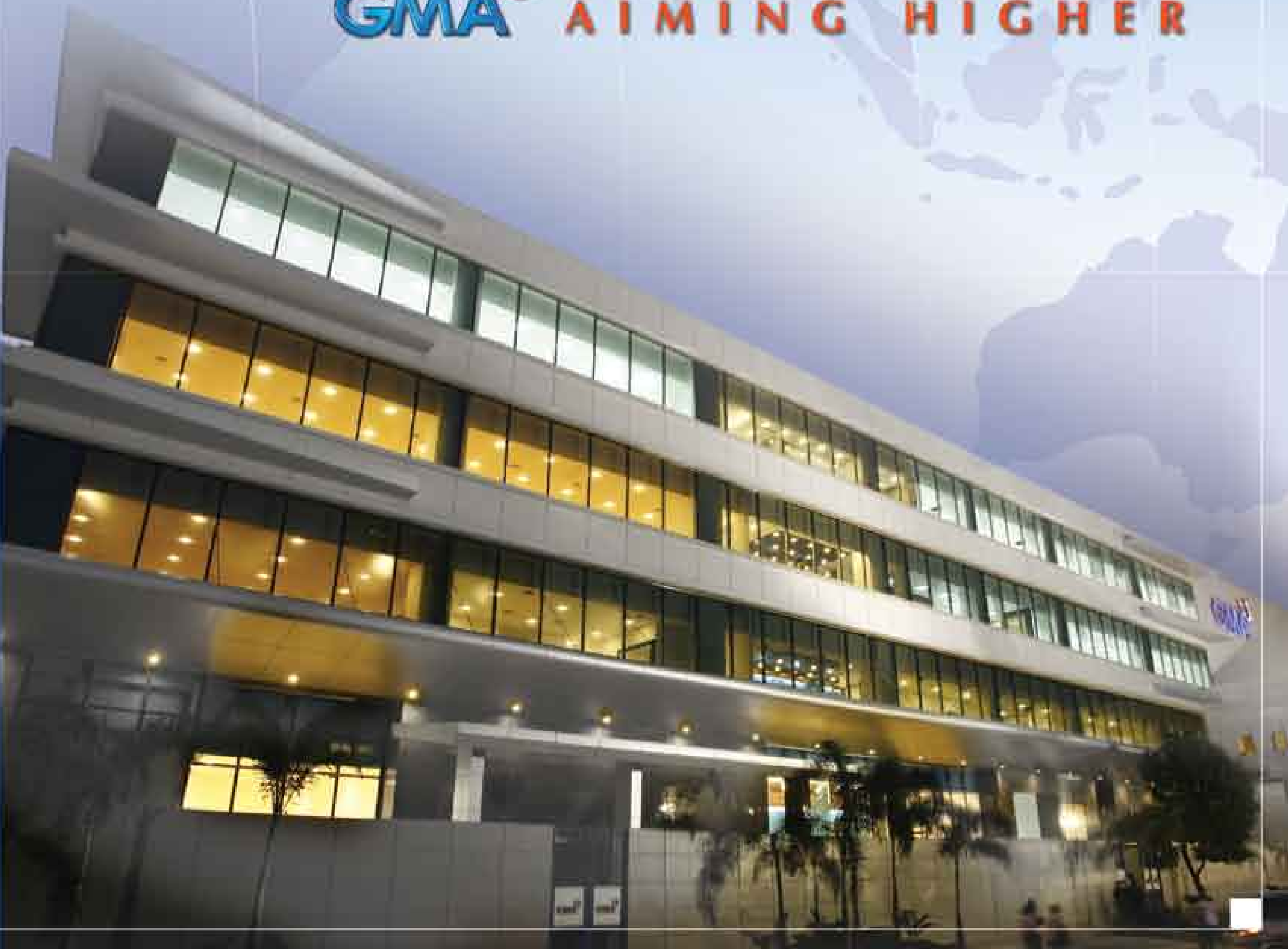
THE 2008 GMA NETWORK, INC. ANNUAL REPORT

GMA AIMING HIGHER



Aiming Higher

About our cover

In 2008, GMA Network, Inc. inaugurated the GMA Network Studios, the most technologically-advanced studio facility in the country. It is a testament to our commitment to enrich the lives of Filipinos everywhere with superior entertainment and the responsible delivery of news and information.

The 2008 Annual Report's theme, "Aiming Higher," is our commitment to our shareholders that will enable us to give significant returns on their investments.

Corporate Purpose

We enrich the lives of Filipinos everywhere
with superior Entertainment and the responsible delivery
of News and Information.

Corporate Vision

We are the most respected, undisputed leader
in the Philippine broadcast industry and the recognized
media innovator and pacesetter in Asia.
We are the Filipinos' favorite network.
We are the advertisers' preferred partner.
We are the employer of choice in our industry.
We provide the best returns to our shareholders.
We are a key partner in promoting the best in the Filipino.

Core Values

We place God above all.
We believe that the Viewer is Boss.
We value our People as our Best Assets.
We uphold Integrity and Transparency.
We are driven by our Passion for Excellence.
We strive for Efficiency in everything we do.
We pursue Creativity and Innovation.

GMA ended 2008 awash with cash amounting to P1.688 billion and free of debt, which enabled us to upgrade our regional facilities, complete our new building housing state-of-the-art studios and further expand our international operations.

AIMING HIGHER

THE CHAIRMAN'S MESSAGE

Dear Fellow Shareholders:

The year 2008 will be remembered for the financial crisis that started in the United States and its domino-effect on the rest of the world. The Philippine economy was not spared, and for the first time in seven years, gross domestic product (GDP) slowed down to 4.6%. High inflation, high oil prices and the deepening global financial crisis in the fourth quarter caused many investors serious concerns. As a result, the stock market plummeted and prices of stocks tumbled down to very low levels including that of our own. GMA Network's share price, which, at the beginning of 2008 was at P7.70, dropped to P3.45 by the end of the year. Although the price of GMA shares followed the market trend, the drop in its price was not as big as that of other comparable companies in the market.

In spite of these developments, I am pleased to report to you that we ended the year creditably well with modest growth and favorable results for our Company. Consolidated revenues grew 4% to P12.497 billion in 2008. Net income went up by 3% to P2.369 billion. EBITDA ended at P4.444 billion, less than 1% or P15 million lower than last year.

Total assets grew to P12.466 billion, 7% higher than last year's P11.685 billion, while total liabilities decreased by 14% from P3.146 billion in 2007 to P2.711 billion this year. Thus, the Company ended the year awash with cash amounting to P1.688 billion and free of debt. These enabled us to meet our key targets involving the upgrading of our regional facilities, the completion of our new building housing state-of-the-art studios and the expansion of our international operations.

Our relatively strong financial performance was driven by the good performance of our television business. GMA and QTV programs continued to deliver high ratings especially in Mega Manila and Luzon that comprise 77% of the TV viewing audience. GMA outperformed its competitor in ad loading with an 18,484 minutes advantage during the year. QTV, on the other hand, increased its loading by 6,087 minutes or 18.7% in 2008 compared with the previous year. Its gross revenues increased from P340 million in 2007 to P396 million in 2008 or by 16.3%.

Our efforts in keeping in step with the rest of the world will further improve our ratings and widen our reach as our superior programs will be better seen and appreciated by Filipinos here and abroad

Gross revenues from regional operations increased from P51 million in 2007 to P77 million in 2008, an increase of 50.5%. Our international operations also did very well this year by registering a 25% increase in its subscriber base. It increased its share in the Company's consolidated revenues from 3.5% last year to 4.7% this year by growing in gross revenues from P426 million in 2007 to P590 million this year. Our subsidiary, GMA Films, Inc., likewise contributed to the increase in the Company's consolidated revenues. All these make us ready and prepared to face the challenges of a worldwide economic slowdown that is expected to continue in 2009 and beyond.

Strategies Driving Growth

GMA's solid financial results in 2008 despite the prevailing economic environment must be viewed in the context of the strategic moves that we undertook five years back and continue to implement this year. At that time, while the Company had succeeded in maintaining growth, the opportunity to obtain the leadership of the industry has not been fully exploited. To put GMA Network, Inc. on a new growth path, we defined a vision premised on our ability to provide superior entertainment and the responsible delivery of news and information to Filipinos wherever they may be. We took bold steps to rapidly expand our business by investing in the production of world-class content, growing our audience with the upgrading of our provincial facilities to improve signal, clarity and reach of reception, and keeping in step with new technology.

We started upgrading our facilities and strengthen our presence in the provinces in 2004 and as of December this year, we have completed our TV transmitter facility upgrades in the key cities, among them: TV-5 Davao City, TV-10 Bacolod City, TV-12 Jolo,Sulu; TV-11 Iligan

City, TV-12 Cagayan de Oro City, TV-10 Sto. Tomas, Benguet; TV-12 Mt. Banoy, Batangas; TV-12 Kitanglad, TV-8 General Santos City, TV-7 Bonbon, Cebu City, TV -12 Legaspi and TV-7 Naga City. The Company has invested P302.16 million for the transmitter facility upgrades alone. In addition, we have also upgraded the studio facilities of our originating stations in Dagupan and Davao and equipped them with live ENG capability. GMA viewers in these areas now enjoy our programs with greater clarity.

We are moving faster to finish our signal upgrade projects and will be spending over P200 million more next year to acquire new transmitters and other equipment to improve the signal quality and expand the reach of our remaining TV stations particularly in Visayas and Mindanao. This year, we also completed the construction of the GMA Network Studios that required an investment amounting to almost P1 billion. We expect that these moves will further improve our ratings and expand our reach as our superior programs will be better seen and appreciated by viewers nationwide.

Three years ago, we introduced our GMA Pinoy TV abroad and this year, we launched a new international channel---**GMA Life TV**---making more of our programs available to Filipinos residing abroad. In 2008, we developed more new and innovative programs to increase the diversity and value of our programs in GMA and QTV. Today, GMA has become a formidable content provider offering an array of programs and documentaries available not only on TV but now also on-line.

With a sustained healthy financial performance, we did not have to borrow money to accomplish our plans as these were funded with internally-generated funds.

We are happy that we have accomplished most, if not all of what we planned for five years ago. With a sustained healthy financial performance, we did not have to borrow money to accomplish our plans as these were funded with internally-generated funds. We have improved our facilities and infrastructure in the regions and will continue to do so. We successfully launched our two international TV channels and considerably grew the number of our subscribers. We maintained our lead in the ratings of our programs. We were able to increase the revenues from and substantially reduce the costs of our QTV operations in spite of the added competition. The effective strategies we have employed drove GMA's growth these past few years and, today, the Company remains as strong as ever.

Dividend Payments

The continued improvement of our financial position allowed us to fulfill our commitment to provide significant returns to our shareholders. In 2008, although newly listed, the Company paid its shareholders P1.214 billion in dividends.

***Kapuso* in National Development**

Beyond the scope of our business is our involvement with corporate social responsibility or CSR.

Over the years, GMA has demonstrated that it is *Kapuso* (one in heart) with the country's national welfare and development. By expanding our operations nationwide, we have created more jobs and helped stimulate economic activity. As a group, we provide direct employment to more than 4,000 employees and talents and continue to spur economic activities through our suppliers, partners and content providers nationwide. Our advocacies helped educate and raise the socio-civic consciousness of our people. The programs and activities of our GMA *Kapuso* Foundation and the *Kapwa Ko Mahal Ko* Foundation have contributed to the general welfare of the poorest of the poor.

We have also worked with other foundations and multi-sectoral groups such as the Ayala Foundation to help connect public high schools to the internet through our donations of computers to the GILAS (Gearing Up Internet Literacy and Access for Students) program and the Haribon Foundation to push biodiversity conservation. We have Habitat Foundation as the partner of our GMA *Kapuso* Foundation in constructing classrooms and school buildings under the Adopt-A-School Project of the Department of Education and Culture. We provide scholarships for University of the Philippines and Don Bosco Technical College students.

The taxes we have paid to local and national treasuries---income taxes, VAT and other direct and indirect taxes---amounted to more than P2.1 billion in 2008. For our contributions, GMA Network, Inc. has been acknowledged as among the top taxpayers of Quezon City. These initiatives are consistent with our mission to enrich the lives of Filipinos and to be a key partner in promoting the best in the Filipino.

Awards

We have relentlessly endeavored to make GMA Network, Inc. a world-class content provider. The various local and international awards which GMA had been accorded this year and in previous years are proof that our Company can indeed succeed even when benchmarked against international standards. At the 2008 Asian Awards, GMA was given the award Highly Commended Terrestrial Broadcaster of the Year. GMA received the Best Station Award from the 22nd PMPC

Star Awards this year. GMA News and Public Affairs had the biggest harvest of medals a Philippine network ever brought home in a single year from the New York Festivals---one gold , two silver and two bronze medals. It has also received the most number of US International Film and Video Festival medal winners in its history ---one Gold Camera and five Silver Screen awards. In addition to these awards are numerous awards given by other award-giving bodies, professional and academic institutions to the Company as well as GMA's individual programs and talents.

Aiming Higher

This year's Annual Report theme, **Aiming Higher**, is our commitment to our shareholders that will enable us to give significant returns on their investments. Our future will be defined by our two-pronged approach of upgrading and modernizing our infrastructure and facilities to keep up with the changes in our dynamic industry and developing content that are in keeping with our audience's preferences.

The recession in the United States may take some time and this will most certainly affect our economy as well as the economies of the other countries of the world. Because most of our volume accounts are multinational companies based in the U.S. and in Europe, we can expect a drop in their ad placements. Hopefully, our Company could compensate for the shortfalls in revenues from the non-volume and new accounts. We shall also continue to improve and provide more creative program offerings to our clients. And, of course, there is still room for improvement in the cost-efficiency of our operations.

Our priority in 2009 is to achieve superiority in ratings over our nearest competitor, not only in Mega Manila and in Luzon, but also nationwide. Our initiative to improve our reach and signal in the regions will remain unabated. We will also try to achieve break-even, if not profitable, operations from QTV. Since most of our capex requirements have already been completed in 2008, our requirements to support growth in 2009 will be considerably less. We can then undertake more initiatives that will enable us to sustain our competitiveness and strengthen our position in the industry as we face the uncertainties prevailing in the domestic and global markets.

