047,000**
Preferred Stock	**7,499,507,184**

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 = PhP38.4 B (as of April 8, 2014)

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 32 UHF TV stations throughout the Philippines with its signal reaching approximately 99% of the country's Urban TV Households (Source: 2013 AGB Nielsen Total Philippines Establishment Survey; Claimed reception among TV homes).

In 2013, GMA Network, Inc. maintained leadership in TV Ratings in the viewer-rich areas of Urban Luzon and Mega Manila. The Company posted increases in its gross revenues and net income for 2013 versus 2012.

GMA Network's international operations continued to expand during the year. The Company's international syndication and distribution business likewise grew in 2013.

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, 2013:

COMPANY	OWNERSHIP	PRINCIPAL ACTIVITIES
Subsidiaries		
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
Joint Ventures		
INQ7 Interactive, Inc.	50%	Internet publishing
Philippine Entertainment Portal, Inc. (PEP)**	50%	Internet publishing

Gamespan, Inc.***	50%	Sports betting and broadcasting
Affiliates		
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.*

**** Indirectly owned through GMA New Media, Inc. Gamespan will be fully operational in 2013.*

***** On April 26, 2007, the Company's Board of Directors declared its shareholdings in Mont-Aire as subject to sale to any interested buyer. In the event the Company does not find a willing buyer, the same shall be declared as dividends to the stockholders of record as of April 26, 2007.*

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		2013 Ratings & Audience Share (Total day; 6AM-12MN)		
			Mega Manila	**Urban Luzon**	**Urban National**
GMA		Household Ratings	14.8	14.0	12.3
		Audience Share	37.2	36.0	32.2
ABS-CBN	Radio and TV broadcasting network and multimedia company. Founded in 1953, and is the first television station in the Philippines.	Household Ratings	11.4	12.0	13.2
		Audience Share	28.8	30.8	34.6
GNTV	GMA Network's sister channel. It is programmed by GMA. GMANEWS TV (GNTV) was launched on February 28, 2011.	Household Ratings	2.4	2.0	1.7
		Audience Share	5.9	5.2	4.5
TV5	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	5.4	5.0	5.1
		Audience Share	13.7	12.8	13.4

Network	Description		2013 Ratings & Audience Share (Total day; 6AM-12MN)		
			Mega Manila	Urban Luzon	Urban National
SOLAR TV/ ETC (RPN)/ Solar News (RPN) *	Radio Philippines Network (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. *Solar TV went off air on February 26, 2011 and was re-launched as ETC (RPN) on March 2, 2011. This station was re-launched anew as Solar News (RPN) on November 30, 2013	Household Ratings	0.2	0.2	0.1
		Audience Share	0.4	0.4	0.3
Studio 23/ ABS-CBN Sports	Sister network to the main	Household Ratings	1.2	1.4	1.5

Network	Description		2013 Ratings & Audience Share (Total day; 6AM-12MN)		
			Mega Manila	Urban Luzon	Urban National
+ Action **	ABS-CBN Broadcasting Corporation, airing programming aimed towards young adults, such as North American imports and other English language programming. **Studio 23 was re-launched as ABS-CBN Sports + Action on January 18, 2014	Audience Share	3.0	3.7	3.8
National Broadcasting Network	Official government TV, formerly called Maharlika Broadcasting System, Inc. and later the People's Television Network, Inc. (PTV).	Household Ratings	0.2	0.1	0.1
		Audience Share	0.4	0.3	0.3
Intercontinental Broadcasting Corporation (IBC 13)	IBC-13 is a VHF TV station of the Government Communications Group launched in 1975 by Roberto Benedicto.	Household Ratings	0.5	0.4	0.4
		Audience Share	1.2	1.0	1.0
Southern Broadcasting	On January 1, 2008, Solar Entertainment Corporation's	Household Ratings	0.1	0.1	0.1

Network	Description		2013 Ratings & Audience Share (Total day; 6AM-12MN)		
			Mega Manila	Urban Luzon	Urban National
Network **Solar News Channel/** **TALK TV (SBN)/ ETC (SBN) *****	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	Audience Share	0.1	0.1	0.1
RJTV (2nd Ave.)	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 2nd Ave.	Household Ratings	0	0	0
		Audience Share	0.1	0.1	0.1

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

The Company operates GMA Pinoy TV through which it offers subscription-based programs internationally. 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; New Zealand; 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 2013, GMA Pinoy TV's subscriber base closed at 267,000 – a 19% decrease over the 2012 closing subscriber number of 329,000. This is due to GMA's migration to another carrier in the Middle East and North Africa (MENA), which significantly contributed to the decline in subscription uptake. However, the MENA market is on the recovery mode as GMA aggressively focuses on the under-served and un-served segments, especially in the Kingdom of Saudi Arabia.

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, New Zealand, Papua New Guinea, Madagascar, Malaysia, Palau, Saipan, Singapore, 16 countries in the Middle East and 11 countries in North Africa. As of December 2013, GMA Life TV's subscriber base closed at 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.

CONVERGING TECHNOLOGY

GMA New Media, Inc. (NMI) is a multimedia technology value-added service provider. A wholly owned subsidiary of GMA Network, Incorporated, it has launched category-breaking projects in mobile, web, 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.

<u>WEB</u>

Online Publishing

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

In collaboration with GMA Network's Program Support Department, News and Public Affairs, Entertainment, GMA International, GMA Radio, Kapuso Foundation, GMA Films, GMA Records, GMA Artist Center, GMA Corporate (Investor Relations), NMI launced in May 2014 a revamped portal, 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 sleeker and more accessible to a wider variety 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. This neatly does away with the need to develop a separate mobile website from the primary online website, thus, encouraging more users to visit the portal. The new portal also adapts to emerging web technologies and trends by using HTML 5 and CSS 3. Thus, the site is more intuitive in terms of the user interface, with 'drag to share capabilities,' and a faster site loading time.

NMI entered into a joint venture with Summit Media and launched Pep.ph, the no. 1 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 provided alternative means for viewers who have no access to TV to witness historic events such as Cory Aquino's funeral and several State of the Nation Addresses (SONAs) using live streaming online. The flagship news program of the Network, 24 Oras, can also be viewed live through the portal also via live streaming.

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 foundations for succeeding SMS-TV initiatives, which 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, which is one of the most successful mobile VAS services 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 continues to work closely with GMPI in the launch of groundbreaking 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.

NMI also developed and launched the GMA News Online iOS and Android mobile apps that sport new designs of the user interface to keep up with current design trends. It also deployed updates to YouScoop's iOS mobile app that displays an all-new layout. YouScoop is a joint initiative with GMA News and Public Affairs that seeks to promote citizen journalism and vigilance. YouScoop helps empower the people to provide information and news when and where it happens.

BROADCAST

Eleksyon 2013 Coverage

In 2013, NMI 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.

In view of the goal 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.

The search engine's technology made it easier for users to find what they were looking for. Its predictive text capability can guess what the user is trying to find even if typographical error is entered, or the user was unaware of the correct spelling. It also provided the user with suggestions even before he could finish typing the search words. This unique search engine made count data accessible to the public at split second speed. Count data was not only fast but deep: users were provided election counts all the way down to the councillor level of every municipality of every province due to the smart search's autocomplete function.

These initiatives helped propel GMA News Online to the top Philippine online rankings with 9.4 million pageviews on May 13. Effective Measure data showed that the website had a 6-million lead in pageviews over its nearest competitor, www.abs-cbnnews.com, which only garnered 3.1 million pageviews on election day. GMA News Online more than doubled its numbers the next day, May 14, with 21 million page views.

Launch of IM Ready

In collaboration with GMA News and Public Affairs, quarter 4 of 2013 saw NMI complete the first phase of IM Ready, a one-stop 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. The Beta site currently presents weather information and traffic situation and incidents.

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.

Users simply type in their destination address and drive with the app open on their phone to passively contribute traffic and other road data. They can also take a more active role by sharing road reports on accidents or any other hazards along the way. Thus, other users in the area get a 'heads-up' about the road situation ahead.

Armed with the expertise in systems integration earned painstakingly from years of successful national and local elections coverage, NMI spearheads the development of IM Ready in line with the Network's thrust of "Serbisyong Totoo."

Also on the broadcast side, NMI produces breakthrough real-time special effects for GMA. In collaboration with the Office of the President and GMA Engineering, NMI is involved in the development of GMA's Digital TV strategy. Efforts are underway to conduct testing for the service soon.

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 2013:

Completed in 2013

- TV-12 Puerto Princesa, Palawan (increase of power from 1KW to 5KW)
  Completion Date: January 27, 2013
  Approved Budget: P3.226 million

- TV-2 Juban, Sorsogon (new 2KW TV relay station carrying Bicol regional programs via off-air pick-up of TV-12 Mt. Bariw, Legaspi City)
  Completion Date: April 13, 2013
  Approved Budget: P28 million

- TV-5 Mt. Amuyao, Mountain Province (increase of power from 5KW to 10KW)
  Completion Date: June 7, 2013
  Approved Budget: P24.43 million

- TV-7 Tablas, Romblon (increase of transmitter power from 1KW to 10KW)
  Completion Date: July 24, 2013
  Approved Budget: P19.94 million

- TV-5 San Nicolas, Ilocos Norte (upgrade of antenna system using the decommissioned TV-5 Davao antenna)
  Completion Date: December 12, 2013
  Approved Budget: P1.26 million

- TV-2 Mt. Palpalan, Pagadian City (upgrade of antenna system)
  Completion Date: December 23, 2013
  Approved Budget: P5.089 million

To be completed in 2014

- TV-8 Daet, Camarines Norte (new 2KW TV relay station)
  Expected Commissioning Date: March 12, 2014 (operational)
  Approved Budget: P20.793 million

- TV-7 Tuguegarao, Cagayan (transfer of location and upgrade of antenna system)
  Expected Commissioning Date: April 30, 2014
  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)
  Expected Commissioning Date: May 20, 2014
  Approved Budget: P7.238 million

- TV-26 Butuan City (new 5KW TV relay station)
  Expected Commissioning Date: July 2014
  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 and R.A. 9275 (Philippine Clean Water Act) under the Laguna Lake Development Authority, 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 2013 emission tests cost around P158,200.00 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 2013 for the treatment of hazardous waste is P89,129.60.

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 2013 costs P 26,946.38.

In addition, the Company incurred approximately Php105,000 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, 2013, the Company has 2,535 regular and probationary employees, a 6.2% growth from 2012. The Company also engaged 2,768 talents in 2013, a 1.13% increase 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 2009-2014 took effect in July 2009, with the new economic provisions effective for 2013-2014 re-negotiated in July 2012.

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, 2013	****2014 ESTIMATED ADDITIONAL**	**TOTAL**
Rank & File *	1,374	77	1,451
Non-Rank and File	1,099	124	1,223
Officers	62	1	63

Total	2,535	202	2,737
**** Covered by Collective Bargaining Agreement (CBA)***			
***** Based on approved MRF and hired EEs as of March 2014***			

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, 2013, the Company's total property and equipment and real property amounted to P5,395.0 million. The property and equipment had a book value of P3,589.7 million, while its real property had a fair market value of P1,805.3 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 Culiat, 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 P16.4 million for the year ended December 31, 2013.

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
	LUZON		**TEL. NO./ MOBILE PHONE**
1	TV-7 Metro Manila	Brgy. Culiat, Tandang Sora, Quezon City	(02) 931-9183 / (02) 924-2497
	TV-11 Metro Manila	Brgy. Culiat, Tandang Sora,	(02) 931-9183 / (02) 924-

		Quezon City	2497
	TV-27 Metro Manila (UHF)	Brgy. Culiat, Tandang Sora, Quezon City	(02) 931-9183 / (02) 924-2497
2	TV-5 Ilocos Norte	Brgy. San Lorenzo, San Nicolas, Ilocos Norte	0916-6715439
	TV-27 Ilocos Norte (UHF)	Brgy. San Lorenzo, San Nicolas, Ilocos Norte	0916-6715439
3	TV-48 Ilocos Sur	Mt. Caniao, Bantay, Ilocos Sur	0915-8632841
4	TV-10 Benguet	Mt. Sto. Tomas, Tuba, Benguet	0915-4417080
	TV-22 Benguet (UHF)	Mt. Sto. Tomas, Tuba, Benguet	0915-4417080
5	TV-10 Olongapo	Upper Mabayuhan, Olongapo City	0915-6127265
	TV-26 Olongapo (UHF)	Upper Mabayuhan, Olongapo City	0915-6127265
6	TV-12 Batangas	Mt. Banoy, Bo. Talumpok East, Batangas City	0915-8632860
	TV-26 Batangas (UHF)	Mt. Banoy, Bo. Talumpok East, Batangas City	0915-8632860
7	TV-7 Naga	Brgy. Concepcion Pequeña, Naga City	0915-4417071
	TV-28 Naga (UHF)	Brgy. Concepcion Pequeña, Naga City	0915-4417071
8	TV-12 Legaspi	Mt. Bariw, Estanza, Legaspi City	0915-8632867
	TV-27 Legaspi (UHF)	Mt. Bariw, Estanza, Legaspi City	0915-8632867
9	TV-12 Puerto Princesa, Palawan	Mitra Rd., Brgy. Sta. Monica, Puerto Princesa, Palawan	0915-6127185
	TV-27 Puerto Princesa, Palawan (UHF)	Mitra Rd., Brgy. Sta. Monica, Puerto Princesa, Palawan	0915-6127185
10	TV-6 Brooke’s Point, Palawan	Poblacion, Brooke’s Point, Palawan	0915-6127181
11	TV-7 Masbate	Brgy. Pinamurbuhan, Mobo, Masbate	0915-6127175

	TV-27 Masbate (UHF)	Brgy. Pinamurbuhan, Mobo, Masbate	0915-6127175
12	TV-13 Catanduanes	Brgy. Sto. Niño, Virac, Catanduanes	0915-6127174
13	TV-13 Occ. Mindoro	Bonifacio St., San Jose, Occidental Mindoro	0915-6127199
	TV-26 Occ. Mindoro (UHF)	Bonifacio St., San Jose, Occidental Mindoro	0915-6127199
14	TV-5 Aurora	Purok 3, Brgy. Buhangin, Baler, Aurora	0915-6127194
15	TV-7 Abra	Brgy. Lusuac, Peñarrubia, Abra	0915-6130512
16	TV-13 Aparri, Cagayan	Hi-Class Bldg., De Rivera St., Poblacion, Aparri, Cagayan	0915-6130530
17	TV-7 Tuguegarao, Cagayan	Phil. Lumber Bldg., Washington St., Tuguegarao, Cagayan	0915-6127263
18	TV-8 Coron, Palawan	Tapias Hill, Coron, Palawan	0915-6127178
19	TV-7 Batanes	Brgy. Kayvaluganan, Basco, Batanes	0915-6127197
20	TV-7 Romblon	Triple Peak, Sta. Maria, Tablas, Romblon	0915-6127225
21	TV-7 Isabela	Heritage Commercial Complex, Maharlika Hi-way, Brgy. Malvar, Santiago City, Isabela	0915-2700063
22	TV-5 Mountain Province	Mt Amuyao, Barlig. Mountain Province	0915-4416450
23	TV-44 Jalajala	Mt. Landing, Jalajala, Rizal	0915-8632874
	VISAYAS		
24	TV-7 Cebu	Bonbon, Cebu City	0915-4417075
	TV-27 Cebu (UHF)	Bonbon, Cebu City	0915-4417075
25	TV-6 Iloilo	Bo. Tamburong, Jordan, Guimaras	0915-4417084
	TV-28 Iloilo (UHF)	Alta Tierra Subdivision, Jaro,	0915-4417084

		Iloilo	
26	TV-11 Bohol	Banat-I Hills, Brgy. Bool, Tagbilaran City	0915-6127214
27	TV-10 Tacloban	Basper, Tigbao, Tacloban City	0915-6127208
	TV-26 Tacloban (UHF)	Basper, Tigbao, Tacloban City	0915-6127208
28	TV-12 Ormoc, Leyte	Brgy. Alta Vista, Ormoc City	0915-6127213
29	TV-8 Borongan	Poblacion, Borongan, Eastern Samar	0915-6127177
30	TV-5 Roxas City	Brgy. Milibili, Roxas City, Capiz	0915-6127217
	TV-27 Roxas City (UHF)	Brgy. Milibili, Roxas City, Capiz	0915-6127217
31	TV-5 Dumaguete	Barrio Looc, Sibulan, Negros Oriental	0915-6131185
	TV-28 Dumaguete (UHF)	Barrio Looc, Sibulan, Negros Oriental	0915-6131185
32	TV-10 Sipalay	Sipalay Municipal Building, Sipalay, Negros Occidental	0915-6127219
33	TV-5 Calbayog City	Purok 2 San Mateo St. Brgy. Matobato, Calbayog City, Western Samar	0915-6127176
34	TV-2 Kalibo	New Busuanga, Numancia, Aklan	0915-6127216
	TV-27 Kalibo (UHF)	New Busuanga, Numancia, Aklan	0915-6127216
35	TV-13 Bacolod	Security Bank Bldg., Rizal St. cor. Locsin St., Bacolod City	0915-8632864
	MINDANAO		
36	TV-5 Davao	Shrine Hills, Matina, Davao City	0915-4417082
	TV-27 Davao (UHF)	Shrine Hills, Matina, Davao City	0915-4417082
37	TV-12 Mt. Kitanglad	Mt. Kitanglad, Bukidnon	0915-8632863
38	TV-12 Cagayan De Oro	Malasag Heights, Brgy. Cugman, Cagayan de Oro City	0915-8632875

	TV-35 Cagayan de Oro (UHF)	Malasag Heights, Brgy. Cugman, Cagayan de Oro City	0915-8632875
39	TV-8 General Santos	Nuñez St., Brgy. San Isidro, General Santos City	0915-8632871
	TV-26 Gen. Santos (UHF)	Nuñez St., Brgy. San Isidro, General Santos City	0915-8632871
40	TV-12 Cotabato	Regional Government Center, Cotabato City	0915-6131170
	TV-27 Cotabato (UHF)	Regional Government Center, Cotabato City	0915-6131170
41	TV-9 Zamboanga	Brgy. Cabatangan, Zamboanga City	0915-8632870
	TV-21 Zamboanga (UHF)	Brgy. Cabatangan, Zamboanga City	0915-8632870
42	TV-5 Ozamis	Bo. Malaubang, Ozamis City, Misamis Occidental	0915-6127220
	TV-22 Ozamis (UHF)	Bo. Malaubang, Ozamis City, Misamis Occidental	0915-6127220
43	TV-4 Dipolog	Linabo Peak, Dipolog City, Zamboanga Del Norte	0915-6127247
	TV-26 Dipolog (UHF)	Linabo Peak, Dipolog City, Zamboanga Del Norte	0915-6127247
44	TV-10 Surigao	Lipata Hills, Surigao City	0915-6131227
	TV-27 Surigao (UHF)	Lipata Hills, Surigao City	0915-6131227
45	TV-12 Jolo	Ynawat Bldg., Hadji Butu St., Jolo, Sulu	0915-6131182
46	TV-2 Tandag	Capitol Hill, Brgy. Telaje, Tandag, Surigao del Sur	0915-6127248
47	TV-3 Pagadian	Mt. Palpalan, Pagadian City	0915-6127245
	TV-26 Pagadian (UHF)	Mt. Palpalan, Pagadian City	0915-6127245
48	TV-11 Iligan	3/F Kimberly Bldg., A. Bonifacio cor. Isidoro Emilia Ave., Tibanga Hi-Way, Iligan City	0915-6131202

49	TV-7 Butuan	SJT Bldg., Montilla Blvd., Butuan City	(085) 342-9571/342-7073

GMA's RADIO STATIONS

AREA	FREQ.	CALL SIGN	POWER		ADDRESS
LUZON					
METRO MANILA	97.1 mhz. 594 khz.	DWLS DZBB	FM AM	35kW 50kW	GMA Complex, EDSA cor. Timog Ave., Diliman, Quezon City
BAGUIO	92.7 mhz.	DWRA	FM	10kW	2/F Baguio Midland Courier Bldg. 16 Kisad Rd., Baguio City
DAGUPAN	93.5 mhz.	DWTL	FM	10kW	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	10kW	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 Pattaui St. cor Pallua Rd., Ugac Norte Tuguegarao, Cagayan
VISAYAS					
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	10kW	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

MINDANAO					
CAGAYAN DE ORO	100.7 mhz.	DXLX	FM	10kW	2/F Marel Realty Bldg., Pabayo corner Hayes St. Cagayan de Oro City, Misamis Oriental
ILIGAN	Relayed over DZBB				
DAVAO	103.5 mhz. 1125 khz	DXRV DXGM	FM AM	10K 10K	GMA Shrine Hills, Matina Davao City
GENERAL SANTOS	102.3 mhz.	DXCJ	FM	10K	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 13th-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^{th-}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.

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 plaintiff's complaint. Complainant filed a Petition with the Court of Appeals where it is pending.

This is a case (NLRC LAC No. 02-000863-13[8]) for regularization filed by pinch-hitters or relievers of GMA, namely, Ricky F. Villarin, 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 pending with the 17th Division of the Court of Appeals. Respondents Villarin et al. filed their comment to the petition.

This 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 13th month pay in favor of Manalili. Hence, we filed a partial appeal for GMA.

This 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. The motion for reconsideration was also denied by the NLRC.

This 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 where the case is pending.

This 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, Ferdinand O. Villanueva, Ruby Rose Macahilig Barcela, Marcelo S. Santiago, Joemyr R. Odeña, 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.

This 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.

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

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 Mr. 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 thousand in moral damages, ₱300 thousand in exemplary damages, attorney's fees in the amount of ₱100 thousand and the cost of suit. The Regional Trial Court of Caloocan dismissed the complaint after trial. Plaintiff appealed to the Court of Appeals.

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

Period in 2013	Highest Closing	Lowest Closing
1Q	9.99	9.50
2Q	9.97	8.08
3Q	8.60	7.70
4Q	8.37	7.20

Stock Prices GMAP

Period in 2013	Highest Closing	Lowest Closing
1Q	10.18	9.50
2Q	10.20	8.00
3Q	8.99	7.28
4Q	10.20	7.10

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 April 7, 2014; GMA7's closing price is P7.87 for GMA 7 and P7.76 for GMAP (PDRs).

Holders

There are 1,743 holders of common equity as of March 31, 2014. The following are the top 20 holders of the common equity of the Company:

Name of Shareholders	No. of Common Shares	Percentage of Ownership of Total Common Shares
GMA Holdings, Inc.	857,509,800	25.49%

Name of Shareholders	No. of Common Shares	Percentage of Ownership of Total Common Shares
Group Management & Development, Inc.	789,813,389	23.47%
FLG Management & Development Corp.	669,929,127	19.93%
M.A. Jimenez Enterprises, Inc.	453,882,095	13.49%
Television International Corp.	334,378,037	9.94%
PCD Nominee Corp.	210,555,946	6.26%
Gozon Development Corp.	14,033,954	0.42%
Gozon Foundation Inc.	4,514,361	00.13%
Gilberto R. Duavit, Jr.	4,007,006	0.12%
Benjamin Gozon, Jr. or Ismael Augusto S. or Belinda Madrid G. or Ma. Erlinda Gana	2,751,300	00.08%
Alegria F. Sibal	1,093,252	0.03%
Felipe S. Yalong	1,025,000	0.03%
Alberto Tio Ong	1,000,000	0.03%
Enrique Reyes Valencia	942,400	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%

The following are the top 20 holders of the Company's preferred shares as of March 31, 2014:

Name of Shareholders	No. of Preferred Shares	Percentage of Ownership of Total Preferred Shares
Group Management & 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%

Name of Shareholders	No. of Preferred Shares	Percentage of Ownership of Total Preferred Shares
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

Year	**Amount**	**Date Declared**	**Type of Dividend**
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

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, 2013 AND 2012

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 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 and GMA Life TV 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

<u>For the Year Ended December 31, 2013</u>

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.

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

Revenues	**2013** *(in millions PhP)*	2012 - as restated *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Television and radio airtime	**11,738.6**	10,859.9	878.7	8%
Production and others	**1,212.3**	1,226.0	(13.8)	-1%
	12,950.9	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 Witnes*s, *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.

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

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

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

FINANCIAL AND OPERATIONAL RESULTS

For the Year Ended December 31, 2012

GMA Network, Inc. (the Company) reported consolidated revenues of ₱12,086 million for the full year of 2012, up by 6% versus 2011. At the end of the period, the Network managed a 6% growth in airtime sales to ₱10,883 million that comprised 90% of its revenues. Revenues from other businesses inched up 3% year-on-year.

The Company saw a 6% increase in its total operating expenses (OPEX) for the year to ₱9,803 million owing primarily to the hike in non-cash OPEX in order to further diversify and strengthen its programming and establish its presence nationwide. Although without the impact of one-time personnel related expenses, total OPEX grew by only 4%.

GMA thus ended 2012 with earnings before interest, taxes, depreciation and amortization (EBITDA) of ₱3,421 million, reaching a double-digit gain of 11% year on year.

However, due to the rise in non-cash OPEX, net income after tax settled at ₱1,617 million, a decline of 5% versus a year ago. The Company opted to do an early adoption of the PAS 19(R) on Employee Benefits which resulted in a reported total comprehensive income of ₱1,700 million for the year 2012, higher by 3% than the ₱1,646 million in 2011, as restated.

Income Data	**2012 - as restated** *(in millions PhP)*	2011 - as restated *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Revenues				
Television and radio airtime	**10,883.1**	10,251.8	631.3	6%
Production and others	**1,202.8**	1,169.9	32.9	3%
	12,085.9	11,421.7	664.2	6%
Total operating expenses	**9,803.8**	9,254.8	549.0	6%
EBITDA	**3,421.2**	3,080.0	341.2	11%
Net income	**1,620.8**	1,709.8	(89.0)	-5%
Attributable to Equity Holders of Parent Company	***1,616.9***	*1,704.6*	*(87.7)*	*-5%*
Noncontrolling Interest	***3.9***	*5.2*	*(1.3)*	*-25%*

Revenues

Consolidated revenues for the year of ₱12,086 million, comprised of airtime revenues from television and radio, subscription revenues from international operations, and other revenues from subsidiaries, recorded a ₱664 million or 6% increase from the ₱11,422 million top line pegged a year ago.

Revenues	**2012 - as restated** *(in millions PhP)*	2011 - as restated *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Television and radio airtime	**10,883.1**	10,251.8	631.3	6%
Production and others	**1,202.8**	1,169.9	32.9	3%
	12,085.9	11,421.7	664.2	6%

Flagship channel – Ch 7's revenue of ₱10,085 million drove this year's increase by posting ₱ 596 million in incremental sales or an equivalent of 6% growth year-on-year, due to its consistent nationwide leadership across the year.

For the full year 2012, GMA led rival networks in nationwide ratings for the second year in a row based on data from the industry's more widely recognized ratings service provider Nielsen TV Audience Measurement. For the covered period, GMA scored an average total day household audience share of 34.4%, leading ABS-CBN's 31.5% by 2.9 points, and TV5's 15.1% by 19.3 points.

GMA also ruled across all dayparts in the important areas of Urban Luzon and Mega Manila, which make up 77% and 59.5%, respectively, of the total urban television population in the country.

In Urban Luzon, GMA scored a 38.2% average total day household audience share, ahead by 10.8 points over ABS-CBN's 27.4% and by 23.6 points over TV5's 14.6% average. GMA also ended 2012 strongly in its bailiwick Mega Manila with an average total day household audience share of 39.2%, up 13.4 points from ABS-CBN's 25.8% and up by 24 points from TV5's 15.2%.

GMA subscribes to Nielsen TV Audience Measurement along with 22 other paying subscribers including another local major television network (TV5), Faulkner Media, CBN Asia, 15 advertising agencies, and 4 regional clients. In Mega Manila, Nielsen has a sample size of 1,190 homes versus Kantar Media's 770 homes. Nationwide, Nielsen has an urban sample size of 2,000 homes compared to the lower sample size of 1,370 utilized by Kantar Media.

The improvement in the top line of the core channel was supported by revenues from Regional TV, the business unit that oversees GMA's regional TV operations, which climbed a significant 25%, as a result of various expansion and improvement efforts in different areas nationwide. Leading local news channel GMA News TV, on the other hand, gained a modest 3% increase in its top line on its second year of operations, while airtime revenues from Radio dropped 2%.

Meanwhile, revenues from other sources contributed an additional ₱1,170 million to the total top line, recording a net improvement of ₱32 million or 3% from last year. GMA International, which manages the operations and distribution of the Network's international channels, recorded an upswing in subscriber base of its primary channel GMA Pinoy (GPTV) and its lifestyle channel GMA Life TV (GLTV) of 13% to 329,108 and 9% to 124,884, respectively, at the period's closing. However, subscription and advertising revenues from GMA International fell a tad short by 0.9% partly dragged by the appreciation of the Peso against the US dollar by an average of 3%. Discounting the impact of the forex fluctuation, international sales slightly grew by 2%.

Subsidiaries' operations pitched in a 20% escalation in revenues from 2011. The growth mainly came from the newly launched Digify, Inc., GMA New Media's new techno-creative lab that provides technology-based solutions to other companies, which generated bulk of the net increase in this category.

GMA Films' co-produced entry to the 2012 Metro Manila Film Festival *Si Agimat, Si Enteng, at si Ako* raked in almost ₱98 million in gross receipts, while Julie Anne San Jose's self-titled album by GMA Records clinched a Double Platinum Record Award from its combined physical and digital sales of almost 38,000 units for the period August 15, 2012 to December 15, 2012. San Jose's carrier single titled "I'll Be There" gained over 245,000 downloads for the same period, which earned for it a Platinum Digital Single Award. According to PARI, San Jose is the very first recipient of this award.

GMA Worldwide, Inc. (GWI), GMA's content acquisition and distribution arm, likewise sold over 60 program and movie titles to Brunei, Cambodia, Hong Kong, Indonesia, Korea, Macau, Malaysia, Myanmar, Singapore, Thailand, Vietnam, Italy, Kenya, Tanzania and USA.

Expenses

The Company's total operating expenses (OPEX) for the year reached ₱9,804 million, up 6% or ₱549 million from a year ago. Total direct costs (cash and non-cash production costs) inched up by only 2% while general and administrative expenses grew by 11%. Excluding the one-time signing bonus arising from the recent Collective Bargaining Agreement (CBA) of it employees, GAEX rose by a manageable 6% year-on-year.

Total direct cost for 2012 reached ₱5,285 million, higher by only ₱118 million or 2% year-on-year. Comprising 86% of total direct cost, cash production cost of P4,571 million even dropped by ₱55 million or 1% year-on-year. The spike in total production cost came from the 45% rise in amortization of program rights. Higher costing movies were shown (i.e. James Bond series, etc) which were also Tagalized to cater to viewer preference, thus incurring dubbing costs. Likewise, there was a build up of inventory of film rights amortized systematically over the period of the broadcast license agreement. Depreciation charges likewise increased due to the commissioning of the state-of-the-art Media Asset Management System (MAMS) that allows the Network to migrate to a tapeless, file-based workflow in the last quarter of 2011, along with massive investments for the launch of multi-million peso originating stations in Ilocos Norte (GMA Ilocos) and Naga City (GMA Bicol) in 2012.

Production Costs	**2012 - as restated** *(in millions PhP)*	2011 - as restated *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Talent fees	**2,809.3**	2,829.7	(20.4)	-1%
Rentals and outside services	**690.3**	763.3	(73.0)	-10%
Other program expenses	**1,071.0**	1,032.3	38.7	4%
Sub-total - Cash Production Costs	**4,570.6**	4,625.3	(54.7)	-1%
Program rights amortization	**460.9**	317.5	143.4	45%
Depreciation and amortization	**253.6**	224.2	29.4	13%
Sub-total - Non-cash Production Costs	**714.5**	541.7	172.8	32%
Total production costs	**5,285.1**	5,167.0	118.1	2%

The Company's total general and administrative expenses (GAEX) climbed by 11% to ₱4,519 million by the end of 2012. Personnel cost which comprised nearly 50% of total GAEX contributed the bulk of this year's increase owing primarily to the payment of the non-recurring employee bonuses as mentioned earlier compounded by the growth in the Network's manpower headcount. Minus the impact of this one-time bonus, total GAEX rose by only 6%.

General and Administrative Expenses	**2012 - as restated** *(in millions PhP)*	2011 - as restated *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Personnel costs	**2,138.6**	1,799.0	339.6	19%
Outside services	**432.2**	422.9	9.4	2%
Facilities costs	**658.6**	670.2	(11.5)	-2%
Taxes and licenses	**143.6**	213.4	(69.8)	-33%
Others	**725.6**	637.4	88.2	14%
Subtotal - Cash GAEX	**4,098.7**	3,742.8	355.9	10%
Depreciation and amortization	**356.4**	294.6	61.8	21%
Amortization of software costs	**27.7**	25.7	2.0	8%
Subtotal - Non-cash GAEX	**419.9**	344.9	75.0	22%
Total GAEX	**4,518.6**	4,087.7	430.9	11%

Other increases in GAEX were brought about by spending in research and survey services, particularly for this year's subscription to digital capable metering technology for Rural TV Audience (RTAM).

EBITDA

With the increase in top line outpacing the absolute growth in cash OPEX, EBITDA sealed the year at ₱3,421 million, reaching a double digit growth of 11% or ₱341 million year on year.

Net Income

Due to the rise in non-cash OPEX of ₱301 million the EBITDA advantage was heavily weighed down – thus, net income before tax (NIBT) settled at ₱2,314 million, only ₱79 million or 4% ahead of last year. Moreover, a higher effective corporate income tax rate ensued with the conclusion of the Income Tax Holiday grant from BOI resulting in a net increase in the provison for income tax by ₱168 million or 32%. This further drove the Company's bottom line attributable to Parent Company for 2012 to end at ₱1,617 million, ₱88 million or 5% lower than a year ago.

As the Company decided to do an early adoption of the Revised PAS 19, adjustments to other comprehensive income were made resulting in a total comprehensive income of ₱1,700 million, 3% more than the restated total comprehensive income of 2011.

Balance Sheet Accounts

Consolidated assets totaled ₱12,682 million, equivalent to a 5% rise from last year's ₱ 12,042 million. The increase came primarily from property and equipment which rose by ₱367 million or 11% closing at ₱3,621 million by the end of the year (mainly from the newly operated originating stations in Ilocos and Naga).

Trade days-sales-outstanding (DSO) improved by 11 days to 109 days at end-2012 vs. 120 days at the close of 2011.

On the other hand, total liabilities of ₱4,533 million spiked by 90% or ₱2,149 million driven by the presence of ₱1,700 million in notes payable mainly in relation to the special cash dividend paid out last September.

Equity of ₱8,121 million ended lower this year by 16% or ₱1,513 million resulting from lower net income realized during the year and from the cash dividend payouts.

Cash Flows	**2012 - as restated** *(in millions PhP)*	2011 - as restated *(in millions PhP)*
Net cash provided by operating activities	2,605.5	3,094.3
Net cash used in investing activities	(995.7)	(925.3)
Net cash used in financing activities	(1,548.0)	(2,199.1)
Effect of exchange rate changes on cash and cash equivalents	(3.2)	4.8
Net increase (decrease) in cash and cash equivalents	58.6	(25.4)
Cash and cash equivalents at beginning of period	1,228.7	1,254.1
Cash and cash equivalents at end of period	1,287.3	1,228.7

Operating Activities

Net cash from operations registered at ₱2,605 million this year. This resulted from income before income tax of ₱2,314 million adjusted mainly by depreciation expense of ₱610 million, program and other rights usage of ₱461 million, net movement of pension liability of ₱108 million, interest expense and financing charges of ₱43 million, interest income of ₱35 million and gain on sale of property and equipment of ₱29 million apart from the changes in working capital. The primary components of the changes in working capital include the ₱319 million reduction in trade and other receivables owing to more aggressive collection efforts, partly offset by the acquisition of program and other rights amounting to ₱920 million and ₱23 million hike in prepaid expenses.

Investing Activities

Net cash used in investing activities amounted to ₱996 million, coming primarily from the ₱976 million additions to property and equipment and ₱36 million worth of software costs. Also contributing to the cash used in investing activities was the ₱10 million joint venture with Manila

Jockey Club. These were partly offset by the ₱31 million proceeds from sale of property and equipment and investment properties.

Financing Activities

Net cash used in financing activities amounted to ₱1,548 million basically for the cash dividend payout amounting to ₱3,206 million during the year plus some ₱42 million in interest expense netted by ₱1,700 million remaining proceeds from short-terms loans. The Company availed total loans of ₱3,200 million in year 2012 of which ₱1,500 million were already paid before the year end.

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, 2013, 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, 2013, 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 2014, the parent company has allotted ₱1,065 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, 2013, 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, 2013 vs. December 31, 2012)

- Cash and short-term investments rose 5% to ₱1,758 million at year-end which is directly attributed to this year's result of operation.
- Available-for-sale investments grew by ₱29 million or 27% due to recognition of additional subscription to Unicapital.
- Land at revalued amount increased by 28% due to appraisal made at end of 2013.
- Short-term loans decreased by 35% as payments made are higher at ₱2,500 million vs. availments of only ₱1,825 million.
- The 40% hike in income tax payable resulted from recognition of pay-before-broadcast receivables as part of taxable balance in 2013.
- Pension liability increased by 49% to ₱605 million as minimal contribution to retirement fund was made 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 2014. The Company however, undertakes to submit its SEC Form 17-Q on or before May 15, 2014 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, 2014, 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	74
Judith D. Vazquez	Filipino	Director	1988	N/A	N/A	51
Gilberto R. Duavit, Jr.	Filipino	Director	1999	President/Chief Operating Officer	2010	50
Anna Teresa M. Gozon-Abrogar	Filipino	Director/ Assistant Corporate Secretary	2000	N/A	N/A	42
Joel Marcelo G. Jimenez	Filipino	Director	2002	N/A	N/A	50
Laura J. Westfall	Filipino	Director	2002	N/A	N/A	46
Felipe S. Yalong	Filipino	Director/ Corporate Treasurer	2002	Executive Vice President	2011	57
Roberto O. Parel	Filipino	Corporate Secretary	1993	N/A	N/A	58
Marissa L. Flores	Filipino	N/A	N/A	Senior Vice President, News and Public Affairs	2004	50
Ronnie P. Mastrili	Filipino	N/A	N/A	Senior Vice President for Finance and ICT	2013	48
Lilybeth G. Rasonable	Filipino	N/A	N/A	Senior Vice President for Entertainment TV	2013	50

Artemio V. Panganiban	Filipino	Independent Director	2007	N/A	2007	77
Jaime C. Laya	Filipino	Independent Director	2007	N/A	2007	75

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

Felipe L. Gozon, Filipino, 74 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.; Chairman of Alta Productions Group, Inc., Citynet Network Marketing and Productions, Inc., Mont-Aire Realty and Development Corp., Philippine Entertainment Portal, Inc., and RGMA Network, Inc.; Vice Chairman of Malayan Savings and Mortgage Bank; Director of, among other companies, Gozon Development Corp., Justitia Realty and Management 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) and Visionary Management CEO Award given by BizNews Asia (2013). 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, 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.

Joel Marcelo G. Jimenez, Filipino, 50 years old, has been a Director of the Company since 2002. He is currently 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, 57 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, 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.

Judith D. 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.

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.

Atty. Roberto O. Parel, Filipino, 58 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, Capitalex Holdings Philippines, Ipilan Nickel Corporation, Nickel Laterite Resources, Inc., Berong Nickel Corporation, Ulugan Nickel Corporation, Ulugan Resources Holdings, Inc., Nickeline Resources Holdings, Inc., TMM Management Inc., and Assetvalues Holding Company, Inc.; Director and Corporate Treasurer of Selenga Mining Corporation; Corporate Secretary of Alta Productions Group, Inc., Scenarios, Inc., Citynet Network Marketing and Productions, Inc., GMA Kapuso Foundation, Inc., and Hinoba Holdings (Philippines), 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, 50 years old, is the Senior Vice President for News and Public Affairs 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, 48 years old, is the Senior Vice President of GMA's Finance and ICT departments. He obtained a 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 Controllership 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, 50 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.