We will continue to develop innovative and world-class content and undertake new initiatives that will create new products and services. At this stage of our Company's metamorphosis, digital broadcast technologies are gaining ground. We are anticipating these developments and are laying the ground work to take advantage of emerging new platforms for broadcast content from which we expect to generate additional revenues. So far, we have gained a foothold in on-line publishing that we started last year, introduced interactive game shows generating revenues from SMS, ventured into on-line gaming through New Media Inc.'s (NMI) partnership with IP E-Game Ventures and introduced **myGMA.com.ph** Internet TV, a video-on-demand service featuring well-loved GMA programs. We will be offering more of these in the coming years.

The support that we continue to receive from our partners, advertisers and employees, as well as the loyalty and trust of our viewers and subscribers, inspire us to carry on stronger and wiser in the years ahead.

Further growth is expected from our international and regional operations, film ventures, film syndication, and new media initiatives.

We have always believed that in crisis there are opportunities, and we are optimistic that GMA Network, Inc. will emerge stronger, if not better.

Commitment to Good Governance

Our high aspirations for our Company include our commitment to provide quality financial reporting, transparent disclosure, and our compliance with the highest standards of good governance. We shall continue to pursue new initiatives to develop and adopt best governance practices in the organization.

As always, we are grateful for the counsel and support of the Board of Directors and the support of our shareholders during the year just passed. To the management and staff, talents and consultants, our deepest appreciation and thanks for a job well done. Our track record of performance and the support that we continue to receive from our partners, advertisers, employees and the loyalty and trust of our viewers and subscribers give us the confidence that we will be able to sustain our growth path as we aim higher in the year ahead.

Felipe L. Gozon
Chairman, President and CEO

We continued to sustain our ratings lead in the key markets of Mega Manila and the whole of Luzon and moved forward to narrow the gap with our closest competitor in the National ratings.

REPORT ON OPERATIONS

I am pleased to report that GMA Network, Inc. achieved modest growth in 2008 despite the financial crisis that hit the global markets in the third quarter of the year. There were three key objectives in 2008: (1) further increase and sustain our program ratings leadership in the key markets of Mega Manila and Luzon while gaining more ground against our key competitor in the National (NUTAM) ratings; (2) continue to grow our International business; and, (3) further reduce the financial drag of QTV and position it to break even prospectively in 2009. All these, while maintaining a keen eye on cost controls and operating efficiencies.

The year that passed leaves us achieving the objectives enumerated above.

Leadership in Ratings

We continued to sustain our ratings lead in the key markets of Mega Manila and the whole of Luzon and moved forward to narrow the gap with our closest competitor in the National (NUTAM) ratings.

In Mega Manila, we further increased our ratings advantage in 2008. GMA's total day (Household) rating average of 17.8 TVR in Mega Manila outstripped competition by 5.0 points; a gain of 1.6 TVR points over that of last year.

Overall Channel Ratings
AGB Nielsen Mega Manila TV Households
Total Day (6am-12mn)

	2008	2007
GMA	**17.8**	**17.7**
ABS-CBN	12.8	14.3
Diff (GMA-ABS)	5.0	3.4

Source: AGB Nielsen Media Research Phils., Inc. (Arianna-MEGATAM)

GMA led competition across all day parts and in all program genres.

The outlook for GMA International in 2009 remains good, driven primarily by the growing interest of more foreign carriers to distribute our international channels either on a bundled or 'a la carte basis.

Top Programs by Genre
AGB Nielsen Mega Manila TV Households
January - December 2008

Genre	Programs	Channel	Rtg (%)
Animation	One Piece	GMA	15.3
Drama (Daytime)	Magdusa Ka	GMA	21.9
Drama (Primetime)	Marimar	GMA	41.7
Comedy/Gag Shows	Bitoy's Funniest Videos	GMA	30.8
Game Shows	Kakasa Ka Ba Sa Grade 5?	GMA	26.0
General Talk Show	Mel & Joey	GMA	24.8
General Variety	Eat Bulaga	GMA	22.0
Infotainment	Kap's Amazing Stories	GMA	23.5
Musical Variety	Sobrang Okey Pare	GMA	15.6
Newscast	24 Oras	GMA	29.4
Public Affairs/Feature/ Informational Magazine	Kapuso Mo Jessica Soho	GMA	30.4
Public Affairs Docu/ Investigative	Imbestigador	GMA	25.4
Reality Shows	Survivor Philippines	GMA	30.8
Showbiz Talk Show	Startalk	GMA	14.8

Source: AGB Nielsen Media Research Phils., Inc. (Arianna-MEGATAM)
Note: Program ratings are based on AGB Nielsen Media Research MEGA TAM data.

The evening prime time block continued to be GMA's stronghold, posting the largest margin at 7.4 points over ABS-CBN. A successful initiative we undertook in 2008 was to invest in station-produced programs to solidify our leadership in the afternoon time block with the end in view of growing the afternoon audience and ad revenue bases. The effort was met with considerable success. Today, our produced afternoon dramas consistently deliver ratings comparable to some early primetime dramas of our key competitor. As a result, our ratings advantage in the said block has virtually doubled from 2.4 points in 2007 to 4.7 points in 2008 while at the same time generating additional revenues and improved margins.

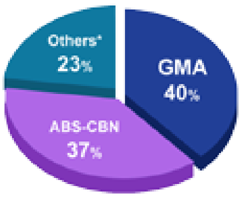
Channel Ratings by Daypart
AGB Nielsen Mega Manila TV Households
2008 vs. 2007

2008	TOTAL DAY (6am-12mn)	Morning (6am-12nn)	Afternoon (12nn-6pm)	Evening (6pm-12mn)
GMA	17.8	9.3	18.5	25.7
ABS-CBN	12.8	6.3	13.8	18.3
Diff (GMA-ABS)	5.0	3.0	4.7	7.4
2007	**TOTAL DAY (6am-12mn)**	**Morning (6am-12nn)**	**Afternoon (12nn-6pm)**	**Evening (6pm-12mn)**
GMA	17.7	9.6	18.1	25.5
ABS-CBN	14.3	7.4	15.7	19.9
Diff (GMA-ABS)	3.4	2.2	2.4	5.6

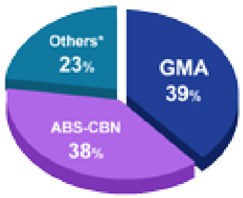
Source: AGB Nielsen Media Research Phils., Inc. (Arianna-MEGATAM)

On the matter of over-all total industry minute loading, our share of the Top 20 Advertisers' booked spots went up further from 39% in 2007 to 40% in 2008, re-validating our position as the advertisers' broadcast partner of choice.

Top 20 Advertisers TV Loading Allocation



Jan – Dec 2008



Jan – Dec 2007

* Includes QTV, NBN, ABC/TV 5, RPN (C/S), IBC and Studio 23. SBN and RJTV were not monitored by The Nielsen Company in 2007.

Source: Nielsen Media Research (Adquest)

Notes: 1) Adspend based on ratecards. Excludes 5-seconders, gov't ads (except political ads in 2007), portion buys, network text-in promos and station plugs (as classified by The Nielsen Company Phils).
2) Selection of top 20 advertisers is based on adspend.

Regional operations in tandem with the upgrading of our transmission and broadcast facilities have yielded positive results, as demonstrated by the improvement of GMA's ratings particularly in South Luzon, Visayas, and Mindanao. Correspondingly, regional sales have also increased considerably.

When we started subscribing to NUTAM in July 2007, we were behind our key competitor by 3.6 points/TVR (Total Day, AGB NUTAM TV Households July- December 2007). By year-end, we had narrowed the gap to only 1.8 points/TVR. More significantly, the gap in People Ratings (in TV Homes) has been narrowed down from 1.5 points in July-December 2007 to only 0.7 point in 2008.

We successfully commissioned and inaugurated our new GMA Network Studios on the last quarter of 2008. Complemented by our new state-of-the-art facilities, our finely honed creative and production back-end continued to develop and produce innovative and responsive programs which consistently achieved high ratings and led in all genres. Of the top 30 programs that aired within the year, 26 were from GMA.

Comparative Channel Ratings

AGB NUTAM TV Households
Total Day (6am-12mn) • GMA vs. ABS-CBN

	2008			July-Dec. 2007		
TV HOUSEHOLD RATINGS	GMA %	ABS-CBN %	DIFF (GMA-ABS)	GMA %	ABS-CBN %	DIFF (GMA-ABS)
NAT'L URBAN PHILS.	**15.2**	17.0	(1.8)	**15.1**	18.7	(3.6)
TOTAL URBAN LUZON	**16.7**	14.7	**2.0**	**16.9**	16.4	**0.5**
Metro Manila	***15.7***	*13.3*	***2.4***	***16.9***	*14.8*	***2.1***
Urban North/Central Luzon	***18.5***	*12.8*	***5.7***	***19.7***	*13.0*	***6.7***
Urban South Luzon	***16.5***	*17.9*	*(1.4)*	***14.6***	*21.2*	*(6.6)*
URBAN VISAYAS	**10.6**	22.7	(12.1)	**10.0**	24.3	(14.3)
URBAN MINDANAO	**9.7**	26.8	(17.1)	**9.0**	29.0	(20.0)

*Our available NUTAM data in 2007 limited to July- December only. Source: AGB Nielsen Media Research, Inc. (Arianna-NUTAM)

Overall Top 30 Programs

AGB Nielsen Mega Manila TV Households
Jan – Dec 2008

Rank	Program Name	Channel	Household Rating (%)
1	MARIMAR	GMA	41.7
2	DYESEBEL	GMA	39.8
3	JOAQUIN BORDADO	GMA	35.7
4	KAMANDAG	GMA	35.6
5	CODENAME: ASERO	GMA	34.7
6	LUNA MYSTIKA	GMA	33.9
7	GAGAMBINO	GMA	32.3
8	LALOLA	GMA	31.6
9	BABANGON AKO'T DUDURUGIN KITA	GMA	31.4
10-11	SURVIVOR PHILIPPINES	GMA	30.8
	BITOY'S FUNNIEST VIDEOS	GMA	30.8
12	AKO SI KIM SAMSOON	GMA	30.7
13-15	COFFEE PRINCE	GMA	30.4
	KAPUSO MO JESSICA SOHO	GMA	30.4
	ZAIDO	GMA	30.4
16	LA VENDETTA	GMA	29.9
17	24 ORAS	GMA	29.4
18	KAKASA KA BA SA GRADE 5?	GMA	26.0
19	LASTIKMAN	ABS-CBN	25.6
20	IMBESTIGADOR	GMA	25.4
21-22	CELEBRITY DUETS	GMA	25.2
	FAMILY FEUD (CELEBRITY EDITION)	GMA	25.2
23	TOK! TOK! TOK! ISANG MILYON PASOK	GMA	25.1
24	MEL & JOEY	GMA	24.8
25	IISA PA LAMANG	ABS-CBN	24.7
26	I LOVE BETTY LA FEA	ABS-CBN	24.6
27	MY HUSBAND'S WOMAN	GMA	24.0
28	DYOSA	ABS-CBN	23.9
29-30	KAP'S AMAZING STORIES	GMA	23.5
	PINOY IDOL	GMA	23.5

Note: List excludes Specials

Source: AGB Nielsen Media Research Phils., Inc. (Arianna-MEGATAM)

Improving and expanding regional coverage to gain superiority in terms of signal clarity and reception is an on-going effort we started in 2004 adopting Grade A to City Grade signal levels as our benchmark. This year, up to the end of the first quarter of 2009, the Company will have completed five projects at a total cost of P123.3 million. Implemented in Naga City (transmitter upgrade from 10KW to 30KW, new tower and antenna system), Cebu City (transmitter upgrade from 50KW to 60KW), General Santos City (transmitter upgrade from 5KW to 10KW with new antenna system), Mt. Kitanglad, Bukidnon (antenna system) and Mt. Banoy, Batangas (transmitter upgrade from 1 KW to 5KW, with new tower and antenna system), these projects were intended to bring our signal levels beyond those of our competitors.

The Dagupan and Davao Broadcast Studios were also completed within the year and started operations in May. Upgrading of the Davao transmission facility will be completed by the end of April 2009 and involves the modification of our existing tower and the commissioning of a new antenna system. We have covered all the key

Expanding Audience Reach

Our relentless efforts towards improving our

Regional markets. Our blueprint for the secondary markets has been completed and is scheduled for implementation in the coming year.

One strategic project in 2008 resulted in the increased availability of both GMA and QTV on cable systems nationwide. Through the adoption of a new conditional access system for our uplinked signals, we were able to deploy a far more cost-efficient IRD (Integrated Receiver-Decoder) to cable head-ends nationally. By year-end, more than 700 IRDs have been distributed for both GMA (326) and QTV (401), giving the cable subscribers of these cable systems access to GMA and QTV programs which they did not previously have, further broadening our reach within the universe of cabled homes and viewers nationwide.

Growing the International Audience

Our International business closed the year with good results.

GMA Pinoy TV continued to grow its subscriber base with more carriers signed-up in key markets overseas. By the end of December, GMA Pinoy TV subscribers totaled 207,876 or a 25% increase over 2007. The Company's second international channel, GMA Life TV, was successfully launched in March 2008 and in less than a year, already counts 45,892 subscribers, substantially increasing our ARPS (Average Revenue per Subscriber) in select markets. In 2008, our International business generated revenues amounting to P590 million a growth of 38% over revenues in 2007.

The outlook for 2009 remains good, driven primarily by the growing interest of more foreign carriers to distribute our international channels either on a bundled or 'a la carte basis. Currently being studied is the feasibility of launching a third, prospectively News and Public Affairs Channel, which will leverage on the wealth of related content we currently possess and the strength of our N&PA (News & Public Affairs) brand.

Making QTV Profitable

The shift in QTV positioning and programming towards the upper-class/ABC1 female segment as the target market implemented within the year has started to work, resulting in an increase in ad placements in 2008. While other TV networks (outside of GMA and ABS-CBN) decreased in their loading minutes, QTV's commercial load grew by 6,087 minutes or 18.7% over the previous year. In revenue terms, QTV's full year performance translated to a growth of 16% from P340 million in 2007 to P396 million in 2008 despite the entry of a re-programmed TV5 in the later part of the year.

This growth in revenue was achieved alongside a reduction in QTV's programming costs by a remarkable 21%, allowing us to further temper the financial drag still imposed by the channel on the Company.