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

Judith D. Vazquez is the sister 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:

Name and Position	
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 Compensated Officers	2011	80,585.7	53,642.4	134,228.1
	2012	75,335.3	57,615.6	132,951.0
	2013	91,658.4	52,829.9	144,488.3
	2014 (estimate)	95,324.7	54,943.1	150,267.8
Aggregate compensation paid to all officers and directors as a group	2011	117,612.5	84,338.5	201,951.0
	2012	122,618.2	94,243.7	216,862.0
	2013	143,999.7	89,917.5	233,917.2
	2014 (estimate)	149,759.7	93,514.2	243,273.8

(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, 2014 are as follows:

Title Of class	Name and Address of Beneficial Owner	Citizenship	Record / Beneficial	No. of shares held	Percent Owned

Common	GMA Holdings, Inc. [1] Unit 5D Tower One, One McKinley Place, Bonifacio Global City	Filipino	PCD Nominee Corporation	857,509,800	25.49%
Common	Group Management & Development Inc. [2] 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[3] Unit 2, 2/F, Building 2, 9th Avenue, Bonifacio Global City, Taguig, Metro Manila	Filipino	The Record Owner is the Beneficial Owner	669,929,127	19.93%
Common	M.A. Jimenez Enterprises, Inc. 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City[4]	Filipino	The Record Owner is the Beneficial Owner	453,882,095	13.49%
Common	Television International Corporation[5] 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%

[1] 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.

[2] 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.

[3] 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.

[4] 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.

[5] 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.

Total Common Shares **3,105,512,448** **92.40%**					
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, 9th 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%
Total Preferred Shares **7,428,344,388** **99.04%**					

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, 2014

(1) Security Ownership of Management as of March 31, 2014

As of March 31, 2014, the Company's directors and senior officers owned an aggregate of 7,217,350 common shares of the Company, equivalent to 0.214% 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.

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%
Judith D. Vazquez	Director	Filipino	R/B	588,158	0.02%	378	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	400,000	0.009%	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	R/B	0	0.00%	0	0.00%
Ronaldo 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	158,000	0.0047%	0	0.00%

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 th 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 ₽121.4 million as of December 31, 2004. Of such advances, the Company converted the amount of P38.3 million into ₽38.3 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 ₽23.5 million made by them to Mont-Aire into ₽23.5 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, 2013 and 2012, Mont-Aire has had advances owing to the Company in the amount of ₽84.5 million. 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 fixed monthly service fees. 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

Information discussed during interview with FLG re: 2012 Company performance and 2013 outlook	February 13, 2013
Results of BOD meeting: ASM date/ASM record date, Amendments to the Company's By-Laws	March 5, 2013
Results of BOD meeting: Board approval of 2012 Consolidated Financial Statements and Declaration of Cash Dividends/Record Date	March 21, 2013

and Payment Dates	
* Press Release: GMA Network announces release of Ph 1.215B cash dividends * Press Release: GMA Network ends 2012 with PHP 13.929 B Gross Revenues * Presentation Materials used during Briefing re: Full Year 2012 Results	March 22, 2013
* Agenda for 2013 ASM	March 27, 2013
* Results of ASM and Organizational Meeting of the BOD * GMA: Chairman and CEO Report during the ASM * GMA: Press Release and additional disclosures during the Briefing – "GMA Network Net Income Soars 55% in Q1 2013 * Presentation Materials used during the Financial Briefing (May 15, 2013)	May 16, 2013
* Press Release "GMA Network reports 12 percent increase in H1 2013 net income" filed on the * Correction on the Press Release "GMA Network reports 12 percent increase in H1 2013 net income" * Presentation Materials used during the Briefing	August 13, 2013
Reply to the PSE re: Clarification on the news article " GMA Network may scale down profit target"	September 20, 2013

Fire incident at GMA Network Center	September 30, 2013
* Presentation Materials used during the Financial Briefing * Press Release “ GMA Network ends first nine months with PhP 9.752 billion revenues”, Board approval of amendment to By-Laws	November 18, 2013
* Promotion and Appointment of officer – Lilybeth R. Rasonable	December 9, 2013
* Clarification of news article “ GMA, PLDT back to negotiating table”	December 9, 2013

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 ________________________on__________, 2014

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 _____ day of _________ 2014 affiants exhibiting to me their Passport Numbers/SSS Numbers, as follows:

APR 14 2014

Names	Passport No.	Date of Issue	Place of Issue
Felipe L. Gozon	EB7372600	Feb. 13, 2013	DFA, Manila
Gilberto R. Duavit, Jr.	EA0030704	Feb. 15, 2010	DFA, Manila
Felipe S. Yalong	EB7528245	March 1, 2013	DFA, Manila
Ronaldo P. Mastrili	EA0020825	January 6, 2010	DFA, Manila
Roberto O. Parel	SSS # 03-6637759-0		

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-35
UNTIL DECEMBER 31, 2015
ROLL OF ATTORNEY 48348
MCLE COMPLIANCE NO. IV-0016333
IBP NO. 706762 – LIFETIME MEMBER
PTR. NO. 422-5506 JAN 2, 2014
EXECUTIVE BLDG. CENTER
MAKATI AVE., COR. JUPITER

NOTARY PUBLIC

Doc. No. 122
Page No. 28
Book No. 37
Series of 2014

GMA NETWORK

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

April 2, 2014

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, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, 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

SUBSCRIBED AND SWORN to before me this APR 1 4 2014 day of 2014 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. 309
Page No. 63
Book No. 317
Series of 2014

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-35
UNTIL DECEMBER 31, 2014
ROLL OF ATTORNEY 48348
MCLE COMPLIANCE NO. IV-0016333
IBP NO. 706762 – LIFETIME MEMBER
PTR. NO. 422-5506 JAN 2, 2014
EXECUTIVE BLDG. CENTER
MAKATI AVE., COR., JUPITER

COVER SHEET

						5	2	1	3

SEC Registration Number

GMA NETWORK, INC. AND SUBSIDIARIES

(Group's Full Name)

GMA Network Center, Timog Avenue corner EDSA, Quezon City

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

Mr. Felipe S. Yalong
(Contact Person)

982-7777
(Group Telephone Number)

1	2		3	1

Month *Day*
(Fiscal Year)

A	A	C	F	S

(Form Type)

0	5		2	1

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1,742
Total No. of Stockholders

₱1,106,875,000
Domestic

₱–
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

GMA Network, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2013 and 2012
and Years Ended December 31, 2013, 2012 and 2011

and

Independent Auditors' Report

SGV
Building a better
working world

A member firm of Ernst & Young Global Limited

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
GMA Network, Inc.

We have audited the accompanying consolidated financial statements of GMA Network, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, 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, 2013, 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.

SGV
Building a better working world

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GMA Network, Inc. and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Ramon D. Dizon
Partner
CPA Certificate No. 46047
SEC Accreditation No. 0077-AR-3 (Group A),
February 21, 2013, valid until February 20, 2016
Tax Identification No. 102-085-577
BIR Accreditation No. 08-001998-17-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225167, January 2, 2014, Makati City

April 2, 2014

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

	December 31		January 1
	2013	2012 (As restated - Note 2)	2012 (As restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 6, 30 and 31)	**₱1,749,631,196**	₱1,287,285,560	₱1,228,721,246
Short-term investments (Notes 6, 30 and 31)	**7,874,002**	8,538,142	–
Trade and other receivables (Notes 7, 20, 30 and 31)	**3,521,430,443**	3,842,389,937	4,161,334,959
Program and other rights (Note 8)	**1,209,229,281**	1,189,140,670	729,998,151
Prepaid expenses and other current assets (Note 9)	**635,093,804**	765,576,161	742,793,269
Asset classified as held for sale (Note 15)	**–**	26,432,472	26,432,472
Total Current Assets	**7,123,258,726**	7,119,362,942	6,889,280,097
Noncurrent Assets			
Available-for-sale financial assets (Notes 10, 30 and 31)	**135,552,548**	106,343,598	105,796,848
Investments and advances (Notes 11 and 20)	**139,463,938**	132,825,989	125,436,274
Property and equipment at cost (Note 12)	**3,589,651,781**	3,621,092,076	3,253,617,325
Land at revalued amounts (Note 13)	**1,805,300,051**	1,409,585,706	1,409,585,706
Investment properties (Note 14)	**60,532,209**	64,751,405	68,029,711
Deferred tax assets - net (Note 28)	**88,150,862**	86,575,385	61,918,628
Other noncurrent assets (Note 15)	**142,026,836**	141,745,998	128,780,230
Total Noncurrent Assets	**5,960,678,225**	5,562,920,157	5,153,164,722
	₱13,083,936,951	₱12,682,283,099	₱12,042,444,819
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities (Notes 16, 20, 30 and 31)	**₱1,781,441,508**	₱1,586,203,314	₱1,443,691,506
Short-term loans (Notes 17, 30 and 31)	**1,106,875,000**	1,700,000,000	–
Income tax payable	**276,055,923**	196,608,438	93,651,733
Current portion of obligations for program and other rights (Notes 18, 30 and 31)	**141,096,456**	184,585,619	39,843,815
Dividends payable (Notes 30 and 31)	**8,868,629**	7,648,097	4,942,280
Total Current Liabilities	**3,314,337,516**	3,675,045,468	1,582,129,334
Noncurrent Liabilities			
Pension liability (Note 26)	**605,248,052**	406,944,434	410,432,455
Other long-term employee benefits (Notes 26, 30 and 31)	**264,368,057**	242,656,177	258,843,508
Deferred tax liabilities - net (Note 28)	**41,580,015**	144,250,390	132,605,086
Noncurrent portion of obligations for program and other rights (Notes 18, 30 and 31)	**33,330,130**	63,955,130	–
Total Noncurrent Liabilities	**944,526,254**	857,806,131	801,881,049
Total Liabilities	**4,258,863,770**	4,532,851,599	2,384,010,383

(Forward)

	December 31		January 1
	2013	2012 (As restated - Note 2)	2012 (As restated - Note 2)
Equity Attributable to Equity Holders of the Parent Company			
Capital stock (Note 19)	**₱4,864,692,000**	₱4,864,692,000	₱4,864,692,000
Additional paid-in capital	**1,659,035,196**	1,659,035,196	1,659,035,196
Revaluation increment in land - net of tax (Note 13)	**1,021,158,064**	744,158,022	744,158,022
Remeasurement gain (loss) on retirement plans - net of tax	**(24,953,087)**	35,347,937	(42,731,226)
Net unrealized gain on available-for-sale financial assets - net of tax (Note 10)	**3,083,187**	4,065,927	2,752,687
Retained earnings (Note 19)	**1,299,681,650**	847,781,404	2,439,766,439
Treasury stocks (Note 19)	**(28,483,171)**	(28,483,171)	(28,483,171)
Underlying shares of the acquired Philippine Deposit Receipts (Note 19)	**(5,790,016)**	(5,790,016)	(5,790,016)
Total Equity Attributable to Parent Company	**8,788,423,823**	8,120,807,299	9,633,399,931
Equity Attributable to Non-controlling Interest (Note 2)	**36,649,358**	28,624,201	25,034,505
Total Equity	**8,825,073,181**	8,149,431,500	9,658,434,436
	₱13,083,936,951	₱12,682,283,099	₱12,042,444,819

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
NET REVENUES (Note 21)	**₱12,950,879,322**	₱12,085,934,970	₱11,421,725,686
PRODUCTION COSTS (Note 22)	**5,956,381,705**	5,285,143,492	5,167,039,013
GROSS PROFIT	**6,994,497,617**	6,800,791,478	6,254,686,673
GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	**4,608,945,146**	4,518,636,519	4,087,739,232
OTHER INCOME (EXPENSE)			
Interest expense and financing charges (Note 17)	**(53,115,234)**	(42,907,736)	(11,486,044)
Net foreign currency exchange loss	**(31,320,982)**	(23,660,355)	(5,772,109)
Interest income (Note 6)	**23,990,805**	34,740,879	28,581,677
Equity in net losses of joint ventures (Note 11)	**(5,362,051)**	–	–
Others - net (Notes 25 and 27)	**67,561,044**	64,022,050	56,854,152
	1,753,582	32,194,838	68,177,676
INCOME BEFORE INCOME TAX	**2,387,306,053**	2,314,349,797	2,235,125,117
PROVISION FOR INCOME TAX (Note 28)			
Current	**909,190,340**	740,211,754	564,101,113
Deferred	**(196,859,299)**	(46,634,794)	(38,796,573)
	712,331,041	693,576,960	525,304,540
NET INCOME	**1,674,975,012**	1,620,772,837	1,709,820,577
OTHER COMPREHENSIVE INCOME (LOSS) - net of tax			
Item to be reclassified to profit or loss in subsequent periods -			
Unrealized gain (loss) on available-for-sale financial assets (Note 10)	**(982,740)**	1,313,240	757,000
Items not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment in land (Note 13)	**277,000,042**	–	–
Remeasurement gain (loss) on retirement plans	**(60,301,024)**	77,784,655	(64,743,592)
	215,716,278	79,097,895	(63,986,592)
TOTAL COMPREHENSIVE INCOME	**₱1,890,691,290**	₱1,699,870,732	₱1,645,833,985
Net income attributable to:			
Equity holders of the Parent Company	**₱1,666,949,855**	₱1,616,888,633	₱1,704,619,533
Non-controlling interest	**8,025,157**	3,884,204	5,201,044
	₱1,674,975,012	₱1,620,772,837	₱1,709,820,577
Other comprehensive income attributable to:			
Equity holders of the Parent Company	**₱215,716,278**	₱79,392,403	(₱63,986,592)
Non-controlling interest	–	(294,508)	–
	₱215,716,278	₱79,097,895	(₱63,986,592)
Basic / Diluted Earnings Per Share (Note 29)	**₱0.343**	₱0.333	₱0.351

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 in Land - Net of Tax (Note 13)	Remeasurement Gain (Loss) on Retirement Plans -Net of Tax	Net Unrealized Gain on Available-for-sale Financial Assets - Net of Tax (Note 10)	Retained Earnings (Note 19)	Treasury Stock (Note19)	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, 2013, as previously stated	₱4,864,692,000	₱1,659,035,196	₱744,158,022	₱36,532,250	₱4,065,927	₱995,846,674	(₱28,483,171)	(₱5,790,016)	₱8,270,056,882	₱–	₱8,270,056,882
Effect of adoption of PFRS 10 (Note 2)	–	–	–	(1,184,313)	–	(148,065,270)	–	–	(149,249,583)	28,624,201	(120,625,382)
Balances at January 1, 2013, as restated	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, as previously stated	₱4,864,692,000	₱1,659,035,196	₱744,158,022	(₱41,829,871)	₱2,752,687	₱2,587,831,709	(₱28,483,171)	(₱5,790,016)	₱9,782,366,556	₱–	₱9,782,366,556
Effect of adoption of PFRS 10 (Note 2)	–	–	–	(901,355)	–	(148,065,270)	–	–	(148,966,625)	25,034,505	(123,932,120)
Balances at January 1, 2012, as restated	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, as previously stated	–	–	–	–	–	1,616,888,633	–	–	1,616,888,633	–	1,616,888,633
Effect of adoption of PFRS 10:											
Share in net income (Note 2)	–	–	–	–	–	3,731,882	–	–	3,731,882	3,884,204	7,616,086
Reversal of equity share	–	–	–	–	–	(3,731,882)	–	–	(3,731,882)	–	(3,731,882)
Net income, as restated	–	–	–	–	–	1,616,888,633	–	–	1,616,888,633	3,884,204	1,620,772,837
Other comprehensive income, as previously stated	–	–	–	78,362,121	1,313,240	–	–	–	79,675,361	–	79,675,361
Effect of adoption of PFRS 10 (Note 2)	–	–	–	(282,958)	–	–	–	–	(282,958)	(294,508)	(577,466)
Total comprehensive income, as restated	–	–	–	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, as restated	₱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

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 19)	**Additional Paid-in Capital**	**Revaluation Increment in Land** - Net of Tax (Note 13)	**Remeasurement Gain (Loss) on Retirement Plans** -Net of Tax	**Net Unrealized Gain on Available-for-sale Financial Assets** - Net of Tax (Note 10)	**Retained Earnings** (Note 19)	**Treasury Stock** (Note19)	**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, 2011, as previously stated	₱4,864,692,000	₱1,659,035,196	₱744,158,022	₱22,913,721	₱1,995,687	₱3,070,279,169	(₱28,483,171)	(₱5,790,016)	₱10,328,800,608	₱–	₱10,328,800,608
Effect of adoption of PFRS 10 (Note 2)	–	–	–	(901,355)	–	(148,042,966)	–	–	(148,944,321)	19,833,461	(129,110,860)
Balances at January 1, 2011, as restated	4,864,692,000	1,659,035,196	744,158,022	22,012,366	1,995,687	2,922,236,203	(28,483,171)	(5,790,016)	10,179,856,287	19,833,461	10,199,689,748
Net income, as previously stated	–	–	–	–	–	1,704,641,837	–	–	1,704,641,837	–	1,704,641,837
Effect of adoption of PFRS 10:											
Share in net income (Note 2)	–	–	–	–	–	4,997,082	–	–	4,997,082	5,201,044	10,198,126
Reversal of equity share (Note 2)	–	–	–	–	–	(5,019,386)	–	–	(5,019,386)	–	(5,019,386)
Net income, as restated	–	–	–	–	–	1,704,619,533	–	–	1,704,619,533	5,201,044	1,709,820,577
Other comprehensive income (loss)	–	–	–	(64,743,592)	757,000	–	–	–	(63,986,592)	–	(63,986,592)
Total comprehensive income (loss)	–	–	–	(64,743,592)	757,000	1,704,619,533	–	–	1,640,632,941	5,201,044	1,645,833,985
Cash dividends - ₱0.45 a share (Note 19)	–	–	–	–	–	(2,187,089,297)	–	–	(2,187,089,297)	–	(2,187,089,297)
Balances at December 31, 2011, as restated	₱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

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,387,306,053**	₱2,314,349,797	₱2,235,125,117
Non-cash adjustments to reconcile income before income tax to net cash flows:			
Depreciation and amortization (Notes 12, 14, 22 and 23)	**705,440,885**	610,002,917	518,764,761
Program and other rights usage (Notes 8 and 22)	**565,357,691**	460,937,465	317,520,415
Pension expense (Note 26)	**116,158,183**	120,401,310	90,741,183
Interest expense and financing charges	**53,115,234**	42,907,736	11,486,044
Net unrealized foreign currency exchange loss (gain)	**45,628,791**	2,507,337	(3,312,399)
Amortization of software costs (Notes 15 and 23)	**30,995,844**	27,733,938	25,711,619
Interest income (Note 6)	**(23,990,805)**	(34,740,879)	(28,581,677)
Dividend income (Note 25)	**(22,130,300)**	(1,394,334)	(41,729)
Gain on sale of property and equipment (Note 25)	**(11,243,730)**	(29,045,447)	(16,040,347)
Equity in net losses of joint ventures (Note 11)	**5,362,051**	–	–
Loss on asset written off (Notes 14 and 25)	**2,703,576**	–	–
Provisions for impairment loss on:			
AFS financial assets (Notes 10 and 23)	**1,053,550**	1,053,550	–
Advances to joint venture (Notes 11 and 23)	**–**	2,610,287	–
Reversal of impairment loss on investment properties (Notes 14 and 25)	**–**	–	(4,990,219)
Working capital adjustments:			
Decreases (increases) in:			
Short-term investments	**664,140**	(8,538,142)	–
Trade and other receivables	**332,650,827**	319,057,445	1,315,195,961
Program and other rights	**(585,446,302)**	(920,079,984)	(489,445,973)
Prepaid expenses and other current assets	**130,482,357**	(22,782,892)	(107,695,130)
Increases (decreases) in:			
Trade payables and other current liabilities	**185,598,970**	141,445,141	(105,719,119)
Obligations for program and other rights	**(76,383,888)**	209,399,888	(37,221,513)
Other long-term employee benefits	**21,711,880**	(16,187,331)	65,176,159
Contributions to retirement plan assets (Note 26)	**(3,578,687)**	–	(3,508,621)
Benefits paid out of Group's fund	**(420,198)**	(12,768,395)	(6,036,107)
Cash flows provided by operations	**3,861,036,122**	3,206,869,407	3,777,128,425
Interest received	**24,023,042**	35,878,401	28,769,014
Income taxes paid	**(829,742,855)**	(637,255,049)	(711,633,801)
Net cash provided by operating activities	**3,055,316,309**	2,605,492,759	3,094,263,638

(Forward)

	Years Ended December 31		
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 12)	**(₱672,652,227)**	(₱976,038,618)	(₱903,210,615)
Software costs (Note 15)	**(12,309,842)**	(35,652,642)	(34,675,997)
Investment in joint venture (Note 11)	**–**	(10,000,000)	–
Investment properties (Note 14)	**(1,846,519)**	–	(2,815,163)
Land at revalued amount	**–**	–	(6,463,241)
Proceeds from sale of property and equipment	**13,257,506**	30,884,703	22,693,438
Decrease (increase) in other noncurrent assets	**7,465,632**	(5,047,064)	(2,299,345)
Cash dividends received	**–**	144,387	1,439,038
Net cash used in investing activities	**(666,085,450)**	(995,709,234)	(925,331,885)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of short-term loans (Note 17)	**1,825,000,000**	3,200,000,000	950,000,000
Payments of:			
Short-term loans (Note 17)	**(2,500,000,000)**	(1,500,000,000)	(950,000,000)
Cash dividends (Note 19)	**(1,213,829,077)**	(3,206,167,851)	(2,187,640,052)
Interest and financing charges	**(52,848,510)**	(41,841,069)	(11,486,044)
Net cash used in financing activities	**(1,941,677,587)**	(1,548,008,920)	(2,199,126,096)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**447,553,272**	61,774,605	(30,194,343)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**14,792,364**	(3,210,291)	4,783,599
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,287,285,560**	1,228,721,246	1,254,131,990
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱1,749,631,196**	₱1,287,285,560	₱1,228,721,246

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

GMA Network, Inc. (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 Securities and Exchange Commission (SEC) on June 14, 1950.

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

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 accompanying consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution of the BOD on April 2, 2014.

2. Basis of Preparation, Changes in Accounting Policies and Disclosures and Basis of Consolidation

<u>Basis of Preparation</u>
The accompanying consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets and land used in operations, 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.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at January 1, 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policy.

Changes in Accounting Policies and Disclosures

The Philippine Accounting Standard (PAS) 19, *Employee Benefits* (Revised), becomes effective for annual periods beginning on or after January 1, 2013 but was early adopted by the Group on January 1, 2012. The Group applied the changes in accounting policies retrospectively, restated its balances from the earliest period presented and disclosed the impact of the adoption on the balances in the Group's December 31, 2012 consolidated financial statements.

The Group applied, for the first time, PFRS 10, *Consolidated Financial Statements*, that requires restatement of previous consolidated financial statements. Several other new and amended standards and interpretations were applied for the first time in 2013. The nature and impact of each new and amended standards and interpretations are described below.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments), the amendment requires 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 offset 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 offset 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 Group does not have significant offsetting arrangement, thus, the adoption of this amendment does not have impact on the consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements*, replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities.* PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by the Parent Company, compared with the requirements in PAS 27.

  The application of PFRS 10 affected the accounting for the Group's interest in RGMA Network, Inc. (RGMA). For all financial years up to December 31, 2012, RGMA was considered to be an associate under the previously existing PAS 28, *Investments in Associates*, and was accounted for using the cost method in the Parent Company financial statements and the equity method in the consolidated financial statements. At the date of initial application of

PFRS 10, the Group assessed that it controls RGMA based on the factors explained in Note 2, *Basis of Consolidation.*

The Group consolidated the financial statements of RGMA based on its 49% equity interest and accounted for the balance of 51% as non-controlling interests. The assets, liabilities and equity of RGMA have been retrospectively consolidated in the financial statements of the Group. Non-controlling interests have been recognized at a proportionate share of the net assets of the subsidiary. The opening balances as at January 1, 2011 and comparative information for years ended December 31, 2012 and 2011 have been restated in the consolidated financial statements.

The quantitative impact on the financial statements is provided below.

Impact on statements of comprehensive income (increase/(decrease) in total comprehensive income) for the years ended December 31:

	2013 *In thousands*	2012 *In thousands*	2011 *In thousands*
Revenues	₱–	₱–	₱–
Cost of goods sold	69,522	65,375	62,072
Gross profit	69,522	65,375	62,072
Expenses	(88,888)	(79,414)	(76,714)
Finance cost	1	4	7
Equity in net loss of an associate	–	3,732	5,019
Interest income	(1)	(15)	(14)
Others	(3,110)	3,176	2
Income before income tax	22,476	7,142	9,628
Provision for income tax	6,741	3,258	4,427
Total net income	15,735	3,884	5,201
Other comprehensive loss	–	(577)	–
Total comprehensive income	₱15,735	₱3,307	₱5,201
Net income attributable to:			
Equity holders of the Parent Company	₱7,710	₱–	₱–
Non-controlling interest	8,025	3,884	5,201
Other comprehensive income attributable to:			
Equity holders of the Parent Company	–	(283)	–
Non-controlling interest	–	(295)	–

As a result of the application of PFRS 10, the retained earnings attributable to the parent company had decreased by ₱148.02 million and the non-controlling interest had increased by ₱19.83 million as at January 1, 2011.

The transition did not have any significant impact on the Group's basic or diluted earnings per share (EPS).

- PFRS 11, *Joint Arrangements,* replaces PAS 31, *Interests in Joint Ventures* and SIC 13, *Jointly-controlled Entities (JCEs) - Nonmonetary Contributions by Venturers.* PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The Group's interests in joint ventures are accounted for using the equity method based on the percentage share of capitalization of the Group in accordance with the joint venture agreements.

- PFRS 12, *Disclosure of Interests in Other Entities*, sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Group's non-controlling interest is immaterial and there are no unconsolidated structured entities. PFRS 12 disclosures are provided in Note 11.

- PFRS 13, *Fair Value Measurement*, 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. PFRS 13 defines fair value as an exit price.

  As a result of the guidance in PFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 3.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (Amendments), becomes effective for annual periods beginning on or after July 1, 2012. The amendment to PAS 1 changed grouping of items presented in Other Comprehensive Income (OCI). Items that may be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendment was applied retrospectively and resulted to modification of the presentation of OCI.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011). As a consequence of the issuance 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. This standard affects the disclosures of the consolidated financial statements.

The following new and amended PFRS, PAS and Philippine Interpretations are not applicable to the Group. Thus, adoption of these standards has no impact on the consolidated financial statements:

- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans (Amendments*). The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

- PAS 27, *Separate Financial Statements* (as revised in 2011). As a consequence of the issuance 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 the separate financial statements.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine.* This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part.

The *Annual Improvements to PFRS (2009-2011 Cycle)* contain non-urgent but necessary amendments to PFRS. The Group does not expect these amendments to have significant impact on its consolidated financial statements.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*. The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirement for Comparative Information.* The amendment clarifies the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment.* The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise.

- PAS 32, *Financial Instruments - Tax Effect of Distribution to Holders of Equity Instruments.* The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities.* The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment.

Future Changes in Accounting Policies

The Group will adopt the following new standard, interpretation, amendments and improvements to existing standards when these become effective. Except as otherwise indicated, the Group does not expect these changes to have a significant impact on its consolidated financial statements.

Effective in 2014

- *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27).* The amendment becomes effective for annual periods beginning on or after January 1, 2014. They 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.

- Philippine Interpretation IFRIC 21, *Levies*. This interpretation becomes effective for annual periods beginning on or after January 1, 2014. This 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.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments). The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments 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.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments). The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments). The amendments become effective for annual periods beginning on or after January 1, 2014. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

Effective in 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments). The amendments are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.

Annual Improvements to PFRS (2010-2012 Cycle). The Annual Improvements to PFRS (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition.* The amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination.* The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. 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, *Financial Instruments* (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.* These amendments are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. The amendments only affect the Group's financial statements disclosures.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables.* The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendments only affect the Group's financial statements disclosures.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation,* becomes effective for annual periods beginning on or after July 1, 2014 after the date of initial application of this amendment and in the immediately preceding annual period. 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.

- PAS 24, *Related Party Disclosures - Key Management Personnel,* becomes effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. 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,* becomes effective for annual periods beginning on or after July 1, 2014. 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. 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.

Annual Improvements to PFRS (2011-2013 Cycle). The Annual Improvements to PFRS (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective 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 that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangement.* The amendment becomes effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception,* becomes effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts.

- PAS 40, *Investment Property,* becomes effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. 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.

Standard with No Mandatory Effectivity

- PFRS 9, *Financial Instruments*, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. 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 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.

  On hedge accounting, 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 financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

Interpretation with Deferred Effective Date

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate.* This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting

Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries, which are all incorporated in the Philippines, as at December 31, 2013 and 2012:

	Principal Activities	Percentage of Ownership	
		Direct	Indirect
Entertainment Business:			
Alta Productions Group, Inc.	Pre- and post-production services	100	–
Citynet Network Marketing and Productions, Inc.	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	–
RGMA Marketing and Productions, Inc.	Music recording, publishing and video distribution	100	–
RGMA	Radio broadcasting and management	49	–
Scenarios, Inc.*	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation services	–	100
Script2010, Inc.**	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation and manpower services	–	100
Advertising Business:			
GMA Marketing & Productions, Inc. (GMPI)	Exclusive marketing and sales arm of GMA's airtime; events management; sales implementation, traffic services and monitoring	100	–
Digify, Inc. (Digify)***	Crafting, planning and handling advertising and other forms of promotion including multi-media productions	–	100
Others:			
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

**Under liquidation*
***Indirectly owned through Citynet*
****Indirectly owned through GNMI*
*****Indirectly owned through Alta; ceased commercial operations in 2004*

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

The Group reassesses 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 Group obtains control over the subsidiary and ceases when the Group 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 statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent 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.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately in the consolidated statement of income and within the equity section of the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company. This includes the equity interest in RGMA Network.

The Group does not have subsidiaries that have non-controlling interests that are material to the Group.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation adjustments recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets and liabilities.

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

Additional Investments in Joint Venture (see Note 11)
On November 15, 2013, the Group, through GNMI, converted its cash advance to Philippine Entertainment Portal (PEP), a joint venture, amounting to ₱12.00 million into additional shares of stock in PEP.

In March 2012, the Group through GNMI, invested ₱10.00 million for its joint venture with Manila Jockey Club (MJC), Inc. called “Gamespan, Inc.” (Gamespan). Gamespan has not yet started commercial operations as at December 31, 2013.

3. Summary of Significant Accounting Policies

Current and Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification.

An asset is current when it is expected to be realized or intended to be sold or consumed in the normal operating cycle or within twelve (12) months after the statement of financial position date, when it is held primarily for the purpose of trading, or cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the statement of financial position date. All other assets are classified as noncurrent.

A liability is current when it is expected to be settled in normal operating cycle or due to be settled within twelve (12) months after the statement of financial position date, when it is held primarily for trading, or when there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the statement of financial position date. All other liabilities are classified as noncurrent.

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.

Financial Assets

Initial Recognition and Measurement. Financial assets are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and where appropriate, re-evaluates such designation at every reporting period.

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 Group commits to purchase or sell the asset.

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 positions) and AFS financial assets.

As at December 31, 2013 and 2012, the Group does not have any financial asset at FVPL, HTM investments or derivatives designated as hedging instruments.

"Day 1 Difference". 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 Group recognizes the difference between the transaction price and fair value of the financial instruments (a "Day 1 Difference") 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 Group determines the appropriate method of recognizing the "Day 1" difference amount.

Subsequent Measurement. The subsequent measurement of financial assets depends on their classification as described below:

- 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 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 under "General and administrative expenses" account in the statements of comprehensive income.

- AFS financial assets. AFS financial assets include equity investments. Equity investments classified as AFS are those that are neither classified as neither held for trading nor designated at FVPL.

  After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the "Unrealized gain (loss) on AFS financial assets" account until the investment is derecognized, at which time the cumulative gain or loss is recognized in other income, or the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the "Unrealized gain (loss) on AFS financial assets" account to profit or loss under other expense.

  AFS equity investments whose fair value cannot be reliably measured are measured at cost less any impairment. If a reliable measure of fair value subsequently becomes available, the asset is remeasured at that fair value, and the gain or loss recognized in other comprehensive income (provided it is not impaired). If a reliable measure ceases to be available, the AFS equity investment is thereafter measured at cost, which is deemed to be the fair value on that date. Any gain or loss previously recognized in other comprehensive income shall remain in equity until the asset has been sold, otherwise disposed of or impaired, at which time it is reclassified to profit or loss.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

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 Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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, 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 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.

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 Group could be required to repay.

Impairment of Financial Assets. The Group 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 Group 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 Group 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. 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 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 accrued interest is shown under 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 Group. 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 previous write-off is later recovered, the recovery is credited to interest expense in profit or loss.

- AFS financial assets. For AFS financial assets, the Group assesses at each reporting period whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. When 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 investment previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified as financial liabilities at FVPL and loans and borrowings. The Group 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 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, 2013 and 2012, the Group does not have financial liabilities at FVPL.

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using 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 amortization is included as 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 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, therefore, the related assets and liabilities are presented at gross in the consolidated statements of financial position.

Determination of Fair Value

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 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.

<u>Program and Other Rights</u>
Program and other rights with finite and infinite lives are stated at amortized cost less any impairment in value. The cost of programs and other rights with finite lives is amortized based on the manner and pattern of usage of the acquired rights and are fully amortized on the date of expiry. 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 (10) years with salvage value of 10% of the total cost. Amortization expense is shown as "Program and other rights usage".

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.

<u>Prepaid Production Costs</u>
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 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, 2013 and 2012, the Group's tax credits are classified as current.

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.

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. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

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.

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 associates and joint ventures", which is the profit (loss) attributable to equity holders of the associates.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in associate. The Group determines at each reporting period whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the "Others - net" account in the consolidated statements of comprehensive income.

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

Interests in Joint Ventures. This account consists of interests in and permanent advances to 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. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. 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 in land" 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" 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	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 and software costs 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 cash-generating unit 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.

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 reclassified to deferred liability under "Customers deposits" account 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.

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 one of its subsidiaries 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 "Other expense or income" 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.

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

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

Employee Leave 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 an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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 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 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 interest in joint ventures, deferred 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 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 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 tax assets to be recovered.

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

- where the deferred 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 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 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.

Value-added Tax (VAT). Revenues, 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 expenses and other current assets” or “Trade payables and other current liabilities” accounts in the consolidated statements of financial position.

Earnings Per Share
Basic EPS is computed by dividing the net income, 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.

Diluted EPS is calculated by dividing the net income (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 (see Note 5). 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.

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. In January 2011, the Group, through GNMI's BOD, announced its decision to dispose of its shareholdings in X-Play Online Games Incorporated (X-Play), a joint venture. The Group assessed that the interest in X-Play met the criteria to be classified as held for sale at that date for the following reasons:

- X-Play is available for immediate sale and can be sold to a potential buyer in its current condition.

- GNMI's BOD had entered into preliminary negotiations with a potential buyer.

- IP E-Games Ventures, Inc. (IPE) and GNMI subsequently executed an option agreement whereby GNMI was granted an option to sell its shareholdings in X-Play to IPE, which can be exercised within a period of one (1) year from execution date on October 19, 2011.

  On March 19, 2013, GNMI and IPE extended until June 30, 2013 the exercise period of the option agreement.

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 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 even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of RGMA with a 49% equity interest. The remaining 51% of the equity shares in RGMA are owned by several parties. Since September 27, 1995, which is the date of incorporation of RGMA, 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 venture amounted to ₱16.64 million and ₱10.00 million as at December 31, 2013 and 2012, 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 ₱919.49 million, ₱787.88 million and ₱851.99 million in 2013, 2012 and 2011, 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 ₱44.80 million, ₱40.00 million and ₱67.20 million in 2013, 2012 and 2011, 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 under "Trade payables and other current liabilities" account in the consolidated statements of financial position amounted to ₱17.26 million and ₱11.29 million as at December 31, 2013 and 2012, respectively, while other employee benefits classified as noncurrent amounted to ₱264.37 million and ₱242.66 million as at December 31, 2013 and 2012, 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 ₱0.85 million, ₱35.79 million and ₱24.63 million in 2013, 2012 and 2011, respectively (see Note 23). Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱3,521.43 million and ₱3,842.39 million as at December 31, 2013 and 2012, respectively (see Note 7).

Amortization of Program and Other Rights. The Group estimates the amortization of program and other rights with finite lives based on the manner and pattern of usage of the acquired rights. 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 ₱565.36 million, ₱460.94 million and ₱317.52 million in 2013, 2012 and 2011, respectively (see Note 22). Program and other rights, net of accumulated impairment loss, amounted to ₱1,209.23 million and ₱1,189.14 million as at December 31, 2013 and 2012, respectively (see Note 8).

Impairment of AFS Financial Assets. The Group treats AFS financial assets as 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 determination of what is “significant” or “prolonged” requires judgment. The Group treats “significant” generally as a decline of 20% or more below of the original cost of investment, and “prolonged” as period longer than twelve (12) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Provision for impairment loss amounted to ₱1.05 million each in 2013 and 2012 and nil in 2011 (see Note 23). The carrying value of AFS financial assets amounted to ₱135.55 million and ₱106.34 million as at December 31, 2013 and 2012, 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 ₱58.58 million and ₱72.47 million as at December 31, 2013 and 2012, respectively (see Note 9). There were no provisions for inventory losses in 2013, 2012 and 2011.

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 2013 and 2012.

Revaluation of Land. The Group engages an independent 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 independent 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 ₱1,805.30 million, and ₱1,409.59 million as at December 31, 2013 and 2012 (see Note 13).

Impairment of Nonfinancial Assets. For prepaid production costs, tax credits, investments and advances, property and equipment, investment properties 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 cash-generating unit to which the asset belongs.

Provision for impairment loss on the advances to joint venture amounted to nil in 2013 and 2011 and ₱2.61 million in 2012 (see Notes 11 and 23).

The balance of nonfinancial assets as at December 31 follows:

	2013	2012 (As restated - see Note 2)
Property and equipment (see Note 12)	**₱3,589,651,781**	₱3,621,092,076
Investments and advances (see Note 11)	**139,463,938**	132,825,989
Tax credits (see Note 9)	**117,846,102**	118,795,762
Prepaid production costs (see Note 9)	**84,826,707**	181,683,840
Investment properties (see Note 14)	**60,532,209**	64,751,405
Software costs (see Note 15)	**37,654,045**	56,340,047
	₱4,029,974,782	₱4,175,489,119

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 Tax Assets. The Group reviews the carrying amounts of deferred tax assets on nondeductible temporary differences and carryforward benefits of NOLCO and excess MCIT over RCIT at each reporting date and reduces deferred 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 ₱513.65 million and ₱287.72 million as at December 31, 2013 and 2012, respectively, while unrecognized deferred tax assets amounted to ₱20.90 million and ₱16.84 million as at December 31, 2013 and 2012, respectively (see Note 28).

Pension 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 ₱605.25 million and ₱406.94 million as at December 31, 2013 and 2012, respectively (see Note 26).

Fair Value of Financial Assets and Liabilities. The Group carries AFS financial assets at fair value, which requires extensive use of accounting estimates and judgments. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates). However, the timing and amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in the fair value of AFS financial assets would affect the statements of comprehensive income. The fair value of financial assets and liabilities are enumerated in Note 31.