Competitive Loading (in mins.)
Sign-on to Sign-off

	2008	2007	Diff (2008-2007) in mins.	% inc/dec
Total *	**286,900**	**268,127**	**18,773**	**7.0**
GMA	**102,702**	**93,074**	**9,628**	**10.3**
GMA (Less Eat Bulaga)	**95,227**	**84,506**	**10,721**	**12.7**
ABS-CBN	84,218	82,968	1,250	1.5
QTV	38,653	32,566	6,087	18.7
ABC/TV 5**	6,944	14,257	(7,313)	(51.3)
Studio 23	16,784	17,549	(765)	(4.4)
IBC 13	6,991	7,083	(93)	(1.3)
NBN 4	7,495	8,840	(1,345)	(15.2)
RPN (C/S)***	23,114	11,790	11,324	96.0

Source: The Nielsen Company Phils. (Adquest)

* Includes VHF channels and Studio 23
** ABC 5 was re-launched as TV 5 on August 9, 2008
***Starting January 1, 2008 RPN (CS) airs Solar Entertainment programs.
NOTE: Commercial minutes do not include 5 secs, gov't ads (except political ads), network text-in promos, portion buys and station plugs as classified by The Nielsen Company Phils.

While QTV maintained its No. 3 ranking in Mega Manila (behind only GMA and ABS-CBN in full year, total day ratings), the mass-based programming of TV5 started to gain audiences towards the end of the year. While this development may be viewed as a threat to QTV, internal analyses continue to show QTV programs as being significantly more cost-efficient in relation to our target market/audience segment, which accounts for the far higher advertising loads of QTV versus its closest competitor and it's consistent revenue growth.

Given its performance in 2008, we are optimistic that QTV will do even better in the coming year. Breaking even in 2009 is within reach.

Maintaining a Positive Outlook for 2009

The past year, difficult as it has been, leaves us with reasons to be optimistic in 2009.

We will continue to find ways to enhance our efficiency...stay the course and continue to grow, creating and seizing opportunities as we go along.

Our 2008 consolidated revenue of P12.497 billion represents a top line growth of 4% over the P12.057 billion generated in the previous year notwithstanding the absence of non-recurring political ad revenue in the amount of P500 million booked in 2007. Our resulting net income stands at P2.369 billion, a growth of 3% over the P 2.307 billion achieved by the Company in 2007; by far, the highest in the local broadcast industry.

While ad spend in 2009 is expected to be flat at best, our program ratings continue to improve against those of the competition, making us the more cost-efficient and better buy in town. Our ratings lead in the key markets of Mega Manila and the entire island of Luzon continues to grow---as our main competitor's lead in the NUTAM ratings narrows. In a business atmosphere that puts a premium on quality, we are poised to win a larger share of the TV ad spend pie.

The major capex items we lined up as early as two years ago have been completed. The P 1 billion GMA Network Studios, which is envisioned to enhance our product value and bring us to world standards, were inaugurated in October. The TV transmitters we have installed in key cities are up, with only our facility improvements in Davao and Naga carried over to the first quarter of 2009. Our national free-to-air signals and reach continue to improve, just as hundreds of cable systems nationwide have started to offer both GMA and QTV, with more lined up for activation. Despite all of these investments, we ended the year with no long-term debt in our balance sheet to amortize.

Our direction for 2009 will remain essentially the same: sustain our ratings advantage in the key markets enumerated earlier, increase our ratings in Visayas and Mindanao with a keen eye on winning nationally within the year, and further grow our International business. Amidst the uncertain business environment, we will continue to focus on the fundamentals – sustain the growth of our core business by producing cost-efficient, innovative and responsive programs; continue to invest in upgrading our infrastructure to further expand our local audience; and, further grow our Radio, New Media, Film production, Syndication and Music businesses. We will continue to find ways to enhance the efficiency of our operations and maintain, if not improve, our operating margins. We will stay the course and continue to grow, creating and seizing opportunities as we go along.

Our optimism is grounded on the knowledge that behind every objective set, is the collective commitment of all our employees, managers, executives and talents to be the best that they can be to achieve it. Behind these efforts, the invaluable trust and support of our Board members, shareholders, advertisers and programming partners that encourage and enable it – and last but certainly not least, the continued patronage of our valued viewers, both here and abroad, that inspires it.

Maraming salamat po sa inyong lahat. Ang ating naging tagumpay sa nakaraang taon---at magiging tagumpay sa hinaharap---ay dahil sa inyo.

Gilberto R. Duavit, Jr.
Executive Vice President and Chief Operating Officer

Profile of the Business

AN OVERVIEW OF THE BUSINESS

GMA Network, Inc. is the premier free-to-air broadcasting company in the Philippines, providing a variety of programs to an estimated 8.1 million television-owning households in the Philippines (based on 2000 data from the National Statistics Office). Its television programming includes fantasy programs, dramas, soap operas (telenovelas), dubbed foreign serials, entertainment news, talk shows, reality programs, news and public affairs shows, documentaries, game shows, variety shows, musicals, sitcoms, and children's shows.

GMA's corporate tagline, *Kapuso ng bawat Pilipino* (One in heart with the Filipino people), guides its programming choices and allows viewers to feel closely connected to the Company.

Its superior programming and original program ideas have resulted in the Company achieving higher household ratings and audience shares than any other broadcast company in the Philippines. GMA's news programs provide well-balanced, in-depth,objective and groundbreaking coverage of all major news events in the Philippines. Its news and public affairs programs have won many awards, including the prestigious George Peabody Award for excellence in broadcast journalism.

GMA's programming is innovative, well-researched, and in tune with the preferences of its primary audience. Through a dedicated research team, GMA leverages tools such as ratings, focus groups, and interest groups to identify and review current viewership trends and preferences. A dedicated programming committee assesses feedback and decides on the launch, scheduling, continuation or termination of programs.This enables GMA to assess programming strategically so that relevant programs are aired at the most appropriate time to target the strongest viewership.

The leadership of GMA Network in the Mega Manila and Urban Luzon television markets in terms of household ratings make it the leading broadcasting company in the Philippines. Mega Manila is the largest television market in the Philippines, with an estimated 3.9 million television-owning households, according to AGB Nielsen Phils. Urban Luzon, on the other hand, comprises 77% of Total Urban Philippines households.

GMA currently broadcasts programming between 21 and 22 hours a day on Channel 7 in Mega Manila and through 49 other television stations throughout the Philippines.

The Company has developed a deep talent pool. The GMA Artists Center (GMAAC) is its talent management and development arm. It is in charge of recruiting, identifying and retaining emerging talents and developing and promoting existing talents, in particular, on-air talents, including performers and presenters. As of December 2008, GMA Network has 2,400 talents under contract, consisting of on-air performers and presenters, and behind-the-scene writers, directors and producers. It has successfully developed a number of its on-air talents into stars by showcasing them in popular television programs.

A key thrust of the Company's business strategy is to broaden its revenue base. Since 2005, the Company has identified additional revenue streams by broadcasting programming on an additional channel, **QTV**, and through its subscription-based international channels, **GMA Pinoy TV** and **GMA Life TV**.

QTV was developed in partnership with Zoe Broadcasting Network, Inc., and is the first television station in the Philippines specifically tailored for middle to upper-class female viewers ---a consumer group particularly attractive to advertisers. Since its launch, QTV has been a strong alternative to the two giants of Philippine television -- GMA and its primary rival, ABS-CBN.

The Company's television programs are distributed outside the Philippines through its subscription-based international channels and through GMA Worldwide (Philippines), Inc. (GWI), a wholly-owned subsidiary of the Company. As of end December 2008, GMA Pinoy TV has 207,876 subscribers while GMA Life TV has 45,892 subscribers. A variety of GMA's original productions are also distributed through syndication sales to foreign television stations in Hawaii, Canada, Malaysia, Indonesia, Singapore, South Korea and soon, Cambodia, and Alaska.

GMA Subsidiaries 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, post-production services, and marketing, which complement the Company's core television and radio broadcasting business.

Subsidiaries

GMA New Media, Inc. (Converging Technology)

GMA New Media, Inc. (NMI), established in July 2000, enables various media formats, such as the Internet, mobile phones, radio and television, to interact with each other. On the Internet, GMA New Media also engages in web development and creative services, and was one of the first SMS content subscription services in the Philippines to provide offerings such as horoscopes and love advice.

For mobile phones, GMA New Media produces value-added services relating to the Company's television programs, such as ringtone downloads, television content downloads through SMS and WAP, and information services about GMA artists. NMI was also the first in the Philippines to offer 3G wireless streaming services, in partnership with a local telecommunications provider.

For television, GMA New Media helps to produce the Company's fully interactive television programming by providing services such as audience polling through SMS. NMI also provides digital TV through its Internet TV and Internet Protocol TV offerings. These technologies allow global audiences to have access to GMA content and to select specific content according to their preferences.

In 2008, NMI aggressively pursued its thrust to secure a strong foothold in on-line publishing for 2008, with various efforts yielding promising results.

A year after NMI launched **GMANews.tv**, the official news website of GMA Network in collaboration with GMA News and Public Affairs, the site has been steadily building its readership base, with an average of 30 million pageviews per month, posting a 20% increase versus 2007.

NMI launched the all-new **www.iGMA.tv**, the official website of GMA in the 3rd quarter. It sports not only an ultra-sleek user interface but is also loaded with exclusive multimedia features, user comments capability, updated *Kapuso* star profiles and show pages, and more. The site currently has an average of 16.5 million pageviews per month.

PEP.ph (Philippine Entertainment Portal), the Philippines' first showbiz-only portal has done well to establish itself as the foremost source of local entertainment news. Launched in 2007 under NMI's joint venture with Summit Media Publishing, PEP.ph enjoys an average of 27 million monthly pageviews from 21 million the year before.

Following the phenomenal success of PEP.ph, NMI, in partnership with Summit Media, also launched **SPOT.ph**, a savvy city guide, and **StyleBible.ph**, a fashion and beauty website.

X-Play, NMI's partnership with IP E-Game Ventures, Incorporated, the on-line gaming subsidiary of IPVG Corporation, marked its entry into on-line gaming with tremendous force as it inked the deal with the world's leading game developer/publisher, Entertainment Arts Incorporated, for exclusive rights in the Philippines to operate the highly anticipated game, **NBA STREET Online**.

Audition Dance Battle and **O2Jam**, the first games to be included in this joint venture, continue to dominate their respective categories.

For mobile, the phenomenal success of the in-show SMS game *Taktak* in **Eat *Bulaga*** in 2007 inspired NMI to carry this on to 2008, under the same partnership with Globe Telecom. This project generated more than 45 million in SMS traffic this year.

Another major initiative involving mobile is **Gobingo**, an interactive television game show where three studio contestants compete in each episode while viewers play with their "virtual playing cards" at home. For this project, NMI has developed a robust system capable of generating millions of unique codes and SMS virtual playing cards. The project generated 17 million in SMS traffic.

In October, NMI launched **myGMA.com.ph Internet TV**, a video-on-demand channel that combines all the pleasures of watching GMA shows and movies with the flexibility of viewing them on-line. myGMA.com.ph features top-rating telenovelas and well-loved GMA shows that Overseas Filipino Workers (OFWs)---who do not have access to TV programs shown in the Philippines---crave for.

In anticipation of pivotal changes in the global media landscape, NMI, in tandem with the Network Engineering group, is laying the groundwork for GMA's initiatives on digital broadcast. Its Internet Protocol TV (IPTV) offerings will enable the Filipino audience to enjoy GMA content while customizing it to their liking.

Citynet Network Marketing and Productions, Inc.
(Television Entertainment Production)

Citynet is a wholly-owned subsidiary of the Company engaged in television, movie and stage entertainment production, marketing, and advertising. Established in 1997, Citynet was used by the Company as a vehicle for it to enter into an agreement with Zoe Broadcasting, Inc. for the programming of QTV.

GMA Network Films, Inc. (Movie Production)

GMA Films 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. GMA Films is repositioning itself to significantly complement the Company's programming requirements and talent development initiatives.

GMA Films' Valentine Movie, **My Best Friend's Girlfriend,** co-produced with Regal Films, was the biggest hit in 2008, with a theatrical gross of P107 million. The movie featured the first on-screen team-up of Richard Gutierrez and Marian Rivera. It also co- produced **I.T.A.L.Y. (I Trust and Love You)** with Video King, **One True Love**, ***Desperadas* 2** and **My Monster Mom** with Regal and ***Ikaw Pa Rin*** with Viva Communications,Inc.

GMA Worldwide (Philippines), Inc.
(Foreign Program Acquisitions and International Distribution)

GWI was incorporated in February 1996 and handles the Company's foreign program acquisitions and the distribution of the Company's programs in the international market. It has established good relations with major program distributors worldwide and has enabled GMA programs and films to be aired subtitled or dubbed in the local language in some of the largest media broadcasters in Hawaii, Canada, Malaysia, Indonesia, Singapore, South Korea and soon, Cambodia, and Alaska.

In 2008, GWI sourced, negotiated, and acquired US$ 7,621,156 worth of programs, including 122 titles (anime, Korean, Taiwanese, and Japanese dramas). Syndication sales to various countries such as Malaysia, U.S., Canada, Singapore, and Indonesia totaled US$ 449,512.

RGMA Marketing and Productions, Inc.
(Recording)

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 its operations, GMA Records has leveraged the Company's talent and media resources and partnered with sister company GMA Films in the home video market to release its films.

GMA Records also publishes music and administers copyrights on behalf of composers. GMA Records is also working with GMA New Media to take advantage of new revenue streams, particularly in the emerging market of digital music downloads.

GMA Records is actively pursuing publishing deals, building on its current catalog of original compositions. GMA Records also serves as a clearing house and a source of music for the Company's television and film productions.

Scenarios, Inc. (Stage Design)

Scenarios, Inc. was incorporated in July 1996 and is engaged in the design, construction, transport and maintenance of sets for television programs, stage plays and concerts. It also provides basic to prosthetic level make-up services as well as wardrobes for hosts, guests, and talents of locally-produced programs.

In September 2003, Scenarios, Inc. introduced a new transportation, hauling and trucking service to further fulfill the needs of its clients. It also provides facility support services to various GMA departments. In 2007, Scenarios continued to expand its capability in stage and set construction to include not only fabrication but also design through the creation of a Design Team.

In 2008, Scenarios continued to expand its market to cater to outside clients aside from GMA programs and events. Major stage and set projects for GMA included Bb. Pilipinas 2008, *Pinoy* Idol, GMA *Kapusolympics*, Dingdong-Marian Birthday Blowout in Araneta Coliseum, the inauguration of new GMA studios, Jesus is Lord Anniversary at Rizal Park and EDSA Shangri-la, and stage and floats for various festivities such as *Panagbenga* in Baguio, *Bangus* Festival in Dagupan, and Pasig River fluvial parade.