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 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, its 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 consisting 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 amounts to 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		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Net Revenues															
External sales	**₱11,738,449,260**	₱10,827,122,279	₱10,220,121,120	**₱977,812,319**	₱956,293,603	₱964,592,031	**₱234,617,743**	₱302,519,088	₱237,012,535	**₱–**	₱–	₱–	**₱12,950,879,322**	₱12,085,934,970	₱11,421,725,686
Inter-segment sales	**–**	–	–	**–**	–	–	**761,156,750**	909,768,842	738,422,987	**(761,156,750)**	(909,768,842)	(738,422,987)	**–**	–	–
	₱11,738,449,260	₱10,827,122,279	₱10,220,121,120	**₱977,812,319**	₱956,293,603	₱964,592,031	**₱995,774,493**	₱1,212,287,930	₱975,435,522	**(₱761,156,750)**	(₱909,768,842)	(₱738,422,987)	**₱12,950,879,322**	₱12,085,934,970	₱11,421,725,686
Results															
Segment results	**₱1,816,913,584**	₱1,763,346,005	₱1,742,645,085	**₱531,126,610**	₱513,773,226	₱383,801,150	**₱37,512,277**	₱5,035,728	₱40,501,206	**₱–**	₱–	₱–	**₱2,385,552,471**	₱2,282,154,959	₱2,166,947,441
Interest expenses and financing charges	**(52,852,451)**	(42,706,120)	(1,659,872)	**–**	–	–	**(262,783)**	(201,616)	(9,826,172)	**–**	–	–	**(53,115,234)**	(42,907,736)	(11,486,044)
Interest income from bank deposits and short-term investments	**19,267,743**	33,632,100	27,501,787	**–**	–	–	**4,723,062**	1,108,779	1,079,890	**–**	–	–	**23,990,805**	34,740,879	28,581,677
Net foreign currency exchange gains (losses)	**(49,515,631)**	(9,787,771)	(7,456,656)	**17,340,273**	(13,336,636)	1,404,234	**854,376**	(535,948)	280,313	**–**	–	–	**(31,320,982)**	(23,660,355)	(5,772,109)
Equity in net losses of joint ventures	**–**	–	–	**–**	–	–	**(5,362,051)**	–	–	**–**	–	–	**(5,362,051)**	–	–
Other income - net	**66,633,028**	67,569,107	54,130,092	**–**	–	–	**928,016**	(547,057)	2,724,060	**–**	(3,000,000)	–	**67,561,044**	64,022,050	56,854,152
Provision for income tax	**(535,160,705)**	(540,707,890)	(512,292,726)	**(159,337,983)**	(127,639,914)	–	**(17,832,353)**	(25,229,156)	(13,011,814)	**–**	–	–	**(712,331,041)**	(693,576,960)	(525,304,540)
Net income	**₱1,265,285,568**	₱1,271,345,431	₱1,302,867,710	**₱389,128,900**	₱372,796,676	₱385,205,384	**₱20,560,544**	(₱20,369,270)	₱21,747,483	**₱–**	(₱3,000,000)	₱–	**₱1,674,975,012**	₱1,620,772,837	₱1,709,820,577
Assets and Liabilities															
Segment assets	**₱11,655,665,602**	₱11,657,844,976	₱11,338,685,365	**₱1,365,518,823**	₱932,477,981	₱728,372,278	**₱853,416,184**	₱946,239,689	₱959,201,750	**(₱933,803,088)**	(₱989,205,551)	(₱1,084,083,821)	**₱12,940,797,521**	₱12,547,357,095	₱11,942,175,572
Investments in associates and interests in joint ventures - at equity	**38,350,619**	38,350,619	38,350,619	**–**	–	–	**16,637,949**	10,000,000	–	**–**	–	–	**54,988,568**	48,350,619	38,350,619
Deferred tax assets	**–**	–	–	**–**	–	–	**88,150,862**	86,575,385	61,918,628	**–**	–	–	**88,150,862**	86,575,385	61,918,628
Total assets	**₱11,694,016,221**	₱11,696,195,595	₱11,377,035,984	**₱1,365,518,823**	₱932,477,981	₱728,372,278	**₱958,204,995**	₱1,042,815,074	₱1,021,120,378	**(₱933,803,088)**	(₱989,205,551)	(₱1,084,083,821)	**₱13,083,936,951**	₱12,682,283,099	₱12,042,444,819
Segment liabilities	**₱3,890,259,616**	₱3,999,688,501	₱2,227,957,921	**₱188,876,025**	₱200,966,316	₱11,127,701	**₱839,168,812**	₱1,068,255,438	₱999,600,053	**(₱701,020,698)**	(₱880,309,046)	(₱987,280,378)	**₱4,217,283,755**	₱4,388,601,209	₱2,251,405,297
Deferred tax liabilities	**41,580,015**	144,250,390	132,605,086	**–**	–	–	**–**	–	–	**–**	–	–	**41,580,015**	144,250,390	132,605,086
Total liabilities	**₱3,931,839,631**	₱4,143,938,891	₱2,360,563,007	**₱188,876,025**	₱200,966,316	₱11,127,701	**₱839,168,812**	₱1,068,255,438	₱999,600,053	**(₱701,020,698)**	(₱880,309,046)	(₱987,280,378)	**₱4,258,863,770**	₱4,532,851,599	₱2,384,010,383
Other Segment Information															
Capital expenditures:															
Program and other rights and software cost	**₱597,095,966**	₱922,148,651	₱496,117,077	**₱–**	₱–	₱–	**₱660,178**	₱33,583,795	₱28,004,893	**₱–**	₱–	₱–	**₱597,756,144**	₱955,732,446	₱524,121,970
Property and equipment	**670,584,702**	956,155,200	883,305,571	**–**	9,830,044	7,175,550	**2,067,525**	10,053,374	12,729,494	**–**	–	–	**672,652,227**	976,038,618	903,210,615
Investment properties	**1,846,519**	–	664,163	**–**	–	–	**–**	–	2,151,000	**–**	–	–	**1,846,519**	–	2,815,163
Depreciation and amortization	**722,578,955**	1,079,790,144	845,948,317	**–**	6,455,694	2,810,477	**579,215,465**	12,428,482	13,238,001	**–**	–	–	**1,301,794,420**	1,098,674,320	861,996,795
Noncash expenses other than depreciation and amortization	**–**	–	–	**–**	11,761,460	1,581,249	**–**	–	–	**–**	(11,761,460)	(1,581,249)	**–**	–	–

Geographical Segment Data

	Local														
	Television and radio airtime			Other Businesses			International Subscriptions			Eliminations			Consolidated		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Net Revenues															
External sales	**₱11,553,967,967**	₱10,846,467,691	₱10,220,121,120	**₱423,388,069**	₱256,123,892	₱237,012,535	**₱973,523,286**	₱983,343,387	₱964,592,031	**₱–**	₱–	₱–	**₱12,950,879,322**	₱12,085,934,970	₱11,421,725,686
Inter-segment sales	**–**	–	–	**144,517,054**	904,105,069	738,422,987	**–**	–	–	**(144,517,054)**	(904,105,069)	(738,422,987)	**–**	–	–
Total net revenues	**₱11,553,967,967**	₱10,846,467,691	₱10,220,121,120	**₱567,905,123**	₱1,160,228,961	₱975,435,522	**₱973,523,286**	₱983,343,387	₱964,592,031	**(₱144,517,054)**	(₱904,105,069)	(₱738,422,987)	**₱12,950,879,322**	₱12,085,934,970	₱11,421,725,686
Results															
Segment results	**₱1,816,913,584**	₱1,763,346,005	₱1,742,645,085	**₱37,512,277**	₱5,035,728	₱40,501,206	**₱531,126,610**	₱513,773,226	₱383,801,150	**₱–**	₱–	₱–	**₱2,385,552,471**	₱2,282,154,959	₱2,166,947,441
Interest expenses and financing charges	**(52,852,451)**	(42,706,120)	(1,659,872)	**(262,783)**	(201,616)	(9,826,172)	**–**	–	–	**–**	–	–	**(53,115,234)**	(42,907,736)	(11,486,044)
Interest income from bank deposits and short-term investments	**19,267,743**	33,632,100	27,501,787	**4,723,062**	1,108,779	1,079,890	**–**	–	–	**–**	–	–	**23,990,805**	34,740,879	28,581,677
Net foreign currency exchange gains (losses)	**(49,515,631)**	(9,787,771)	(7,456,656)	**854,376**	(535,948)	280,313	**17,340,273**	(13,336,636)	1,404,234	**–**	–	–	**(31,320,982)**	(23,660,355)	(5,772,109)
Equity in net losses of joint ventures	**–**	–	–	**(5,362,051)**	–	–	**–**	–	–	**–**	–	–	**(5,362,051)**	–	–
Other income – net	**66,633,028**	67,569,107	54,130,092	**928,016**	(547,057)	2,724,060	**–**	–	–	**–**	(3,000,000)	–	**67,561,044**	64,022,050	56,854,152
Provision for income tax	**(535,160,705)**	(540,707,890)	(512,292,726)	**(17,832,353)**	(25,229,156)	(13,011,814)	**(159,337,983)**	(127,639,914)	–	**–**	–	–	**(712,331,041)**	(693,576,960)	(525,304,540)
Net income	**₱1,265,285,568**	₱1,271,345,431	₱1,302,867,710	**₱20,560,544**	(₱20,369,270)	₱21,747,483	**₱389,128,900**	₱372,796,676	₱385,205,384	**₱–**	(₱3,000,000)	₱–	**₱1,674,975,012**	₱1,620,772,837	₱1,709,820,577
Assets and Liabilities															
Segment assets	**₱11,655,665,602**	₱11,657,844,976	₱11,338,685,365	**₱853,416,184**	₱946,239,689	₱959,201,750	**₱1,365,518,823**	₱932,477,981	₱728,372,278	**(₱933,803,088)**	(₱989,205,551)	(₱1,084,083,821)	**₱12,940,797,521**	₱12,547,357,095	₱11,942,175,572
Investments in associates and interests in joint ventures - at equity	**38,350,619**	38,350,619	38,350,619	**16,637,949**	10,000,000	–	**–**	–	–	**–**	–	–	**54,988,568**	48,350,619	38,350,619
Deferred tax assets	**–**	–	–	**88,150,862**	86,575,385	61,918,628	**–**	–	–	**–**	–	–	**88,150,862**	86,575,385	61,918,628
Total assets	**₱11,694,016,221**	₱11,696,195,595	₱11,377,035,984	**₱958,204,995**	₱1,042,815,074	₱1,021,120,378	**₱1,365,518,823**	₱932,477,981	₱728,372,278	**(₱933,803,088)**	(₱989,205,551)	(₱1,084,083,821)	**₱13,083,936,951**	₱12,682,283,099	₱12,042,444,819
Segment liabilities	**₱3,890,259,616**	₱3,999,688,501	₱2,227,957,921	**₱839,168,812**	₱1,068,255,438	₱999,600,053	**₱188,876,025**	₱200,966,316	₱11,127,701	**(₱701,020,698)**	(₱880,309,046)	(₱987,280,378)	**₱4,217,283,755**	₱4,388,601,209	₱2,251,405,297
Deferred tax liabilities	**41,580,015**	144,250,390	132,605,086	**–**	–	–	**–**	–	–	**–**	–	–	**41,580,015**	144,250,390	132,605,086
Total liabilities	**₱3,931,839,631**	₱4,143,938,891	₱2,360,563,007	**₱839,168,812**	₱1,068,255,438	₱999,600,053	**₱188,876,025**	₱200,966,316	₱11,127,701	**(₱701,020,698)**	(₱880,309,046)	(₱987,280,378)	**₱4,258,863,770**	₱4,532,851,599	₱2,384,010,383
Other Segment Information															
Capital expenditures:															
Program and other rights and software cost	**₱597,095,966**	₱922,148,651	₱496,117,077	**₱660,178**	₱33,583,795	₱28,004,893	**₱–**	₱–	₱–	**₱–**	₱–	₱–	**₱597,756,144**	₱955,732,446	₱524,121,970
Property and equipment	**670,584,702**	956,155,200	883,305,571	**2,067,525**	10,053,374	12,729,494	**–**	9,830,044	7,175,550	**–**	–	–	**672,652,227**	976,038,618	903,210,615
Investment properties	**1,846,519**	–	664,163	**–**	–	2,151,000	**–**	–	–	**–**	–	–	**1,846,519**	–	2,815,163
Depreciation and amortization	**722,578,955**	1,079,790,144	845,948,317	**579,215,465**	12,428,482	13,238,001	**–**	6,455,694	2,810,477	**–**	–	–	**1,301,794,420**	1,098,674,320	861,996,795
Noncash expenses other than depreciation and amortization	–	–	–	**–**	–	–	–	11,761,460	1,581,249	–	(11,761,460)	(1,581,249)	**–**	–	–

6. Cash and Cash Equivalents

	2013	2012 (As restated - see Note 2)
Cash on hand and in banks	**₱1,465,684,717**	₱1,040,436,077
Short-term deposits	**283,946,479**	246,849,483
	₱1,749,631,196	₱1,287,285,560

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.

Short-term investments amounting to ₱7.87 million and ₱8.54 million as at December 31, 2013 and 2012, respectively, with original maturities of more than three months to one year, are shown separately in the consolidated statements of financial position.

Interest income, net of final tax, earned from bank deposits and short term investments amounted to ₱23.99 million, ₱34.74 million and ₱28.58 million in 2013, 2012 and 2011, respectively.

7. Trade and Other Receivables

	2013	2012 (As restated - see Note 2)
Trade:		
Television and radio airtime	**₱2,669,278,916**	₱3,161,664,105
Subscriptions	**771,491,924**	618,236,636
Others	**146,927,889**	148,700,853
Nontrade:		
Advances to suppliers	**133,338,872**	91,846,350
Advances to officers and employees	**4,623,714**	30,288,652
Others	**69,747,905**	64,784,113
	3,795,409,220	4,115,520,709
Less allowance for doubtful accounts	**273,978,777**	273,130,772
	₱3,521,430,443	₱3,842,389,937

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 ₱230.23 million and ₱168.58 million as at December 31, 2013 and 2012, respectively, since a right of offset exists between the advance payments and the regular outstanding trade receivables.

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 are as follows:

	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 (see Note 23)	**–**	**848,005**	**848,005**
Balance at end of year	**₱269,872,570**	**₱4,106,207**	**₱273,978,777**

	2012 (As restated - see Note 2)		
	Television and Radio Airtime	Others	Total
Balance at beginning of year	₱234,640,484	₱3,656,669	₱238,297,153
Provision for the year (see Note 23)	35,232,086	553,121	35,785,207
Write-off	–	(951,588)	(951,588)
Balance at end of year	₱269,872,570	₱3,258,202	₱273,130,772

The allowance for doubtful accounts for television and radio airtime and other receivables in 2013 and 2012 are results of specific and collective impairment assessments performed by the Group as follows:

	2013	2012 (As restated - see Note 2)
Individually impaired	**₱260,570,950**	₱266,956,063
Collectively impaired	**13,407,827**	6,174,709
	₱273,978,777	₱273,130,772

As at December 31, 2013 and 2012, the aging analysis of receivables that were not impaired follows:

	2013				
	Trade				
	Television and Radio Airtime	**Subscriptions**	**Others**	**Nontrade***	**Total**
Neither past due nor impaired	**₱1,304,687,771**	**₱479,659,930**	**₱88,622,679**	**₱40,259,963**	**₱1,913,230,343**
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**
	₱2,399,406,346	**₱771,491,924**	**₱142,821,682**	**₱74,371,619**	**₱3,388,091,571**

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

	2012 (As restated - see Note 2)				
	Trade				
	Television and Radio Airtime	Subscriptions	Others	Nontrade*	Total
Neither past due nor impaired	₱2,325,020,464	₱228,237,158	₱113,789,346	₱78,057,742	₱2,745,104,710
Past due but not impaired:					
1-30 days	200,283,481	43,541,678	8,368,681	5,612,936	257,806,776
31-60 days	276,000	212,194,922	4,075,532	3,246,372	219,792,826
61-90 days	153,605,708	35,811,981	570,133	284,441	190,272,263
91-180 days	104,585,378	41,492,804	4,336,073	257,793	150,672,048
181-365 days	59,854,871	53,020,637	5,989,073	289,441	119,154,022
Over 1 year	48,165,633	3,937,456	8,313,813	7,324,040	67,740,942
	₱2,891,791,535	₱618,236,636	₱145,442,651	₱95,072,765	₱3,750,543,587

**Excluding advances to suppliers amounting to ₱91.85 million as at December 31, 2012.*

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 ₱27.28 million and ₱56.44 million as at December 31, 2013 and 2012, 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

	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 (see 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)**
	₱1,192,613,851	**₱16,615,430**	**₱1,209,229,281**

	2012		
	Program and Film Rights	Story Format Rights	Total
Cost:			
Balance at beginning of year	₱661,208,475	₱71,491,936	₱732,700,411
Additions	919,516,659	563,325	920,079,984
Program and other rights usage (see Note 22)	(419,348,428)	(41,589,037)	(460,937,465)
Balance at end of year	1,161,376,706	30,466,224	1,191,842,930
Accumulated impairment in value -			
Balance at beginning and end of year	(2,702,260)	–	(2,702,260)
	₱1,158,674,446	₱30,466,224	₱1,189,140,670

No impairment losses on program and other rights were recognized in 2013, 2012 and 2011.

9. Prepaid Expenses and Other Current Assets

	2013	2012 (As restated - see Note 2)
Creditable withholding taxes	**₱150,711,335**	₱133,179,149
Input VAT	**148,282,430**	184,698,052
Tax credits	**117,846,102**	118,795,762
Prepaid production costs	**84,826,707**	181,683,840
Prepaid expenses	**74,805,709**	74,702,148
Materials and supplies inventory at cost	**58,577,911**	72,473,600
Others	**43,610**	43,610
	₱635,093,804	₱765,576,161

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**

	2013	2012
Investments in shares of stock:		
Unquoted	**₱130,662,548**	₱101,753,598
Quoted	**4,890,000**	4,590,000
	₱135,552,548	₱106,343,598

The fair value of unquoted shares is not reasonably determinable due to the unpredictable nature of future cash flows and lack of other suitable methods of arriving at its fair value.

The movements in this account are as follows:

	2013	2012
Cost:		
Balance at beginning of year	**₱107,397,148**	₱105,796,848
Additions	**31,502,800**	–
Net change in the fair value of AFS financial assets	**(1,240,300)**	1,600,300
Balance at end of the year	**137,659,648**	107,397,148
Allowance for decline in value:		
Balance at beginning of year	**1,053,550**	–
Impairment loss (see Note 23)	**1,053,550**	1,053,550
Balance at end of year	**2,107,100**	1,053,550
	₱135,552,548	₱106,343,598

In 2012, the Parent Company recognized 50% impairment loss of the cost of its unquoted AFS financial asset which ceased commercial operation. In 2013, the Parent Company recognized impairment loss for the remaining 50%. The impairment loss is included under “General and administrative expenses” in the consolidated statements of comprehensive income (see Note 23).

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

	2013	2012
Balance at beginning of year	**₱4,065,927**	₱2,752,687
Gain (loss) due to changes in fair market value of AFS financial assets	**(1,240,300)**	1,600,300
Tax effect of the changes in fair market values	**257,560**	(287,060)
	(982,740)	1,313,240
	₱3,083,187	₱4,065,927

The net unrealized gain on AFS financial assets are deferred and presented separately under the equity section of the consolidated statements of financial position. No portion of the net unrealized gain on AFS financial assets was transferred to profit in loss in 2013, 2012 and 2011.

11. Investments and Advances

Following are the details of this account in 2013 and 2012:

	2013	2012 (As restated - see Note 2)
Investment in associate and interests in joint ventures	**₱54,988,568**	₱48,350,619
Permanent advances to associates and joint ventures (see Note 20)	**84,475,370**	84,475,370
	₱139,463,938	₱132,825,989

The movements in the above amounts are as follows:

	2013	2012 (As restated - see Note 2)
Investment in an associate and interests in joint ventures		
Acquisition cost:		
Balance at beginning of year	**₱119,722,056**	₱109,722,056
Additions	**12,000,000**	10,000,000
Balance at end of year	**131,722,056**	119,722,056
Accumulated equity in net losses:		
Balance at beginning of year	**(71,371,437)**	(71,371,437)
Equity in net losses during the year	**(5,362,051)**	–
Balance at end of year	**(76,733,488)**	(71,371,437)
	54,988,568	48,350,619
Advances to an associate and joint ventures (see Note 20):		
Balance at beginning of year	**84,475,370**	87,085,657
Impairment loss (see Note 23)	**–**	(2,610,287)
Balance at end of year	**84,475,370**	84,475,370
Total investments and advances	**₱139,463,938**	₱132,825,989

In 2012, the Parent Company recognized a provision for impairment loss amounting to ₱2.61 million for the net carrying value of its advances to INQ7 Interactive, Inc. (INQ7). The recognized impairment loss is included under “General and administrative expenses” in the 2012 consolidated statement of comprehensive income (see Note 23).

The ownership interests in associate and joint ventures, which are all incorporated in the Philippines and are accounted for under the equity method, consist of the following as at December 31, 2013 and 2012:

	Principal Activities	Percentage of Ownership
Associate -		
Mont-Aire Realty and Development Corporation (Mont-Aire)	Real Estate	49
Joint Ventures:		
INQ7	Internet Publishing	50
PEP	Internet Publishing	50
Gamespan	Betting Games	50

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

	2013		
	Investments	**Advances** (see Note 20)	**Total**
Associate -			
Mont-Aire	**₱38,350,619**	**₱84,475,370**	**₱122,825,989**
Joint ventures:			
Gamespan	**8,813,159**	**–**	**8,813,159**
PEP	**7,824,790**	**–**	**7,824,790**
	₱54,988,568	**₱84,475,370**	**₱139,463,938**

	2012 (As restated - see Note 2)		
	Investments	Advances (see Note 20)	Total
Associate -			
Mont-Aire	₱38,350,619	₱84,475,370	₱122,825,989
Joint venture -			
Gamespan	10,000,000	–	10,000,000
	₱48,350,619	₱84,475,370	₱132,825,989

PEP

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. As a result, the Group recognized previous years’ accumulated share in net losses amounting to ₱3.86 million and its share in net losses amounting to ₱0.31 million in 2013 (see Note 32).

Gamespan

On March 22, 2012, the Group, through GNMI, executed a Shareholder’s Agreement with 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.

As at December 31, 2013, the Company recognized share in the pre-operating expenses of Gamespan amounting to ₱1.19 million.

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.

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

The table below shows the condensed financial information of Mont-Aire as at December 31, 2013 and 2012, respectively:

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

In 2013 and 2012, the Group has no share in the result of operations of Mont-Aire since it ceased commercial operation in 2009.

The Group's share in net income (loss)/total comprehensive income (loss) of the Group's joint ventures that are individually immaterial amounted to (₱1.50 million), (₱1.45 million) and ₱1.78 million in 2013, 2012 and 2011, respectively.

12. **Property and Equipment at Cost**

	2013				
	January 1	**Additions/ Depreciation** (see 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**
	9,522,615,721	**651,464,584**	**(33,707,930)**	**23,228,537**	**10,163,600,912**
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**

	2012 (As restated - see Note 2)				
	January 1	Additions/ Depreciation (see Notes 22 and 23)	Disposals	Reclassifications	December 31
Cost:					
Buildings, towers and improvements	₱2,531,575,392	₱196,950,973	(₱689,501)	₱44,402,179	₱2,772,239,043
Antenna and transmitter systems and broadcast equipment	4,825,470,654	479,507,084	(2,369,505)	15,224,182	5,317,832,415
Communication and mechanical equipment	736,890,359	86,949,288	(1,642,729)	330,023	822,526,941
Transportation equipment	387,809,910	116,471,794	(83,626,523)	(1,941,315)	418,713,866
Furniture, fixtures and equipment	177,780,104	13,175,925	(1,012,132)	1,359,559	191,303,456
	8,659,526,419	893,055,064	(89,340,390)	59,374,628	9,522,615,721
Accumulated Depreciation and Amortization:					
Buildings, towers and improvements	1,081,171,096	127,291,335	(689,499)	–	1,207,772,932
Antenna and transmitter systems and broadcast equipment	3,587,194,729	317,778,912	(2,334,693)	–	3,902,638,948
Communication and mechanical equipment	545,866,956	82,335,375	(1,575,529)	–	626,626,802
Transportation equipment	227,125,143	68,414,681	(82,007,330)	–	213,532,494
Furniture, fixtures and equipment	148,219,123	10,904,308	(894,083)	–	158,229,348
	5,589,577,047	606,724,611	(87,501,134)	–	6,108,800,524
Construction in progress and equipment for installation	183,667,953	82,983,554	–	(59,374,628)	207,276,879
	₱3,253,617,325	₱369,314,007	(₱1,839,256)	₱–	₱3,621,092,076

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 2013 and 2012.

The cost of fully depreciated assets still used by the Group amounted to ₱4,050.18 million and ₱4,200.30 million as at December 31, 2013 and 2012, respectively. The Group has no idle property and equipment as at December 31, 2013 and 2012.

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, 2013 and 2012, no property and equipment have been pledged as collateral or security for any of the Group's liabilities.

13. Land at Revalued Amounts

	2013	2012
Cost -		
Balance at beginning and end of year	**₱346,502,817**	₱346,502,817
Revaluation increment:		
Balance at beginning of year	**1,063,082,889**	1,063,082,889
Additions	**395,714,345**	–
Balance at end of year	**1,458,797,234**	1,063,082,889
	₱1,805,300,051	₱1,409,585,706

Land used in operations was last appraised on December 17, 2013 by an independent firm of appraisers, Crown Property Appraisal Corporation, and is valued in terms of its highest and best use.

As at December 31, 2013 and 2012, no land has been pledged as collateral or security for any of the Company'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

	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 (see 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 (see 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 (see Note 25)	**–**	**(241,124)**	**(241,124)**
Balance at end of year	**–**	**1,804,049**	**1,804,049**
Balance at end of year	**₱31,287,881**	**₱29,244,328**	**₱60,532,209**

	2012		
	Land and Improvements	Buildings and Improvements	Total
Cost -			
Balance at beginning and end of year	₱33,975,381	₱73,565,501	₱107,540,882
Accumulated depreciation:			
Balance at beginning of year	–	37,465,998	37,465,998
Depreciation during the year (see Note 23)	–	3,278,306	3,278,306
Balance at end of year	–	40,744,304	40,744,304
Accumulated impairment in value -			
Balance at beginning and end of year	–	2,045,173	2,045,173
	₱33,975,381	₱30,776,024	₱64,751,405

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

The fair market value of investment properties owned by the Group amounted to ₱133.67 million as at December 31, 2013, as determined by independent appraisers, Crown Property Appraisal Corporation, Philippine Appraisal Co. Inc. and Cuervo Appraisers, Inc.

The fair market value of investment properties owned by GMPI and Scenarios amounted to ₱21.09 million as at December 31, 2012, while the rest of the investment properties owned by the Parent Company and Alta amounted to ₱102.13 million as at December 31, 2005, as determined by independent appraisers.

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.

While fair values of the majority of investment properties were not determined as at December 31, 2012, the Group's management believes that there were no conditions present in 2012 that would significantly reduce the fair value of the investment properties from that determined in 2005.

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

	2013	2012	2011
Rental income derived from investment properties	**₱2,942,417**	₱3,382,565	₱2,175,581
Direct operating expenses (including repairs and maintenance) from investment properties	**(3,647,263)**	(3,175,500)	(3,097,803)
	(₱704,846)	₱207,065	(₱922,222)

As at December 31, 2013 and 2012, 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

	2013	2012
Software costs	**₱37,654,045**	₱56,340,047
Deferred input VAT	**31,901,813**	36,157,216
Investment in stocks	**26,432,472**	–
Guarantee deposits	**16,871,190**	16,769,795
Refundable deposits	**15,671,300**	16,092,343
Investment in artworks	**10,406,255**	10,406,255
Video rights and other noncurrent assets	**3,089,761**	5,980,342
	₱142,026,836	₱141,745,998

The movements in software costs follow:

	2013	2012
Cost:		
Balance at beginning of year	**₱222,169,322**	₱186,516,860
Additions	**12,309,842**	35,652,462
Balance at end of year	**234,479,164**	222,169,322
Accumulated amortization:		
Balance at beginning of year	**165,829,275**	138,095,337
Amortization during the year (see Note 23)	**30,995,844**	27,733,938
Balance at end of year	**196,825,119**	165,829,275
	₱37,654,045	₱56,340,047

X-Play
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 ₱26.43 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 both companies entered on October 19, 2011 whereby 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 ₱75.00 million in cash. Also, on March 23, 2012, GNMI agreed to subscribe to ₱130.00 million worth of shares of IPE's authorized but unissued capital stock to be offered on its Initial Public Offering in exchange for GNMI 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 consolidated statement of financial position.

16. Trade Payables and Other Current Liabilities

	2013	2012 (As restated - see Note 2)
Trade payables	**₱397,999,260**	₱382,190,859
Payable to government agencies	**513,380,680**	801,878,448
Customers' deposits	**447,112,904**	–
Accrued expenses:		
Production costs	**173,225,937**	139,610,404
Payroll and talent fees	**115,828,416**	136,879,445
Commission	**21,080,670**	17,930,573
Utilities and other expenses	**44,676,360**	56,349,148
Others	**68,137,281**	51,364,437
	₱1,781,441,508	₱1,586,203,314

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.

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 USD denominated loans from various local banks for the payment of the dividends declared during the year. Details of the short-term loans are as follows:

	2013	2012
Balance at beginning of year	**₱1,700,000,000**	₱–
Additions	**1,825,000,000**	3,200,000,000
Payments	**(2,500,000,000)**	(1,500,000,000)
Unrealized foreign exchange loss	**81,875,000**	–
Balance at end of year	**₱1,106,875,000**	₱1,700,000,000

The interest rate of the short-term loan ranges from 1.73% to 5.00% in 2013 and a fixed rate of 4.00% in 2012. Interest expense incurred related to the short-term loans amounted to ₱47.96 million, ₱37.63 million and ₱9.68 million in 2013, 2012 and 2011, respectively.

18. Obligations for Program and Other Rights

This account consists of:

	2013	2012
Current obligations for program rights	**₱141,096,456**	₱184,585,619
Noncurrent obligations for program rights	**33,330,130**	63,955,130
	₱174,426,586	₱248,540,749

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, 2013 and 2012 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 present value using 4.03% discount rate in the consolidated statements of financial position as at December 31, 2013 and 2012.

19. **Equity**

a. Capital Stock

	Number of Preferred Shares	Number of Common Shares
Authorized - ₱0.20 par value per preferred share/₱1.00 par value per common share	7,500,000,000	5,000,000,000
Subscribed and issued at beginning and end of year	7,500,000,000	3,364,692,000
Treasury shares	492,816	3,645,000
Underlying shares of the acquired PDRs	–	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 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, 2013 and 2012, representing the cost of shares held in treasury amounting to ₱28.48 million in 2013 and 2012 and underlying shares of the acquired PDRs amounting to ₱5.79 million in 2013 and 2012.

Consolidated retained earnings include undeclared retained earnings of subsidiaries amounting to ₱100.08 million and ₱58.82 million as at December 31, 2013 and 2012, respectively. The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in Securities Regulation Code Rule 68, As Amended (2011), amounted to ₱1,343.61 million and ₱932.19 million as at December 31, 2013 and 2012, respectively.

The BOD of the Parent Company approved the declaration of the following cash dividends in 2013, 2012 and 2011:

Year	Declaration Date	Record Date	Cash Dividend Per Share	Total Cash Dividend Declared
2013	**March 4, 2013**	**April 17, 2013**	**₱0.25**	**₱1,215,049,609**
2012	March 28, 2012	April 16, 2012	₱0.40	₱1,944,079,375
	August 1, 2012	August 22, 2012	0.26	1,264,794,293
				₱3,208,873,668
2011	March 11, 2011	April 8, 2011	₱0.45	₱2,187,089,297

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
Associate -						
Mont-Aire	Noninterest-bearing advances (see Note 11)	**2013**	**₱–**	**₱84,475,370**	Noninterest-bearing	Unsecured; not impaired
		2012	–	84,475,370		
Common stockholders -						
GMA Kapuso Foundation Inc.	Noninterest-bearing advances (see Note 7)	**2013**	**–**	**562,901**	Noninterest-bearing	Unsecured; not impaired
		2012	–	692,749		
	Donations	**2013**	**112,170**	**–**	Noninterest-bearing	Unsecured
		2012	93,045	–		
Other related party -						
Belo, Gozon, Elma Law	Legal, consulting and retainers' fees (see Note 16)	**2013**	**10,110,391**	**–**	Noninterest-bearing	Unsecured
		2012	4,468,800	(865,200)		

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:

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Salaries and other long-term benefits	**₱294,044,757**	₱279,432,700	₱252,819,439
Pension benefits	**40,322,398**	39,191,038	29,357,229
	₱334,367,155	₱318,623,738	₱282,176,668

Equity Investments of the Retirement Fund

The Group's retirement fund includes equity investments in GMA Network, Inc. and GMA PDRs amounting to ₱59.10 million and ₱408.77 million in 2013, respectively, and ₱63.56 million and ₱496.56 million in 2012, respectively (see Note 26).

21. **Net Revenues**

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Television and radio airtime	**₱11,740,503,370**	₱10,883,125,479	₱10,251,823,784
Subscription income (see Note 27)	**977,812,319**	956,293,603	964,592,031
Production and others	**244,342,288**	269,751,753	237,012,535
	12,962,657,977	12,109,170,835	11,453,428,350
Co-producers' shares	**(11,778,655)**	(23,235,865)	(31,702,664)
	₱12,950,879,322	₱12,085,934,970	₱11,421,725,686

22. **Production Costs**

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Talent fees and production personnel costs (see Note 24)	**₱3,102,519,989**	₱2,809,269,723	₱2,829,684,664
Rental (see Note 27)	**819,150,879**	690,288,940	763,296,407
Tapes, sets and production supplies	**575,808,346**	481,758,193	572,365,965
Program and other rights usage (see Note 8)	**565,357,691**	460,937,465	317,520,415
Facilities and production services	**368,904,457**	408,466,261	258,316,605
Depreciation and amortization (see Note 12)	**287,553,835**	253,603,510	224,202,422
Transportation and communication	**237,086,508**	180,819,400	201,652,535
	₱5,956,381,705	₱5,285,143,492	₱5,167,039,013

23. **General and Administrative Expenses**

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Personnel costs (see Note 24)	**₱2,136,684,981**	₱2,170,180,871	₱1,799,029,069
Depreciation and amortization (see Notes 12 and 14)	**417,887,050**	356,399,407	294,562,339
Advertising	**393,148,883**	394,319,329	425,348,586
Communication, light and water	**300,090,593**	303,969,254	272,158,216
Repairs and maintenance	**207,641,209**	128,273,715	150,706,204
Professional fees	**150,975,509**	144,272,766	143,586,063
Research and surveys	**145,899,290**	133,792,810	112,664,696
Marketing expense	**140,909,480**	146,057,392	156,772,434
Taxes and licenses	**140,703,017**	143,642,174	213,408,781
Sales incentives	**120,864,969**	120,043,176	101,227,612
Rental (see Note 27)	**100,339,414**	97,590,300	88,690,343
Transportation and travel	**80,977,911**	68,951,374	68,961,416
Security services	**76,193,077**	69,005,838	59,086,311
Amortization of software costs (see Note 15)	**30,995,844**	27,733,938	25,711,619
Materials and supplies	**24,094,187**	25,238,126	21,830,577
Insurance	**21,218,563**	22,294,801	21,872,912
Janitorial services	**16,616,542**	15,101,036	13,141,708
Entertainment, amusement and recreation	**13,728,404**	15,421,953	15,830,530
Freight and handling	**12,095,311**	11,952,700	–
Dues and subscriptions	**10,646,983**	10,114,917	11,080,015
Provisions for impairment loss on:			
AFS financial assets (see Note 10)	**1,053,550**	1,053,550	–
Advances to joint venture (see Note 11)	**–**	2,610,287	–
Provision for doubtful accounts (see Note 7)	**848,005**	35,785,207	24,628,057
Others	**65,332,374**	74,831,598	67,341,744
	₱4,608,945,146	₱4,518,636,519	₱4,087,639,232

24. **Personnel Costs**

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Talent fees	**₱2,971,320,857**	₱2,633,735,276	₱2,660,734,083
Salaries and wages	**1,553,164,989**	1,488,095,414	1,331,911,392
Employee benefits and allowances	**544,233,809**	678,675,231	449,151,011
Pension expense (see Note 26)	**116,158,183**	120,401,310	90,741,183
Sick and vacation leaves expense	**54,327,132**	58,543,363	96,176,064
	₱5,239,204,970	₱4,979,450,594	₱4,628,713,733

The above amounts were distributed as follows:

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Production costs (see Note 22)	**₱3,102,519,989**	₱2,809,269,723	₱2,829,684,664
General and administrative expenses (see Note 23)	**2,136,684,981**	2,170,180,871	1,799,029,069
	₱5,239,204,970	₱4,979,450,594	₱4,628,713,733

25. **Others** - Net

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Dividends	**₱22,130,300**	₱1,394,334	₱41,729
Tax refund of GMA Pinoy TV	**19,161,027**	19,246,077	14,781,093
Gain on sale of property and equipment	**11,243,730**	29,045,447	16,040,347
Commissions	**6,293,587**	2,725,549	4,011,520
Rental income (see Note 27)	**4,845,450**	5,467,117	3,815,060
Income from mall shows	**2,908,221**	2,546,799	2,443,521
Loss on asset written off (see Note 14)	**(2,703,576)**	–	–
Merchandising license fees and others	**1,657,906**	2,954,088	6,781,724
Sales of DVDs and integrated receiver-decoders	**1,279,078**	1,014,342	1,196,179
Reversal of impairment loss on investment properties	**–**	–	4,990,219
Others	**745,321**	(371,703)	2,752,760
	₱67,561,044	₱64,022,050	₱56,854,152

26. **Pension and Other Long-term 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):

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Current service cost	**₱91,017,025**	₱88,811,863	₱68,071,621
Net interest cost	**25,141,158**	31,589,447	22,669,562
	₱116,158,183	₱120,401,310	₱90,741,183

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

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Present value of defined benefit obligation	**₱1,226,966,160**	₱1,095,667,012	₱936,792,631
Fair value of plan assets	**621,718,108**	688,722,578	526,360,186
Net pension liability	**₱605,248,052**	₱406,944,434	₱410,432,445

The changes in the present value of the defined benefit obligation are as follows:

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Balance at beginning of year	**₱1,095,667,012**	₱936,792,631	₱853,633,834
Current service cost	**91,017,025**	88,811,863	68,071,621
Interest cost	**67,222,108**	56,078,675	61,537,114
Benefits paid	**(26,939,985)**	(83,587,138)	(46,449,938)
Remeasurement losses (gains):			
Changes in financial assumptions	**–**	192,265,386	–
Changes in demographic assumptions	**–**	(287,109,775)	–
Experience adjustment	**–**	192,355,370	–
Balance at end of year	**₱1,226,966,160**	₱1,095,607,012	₱936,792,631

The changes in the fair value of plan assets are as follows:

	2013	2012 (As restated - see Note 2)	2011 (As restated - see Note 2)
Balance at beginning of year	**₱688,722,578**	₱526,360,186	₱615,635,552
Contribution during the year	**3,578,687**	–	3,508,621
Interest income	**42,080,950**	24,489,228	38,867,552
Benefits paid	**(26,519,787)**	(71,179,478)	(39,182,501)
Remeasurement gain (loss) - return on plan assets	**(86,144,320)**	209,052,642	(92,469,038)
Balance at end of year	**₱621,718,108**	₱688,722,578	₱526,360,186

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:

	2013		2012	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash and cash equivalents	**₱32,124,185**	**₱32,124,185**	₱9,468,890	₱9,468,890
Equity instruments (see Note 20):				
GMA PDRs	**408,774,170**	**408,774,170**	496,564,008	496,564,008
GMA Network, Inc.	**59,100,395**	**59,100,395**	63,562,320	63,562,320
Debt instruments -				
Government securities	**109,318,953**	**109,318,953**	112,204,354	112,204,354
Others	**12,400,405**	**12,400,405**	6,923,006	6,923,006
	₱621,718,108	**₱621,718,108**	₱688,722,578	₱688,722,578

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 ₱157.36 million and ₱162.14 million in 2013 and 2012, respectively.

- Investments in debt instruments bear interest ranging from 6.13% to 9.13% and have maturities from February 2015 to October 2037.

- Others consist of loans and receivables which are collectible within the next twelve (12) 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 75.26%, 81.33% and 80.65% investments in equity instruments as at December 31, 2013, 2012 and 2011, 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 Philippine 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 does not expect to contribute to the plan in 2014.

The principal assumptions used in determining pension liability for the Group's plans are shown below:

	2013	2012	2011
Discount rate	**6-7%**	6-7%	6-11%
Expected rate of salary increase	**4.00%**	4.00%	6.00%
Turn-over rates:			
19-24 years old	**10.44%**	10.44%	10.44%
25-29 years old	**6.95%**	6.95%	6.95%
30-34 years old	**3.87%**	3.87%	3.87%
35-39 years old	**2.55%**	2.55%	2.55%
40-44 years old	**2.18%**	2.18%	2.18%
≥45 years old	**2.75%**	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	
		2013	2012
Discount rate	50	**(₱69,078,195)**	(₱62,567,130)
	(50)	**63,311,454**	68,589,919
Future salary increases	50	**67,115,049**	65,027,063
	(50)	**(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 75% equity instruments, 18% debt instrument, 5% cash and cash equivalents and 2% loans and receivables.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2013:

Year	2013	2012
Less than one year	**₱49,613,321**	₱138,161,607
More than 1 year to 3 years	**206,832,446**	206,605,654
More than 3 years to 7 years	**953,524,310**	559,743,487
More than 7 years to 15 years	**1,384,008,046**	1,452,008,824
More than 15 years to 20 years	**2,577,809,201**	2,043,861,533
More than 20 years	**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 ₱264.37 million and ₱242.66 million as at December 31, 2013 and 2012, respectively, while current portion of other employee benefits recorded in "Accrued payroll and talent fees account" under trade and other current liabilities amounted to ₱17.26 million and ₱11.29 million as at December 31, 2013 and 2012, respectively.