Alta Productions Group, Inc. (Audiovisual Production)

Alta Productions 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 and produced award-winning News and Public Affairs Programs for GMA Channel 7 as well as provided post-production services for entertainment programs.

Today, Alta Productions continues to service the requirements of the Network by providing dubbing and mixing services to both GMA 7 and QTV, post-production for Regional operations, and the production of quasi-TVC plugs for GMA Marketing & Production Inc. (GMPI).

In addition, Alta Productions also provides services to external clients, including the production of programs for other television channels, on ground stagings and special events, television video commercial production, promo plug production, audio visual presentations, training video production, and other related productions to both advertising agencies and direct clients.

Focusing on its core business, Alta Productions is continuously upgrading its facilities to keep up with the Network's production requirements and broadcast standards, particularly in the area of quality audio dubbing and mixing. Its audio facilities now boast of fully digital audio recording and mixing studios that have been upgraded to accommodate the growing demand for foreign broadcast programs dubbed into the vernacular, as well as to provide these services to international clients that require English dubbing and subtitling.

Alta Productions has also beefed up its shoot and video post- production facilities and is presently producing High Definition (HD) quality broadcast content for both the Network and external clients.

GMA Marketing & Productions, Inc. (Marketing and Sales of Commercial Airtime)

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. GMPI, a wholly owned subsidiary of the Company, provides the link between the Network and its clients, advertisers, and advertising agencies. It also acts as the market and media research center of the Company.

GMPI provides the Company's clients with services such as media packages, promotional programs and materials, and creative products. Part of GMPI's sales and marketing strategies are the staging of events such as trade presentations, program launches, on-ground production of mall tours, fans days, promotions, program campaigns and other promotional campaigns in collaboration with the Company's program management groups. In addition, GMA Marketing is engaged in the scheduling of commercials and implementation of spots. Those ensure that sales contracts are properly implemented as specified through the use of an in-house system of logging and monitoring of spots on a per program, per contract and per account basis.

MediaMerge Corporation

MediaMerge Corporation, indirectly owned by the Company through GMA New Media, Inc., is engaged in business development and operations for the Company's on-line publishing/advertising initiatives.

Affiliates

INQ7 Interactive, Inc.* (Multimedia News and Information Delivery)

INQ7 Interactive, Inc. is the joint on-line multimedia news and information delivery company of the Philippine Daily Inquirer Inc. and the Company. The Company owns 50.0% of INQ7 Interactive, Inc. Its website, **www.INQ7.net**, serves as the portal website for the news websites of the Company and the Philippine Daily Inquirer.

*Non-operational

Mont-Aire Realty and Development Corporation

Mont-Aire is currently 49.0% owned by the Company, and is organized as a real estate holding company. On April 26, 2007, the Company's Board of Directors declared its shareholdings in Mont-Aire as subject to sale.

RGMA Network, Inc.

RGMA Network, Inc. (RGMA), an affiliate, manages and provides programming and administrative services for the Company's provincial radio stations.

RGMA is 49% owned by the Company and provides general management programming, research and event management services for the Company's radio stations. To maximize RGMA's nationwide presence, RGMA was assigned by GMA to also assist in the operation of the Company's television relay transmitter sites all over the Philippines. RGMA was granted its own Congressional franchise under R.A. 860, which authorizes it to own and operate radio and television stations. RGMA receives a management fee for its services.

Philippine Entertainment Portal, Inc.

The Philippine Entertainment Portal, Inc. is a joint venture between GMA New Media, Inc. and Summit Media. Its breakout venture, **Pep.ph**, is currently the Philippines' leading entertainment portal. Recent projects include **Spot.ph**, an online city guide, and **Stylebible.ph**, a fashion and beauty website.

X-Play

X-Play Online Games Incorporated **(www.xplay.com.ph)** is a joint venture between IP E-Game Ventures Inc., the on-line gaming subsidiary of IPVG Corp., and GMA New Media Inc. -- the digital media arm of GMA Network Inc. keen on revamping on-line casual gaming to even greater heights. The company's focus is on designing, operating, and maintaining casual on-line gaming and casual on-line gaming-related portals. X-Play also aims at evolving and promoting casual on-line gaming and its digital content development, especially with the convergence of traditional and digital media through IP E-Games and GMA-NMI. X-Play is the official publisher of Audition Dance Battle (a dance casual game), O2Jam (a music rhythm game) and the EA SPORTS™ title - NBA STREET Online, a real-time on-line mid-session game (MSG) from Electronic Arts, Inc.

The following table shows the Company's holdings in its principal subsidiaries and affiliates as of December 31, 2008:

Subsidiaries and Affiliates	Ownership	Principal Activities
Subsidiaries		
GMA New Media, Inc.	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 Company's programs
RGMA Marketing and Productions, Inc. ("GMA Records")	100%	Music recording, publishing and video distribution
Scenarios, Inc.	100%	Design, construction and maintenance of sets for TV, stage plays and concerts
Alta Productions Group, Inc.	100%	Pre- and post-production services
GMA Marketing & Productions, Inc.	100%	Exclusive marketing and sales arm of GMA's airtime
MediaMerge Corporation*	100%	Business development and operations for the Company's online publishing/advertising initiatives
Affiliates		
INQ7 Interactive, Inc.**	50%	A joint multimedia news and information delivery company of the Philippine Daily Inquirer, Inc. and GMA
Philippine Entertainment Portal, Inc.	50%	Operation of Pep.ph, an entertainment portal
X-Play Online Games, Inc. (X-Play)	50%	A partnership between IP E-Game Ventures Inc. and GMA New Media, Inc. which focuses on designing, operating and maintaining casual on-line gaming and casual on-line gaming-related portals.
Mont-Aire Realty and Development Corp.***	49%	A real estate holding company
RGMA Network, Inc.	49%	General management programming, research and event management services for the Company's radio stations

Notes:
** Indirectly owned through GMA New Media, Inc.*
*** Non-operational*
**** 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*

Corporate Governance

GMA Network,Inc. is committed to the principles and practices of good governance considering their importance in the attainment of the Company's corporate vision, mission and goals. The Board of Directors believes that corporate governance is a necessary component of what constitutes sound strategic business management and recognizes its importance in safeguarding shareholders' interests and in enhancing shareholder value. To this end, the Board of Directors has established a set of policies and initiatives to ensure that GMA's business practices are compliant with the best practices in corporate governance.

The Board of Directors and Management affirm their continuing commitment to the Core Values, Corporate Purpose and Corporate Vision which are all made an integral part of a Manual on Corporate Governance that the Company adopted on July 30,2007 in compliance with SEC Memorandum Circular 2, Series of 2002. The Manual sets the principles of good management and defines the specific responsibilities of the Board, the Board Committees, and Management within the over-all governance framework.

The Manual conforms to the requirements of the Philippine Securities and Exchange Commission and covers policies, among others: (a) independent directors, (b) key board committees (e.g. Executive Committee, Nomination Committee, Audit Committee, Compensation and Remuneration Committee); (c) independent auditors, (d) internal audit, (e) disclosure system of the company's governance policies, (f) stockholder rights, (g) monitoring and assessment, and (h) penalties for non-compliance.

To ensure adherence to corporate principles and best practices, a Compliance Officer who is a Vice President was appointed by the Board of Directors on October 25,2007.

A summary of the key governance processes and practices adopted by GMA Network, Inc. is as follows:

BOARD OF DIRECTORS

Key Roles

The Board is the principal governing body of the Company composed of men and women whose sound judgment is the basis of all corporate acts and businesses. It is the supreme authority in matters of good governance. The Board provides the strategic direction of the Company, monitors over-all corporate performance, fosters the long-term success of the Company and secures its sustained competitiveness. It protects the long-term interests of the Company, its shareholders and stakeholders by ensuring transparency, accountability and fairness. The Board ensures the Company's compliance with all relevant laws, regulations and codes of business practices, adopts a system of internal checks and balances, identifies and monitors key risk areas and performance indicators with due diligence.

Certain matters are reserved specifically for the Board's disposition, including the approval of corporate operating and capital budgets, major acquisitions and disposal of assets, major investments, and changes in authority and approval limits.

Board Composition

The Board is composed of nine (9) directors elected by the stockholders entitled to vote during the Annual Stockholders' Meeting (ASM).The Board members hold office for one year until their successors are elected and qualified in accordance with the By-laws of the Company.

The Board includes two (2) independent directors that constitute at least 20% of the members of the Board. GMA defines an "Independent Director" to mean a person other than an officer or employee of the Company, its parents or subsidiaries, or any other individual having a relationship with the Company, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

All board members have the expertise, professional experience and background that allow a thorough discussion and deliberation of issues and matters affecting the Company. The members of the Board have attended trainings on corporate governance prior to assuming office. This includes an orientation – training program to ensure that a member of the Board is familiar with the Corporation's business and governance process.

In accordance with the Securities and Exchange Commission (SEC) Memorandum No. 16 Series of 2002, the qualifications of all nominees are reviewed by the Nominations Committee which is chaired by an independent director. The profiles of the directors are found in the "Board of Directors" section of this annual report.

As of 31 December 2008, the Board comprised the following members:

Name	Position
Felipe L. Gozon	Chairman,President & CEO
Gilberto R. Duavit,Jr.	EVP & Chief Operating Officer
Anna Teresa M. Gozon-Abrogar	Director
Joel G. Jimenez	Director
Judith D. Vazquez	Director
Laura J. Westfall	Director
Felipe S. Yalong	Director/Treasurer
Artemio V. Panganiban	Independent Director
Jaime C. Laya	Independent Director

Board Performance

Directors attend regular meetings of the Board, which are normally held on a quarterly basis, as well as special meetings of the Board and the ASM. The Board met six (6) times in 2008. The attendance of the individual directors at these meetings is duly recorded as follows:

Regular and Special Meetings		
	Present	Absent
Felipe L. Gozon	6	0
Gilberto R. Duavit,Jr.	6	0
Joel Marcelo G. Jimenez	5	1
Felipe S. Yalong	6	0
Anna Teresa M. Gozon-Abrogar	5	1
Judith D. Vazquez	6	0
Laura J. Westfall	5	1
Artemio V. Panganiban	6	0
Jaime C. Laya	6	0

All directors have individually complied with the SEC's minimum attendance requirement of 50%.

Committees and Meetings of the Board of Directors

To aid in complying with the principles of good governance, the Board has established specialized committees with specific responsibilities to assist in the development and implementation of systems and practices that would promote good governance. GMA Network,Inc. has four working Board committees: Executive Committee, Nomination Committee, Compensation and Remuneration Committee and the Audit Committee. The Manual on Corporate Governance specifies the Committee's composition, purpose and scope of work, responsibilities, conduct of meetings and reporting procedures to the Board.

Executive Committee

The Executive Committee (Excom) consists of 3 members: Gilberto R. Duavit,Jr. who serves as Chairman, Felipe L. Gozon and Joel G. Jimenez who are also members of the Board. The Excom, acts by a majority vote and in accordance with the authority granted by the Board. All actions of the Excom are reported to the Board at the meeting immediately following such action and are subject to revision and alteration by the Board provided that no rights or acts of third parties shall be affected by any such revision or alteration.

Nomination Committee

The Nomination Committee consists of Gilberto R. Duavit,Jr. who serves as Chairman, and Artemio V. Panganiban as Vice Chairman, Felipe L. Gozon, Joel Marcelo G. Jimenez, members. The mission of the Nomination Committee is to provide the shareholders with an independent and objective evaluation and assurance that the membership of the Board of Directors is competent and will foster the long-term success of the Corporation and secure its competitiveness. The Nomination Committee assists the Board of Directors in its responsibility in ensuring that all nominees to the Board of Directors are competent and qualified to be nominated as Director based on internal guidelines. This is to ensure that: (a) there is a proper mix of competent directors that would continuously improve shareholder's value; and, (b) Directors will ensure a high standard of best practices for the Company and its stakeholders.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee consists of Judith R. Duavit -Vazquez who serves as Chairperson, Laura J. Westfall , Vice Chairperson, Anna-Teresa M. Gozon-Abrogar and Artemio V. Panganiban, members. The Committee recommends a formal and transparent framework of remuneration and evaluation for the members of the Board of Directors and key executives to enable them to run the Company successfully.

Audit Committee

The Audit Committee consists of Jaime C. Laya, an independent director who serves as Chairman, Artemio V. Panganiban as Vice Chairman, Anna Teresa M. Gozon-Abrogar, Judith R. Duavit-Vazquez and Ms. Laura J. Westfall, members. The Audit Committee assists the Board in its fiduciary responsibilities by providing an independent and objective assurance to the Company's management and stakeholders in the continuous improvement of risk management systems, business operations and proper safeguarding and use of the Corporation's resources and assets. The Audit Committee provides a general evaluation and gives assistance in the over-all improvement of the risk management, control, and governance process of the Corporation as designed by Management and provides assurance that these are properly functioning.

The Committee conducts tenders for independent audit services, reviews audit fees, and recommends the appointment and fees of the independent auditors to the Board. The Board, in turn, submits the appointment of the independent auditors and their fees for approval of the shareholders at the ASM.

The Audit Committee also approves the work plan of the Company's Internal Audit Group, as well as the overall scope and work plan of the independent auditors.

Management

The CEO is accountable to the Board for the development and recommendation of strategies and the execution of strategic directions set by the Board. The CEO is guided by the Company's mission, vision, and values statements and with the assistance of the COO and the Senior executives, is responsible for the day-to- day management of the Company and the implementation of the Board's policies and decisions.

Management provides the Board with complete and accurate information on the operations and affairs of the Company regularly.

The annual compensation of the top officers of the Company, including the President/CEO is disclosed in the Definitive Information Statement distributed to the shareholders.

Financial Reporting

Management, being accountable to the Board, also prepares financial statements in a timely manner in accordance with generally accepted accounting standards in the Philippines. Management's statement of responsibility with regards to the Company's financial statements is included in this annual report.

The consolidated financial statements of GMA Network and its subsidiaries have been prepared in accordance with Philippine Financial Reporting Standards which are aligned with International Financial Reporting Standards. The financial statements are reviewed by the Audit Committee (with the support of the Internal Audit Group) and the external auditors to ensure that they fairly present, in all material respects, the financial position of the Company.

The Board is responsible for presenting a clear, balanced and comprehensive assessment of the Company's financial position, performance and prospects each time it releases its quarterly and annual financial statements to its shareholders.