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 ₱919.49 million, ₱787.88 million and ₱851.99 million in 2013, 2012 and 2011, respectively (see Notes 22 and 23).

The future minimum rentals payable under the non-cancellable operating leases follow:

	2013	2012
	(In Millions)	
Within one year	**₱144.37**	₱131.24
After one year but not more than five years	**737.01**	670.01
More than five years	**91.54**	302.91
	₱972.92	₱1,104.16

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 ₱4.85 million, ₱5.47 million and ₱3.82 million in 2013, 2012 and 2011, 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 ₱977.81 million, ₱956.29 million and ₱964.59 million in 2013, 2012 and 2011, respectively (see Note 21).

28. **Income Taxes**

The components of the Group's provision for income tax in the consolidated profit or loss are as follows:

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Current income taxes:			
RCIT	**₱909,190,340**	₱740,211,754	₱564,038,727
MCIT	**–**	–	62,386
	909,190,340	740,211,754	564,101,113
Deferred tax benefit	**(196,859,299)**	(46,634,794)	(38,796,573)
	₱712,331,041	₱693,576,960	₱525,304,540

Income Tax
The reconciliation between the statutory income tax rate and effective income tax rates on income before income tax is shown below:

	2013	2012	2011
Statutory income tax rate	**30.00%**	30.00%	30.00%
Additions (deductions) in income tax rate resulting from:			
Interest income already subjected to final tax	**(0.23)**	(0.23)	(0.38)
Nondeductible interest expense	**0.08**	0.07	–
Income tax holiday	**–**	(1.14)	(6.82)
Nonclaimable foreign tax credit	**–**	0.21	0.94
Impairment loss on investment	**–**	0.04	–
Others - net	**–**	1.02	(0.24)
Effective income tax rates	**29.85%**	29.97%	23.50%

Deferred Income Taxes
The components of the Parent Company's net deferred tax liabilities are as follows:

	2013	2012
Deferred tax assets:		
Customers' deposits	**₱134,133,871**	₱–
Pension liability	**99,760,249**	50,145,102
Allowance for doubtful accounts	**80,961,771**	80,961,771
Other long-term employee benefits	**71,206,198**	61,712,292
Accrued rent	**18,759,170**	7,710,807
Unrealized foreign exchange loss	**13,946,337**	585,432
	418,767,596	201,115,404
Deferred tax liabilities:		
Revaluation increment in land	**(437,639,170)**	(318,924,867)
Unamortized capitalized borrowing costs	**(21,162,020)**	(24,185,166)
Discounting of noncurrent obligation for program and other rights	**(1,268,511)**	(1,713,790)
Revaluation of AFS financial assets	**(277,910)**	(541,971)
	(460,347,611)	(345,365,794)
	(₱41,580,015)	(₱144,250,390)

The components of the net deferred tax assets of the subsidiaries are as follows:

	2013	2012 (As restated - Note 2)
Deferred tax assets:		
Pension liability	**₱81,314,345**	₱71,537,627
Other employee benefits	**13,115,956**	14,261,498
Allowance for doubtful accounts	**454,152**	600,465
Unrealized foreign exchange loss	**–**	57,970
MCIT	**–**	149,325
	94,884,453	86,606,885
Deferred tax liabilities:		
Unrealized foreign exchange gain	**(6,695,590)**	–
Revaluation of AFS financial assets	**(38,001)**	(31,500)
	(6,733,591)	(31,500)
	₱88,150,862	₱86,575,385

The components of deferred tax assets (liabilities) pertaining to accounts presented under equity in the consolidated statements of financial position are as follows:

	2013	2012 (As restated - Note 2)
Revaluation increment in land	**(₱437,639,170)**	(₱318,924,867)
Pension liability - remeasurement (gain) loss on retirement plan	**10,694,180**	(15,149,116)
Revaluation of AFS financial assets	**(315,911)**	(573,471)
	(₱427,260,901)	(₱334,647,454)

The components of the subsidiaries' deductible temporary differences and carryforward benefits of NOLCO and MCIT, for which no deferred tax assets have been recognized in the Group's statements of financial position, are as follows:

	2013	2012
NOLCO	**₱64,028,510**	₱51,960,840
Allowance for doubtful accounts	**2,592,367**	1,256,653
Pension liability	**1,666,073**	1,335,337
MCIT	**248,420**	154,354
Other long-term employee benefits	**555,473**	700,307
Unrealized foreign exchange loss	**–**	362,663
	₱69,090,843	₱55,770,154

The unrecognized deferred tax assets from the above deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to ₱20.90 million and ₱16.84 million as at December 31, 2013 and 2012, respectively.

The deferred tax assets were not recognized as management believes that future taxable income against which the deferred tax assets can be used for these entities may not be available.

As at December 31, 2013, the Group's MCIT and NOLCO are as follows:

Date Paid/Incurred	Carry forward Benefit Up To	MCIT	NOLCO
December 31, 2011	December 31, 2014	₱90,195	₱1,701,880
December 31, 2012	December 31, 2015	–	46,554,740
December 31, 2013	December 31, 2016	158,225	15,771,890
		₱248,420	₱64,028,510

The movements in MCIT and NOLCO in 2013 are as follow:

	MCIT	NOLCO
Balance at beginning of year	₱303,679	₱51,960,840
Additions	158,225	15,771,890
Expirations	(213,484)	(3,704,220)
	₱248,420	₱64,028,510

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 and 2011 amounted to ₱26.49 million and ₱153.21 million, respectively.

29. EPS Computation

The computation of basic and diluted EPS follows:

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Net income attributable to equity holders of the Parent Company (a)	**₱1,666,949,855**	₱1,616,888,633	₱1,704,619,533
Less attributable to preferred shareholders	**514,435,885**	498,986,536	526,061,090
Net income attributable to common equity holders of the Parent Company (b)	**₱1,152,513,970**	₱1,117,902,097	₱1,178,558,443
Common shares issued at the beginning of year (see Note 19)	**3,364,692,000**	3,364,692,000	3,364,692,000
Treasury shares (see Note 19)	**(3,645,000)**	(3,645,000)	(3,645,000)

(Forward)

	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
Underlying shares on acquired PDRs (see Note 19)	**(750,000)**	(750,000)	(750,000)
Weighted average number of common shares for basic EPS (c)	**3,360,297,000**	3,360,297,000	3,360,297,000
Weighted average number of common shares	**3,360,297,000**	3,360,297,000	3,360,297,000
Effect of dilution - assumed conversion of preferred shares	**1,500,000,000**	1,500,000,000	1,500,000,000
Reacquired preferred shares	**(98,563)**	(98,563)	(98,563)
Weighted average number of common shares adjusted for the effect of dilution (d)	**4,860,198,437**	4,860,198,437	4,860,198,437
Basic EPS (b/c)	**₱0.343**	₱0.333	₱0.351
Diluted EPS (a/d)	**₱0.343**	₱0.333	₱0.351

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:

	2013				
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	Total
Loans and receivables:					
Cash and cash equivalents	₱1,465,684,717	₱283,946,479	₱–	₱–	₱1,749,631,196
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 (under "Other non-current assets")	–	–	–	15,671,300	15,671,300
	2,358,532,716	2,742,506,486	287,686,192	46,521,452	5,435,246,846
AFS financial assets	–	–	–	135,552,548	135,552,548
	₱2,358,532,716	₱2,742,506,486	₱287,686,192	₱182,074,000	₱5,570,799,394
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
	₱447,318,283	₱1,597,230,355	₱39,622,350	₱297,698,187	₱2,381,869,175

**Excluding payable to government agencies and customers' deposit which are not considered as financial liabilities.*

	2012 (As restated - Note 2)				
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	Total
Loans and receivables:					
Cash and cash equivalents	₱1,040,436,078	₱246,849,482	₱–	₱–	₱1,287,285,560
Short-term investments			8,538,142	–	8,538,142
Trade receivables:					
Television and radio airtime	366,211,590	2,525,579,945	269,872,570	–	3,161,664,105
Subscriptions	134,262,878	483,973,758	–	–	618,236,636
Others	22,107,758	126,593,095	–	–	148,700,853
Nontrade receivables:					
Advances to officers and employees	298,005	29,990,647	–	–	30,288,652
Others	7,857,710	56,926,403	–	–	64,784,113
Refundable deposits (under "Other noncurrent assets")	–	–	–	16,092,343	16,092,343
	1,571,174,019	3,469,913,330	278,410,712	16,092,343	5,335,590,404
AFS financial assets	–	–	–	106,343,598	106,343,598
	₱1,571,174,019	₱3,469,913,330	₱278,410,712	₱122,435,941	₱5,441,934,002

	2012 (As restated - Note 2)				
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year	Total
Trade payables and other current liabilities*	₱456,709,602	₱199,056,168	₱128,559,096	₱–	₱784,324,866
Short-term loans	–	1,710,333,333	–	–	1,710,333,333
Obligations for program and other rights	–	124,996,401	59,589,218	63,955,130	248,540,749
Dividends payable	7,648,097	–	–	–	7,648,097
Other long-term employee benefits	–	–	–	242,656,177	242,656,177
	₱464,357,699	₱2,034,385,902	₱188,148,314	₱306,611,307	₱2,993,503,222

**Excluding payable to government agencies which is not considered as a financial liability.*

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:

	2013		2012	
Assets				
Cash and cash equivalents	**$11,899,486**	**₱528,337,179**	$7,712,351	₱316,592,009
Trade receivables	**17,960,926**	**797,465,114**	16,365,000	671,783,250
	$29,860,412	**₱1,325,802,293**	$24,077,351	₱988,375,259
Liabilities				
Trade payables	**$305,416**	**₱13,560,471**	$1,441,304	₱59,165,529
Short-term loans	**24,929,617**	**1,106,875,000**	–	–
Obligations for program and other rights	**1,467,993**	**65,178,889**	1,192,276	48,942,930
	$26,703,026	**₱1,185,614,360**	$2,633,580	₱108,108,459

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the exchange rate used were ₱44.40 and ₱41.05 to US$1.00, the Philippine peso to U.S. dollar exchange rate as at December 31, 2013 and 2012, 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
2013	**0.50**	**(₱0.39 million)**
	(0.50)	**0.39 million**
2012	0.50	(2.68 million)
	(0.50)	2.68 million

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 2013	2012
Cash and cash equivalents	50	**₱21.56 million**	₱15.96 million
	(50)	**(21.56 million)**	(15.96 million)
Short-term loans	50	**(13.84 million)**	(21.25 million)
	(50)	**13.84 million**	21.25 million

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:

	2013	2012 (As restated - Note 2)
Loans and receivables		
Cash and cash equivalents*	**₱1,725,190,148**	₱1,276,466,238
Short-term investments	**7,874,002**	8,538,142
Trade receivables:		
Television and radio airtime	**2,399,406,346**	2,891,791,535
Subscriptions	**771,491,924**	618,236,636
Others	**142,821,682**	145,442,651
Nontrade receivables:		
Advances to officers and employees	**4,623,714**	30,288,652
Others	**69,747,905**	64,784,113
Refundable deposits (under "Other non-current assets")	**15,671,300**	16,092,343
	5,136,827,021	5,051,640,310
AFS financial assets	**135,552,548**	106,343,598
	₱5,272,379,569	₱5,157,983,908

**Excluding cash on hand amounting to ₱24.44 million and ₱10.82 million as at December 31, 2013 and 2012, respectively.*

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, 2013 and 2012, the credit quality of the Group's financial assets is as follows:

	2013			
	Neither Past Due Nor Impaired		**Past Due but**	
	High Grade	**Standard Grade**	**not Impaired**	**Total**
Loans and receivables:				
Cash and cash equivalents*	**₱1,725,190,148**	**₱–**	**₱–**	**₱1,725,190,148**
Short-term investments	**7,874,002**	**–**	**–**	**7,874,002**
Trade receivables:				
Television and other receivables	**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 (under "Other non-current assets")	**15,671,300**	**–**	**–**	**15,671,300**
	2,018,608,020	**1,643,357,773**	**1,474,861,228**	**5,136,827,021**
AFS financial assets	**135,552,548**	**–**	**–**	**135,552,548**
	₱2,154,160,568	**₱1,643,357,773**	**₱1,474,861,228**	**₱5,272,379,569**

**Excluding cash on hand amounting to ₱24.44 million as at December 31, 2013.*

	2012 (As restated - Note 2)			
	Neither Past Due Nor Impaired		Past Due but	
	High Grade	Standard Grade	not Impaired	Total
Loans and receivables:				
Cash and cash equivalents*	₱1,276,466,238	₱–	₱–	₱1,276,466,238
Short-term investments	8,538,142	–	–	8,538,142
Trade receivables:				
Television and other receivables	269,872,570	2,055,147,894	566,771,071	2,891,791,535
Subscriptions	228,237,158	–	389,999,478	618,236,636
Others	–	113,789,346	31,653,305	145,442,651
Nontrade receivables:				
Advances to officers and employees	–	29,264,842	1,023,810	30,288,652
Others	–	48,792,900	15,991,213	64,784,113
Refundable deposits (under "Other non-current assets")	16,092,343	–	–	16,092,343
	1,799,206,451	2,246,994,982	1,005,438,877	5,051,640,310
AFS financial assets	106,343,598	–	–	106,343,598
	₱1,905,550,049	₱2,246,994,982	₱1,005,438,877	₱5,157,983,908

**Excluding cash on hand amounting to ₱10.82 million as at December 31, 2012.*

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, 2013, 2012 and 2011.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loan to total equity. Interest-bearing loan includes all short-term and long-term loans. The Group's interest-bearing loans amounted to ₱1,106.87 million and ₱1,700.00 million as at December 31, 2013 and 2012, respectively. The Group's total equity attributable to equity holders of the Parent Company as at December 31, 2013 and 2012 amounted to ₱8,870.43 million and ₱8,202.81 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:

	2013			
		Fair Value		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Loans and receivables -				
Refundable deposits (under "Other noncurrent assets)	**₱15,671,300**	**₱–**	**₱–**	**₱14,885,845**
Investment properties	**60,532,209**	**–**	**–**	**133,666,200**
	₱76,203,509	**₱–**	**₱–**	**₱148,552,045**
Liabilities				
Other financial liabilities:				
Noncurrent portion of obligation for program and other rights	**₱33,330,130**	**₱–**	**₱–**	**₱34,663,247**
Other long-term employee benefits	**264,368,057**	**–**	**–**	**237,353,993**
	₱297,698,187	**₱–**	**₱–**	**₱272,017,240**

	2012			
		Fair Value		
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Loans and receivables -				
Refundable deposits (under "Other noncurrent assets)	₱16,092,343	₱–	₱–	₱15,589,855
Investment properties	64,751,405	–	–	123,220,145
	₱80,843,748	₱–	₱–	₱138,810,000
Liabilities				
Other financial liabilities:				
Noncurrent obligation for program and other rights	₱63,955,130	₱–	₱–	₱82,709,118
Other long-term employee benefits	242,656,177	–	–	216,260,349
	₱306,611,307	₱–	₱–	₱298,969,467

The following financial instruments have carrying values that approximate fair values due to the relatively short-term maturity except for AFS financial assets and land at revalued amounts which are carried at fair value:

	2013	2012
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	**₱1,725,190,148**	₱1,276,466,238
Short-term investments	**7,874,002**	8,538,142
Trade receivables:		
Television and radio airtime	**2,399,406,346**	2,891,791,535
Subscriptions	**771,491,924**	618,236,636
Others	**142,821,682**	145,442,651
Nontrade receivables:		
Advances to officers and employees	**4,623,714**	30,288,652
Others	**69,747,905**	64,784,112
	5,121,155,721	5,035,547,966
AFS financial assets	**135,552,548**	106,343,598
Land at revalued amounts	**1,805,300,051**	1,409,585,706
	₱7,062,008,320	₱6,551,477,270
Financial Liabilities		
Other financial liabilities:		
Trade payables and other current liabilities*	**₱820,947,924**	₱784,324,866
Short-term loans	**1,106,875,000**	1,700,000,000
Current portion of obligations for program and other rights	**141,096,790**	184,585,619
Dividends payable	**8,868,629**	7,648,097
	₱2,077,788,343	₱2,676,558,582

**Excluding payable to government agencies and customers' deposits which are not considered as financial liabilities.*

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 0.73% to 2.13% in 2013 and 0.20% to 5.3% in 2012.

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). Estimated price per square meter based on this approach and unobservable input 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). Estimated price per square meter based on this approach and unobservable input 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, 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 2.10% in 2013.

Other Long-term Employee Benefits
The fair value of other long-term employee benefits is based on the present value of the future cash flows. Discount rates used ranges from 0.73% to 5.13% in 2013 and 2012, respectively.

There were no transfer between levels of fair value measurement in 2013 and 2012.

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 paid through conversion of advances of GNMI to PEP (see Note 11).

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 April 2, 2014, the BOD approved the Parent Company's declaration and distribution of cash dividends amounting to ₱0.27 per share totaling ₱1,312.25 million to all stockholders of record as at April 24, 2014 and will be paid on May 19, 2014.

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

INDEPENDENT AUDITORS' REPORT
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 its subsidiaries (the Group) as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 included in this Form 17-A, and have issued our report thereon dated April 2, 2014. 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.