A TRIUMPHANT 2008

GMA Network, Inc. has relentlessly endeavored to become the undisputed leader in the Philippine broadcast industry and the recognized media innovator and pacesetter in Asia. As the leader in the broadcasting field, the Company provides high quality, innovative and pace-setting programs that have raised the standard of the industry. In 2008, the Company reached new heights.

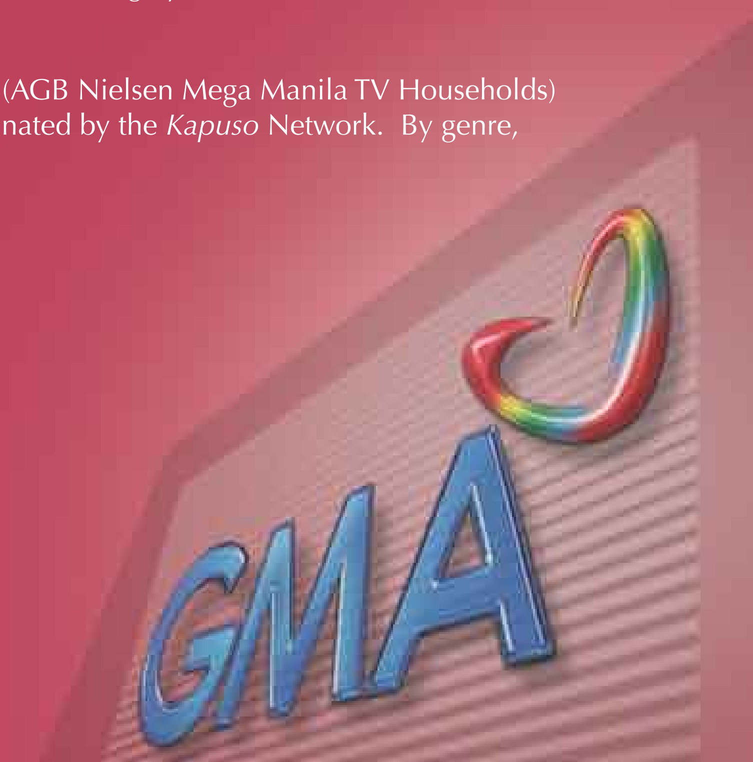
- The inauguration of the GMA Network Studios is the crowning achievement of GMA in 2008. The P1 billion state-of-the-art studio facility is a testament to GMA's commitment to give only the best to its viewers. The GMA Network Studios is the most technologically advanced studio facility in the country.

- The Afternoon drama block of the *Kapuso* Network zoomed in ratings in 2008 -- ratings that were comparable to the early primetime numbers of its primary competitor. Superb drama programs and intelligent programming tailor-fit to their audience boosted the viewership of this segment and made the Afternoon block a more value-laden timeblock for advertisers.

- The *Kapuso* Network's relentless push to strengthen its position in the regions bore much fruit in 2008. With hundreds of millions of pesos worth of facility upgrades and system improvements to secure a stronger local presence, GMA was able to halve its major competitor's lead (People in TV Homes) from 1.5 points to 0.7 point in Total Urban Philippines in 2008.

- Through its marketing subsidiary, GMA Marketing and Productions, Inc. (GMPI), GMA remains as the preferred media partner of advertisers. By anticipating advertisers' needs and coming up with innovative marketing packages, developing new creative concepts and executions specific and exclusive to a particular client or product with generous values, GMA increased its share of the top advertisers' TV loading by 1% more from 39% in 2007 to 40% in 2008.

- Twenty six out of the top 30 programs in 2008 (AGB Nielsen Mega Manila TV Households) are from GMA, with the top 18 programs dominated by the *Kapuso* Network. By genre, GMA was supreme in all categories in 2008.



News & Public Affairs

GMA remained as the premier source of credible and up-to-date news and information, well-researched and incisive documentaries and exciting public affairs programs. Filipinos looked up to the GMA News & Public Affairs Group as the news organization providing *Serbisyong Totoo*.

- News & Public Affairs produced noteworthy television specials in 2008, including **Newsmakers** (a political special that looked at past Philippine Presidents). The special had exclusive one-on-one interviews with the four living past Presidents and one former First Lady, together in one program for the first time ever. ***Signos***, a special on climate change and its adverse effects, ***Sisid***, which focused on the underwater beauty of the Philippine waters, and ***Kalam***, an in-depth look at food security in light of the rice shortage, received numerous positive feedback from viewers. *Signos*, in particular, was used by some non-government organizations in their campaign to promote greater awareness of environmental issues and concerns and the need to mitigate the effects of climate change. Other specials produced in 2008 include ***Koneksyon:* Anatomy Of A Political Scandal** (an examination of the connections, motivations and relations behind the ZTE-NBN deal) and **Yearender Report** (a look back at the conflicts, tragedies, and controversies in 2008).

- ***Ka*-Blog** is a magazine program designed for teen viewers. The weekly show has four segments featuring stories/topics relevant to its target audience -- from relationships and love life to the coolest places to hangout and the latest gadgets and video games. In 2008, the program was honored with the *Anak* TV Seal Award for its child-friendly programming.

- Philippine Reality television will never be the same with the advent of **Survivor Philippines!** After years of speculating on how a Pinoy will fare against the rigorous and demanding challenges a castaway goes through, Filipinos finally had the chance to prove that they are up to the challenge. Millions of viewers laughed, raised their fists in anger and celebrated with the castaways as they faced the challenges and experienced triumphs. Basketball cager JC Tiuseco made history when he was hailed the First Philippine Sole Survivor.

- GMA's news and public affairs team re-examine cases and revisit unresolved issues in **Case Unclosed**. The program takes a closer look at scandals and issues of recent history and even goes as far back as the events that plagued our nation's forefathers. The program combines innovative docudrama with actual historical accounts of the people involved in the cases or issues discussed.

GMA's newscasts remain the program of choice for Filipinos, especially on special news days. The country turned to the *Kapuso* Network for its accurate and in-depth coverage of various issues and events that shaped 2008.

Entertainment

The Network's entertainment programs continued to reign supreme in 2008 across all genres -- from telefantasya to drama, up to game shows and talk/ variety. By leveraging on the superior star power of its talents and its world-class production team, the GMA Entertainment group was the pacesetter in the industry.

- Marian Rivera was the undisputed queen of primetime television in 2008, with **Marimar** and **Dyesebel** as the two strongest programs of the year. The Filipino version of the well-loved Spanish soap Marimar catapulted Rivera into superstardom, while her rendition of the Mars Ravelo's quintessential Filipina mermaid in Dyesebel cemented her status as a force to reckon with.

- The success of Marimar and Dyesebel would not have been possible without the other half of the unbeatable love team -- Dingdong Dantes. One of the *Kapuso* station's most bankable stars, Dantes has been blessed with a host of endorsements and was even hailed as E! Entertainment Television Hollywood's 3rd Sexiest Man of the World.

- The prince of primetime Richard Gutierrez continued to soar higher in 2008 with back-to-back hits ***Kamandag*** and **Codename: *Asero*** -- the first Filipino sci-fi action series. Gutierrez also made waves by taking part in the 1st collaborative venture of GMA Films and Star Cinema – **For the First Time**, which starred Gutierrez and KC Concepcion.

- GMA welcomed Heart Evangelista -- one of the most recognizable faces in Philippine showbizness -- to the *Kapuso* family. The young and beautiful actress immediately made waves opposite Richard Gutierrez in Codename: *Asero*. Her second primetime program in the Network, ***Luna Mystika***, was equally successful.

- GMA adapted several foreign-produced programs into a Filipino context to give its viewers the best of what the world has to offer. These programs included ***Pinoy* Idol**, ***Kakasa Ka Ba Sa Grade 5***?, **Masquerade**, **Celebrity Duets**, **Ripley's Believe It or Not**, **My Name is Kim Samsoon**, and the Argentinean hit, ***La Lola***.

- The *Kapuso* Network's Drama block reached new heights, bannered by the successes of Sine Novela programs such as ***Kaputol ng Isang Awit, Magdusa Ka***, ***Una Kang Naging Akin, Gaano Kadalas ang Minsan***, and ***Saan Darating ang Umaga?*** With emphasis on superb storytelling and noteworthy performances of its stars, the accomplishments of GMA's drama block culminated on the primetime hit ***Babangon Ako't Dudurugin Kita***, which was the top 9 program in 2008.

QTV

QTV is the channel of choice for the modern woman. It is the preferred channel of ABC1 females – a group particularly attractive to advertisers. From shopping to motherhood, cooking to managing their careers and families, QTV is there for the woman to help her make the most out of her life.

- Aside from its whole range of programs designed to cater to every woman's needs, in 2008, QTV also launched **DoQmentaries** -- a program that specifically focuses on issues relevant to women, hosted by QTV's most trusted personalities.

- QTV is home to the most popular foreign shows. The mother of all reality shows, **Survivor**, the No.1 show in the world, **American Idol**, and America's favorite game show, **Are You Smarter than a Fifth Grader?**, are all strong programs on QTV. These even warranted local adaptations.

- One of QTV's strongest points is its penchant for producing new programs that capture the interests of both its target audience and advertisers. One of the remarkable programs of the channel is **Quickfire**, a first-of-its-kind 10-minute cooking program for busy individuals. Quickfire has been an effective, efficient instructional program that viewers look forward to watching. Advertisers such as Ajinomoto are quick to capitalize on Quickfire's strength by sponsoring the show.

- **Camera Café** is another first-of-its-kind on Philippine TV. Comedic snippets lasting only a few minutes are interspersed with QTV programs throughout the day. Viewers are delighted with Camera Café's cast. Soon after it was aired, the program became a favorite of both viewers and sponsors.

- **Proudly Filipina**, a primetime program that empowers women by sharing the inspiring stories and the remarkable journeys of Filipinas who have made a difference, won the Gold Camera Award at the 2008 US International Film and TV Festival. The show was hosted by Charlene Gonzales.

Regional TV

GMA is relentless in its pursuit of national dominance in ratings. With significant investments on facility upgrades and system improvements, GMA will continue to fortify its regional operations and assert its presence in key regional areas.

- To strengthen the Network's signal, expand its reach, and further increase the ratings of its programs in Luzon, Visayas, and Mindanao, GMA built a new originating station in Dagupan, and improved most of its regional stations on the archipelago. ***Balitang Amianan,*** GMA TV Dagupan's local newscast, has already taken the lead in the AGB MCTAM ratings barely six months since it started airing.

- The Regional TV arm of GMA provides regional viewers local programs suited to their tastes. Cebu's ***Balitang Bisdak***, ***Buena Mano***, and ***Istayl Nato***, Iloilo's ***Ratsada**, **Arangkada***, and ***Istayl Naton***, and Davao's ***Testigo**, **Una Ka Bai***, and ***Istayl Nato*** are all geared towards winning the hearts of Filipinos in the regions.

- GMA Network breaks new grounds in other parts of the country, making it a more valuable partner for national and local advertisers seeking increased presence in the regions.


Radio

With the capacity for instantaneous communication and having the widest reach among all forms of mass media, Radio remains a useful and popular platform in the broadcast industry. GMA Radio leverages on the Network's strengths and features GMA Network's most trusted personalities as its own talents.

- DZBB is the *Kapuso* Network's radio news channel. Luminaries such as *Imbestigador ng Bayan* Mike Enriquez, Arnold "Igan" Clavio, and Master Showman German Moreno banner its strong presence in the AM band.

- DWLS, formerly known as the Campus Radio on the FM band, reformatted with a new sound, new content, and even new DJs when it was transformed into ***Barangay* LS**. The new LS features more jokes, more programs in the vernacular, and has gained more mass appeal. The change in its identity has paid off---the new DWLS steadily climbed its way to AGB Nielsen's top 10 radio ranking. In the 4th quarter of 2008, DWLS FM already ranked No. 5 in Neilsen's over-all radio ratings.

- GMA Radio maximizes the full power of GMA Network by airing a simulcast of QTV's daily newscast ***Balitanghali***, weekend showbiz talk show programs **Startalk** and **S-Files**, and the Sunday concert program, **SOP**.

- In the regions, GMA Bacolod FM maintained its No. 1 position in the Nielsen Single Radio Survey while GMA Iloilo FM inched its way closer to the top by bagging the No. 2 spot in the same survey.

GMA to the World

Filipinos abroad get a taste of home through GMA Network's international channels.

- **GMA Pinoy TV** continues to bring GMA programs available to Filipinos all over the world. Only two years in operation, Pinoy TV already has 207,876 subscribers–25% more than in the previous year. In 2008, GMA launched its 2nd international channel, **GMA Life TV,** to complement its flagship international channel. Barely a few months after its launch, GMA Life TV already has 45,892 subscribers. The Network's two international channels expanded their global distribution this year through various cable, DTH, and IPTV systems in Canada, Australia, New Zealand, Hong Kong, Singapore, Europe.

- **GMA Worldwide Inc. (GWI)**, a subsidiary of the Company engaged in acquiring foreign titles and distributing GMA's programs abroad, continues to build its growing client base. In 2008, GWI increased its sales by 120% compared to the previous year. GWI notes the growing interests of clients from the United States, Canada, Singapore, Hong Kong, Malaysia and in new markets like Myanmar, India and Africa and expects an even better performance next year.

- For the transient Filipino abroad longing for home, the Company, through its subsidiary **GMA New Media**, launched **www.mygma.com.ph** -- a video-on-demand service of GMA Network on the internet. With hundreds of touch points around the globe, any Filipino can now watch his favorite GMA shows wherever he may be---through the Internet.

GMA Films

GMA Films has contributed a bigger share in the Company's consolidated revenues in 2008. Aside from being a source of growth for the Company, it also provides the Company's talents with opportune avenues to pursue a career in the big screen.

- GMA Films' Valentine Movie, **My Best Friend's Girlfriend**, paired the prince of primetime Richard Gutierrez and superstar Marian Rivera in her first major film. The movie garnered a theatrical gross of P107 million, sealing Marian's bankability as a movie star.

- Other films produced this year were **I.T.A.L.Y. (I Trust and Love You)** starring Jolina Magdangal, Dennis Trillo, Rufa Mae Quinto, Mark Herras, Rhian Ramos, and Eugene Domingo. The film was directed by Mark Reyes.

- GMA Films also entered into several co-production ventures in 2008. These are: **One True Love** (a drama starring Dingdong Dantes, Marian Rivera, and Iza Calzado), **My Monster Mom** (Annabel Rama and Ruffa Gutierrez), ***Ikaw Pa Rin*** (Robin Padilla and Ai Ai Delas Alas), and ***Desperadas 2*** (Iza Calzado, Marian Rivera, Rufa Mae Quinto, Ruffa Gutierrez, and Ogie Alcasid), which was an MMFF offering.

GMA Records

GMA Records maximizes the Company's talent and media resources in the production of its audio and video offerings. It also publishes music and administers copyrights on behalf of composers. The company works closely with GMA Films in the home video market and with GMA New Media to take advantage of emerging markets such as digital music downloads.

- GMA Records entered the digital audio full track business in May and became the dominant label for the rest of the year.

- The year's top releases include:

  Marimar (15 DVD series) - The Tagalog adaptation of one of the world's most loved soaps. It peaked at No. 2 and stayed in the Top 10 for more than 30 weeks in various retail chains' bestsellers charts.

  Dyesebel (11 DVD series) - A fantasy tale of a supposedly forbidden love between a mermaid and human. It peaked at No. 6 and stayed in the Top 15 for the rest of the year.

  Encantadia - More than dazzling visuals, Encantadia's story captivated viewers once again with the release of the 12-volume DVD. It stayed in the Top 10 for more than 16 weeks.

  Ploning - Produced by Panoramanila Productions, it is the lone Philippine entry to the 81st American Academy Awards for the Best Foreign Film Category.

  Isang Kinabukasan - The GMA Kapuso Foundation benefit album won in the Album of the Year category at the 2008 Catholic Mass Media Awards.

GMA NETWORK STUDIOS

GMA Network,Inc.remains steadfast in its commitment to "enrich the lives of Filipinos everywhere with superior Entertainment and the responsible delivery of News and Information" through an expansion program upgrading the Network's facilities nationwide. In 2008, the Company inaugurated the GMA Network Studios, a facility housing two state-of-the-art studios that will enhance the delivery of GMA's world-class programs .

The GMA Network Studios was inaugurated on October 17 through an elegant, black-tie event that had no less than Her Excellency, President Gloria Macapagal-Arroyo as guest of honor. Also gracing the occasion were Vice President Noli de Castro and Senators Miriam Santiago, Mar Roxas, and Bong Revilla Jr., some cabinet secretaries, local government officials, businessmen and key executives of the trade.

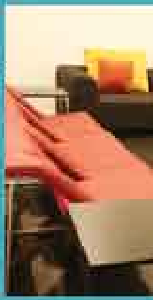
GMA Network Chairman, President and CEO Felipe L. Gozon in his welcome remarks expressed his confidence on the country's economic future and bared that GMA's almost P1 billion investment in the facility came from internally generated funds. He said that the new facility would further advance the production quality of GMA's programs and make GMA's superior programs even better .

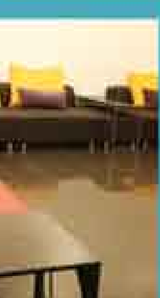
GMA EVP and Chief Operating Officer Gilberto R. Duavit, Jr., on the other hand, said that the new facility would enable the Network to do many things it could not do before. "As early as two years ago, there were already programming concepts being presented by our creatives that cannot be done because of the absence of such facility," Duavit said.

President Arroyo cited GMA's confidence in the economic stability of the country despite the global financial crisis, as evidenced by the *Kapuso* Network's P1-billion investment. The ability to invest such an amount without incurring loans, she said, speaks of the sound management of GMA's leaders.

STATE- OF-THE-ART FACILITIES

The new building, which stands on a 4,308 square meter land area and houses two big HD-ready studios, is the most technologically advanced studio facility in the country. The new studios boast of up-to-date equipment for audio systems, lighting design, and video design.





Studio 7, the larger of the two studios, has an area of 1,020 square meters and can accommodate 600 people during live programs. Studio 6 has an area of more than 638 square meters.

Both studios are equipped with Digital Speaker Management systems that standardize digital feedback elimination, ensure accurate sound quality, and allow studio-to-studio link for multi- studio audio communication.

In terms of audio equipment, the new studios are at par with other studios worldwide. The best audio equipment -- including amplifiers, compressors, effects processors, and patch-bays to microphones from renowned manufacturers -- were utilized. The design is fit for musical shows and live concert events.

Lighting was designed with the Electronic Theater Control (ETC) dimmer equipment equal to those used abroad. Also mounted at the facilities were equipment from ARRI and Fine Arts --the best lighting equipment for studio use and filmmaking. The studios were also equipped with Self Climbing Hoist -- a high end lighting suspension system used in big studios, auditoriums, and concert halls across the world.

Studio 7 is the first in the country to be installed with a new studio solutions program called the IFF Aluminum Truss Motorized Suspension System. The hoist of the IFF Suspension can be adjusted up and down using a wireless remote control.

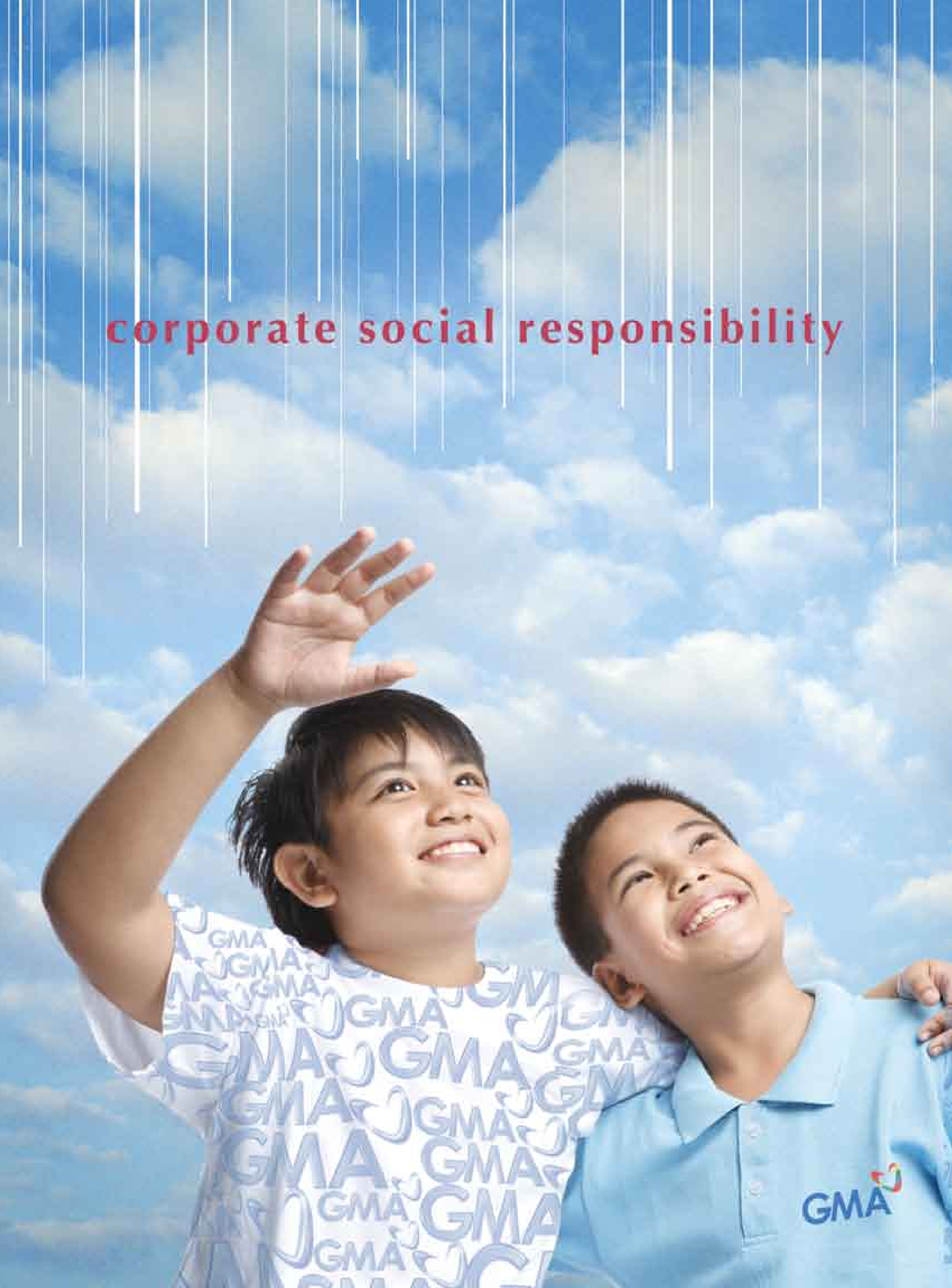
Both studios have digital video design. Studio 7 is the first studio in the country to have the Vision QMD/X production switcher -- a particularly powerful and flexible digital production switcher that is also HD-ready.

Studio 7 was also installed with the Kaleido-Alto-HD technology, which allows as many as 20 split screens in one video monitor. The studios use 14-bit processor digital cameras with new Fujinon HD-ready lenses.

Studio 7 is likewise equipped with the latest Inscriber G-Store – a 3D graphics generator that enables content management and real time retrieval of stills, clips, animations, and logos. Both studios have acoustic wall treatment.

The impressive new facilities are just part of the bigger picture that GMA is painting. GMA Network will continue to provide new concepts and innovative programs to further inform, engage, educate, and excite its viewers.

corporate social responsibility



Kapuso in Building A Nation

"We are a key partner in promoting the best in the Filipino" is one of GMA Network's missions. As a broadcast network, our social responsibility goes beyond the CSR programs we undertake. We achieve more by engaging our audience to participate in nation-building.

As the GMA News and Public Affairs Teams travel around the world and to far flung areas in the country to gather their news reports and stories, they also bring to the spotlight social issues that need to be addressed. As the cameras roll, they show the pain, hunger and despair experienced by the poor and the oppressed. Their desperate situations are captured on television.

Instead of pointing fingers, GMA Network,Inc., through the GMA *Kapuso* Foundation and *Kapwa Ko Mahal Ko* Foundation, undertakes various programs and activities to help alleviate their plight. These include programs to improve and promote the health of the poor, disaster relief operations, support for education and values formation. The Company is also an advocate of environmental causes. It has undertaken its own initiatives, as well as programs in partnership with other organizations, to promote the preservation of the environment.

Our desire to provide part of the solution instead of being part of the problem has won the support of millions of Filipinos and of GMA viewers here and abroad. Their support comes in the form of financial and material contributions, and through their active participation as volunteers in the many programs and activities that we undertake. Our advocacies, highlighted by programs showcasing specific cases needing attention such as those featured by ***Imbestigador***, **Draw the Line**,**Wish *Ko Lang***, **Born to Be Wild**, **Reporter's Notebook**, **I-Witness**, **Reunions** and ***Kapuso Mo*, Jessica Soho**, have led to specific actions that addressed some of the problems identified. For example, **On Your Mark: The Draw the Line Run for a Cause** held on April 13 at the Bonifacio Global City in Taguig benefited the Women's Crisis Center. Thousands of individual cases were helped by our program, ***Imbestigador***.

The GMA *Kapuso* Foundation as the socio-civic arm of the Company has numerous health programs that promote wellness and medical outreach programs that provide immediate assistance to the underprivileged.

One of the most significant programs of the *Kapuso* Foundation this year is the *Linis Lusog* Kids Project which is undertaken in partnership with the United Nations Children's Fund (UNICEF).The project, launched on September 18,2008, aims to address the health and hygiene problems found among the children of the poor caused by their lack of access to clean water, inadequate sanitation facilities, and poor hygienic habits. Initially, the project will involve the children from ten underserved schools in Camarines Norte, Saranggani, Antique and Negros Oriental.

Bisig Bayan Medical Assistance provided free medicine and medical services to 6,718 indigent patients with illnesses this year.

The ***Kalusugan Karavan***, the roaming medical and dental mission of the *Kapuso* Foundation in partnership with volunteer health professionals, provided basic health services to 8,747 individuals living in far flung areas.

The **Give-A-Gift Feed A Child**, a 120-day feeding program in partnership with the National Nutrition Council, saved 521 children from malnutrition.

The **Give-A-Gift Surgical**, in partnership with the Philippine Society of the Pediatric Surgeons, on the other hand, provided free surgical treatment to 93 patients with cleft lip, cleft palate and cross-eyes.

The **Give-A-Gift Cancer Kid** provided free chemotherapy packages for six months to 24 children with cancer. (The ***Batang K*** project of the *Kapwa Ko Mahal Ko Mahal Ko* Foundation also provided medical assistance to children with cancer).

Sagip Dugtong Buhay, the annual blood letting drive of the *Kapuso* Foundation in partnership with Ever Gotesco Mall, collected 260,000 cc of blood this year that it has donated to the Philippine National Red Cross.

Our staff do more than just report what is happening in times of disasters. It is during these moments of greatest need when the power of television comes in handy in promoting volunteerism and bringing out the best in the Filipino. As in the past, the GMA *Kapuso* Foundation, with the support of its donors and volunteers implemented the following projects:

Operation *Bayanihan,* a quick relief response operation to aid victims of natural and man-made calamities, provided assistance to 191,344 individuals this year.

By partnering with government institutions such as the Department of Education and Culture, non-government agencies, industry partners and other institutions, we made positive changes and provided access for the education of individuals and communities nationwide.

The ***Unang Hakbang Sa Kinabukasan*** of GMAKF provided 44,446 incoming Grade 1 pupils in various public elementary schools bags and school supplies. This project has encouraged and helped these pupils stay in school.

***Kapuso* School Rehabilitation** with the support of the Habitat for Humanity Foundation reconstructed 14 classrooms heavily damaged by natural calamities in Romblon.

We donated 50 units of computers to the **Gearing Up Internet Literacy and Access for Students** (GILAS), a project of the Ayala Foundation and a consortium of companies and institutions of which we are a member, that provides Internet access for students and basic Internet literacy programs in high schools nationwide. We also donated computer units to Potter and Clay Foundation and to selected schools in Rizal province.

As the media partner of Avon Philippines' **Walk for Breast Cancer,** we helped generate funds to support cancer wards and buy equipment for selected hospital-beneficiaries of the project.

The Company also honors excellence among students with the GMA President's Medal. It is a distinction given to students of the University of the Philippines College of Mass Communication and Electronics and Communications Engineering Students of Don Bosco Technical College who have shown excellence in their fields of study.

In addition,GMA Scholarship grants were given to deserving Mass Communications and Engineering students from the University of the Philippines and ECE students of Don Bosco College.