Ramon D. Dizon

Ramon D. Dizon
Partner
CPA Certificate No. 46047
SEC Accreditation No. 0077-AR-3 (Group A),
February 21, 2013, valid until February 20, 2016
Tax Identification No. 102-085-577
BIR Accreditation No. 08-001998-17-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225167, January 2, 2014, Makati City

April 2, 2014

GMA NETWORK, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AS AT DECEMBER 31, 2013

GMA NETWORK, INC. AND SUBSIDIARIES

I. SUPPLEMENTAL SCHEDULES REQUIRED BY ANNEX 68-E
AS AT DECEMBER 31, 2013

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and rates	Amount shown in the statements of financial position	Value based on market quotation at end of reporting period	Income received and accrued
Cash in Banks	–	**₱1,441,243,669**	**₱–**	**₱5,615,945**
Peso Placements				
Abacus Capital & Investment Corporation	–	₱198,281,100	₱–	₱8,151,759
Philippine National Bank	–	1,318,536	–	1,366,735
Land Bank of the Philippines	–	–	–	–
Malayan Bank	–	–	–	2,927,889
Unicapital, Inc.	–	20,409,317	–	1,498,910
Metrobank	–	2,498,008	–	66,700
Philippine Bank of Communications	–	–	–	1,798,112
Banco De Oro	–	–	–	–
Asia United Bank	–	–	–	–
UCPB	–	–	–	890,766
Union Bank of the Philippines.	–	–	–	190,992
	–	–	–	–
Dollar Placements	–	–	–	–
Asia United Bank	–	6,328,432	–	117,585
Eastwest Bank	–	31,286,758	–	651,087
Union Bank of the Philippines	–	23,824,328	–	436,676
Total Placements	–	**₱283,946,479**	**₱–**	**₱18,097,211**
Short-term investments - Malayan Bank	–	**₱7,874,002**	**₱–**	**₱277,649**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and rates	Amount shown in the statements of financial position	Value based on market quotation at end of reporting period	Income received and accrued
AFS Financial Assets				
Unicapital, Inc.	–	₱82,457,100	₱–	₱22,130,300
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	1,800,000	1,800,000	–
Metropolitan Club (Metroclub) A	8	1,150,000	1,150,000	–
Baguio Country Club	1	1,100,000	1,100,000	–
Manila Southwoods A	1	350,000	350,000	–
Camp John Hay Golf Club	1	260,000	260,000	–
Philippine Long Distance Telephone Company (PLDT)	21,810	243,400	–	–
Royale Tagaytay (Tagaytay Country Club)	2	230,000	230,000	–
Others	–	471,692	–	–
	66,932	**₱135,552,548**	**₱4,890,000**	**₱22,130,300**

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
As at December 31, 2013

Alta Productions Company, Inc. (Alta)

Account	January 1, 2013	Additions	Deductions: Amount Collected	Deductions: Amount Written Off	Current	Non Current	December 31, 2013
Trade Receivables	₱–	₱1,409,710	₱–	₱–	₱1,409,710	₱–	₱1,409,710
Trade payables	(11,859,849)	(42,489,818)	49,098,700	–	(5,250,967)	–	(5,250,967)
Due to Alta	–	–	–	–	–	–	–
Total	**(₱11,859,849)**	**(₱41,080,108)**	**₱49,098,700**	**₱–**	**(₱3,841,257)**	**₱–**	**(₱3,841,257)**

Citynet Network Marketing and Productions, Inc. (Citynet)

Account	January 1, 2013	Additions	Deductions: Amount Collected	Deductions: Amount Written Off	Current	Non Current	December 31, 2013
Advances to Citynet	₱120,225,718	₱–	₱	₱–	₱–	₱120,225,718	₱120,225,718
Trade Receivables	14,820	–	–	–	–	14,820	14,820
Due to Citynet	–	1,399,800	(500,000)	–	899,800	–	899,800
Trade Payables	(1,510,136)	(3,793,437)	2,598,000	–	(2,705,573)	–	(2,705,573)
Total	**₱118,730,402**	**(₱2,393,637)**	**₱2,098,000**	**₱–**	**(₱1,805,773)**	**₱120,240,538**	**₱118,434,765**

GMA Network, Films, Inc. (GNFI)

Account	January 1, 2013	Additions	Deductions: Amount Collected	Deductions: Amount Written Off	Current	Non Current	December 31, 2013
Advances to GNFI	₱44,511,314	₱–	₱–	₱–	₱–	₱44,511,314	₱44,511,314
Due from GNFI	–	199,398,924	(107,484,719)	–	91,914,205	–	91,914,205
Trade Receivables	10,447,097	–	–	–	–	10,447,097	10,447,097
Trade Payables	(283,500)	(246,614,642)	187,085,321	–	(59,812,821)	–	(59,812,821)
Due to GNFI	(26,650,857)	–	21,274,383	–	–	(5,376,474)	(5,376,474)
Total	**₱28,024,054**	**(₱47,215,718)**	**₱100,874,985**	**₱–**	**₱32,101,384**	**₱49,581,937**	**₱81,683,321**

GMA Marketing and Productions, Inc. (GMPI)

Account	January 1, 2013	Additions	Deductions Amount Collected	Deductions Amount Written Off	Current	Non Current	December 31, 2013
Trade Receivables	₱1,224,419	₱3,595,985	(₱3,714,422)	₱–	₱1,105,982	₱–	₱1,105,982
Due from GMPI	276,065	45,228	(97,067)	–	45,228	178,998	224,226
Trade Payables	(32,578,155)	(422,852,328)	407,062,508	–	(48,367,975)	–	(48,367,975)
Total	**(₱31,077,671)**	**(₱419,211,115)**	**₱403,251,019**	**₱–**	**(₱47,216,765)**	**₱178,998**	**(47,037,767)**

GMA New Media, Inc. (GNMI)

Account	January 1, 2013	Additions	Deductions Amount Collected	Deductions Amount Written Off	Current	Non Current	December 31, 2013
Advances to GNMI	₱35,524,846	₱–	₱–	₱–	₱–	₱35,524,846	₱35,524,846
Trade Receivables	32,748,657	76,435,974	(78,547,280)	–	30,637,351	–	30,637,351
Due from GNMI	11,685,769	–	–	–	–	11,685,769	11,685,769
Trade Payables	(13,236,996)	(69,571,393)	44,491,212	–	(38,317,177)	–	(38,317,177)
Total	**₱66,722,276**	**₱6,864,581**	**(₱34,056,068)**	**₱–**	**(₱7,679,826)**	**₱47,210,615**	**₱39,530,789**

GMA Worldwide (Philippines), Inc. (GWI)

Account	January 1, 2013	Additions	Deductions Amount Collected	Deductions Amount Written Off	Current	Non Current	December 31, 2013
Advances to GWI	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Trade Receivables	3,370,309	3,354	(6,530)	–	3,354	3,363,779	3,367,133
Due from GWI	–	4,665,280	(4,253,460)	–	411,820	–	411,820
Trade Payables	(5,300,103)	(21,114,549)	13,179,806	–	(13,234,846)	–	(13,234,846)
Total	**(₱1,929,794)**	**(₱16,445,915)**	**₱8,919,816**	**₱–**	**(₱12,819,672)**	**₱3,363,779**	**(₱9,455,893)**

RGMA Marketing & Productions, Inc. (GMA Records)

Account	January 1, 2013	Additions	Deductions Amount Collected	 Amount Written Off	Current	Non Current	December 31, 2013
Advances to GMA Records	₱22,594,018	₱–	(₱1,787,801)	₱–	₱–	₱20,806,217	₱20,806,217
Trade Receivables	3,156,562	–	–	–	–	3,156,562	3,156,562
Due from GMA Records	5,712,985	3,334,487	(5,180,370)	–	3,334,487	532,615	3,867,102
Trade Payable	–	(6,407,555)	3,022,735	–	(3,384,820)	–	(3,384,820)
Total	**₱31,463,565**	**(₱3,073,068)**	**(₱3,945,436)**	**₱–**	**(₱50,333)**	**₱24,495,394**	**₱24,445,061**

Scenarios, Inc. (Scenarios)

Account	January 1, 2013	Additions	Deductions Amount Collected	 Amount Written Off	Current	Non Current	December 31, 2013
Advances to Scenarios	₱798,216	₱–	₱–	₱–	₱–	₱798,216	₱798,216
Trade Receivables	24,542,978	–	–	–	–	24,542,978	24,542,978
Due from Scenarios	(392,202)	4,000,000	(2,000,000)	–	1,607,798	–	1,607,798
Trade Payables	(15,092,042)	(22,001,700)	65,335	–	(22,001,700)	(15,026,707)	(37,028,407)
Due to Scenarios	(6,001,301)	(1,700,726)	6,001,301	–	(1,700,726)	–	(1,700,726)
Total	**₱3,855,649**	**(₱19,702,426)**	**₱4,066,636**	**₱–**	**(₱22,094,628)**	**₱10,314,487**	**(₱11,780,141)**

Script2010, Inc. (Script2010)

Account	January 1, 2013	Additions	Deductions Amount Collected	 Amount Written Off	Current	Non Current	December 31, 2013
Trade Payables	(₱26,058,805)	(₱126,600,903)	₱126,649,969	₱–	(₱26,009,739)	₱–	(₱26,009,739)
Due from Script2010	12,611,514	3,703,565	(3,032,837)	–	3,703,565	₱9,578,677	13,282,242
Total	**(₱13,447,291)**	**(₱122,897,338)**	**₱123,617,132**	**₱–**	**(₱22,306,174)**	**₱9,578,677**	**(₱12,727,497)**

Media Merge Corporation (MM)

Account	January 1, 2013	Additions	Deductions: Amount Collected	Deductions: Amount Written Off	Current	Non Current	December 31, 2013
Due from MM	₱–	₱3,836,483	(₱218,936)	₱–	₱3,617,547	₱–	₱3,617,547
Trade Payables	(28,449,112)	(7,232,635)	19,317,459	–	(7,232,635)	(9,131,653)	(16,364,288)
Total	**(₱28,449,112)**	**(₱3,396,152)**	**₱19,098,523**	**₱–**	**(₱3,615,088)**	**(₱9,131,653)**	**(₱12,746,741)**

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Account	January 1, 2013	Additions	Deductions: Amount Collected	Deductions: Amount Written Off	Current	Non Current	December 31, 2013
Trade Payables	(₱459,440)	(₱3,373,648)	₱3,310,720	₱–	(₱522,368)	₱–	(₱522,368)

RGMA

Account	January 1, 2013	Additions	Deductions: Amount Collected	Deductions: Amount Written Off	Current	Non Current	December 31, 2013
Trade Receivables	₱61,012,965	₱34,287,905	(₱49,313,160)	₱–	₱34,287,905	₱11,699,805	₱45,987,710
Trade Payables	(32,762,241)	(177,025,128)	179,978,520	–	(29,808,849)	–	(29,808,849)
Total	**₱28,250,724**	**(₱142,737,223)**	**₱130,665,360**	**₱–**	**₱4,479,056**	**₱11,699,805**	**₱16,178,861**

Schedule D. Intangible Asset - Other Asset

Description	Beginning balance	Additions at cost	Charge to cost and expenses	Charged to other accounts	Ending balance
Program and film rights	₱1,161,376,706	₱538,361,476	(₱504,422,071)	(₱2,702,260)	₱1,192,613,851
Story format rights	30,466,224	47,084,826	(60,935,620)	–	16,615,430
Software cost	56,340,047	12,309,842	(30,995,844)	–	37,654,045
	₱1,248,182,977	₱597,756,144	(₱596,353,535)	(₱2,702,260)	₱1,246,883,326

Schedule H. Capital Stock

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	3,103,590,848	7,888,356	249,567,796
Preferred	7,500,000,000	7,499,507,184	NA	7,428,344,388	27,294	71,135,502

GMA NETWORK, INC. AND SUBSIDIARIES

II. SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS AS AT DECEMBER 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	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: Meaning of Effective PFRSs*	Not Early Adopted		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition*			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination*	Not Early Adopted		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements*	Not Early Adopted		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*	Not Early Adopted		
PFRS 9	Financial Instruments *	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities*	Not Early Adopted		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities*	Not Early Adopted		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables*	Not Early Adopted		
	Amendment to PFRS 13: Portfolio Exception*	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1: Presentation of Financial Statements - Clarification of the requirements for comparative information	✓		
	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of servicing equipment			✓
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation*	Not Early Adopted		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution*	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel*	Not Early Adopted		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities*	Not Early Adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	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	✓		
	Amendments to PAS 32: Tax effect of distribution to holders of equity instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities*	Not Early Adopted		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets*	Not Early Adopted		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization*	Not Early Adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
	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			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting*	Not Early Adopted		
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property*	Not Early Adopted		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
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 (IFRIC 21)*	Not Early Adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases – Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

Note: Standards and interpretations tagged as “Not applicable” are those standards which were adopted but the entity has no significant covered transaction as at and for the years ended December 31, 2013 and 2012.

** Standards and interpretations which will become effective subsequent to December 31, 2013.*

GMA NETWORK, INC. AND SUBSIDIARIES

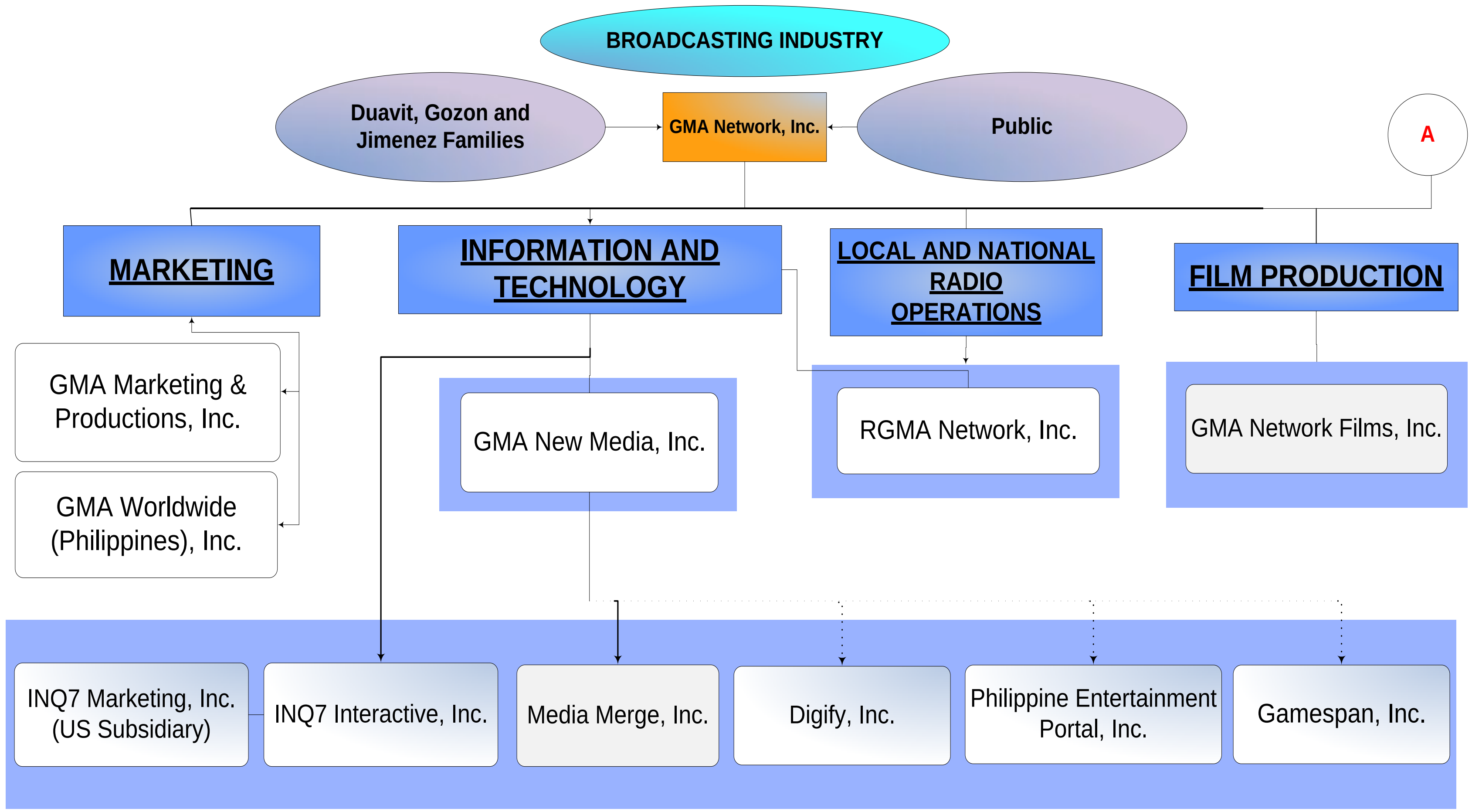
III. SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

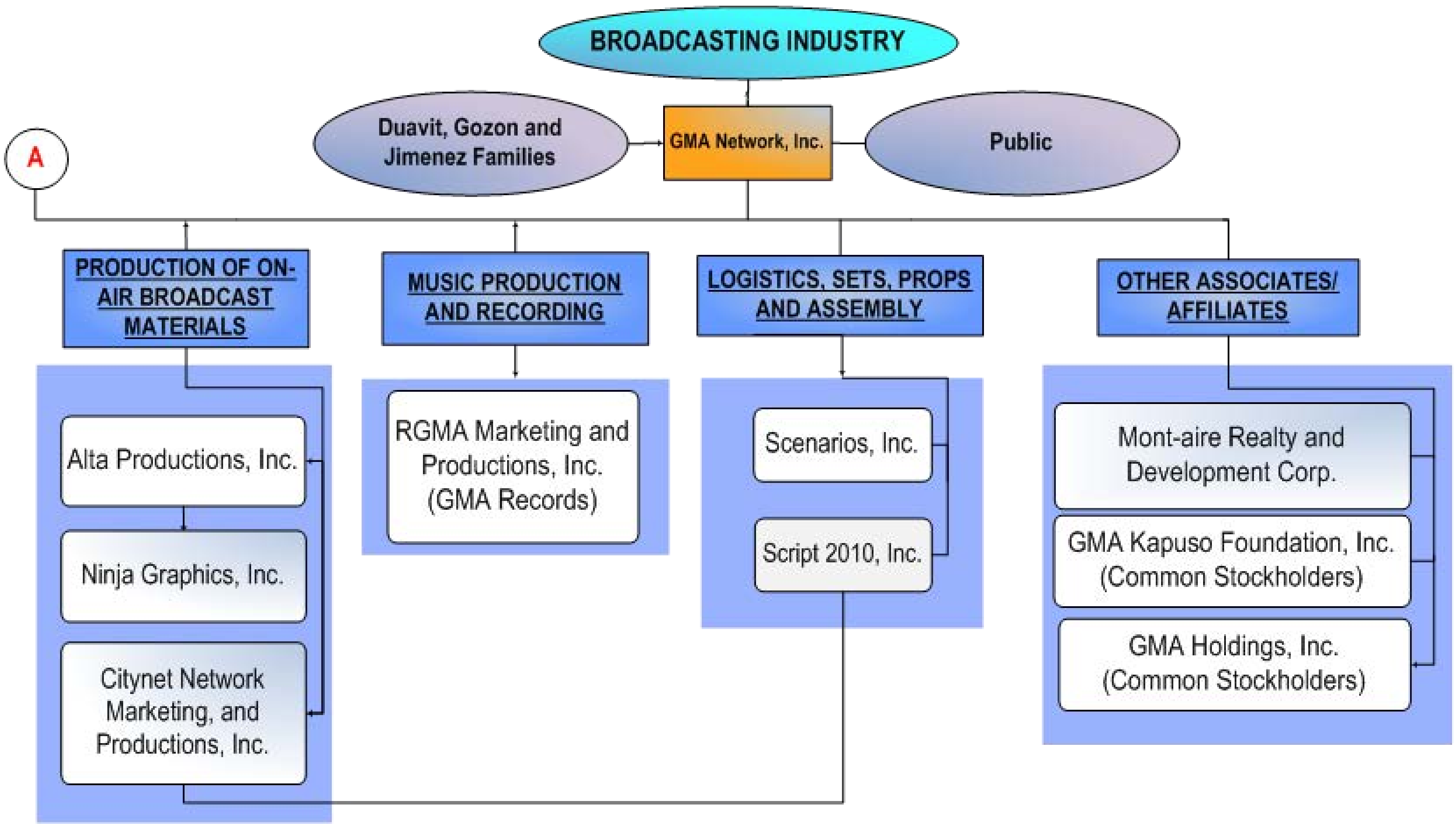
FOR THE YEAR ENDED DECEMBER 31, 2013

Unappropriated retained earnings, at beginning of year		₱966,466,680
Adjustments:		
Less: Treasury shares	(28,483,171)	
Underlying shares of the acquired Philippine Deposit Receipts	(5,790,016)	
		34,273,187
Adjusted beginning balance of unappropriated retained earnings available for dividend declaration		932,193,493
Net income during the period closed to retained earnings	1,650,187,468	
Less: Unrealized foreign exchange gain (net of exchange difference attributable to cash and cash equivalents)	(23,723,570)	
Net income actually earned during the year, as adjusted		1,626,463,898
Unappropriated retained earnings , as adjusted, before dividend declaration during the year		2,558,657,391
Less: Dividend declarations during the year		(1,215,049,609)
Unappropriated retained earnings as adjusted to available for dividend declaration, at end of year		₱1,343,607,782

GMA NETWORK, INC. AND SUBSIDIARIES

IV. MAP OF THE RELATIONSHIP OF THE COMPANY WITHIN THE GROUP





BROADCASTING INDUSTRY
Duavit, Gozon and Jimenez Families
GMA Network, Inc.
Public
A
PRODUCTION OF ON-AIR BROADCAST MATERIALS
MUSIC PRODUCTION AND RECORDING
LOGISTICS, SETS, PROPS AND ASSEMBLY
OTHER ASSOCIATES/ AFFILIATES
Alta Productions, Inc.
Ninja Graphics, Inc.
Citynet Network Marketing, and Productions, Inc.
RGMA Marketing and Productions, Inc. (GMA Records)
Scenarios, Inc.
Script 2010, Inc.
Mont-aire Realty and Development Corp.
GMA Kapuso Foundation, Inc. (Common Stockholders)
GMA Holdings, Inc. (Common Stockholders)

GMA NETWORK, INC. AND SUBSIDIARIES

IV. SCHEDULE OF FINANCIAL RATIOS

FOR THE YEAR ENDED DECEMBER 31, 2013

Financial Ratios	Description	2013	2012	2011
Current/liquidity ratio	Current assets over current liabilities	2.15:1	1.94:1	4.35:1
Asset to equity ratio	Total asset over total equity	1.48:1	1.56:1	1.25:1
Net debt to equity ratio	Interest - bearing loans and borrowings less cash and cash equivalents over total equity	-0.07:1	0.05:1	-0.13:1
Debt-to-equity ratio	Short-term loans over total equity	0.13:1	0.21:1	–
Interest rate coverage ratio	Earnings before interest, tax over interest expense	45.95:1	54.94:1	195.59:1
Gross profit margin	Gross profit over net revenues	54.01%	56.27%	54.76%
Net income margin	Net income over net revenues	12.93%	13.41%	14.97%