GMA Network is also committed to the preservation of the environment. We recognize the need for immediate action to mitigate the impact and adverse effects of climate change. We not only undertake activities to contribute our share in the effort to preserve the environment; through our programs, we provide information to enlighten our viewers on this important issue. Thus, in 2008, GMA News and Public Affairs came up with three documentaries: ***Signos***, a special on global warming and its specific impact on the Philippines; ***Sisid***, a special about the condition of our seas and ***Kalam***, a special on food security and how to address the possible rice shortage.

The ***Kapuso Para Sa Kalikasan*** of the *Kapuso* Foundation has engaged in tree planting activities in its project areas mostly affected by natural disasters.

GMA Network is also a partner of the Haribon Foundation in the nationwide campaign **Road to 2020** promoting the planting of native tree species in order to recover and conserve biodiversity, optimize our supply of forest benefits ecosystem services, reduce the risk of natural hazards, and enhance options for sustainable livelihood. The partnership also won the Best Non Profit Organization (NPO)-Corporate Partnership Campaign Award in 2008.

The Haribon Seedlings Advocacy TV Plug produced by GMA Network also won the 2008 Promax Gold Award for the Best Public Service Announcement category.

The Network also conducted a Clean Air and Clean Energy Forum in partnership with USAID-Energy and Clean Air Project and Department of Energy to educate motorists of the Network on preventive maintenance for vehicles, the impact of air pollution on health, Clean Air 101 and clean energy alternatives.

The Network was an active partner during the Earth Day Celebration of the Cultural Center of the Philippines. Last April, GMA employees joined the nationwide Coastal and Shoreline Clean Up Drive at the Philippine International Convention Center (PICC). The culture to help others and volunteer their time and expertise is continually inculcated among employees through the GMA *Kapuso* Volunteering Program.

GMA Network,Inc. is *kapuso* in nation-building. We believe that the long-term success of the Company is closely intertwined with the well-being of the communities we serve, and by helping to improve the lives of our poor communities, we are assured of a better future.

a rewarding 2008

2008 AWARDS

NEW YORK FESTIVALS

Gold Medal
Reporter's Notebook - "Batang Kalakal"

Silver Medal
I-Witness - "Iskul Ko, No.1!"

Silver Medal
I-Witness -"Huling Hala Bira!"

Bronze Medal
(United Nations Development Program Special Award)
Emergency - "Mga Batang Nagsusunog"

Bronze Medal
Reporter's Notebook - "Engkuwentro"

ASIAN TV AWARDS

Highly Commended, Terrestrial Broadcasters of the Year
GMA Network, Inc.

Highly Commended, Best Comedy Program
Bubble Gang

Highly Commended, Best Comedy Performance by an Actor
Ogie Alcasid

Highly Commended, Best Reality Program
Reunions

Finalist, Best Children's Program
Lovely Day

Finalist, Best Game or Quiz Program
All Star K!

Finalist, Best Comedy Performance by an Actor
Michael V

Winner, Best Comedy Program
Camera Café

US INTERNATIONAL FILM AND VIDEO FESTIVALS

Gold Camera Award
Proudly Filipina
Philippine Agenda - "Edukasyon"

Silver Screen Award
Kapuso Mo, Jessica Soho - "Hazing/Madrigal Singers/Tuna Fishermen"
Wish Ko Lang! - "Lolo Jan"
Philippine Agenda - "Kalusugan"
I-Witness - "Iskul Ko, No. 1"
Reporter's Notebook - "Batang Kalakal"

Certificate for Creative Excellence
Reporter's Notebook - "Pulong Diablo"
100% Pinoy - "Kalabaw"
I-Witness - "Batang Kalabaw"
I-Witness - "Gapos"
Kids On Q - "Pawikan festival, Bataan chronicles"
HIRED! - "Boracay Chef"

UNICEF ABU CASBAA Child Rights Award
I-Witness "Batang Kalabaw" (Child Beasts of Burden)

TAIWAN INTERNATIONAL CHILDREN'S TV AND FILM FESTIVAL

Finalist status for Best TV Program
Kids On Q

INTERNATIONAL EMMY AWARDS

Semi-finalist, Best Actress
Iza Calzado (for Joaquin Bordado)

PROMAX

2008 Promax Gold Award for the Best Public Service Announcement
"Seedlings"
(GMA Network and Haribon Foundation Corporate Campaign)

THOMPSON REUTERS EXTEL SURVEYS

3rd Place, Best Quoted Company
GMA Network, Inc.

3rd Place, Top Investor Relations Professional
Ayahl Ari Chio

CATHOLIC MASS MEDIA AWARDS (TELEVISION)

Serviam Award
Fr. Salvatore Putzu of the Kapwa Ko Mahal Ko Foundation

Best Adult Educational/Cultural Program (Television)
I-Witness: Jay Taruc's "Batang Kalabaw" and Sandra Aguinaldo's "Iskul Ko No.1!"

Best Children's Program
Kids On Q

Best Entertainment Program
Day Off

Best Public Service Program
Wish Ko Lang!

Best Talk Show
Mel and Joey and The Sweet Life

Best Drama (TV), Special Citation
Mga Mata ni Anghelita (GMA-7)

CATHOLIC MASS MEDIA AWARDS (RADIO)

Best Drama Program (Radio)
Nagmamahal Manay Gina

CATHOLIC MASS MEDIA AWARDS (MUSIC)

Best Album, Secular
Isang Kinabukasan (Wency Cornejo/GMA Records)

Best Music Video
Isang Kinabukasan (Wency Cornejo/GMA Records)

PMPC STAR AWARDS FOR TELEVISION

Best Station
GMA Network, Inc.

Best Children's Show
Art Angel

Best Children's Show Hosts
Pia Arcangel, Tonipet Gaba, and Krystal Reyes (Art Angel)

Best Travel Show
Pinoy Meets World

Best Reality Competition Program
Gandang Ricky Reyes: Parlor Game – "The Search for Salon Master"

Best Reality Competition Program Hosts
Ricky Reyes (Gandang Ricky Reyes: Parlor Game)

Best Lifestyle Show
Living It Up

Best Lifestyle Show Hosts
Raymond Gutierrez, Issa Litton, Sam Oh, and Tim Yap (Living It Up)

Best Morning Show
Unang Hirit

Best Morning Show Hosts
Arnold Clavio, Susie Entrata-Abrera, Lyn Ching-Pascual, Rhea Santos, Jolina Magdangal, Winnie Monsod, Oscar Orbos, Regine Tolentino, Drew Arellano, Eagle Riggs, Love Anover, and Lhar Santiago (Unang Hirit)

Best Public Affairs Program Host
Jessica Soho (Hot Seat)

Best Documentary Program
I-Witness: The GMA Documentaries

Best Documentary Program Hosts
Kara David, Howie Severino, Sandra Aguinaldo, and Jay Taruc (I-Witness: The GMA Documentaries)

Best Documentary Special
Signos: Ang Banta ng Nagbabagong Klima

Best Female Newscaster
Vicky Morales (Saksi: Liga Ng Katotohanan)

Best Youth-Oriented Program
Boys Nxt Door

Best New Female TV Personality
Kylie Padilla (Joaquin Bordado)

Best Comedy Show
Ful Haus

Best Comedy Actor
Ogie Alcasid (Bubble Gang)

Best Comedy Actress
Rufa Mae Quinto (Bubble Gang)

Best Daytime Drama Series
Sine Novela Presents: Kaputol Ng Isang Awit

Best Musical Variety Show
SOP Rules

Best Male TV Host
Vic Sotto (Eat Bulaga!)

Best Drama Actress
Sunshine Dizon (Impostora)

Best Variety Show
Eat Bulaga

PMPC STAR AWARDS FOR MOVIES

Best Screenplay
Ouija

Best Sound
Ditoy Aguila

GOLDEN SCREEN AWARDS (ENPRESS)

Breakthrough Performance by an Actress
Rhian Ramos –- OUIJA

Breakthrough Performance by an Actor
Joem Bascon –- BATANES

UP LOS BAÑOS GANDINGAN AWARDS

Most Development-Oriented Station
Q-11

Best Public Affairs and Best Investigative program
Imbestigador

Best Morning show
Unang Hirit

Best Public Service program
Wish Ko Lang!

Best Documentary Program
I-Witness

Best Documentary Film Maker
Howie Severino

Best Public Affairs Program Host and Best Investigative Program Host
Mike Enriquez

Best Magazine Program Host
Jessica Soho

Best Field Reporter
Jay Taruc

Best Public Service Program Host
Vicky Morales

USTV STUDENTS' CHOICE AWARDS

Students' Choice for Drama Series
Marimar

Students' Choice for Actress in a Drama Series
Marian Rivera

Students' Choice for Actor in a Drama Series
Dingdong Dantes

Students' Choice for Full Animated Program
Slam Dunk

Students' Choice of Foreign Soap Opera
Full House

Students' Choice of Foreign Soap Opera
Jewel in the Palace

Students' Choice Award for Public Service
Wish Ko Lang!

Students' Choice Award for Documentary Program
I-Witness

Students' Choice Award for Magazine Program
Kapuso Mo, Jessica Soho

LASALLIAN SCHOLARUM AWARDS

Best TV Feature on Youth and Education
I-Witness by Sandra Aguinaldo

ROTARY CLUB OF MANILA

Investigative Journalist of the Year
Sandra Aguinaldo

FILIPINO-AMERICAN VISIONARY AWARDS

Visionary Award for Journalism
Mike Enriquez

Legend Award for Television Hosting
Tito Sotto, Vic Sotto and Joey de Leon

Image Award for Star Power
Richard Gutierrez

Visionary Award for Action Performance
Rudy Fernandez

Legend Award for Music
Francis Magalona

Visionary Award for Courage
Sen. Ramon "Bong' Revilla

Favorite Television Actor
Ding Dong Dantes

Favorite Television Actress
Marian Rivera

ANAK TV SEAL

Art Angel
Batang Bibo
Ka-Blog
Kapuso Mo, Jessica Soho
Kay Susan Tayo
Wish Ko Lang
Lovely Day
Balitanghali
Ang Pinaka
Kids on Q
Hired!
Go Negosyo
Planet's Funniest Animals
Bannertail
Make Way for Noddy
Miya
My Little Pony & Friends
Faireez

Most Admired Female TV Personalities
Jessica Soho
Mel Tiangco
Vicky Morales

Most Admired Male TV Personalities
Mike Enriquez
Arnold Clavio
Richard Gomez
Robin Padilla

Most Well-Liked TV Programs
24 Oras
Art Angel
Wish Ko Lang
Imbestigador

GAWAD TANGLAW AWARDS

Best Documentary Program
Reporter's Notebook

Best Documentary Special
Philippine Agenda

Best Public Service Program
Wish Ko Lang!

Best Female Anchor
Vicky Morales

Best Actress for Ouija
Judy Ann Santos

CEO EXCEL AWARDS

Media, Advertising, PR, Entertainment, Special Events and Sports Category
Mr. Manuel P. Quiogue, President and COO, GMA Marketing and Productions, Inc.

PREMIER REAL PROPERTY
Taxpayers of Quezon City of the Year
GMA Network, Inc.

SOROPTIMISTS AWARDS

Making a Difference for Women Award
Rhea Santos

NICKELODEON KIDS CHOICE AWARDS PHILIPPINES

Favorite Actor
Dingdong Dantes

Favorite TV Show
Marimar

Favorite Athelete
Chris Tiu

POP DEV AWARDS

Best TV Documentary
I-Witness - Sandra Aguinaldo's "Nanay na si Nene"

PASADO AWARDS
(Pampelikulang Samahan ng mga Dalubguro)

Nominado bilang Pasadong Pelikula
OUIJA

Pinakapasadong Aktres
Judy Ann Santos - Ouija

Pinakapasadong Dulang Pampelikula
Aloy Adlawan - Ouija

Pinakapasadong Tunog
Ditoy Aguila - Ouija

ANVIL AWARDS

Anvil Award of Excellence
2006 GMA Annual Report: Scaling Greater Heights

Anvil Award of Excellence
2006 GMA Kapuso Foundation Annual Report: More Hearts, More Smiles, More Happy Lives

Anvil Award of Merit
GMA Initial Public Offering: the Hottest IPO of the Year – Anvil Award of Merit

WORLD VISION FOUNDATION

Plaque of Appreciation for tackling children's issues
Reporter's Notebook

GMA's strength lies in
the diversity of its people...
all with one single vision.

Board of Directors

FELIPE L. GOZON. Chairman of the Board since 1975. Chairman, President and Chief Executive Officer of GMA Network, Inc.; 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., RGMA Marketing and Productions, Inc., Scenarios, Inc., MediaMerge Corp. and RGMA Network, Inc.; Vice-Chairman of Malayan Savings and Mortgage Bank; Director of Gozon Development Corp., Justitia Realty and Management Corp., Antipolo Agri-Business and Land Development Corp., Unicapital, Inc., Asian Institute of Journalism and Communication, and Sagittarius Condominium Corp.; President of Lex Realty, Inc.; Vice President of the Philippine Chamber of Commerce and Industry; Chairman of the Board of Trustees of GMA Kapuso Foundation, The Potter and Clay Christian School Foundation, Inc., and Kapwa Ko Mahal Ko Foundation, Inc..; Chairman and President of Gozon Foundation; Director of The Nova Foundation for Differently Abled Persons, Inc.; Trustee of Kilosbayan Foundation, Inc. and Bantayog ng mga Bayani Foundation. Atty. Gozon earned his Bachelor of Laws degree from the University of the Philippines and his Masters of Laws degree from Yale University Law School.

GILBERTO R. DUAVIT, JR. Director since 1999. Executive Vice President and Chief Operating Officer of GMA Network, Inc.; Chairman of the Board of GMA Network Films, Inc. and GMA Worldwide, Inc.; President and CEO of Dual Management and Investments, Inc.; Vice Chairman of the Board of GMA Marketing and Productions, Inc.; President and CEO of GMA Holdings, Inc., Scenarios, Inc., RGMA Marketing and Productions, Inc. and Film Experts, Inc., President of MediaMerge Corp., Citynet Network Marketing and Productions, Inc.; Director of RGMA Network, Inc., GMA New Media, Inc., MediaMerge Corporation, Citynet Network Marketing and Productions, Inc., Alta Productions Group, Inc., Group Management and Development, Inc., Optima Digital, Inc., Monte-Aire Realty and Development Corp. and Pacific Heights Sports and Resort, Inc. Executive Vice President of Group Management and Development, Inc.; President of the Board of Trustees of GMA Foundation, Inc.; Trustee of Guronasyon Foundation, Inc. (formerly LEAF). Mr. Duavit holds a Bachelor's Degree in Philosophy from the University of the Philippines.

JOEL MARCELO G. JIMENEZ. Director since 2002. Senior Vice President of GMA Marketing and Productions, Inc.; Director of RGMA Network, Inc., GMA New Media, Inc., GMA Worldwide, Inc., Malayan Savings and Mortgage Bank, Unicapital Securities, Inc., Scenarios, Inc. and Nuvoland Philippines; Chief Executive Officer of Alta Productions Group, Inc.; Trustee of GMA Kapuso Foundation, Inc. Mr. Jimenez 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. Director and Corporate Treasurer since 2002. Senior Vice President for Corporate Services Group of GMA Network, Inc.; Director and Corporate Treasurer of GMA Holdings, Inc., Scenarios, Inc., GMA Network Films, Inc.; Director of Unicapital, Inc., Majalco Finance and Investments, Inc. and GMA Marketing and Production, Inc.; Corporate Treasurer of RGMA Network, Inc., Mediamerge Corp.; Executive Vice President of RGMA Marketing and Productions, Inc.; Corporate Treasurer of the Board of Trustees of GMA Kapuso Foundation, Inc. Mr. Yalong obtained a Bachelor of Science degree in Business and Accounting from the Philippine School of Business Administration and completed the Management Development Program at the Asian Institute of Management.

ANNA TERESA M. GOZON-ABROGAR. Director since 2000. Director of GMA New Media, Inc.; Director and Corporate Secretary of Mont-Aire Realty and Development Corp. and FLG Management and Development Corp.; President of GMA Worldwide, Inc. and GMA Network Films, Inc. Atty. Abrogar graduated *cum laude*, with a Bachelor of Science degree in Management Engineering from Ateneo de Manila University and

obtained a Bachelor of Laws degree from the University of the Philippines where she graduated valedictorian, *cum laude*. She later obtained a Master of Laws degree from Harvard University.

JUDITH D. VAZQUEZ. Director since 1988. Chairman of Vigil Investments, Inc.; Vice Chairman of Group Management and Development, Inc.; Director of GMA New Media, Inc., RGMA Network, Inc., and Citynet Network Marketing and Productions, Inc.; Chief Executive Officer of PHCOLO, Inc.; Trustee of GMA Kapuso Foundation, Inc. Ms. Vazquez holds a Bachelor of Science degree in Business Economics from the University of the Philippines and is an alumna of Harvard Business School, the University of Michigan (Ann Harbor) and the Asian Institute of Management.

LAURA J. WESTFALL. Director since 2000. Former Senior Vice President of Finance and Corporate and Strategic Planning of GMA Network, Inc.; Former Chairperson and President of GMA New Media, Inc. She holds various positions in Majent Group of Companies. Board Member of Coffee Bean and Tea Leaf Phils. and Bronzeoak Clean Energy, Inc.; Board Member and Treasurer of Museo Pambata Foundation and USA Girl Scouts-Philippines. Ms. Westfall 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.

ARTEMIO V. PANGANIBAN. Independent Director since 2007. Retired Chief Justice of the Philippines. Currently, he is an adviser, consultant and/or independent director of several businesses, civic, non-government and religious groups. Chief Justice Panganiban 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.

JAIME C. LAYA. Independent Director since 2007. Chairman of the Board of Philtrust Bank; Director of Victorias Milling Company, Inc., Philippine AXA Life Insurance Co., Inc., Philippine Ratings Services Corporation, Philippines-Mexico Business Council and Philippines-Spain Business Council; Chairman of the Board of Trustees of CIBI Foundation, Inc., Dual Tech Foundation, Inc., Don Norberto Ty Foundation; Trustee of Cultural Center of the Philippines, and Heart Foundation of the Philippines, Inc. Dr. Laya earned his B.S.B.A. (accounting; *magna cum laude*) from the University of the Philippines. He later obtained an M.S. in Industrial Management from the Georgia Institute of Technology. He subsequently obtained a Ph.D. in Financial Management from Standford University. He is a Certified Public Accountant, having placed 8th in the 1957 examinations.

ROBERTO O. PAREL. Corporate Secretary since 1993. Director of Time-Life International Philippines, Capitalex Holdings Philippines, Rohm and Haas Philippines, Inc., Ipilan Nickel Corporation, Nickel Laterite Resources, Inc., Berong Nickel Corporation, Ulugan Nickel Corporation, Ulugan Resources Holdings, Inc., Nickeline Resources Holdings, Inc., Skyway O and M Corporation and Assetvalues Holding Company, Inc.; Director and Corporate Treasurer of Selenga Mining Corporation; Corporate Secretary of Alta Productions Group, Inc., Scenarios, Inc., RGMA Network, Inc., Citynet Network Marketing and Productions, Inc,. and GMA Kapuso Foundation, Inc. Atty. Parel 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.

Executive Committee

Chairman: **Gilberto R. Duavit, Jr.**
Members: **Felipe L. Gozon**
Joel G. Jimenez

Audit Committee

Chairman: **Jaime C. Laya**
Vice Chairman: **Artemio V. Panganiban**
Members: **Teresa M. Gozon-Abrogar**
Judith R. Duavit-Vazquez
Laura C. Jimenez-Westfall

Senior Vice Presidents

Miguel C. Enriquez, Radio Operations Group;
Felipe S. Yalong, Corporate Services Group;
Wilma V. Galvante, Entertainment TV Group;
Marissa L. Flores, News and Public Affairs Group

TOP, from left to right: **Alfonso S. Raquel, Jr.**, VP, Corporate Communications; **Ianessa S. Valdellon**, VP, Public Affairs Department; **Joselito B. Remulla**, OIC, Engineering Group; **Jessica A. Soho**, VP, News Programs Department; **Marivin T. Arayata**, VP, Entertainment TV/Head, Comedy/Game; **Luz Annalee O. Escudero**, VP, Regional TV & Concurrent AVP, Expansion & Production Services; **Jose Mari R. Abacan**, VP, Program Management

BOTTOM, from left to right: **Edwin J. Uy**, VP, Supply and Asset Management Department; **Eduardo P. Santos**, VP, Internal Audit; **Ayahl Ari Augusto P. Chio**, VP, Investment Relations; **Ronaldo P. Mastrili**, VP, Finance; **Dick B. Perez**, VP, Legal Affairs; **Regie C. Bautista**, VP, Program Support Dept.; **Carmencita G. Arce**, Head, Corporate Affairs; **Edward D. Achacoso**, VP, Post Production; **Sheila A. Tan**, VP, Research

TOP, from left to right: **Corazon P. De Jesus**, AVP for Talk/Musicals/Specials; **Elvis B. Ancheta**, AVP, Regional Network Engineering; **Abraham B. Viray**, HRD Consultant; **Lilybeth G. Rasonabl**e, AVP, Drama Division; **Clyde Rolando A. Mercado**, AVP, Public Affairs Dept.; **Maria Leogarda S. Matias**, AVP, Alternative Platforms (QTV); **Girly S. Lara**, AVP, Alternative Productions

BOTTOM, from left to right: **Rolando G. Sanico, Jr.** Division Head, Controllership and Special Projects; **Venus E. Bartolabac**, AVP, Mega Manila TV Program Research; **Victoria T. Arradaza**, AVP, Supply Management; **Jose Severino V. Fuentes**, AVP, Master Control & On-Air Operations; **Ruth D. Lejarde**, AVP, Channel Performance & Regional TV Research

TOP, first row from left to right: **Jose S. Toledo, Jr.**, Division Head, Budget & Payroll; **Odilon M. De Guzman**, OIC, Corporate Strategic Planning; **Paul Hendrik P. Ticzon**, AVP, Post Production Operations; **Joseph Jerome T. Francia**, OIC, GMA International & Head, Operations; *second row from left to right:* **Ma. Nenita E. Cruz**, OIC, ICT Dept.; **Ida Lucilla R. Henares**, AVP, GMA Artists Center;

BOTTOM, from left to right: **Rachel Vitaliana B. Vergel de Dios**, AVP, Administration, News and Public Affairs; **Roehl Rodelio V. Julian**, OIC, Administration; **Mary Grace D. Reyes**, AVP, News Operations Dept.; **Lourdes A. Topacio**, AVP/Creative Director-CSD (QTV); **Rossette Marie T. Hernandez**, AVP, Viewer Directed Marketing Division; **Thomas M. Sales**, AVP, Metro Manila Transmissions Operations; **Sonia A. Saw**, Division Head, SOMD & Implementation & Integration; **Virgilio L. Muzones**, AVP, Studio/Remote Operations & Facilities Management

Not in photo: **Janine P. Nacar**, AVP, Talk/Game/Reality; **Lauro M. Penullar**, AVP, Account Management

Heads of Subsidiaries (counter-clockwise)

Edmund A. Alacaraz, President and COO, Alta Productions, Inc
Edilberto I. Gallares, President and COO, GMA New Media, Inc.
Felipe L. Gozon, Chairman and CEO of GMA Marketing and Productions, Inc., and GMA New Media, Inc.; Chairman of Alta Productions Group, Inc., Citynet Network Marketing and Productions, Inc., RGMA Marketing and Productions, Inc., Scenarios, Inc. and MediaMerge Corporation
Anna Teresa M. Gozon-Abrogar, President of GMA Worldwide, Inc. and GMA Network Films, Inc.
Manuel P. Quiogue, President and COO, GMA Marketing and Productions, Inc.
Gilberto R. Duavit, Jr., Chairman of GMA Network Films, Inc., GMA Worldwide, Inc.; President/CEO of Scenarios, Inc., RGMA Marketing and Productions, Inc.; President of Citynet Network Marketing and Productions, Inc. and MediaMerge Corporation

Contact Information

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Brgy. Culiat, Tandang Sora, Quezon City
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TV-27 Metro Manila (UHF)
Brgy. Culiat, Tandang Sora, Quezon City
(02) 931-9183 / (02) 924-2497

TV-5 Ilocos Norte
Brgy. San Lorenzo, San Nicolas, Ilocos Norte
0919-6082302 / 0918-5328580
0906-8215258

TV-10 Benguet
Mt. Sto. Tomas, Benguet
0917-4273614

TV-10 Olongapo
Upper Mabayuhan, Olongapo City
0918-3650294 / 0927-2570496

TV-12 Batangas
Mt. Banoy, Batangas City
0921-4937234 / 0918-5485867

TV-7 Naga
Brgy. Concepcion,
Pequeña, Naga City
0919-4480290

TV-12 Legaspi
Mt. Bariw, Estanza, Legaspi City
0921-2002697 / 0919-8566463

TV-12 Puerto Princesa, Palawan
Brgy. Sta. Monica, Puerto Princesa, Palawan
0919-8230994

TV-6 Brooke's Point, Palawan
Poblacion, Brooke's Point, Palawan
0926-2080832 / 0929-5157327 / 0910-6033969

TV-7 Masbate
Brgy. Pinamurbuhan, Mobo, Masbate
0916-8768166 / 0906-9778080

TV-13 Catanduanes
Barrio Palnab, Virac, Catanduanes
0926-4035588 / 0906-7524547

TV-13 Occ. Mindoro
Brgy. Mapaya, San Jose, Occidental Mindoro
0910-4548937

TV-5 Nueva Vizcaya
Bo. La-Torre, Bayombong, Nueva Vizcaya
0929-3079070 / 0929-3184754

TV-5 Aurora
Purok 3, Brgy. Buhangin, Baler, Aurora
0920-2603590 / 0921-2107498

TV-7 Abra
Brgy. Lusuac, Penarrubia, Abra
0918-2221611 / 0910-4328878

TV-13 Aparri, Cagayan
Hi-Class Bldg., De Rivera St.,
Poblacion, Aparri, Cagayan
0920-2110258

TV-7 Tuguegarao, Cagayan
Phil. Lumber Bldg., Washington St.,
Tuguegarao., Cagayan
0918-3304321 / 0919-6325143

TV-8 Coron, Palawan
Tapias Hill, Coron, Palawan
0920-4003954 / 0929-6982107

TV-7 Batanes
Brgy. Kayvaluganan, Basco, Batanes
P.C.O. 533-3456 / 0919-6914991
0910-9392245 / 0928-7433472 / 0929-2254529

TV-7 Romblon
Triple Peak, Sta. Maria, Tablas, Romblon
0919-4188419 / 0918-7319017 / 0910-9392245
0919-6194241 / 0919-4625566

TV-7 Quirino
Brgy. San Marcos, Capitol Hills,
Cabarroguis, Quirino
0908-3342433 / 0919-8870879

VISAYAS

TV-7 Cebu City
Bonbon, Cebu City
(032) 231-3012 / 231-4829 - Studio
0921-2002690 / 0918-9071367

TV-27 Cebu City (UHF)
Bonbon, Cebu City
0921-2002690

TV-6 Iloilo
Bo. Tamburong, Jordan, Guimaras
(033) 581-3363 / 0927-4689166- Studio
0906-5208426 / 0906-4847112

TV-11 Bohol
Mt. Mayana, Jagna, Bohol
0919-7815833 / 0919-3278107

TV-10 Tacloban City
Basper, Tigbao, Tacloban City
0921-7484310 / 0919-3899212 / 0921-6699185

TV-12 Isabel, Leyte
Isabel, Leyte
0916-6507595

TV-8 Borongan
Poblacion, Borongan, Eastern Samar
0927-4171547 / 0927-7191386

TV-5 Roxas City
Brgy. Lawa-an, Roxas City, Capiz
0919-6925448 / 0921-9978181 / 0920-2628783

TV-5 Dumaguete
Barrio Looc, Sibulan, Negros Oriental
0920-5681686

TV-10 Sipalay
Sipalay Municipal Building, Sipalay,
Negro Occidental
0929-4301411 / 0915-3202486

TV-5 Calbayog City
Brgy. Matobato, Calbayog City,
Western Samar
0921-6048685 / 0919-6694375

TV-8 Kalibo
New Busuanga, Numancia, Aklan
0919-6542806 / 0929-4356922
0920-9003463

TV-10 Bacolod City
Security Bank Bldg., Rizal St.
cor. Locsin St., Bacolod City
0907- 7566379 / 0918-3973562

MINDANAO

TV-5 Davao
Shrine Hills, Matina, Davao City
(082) 299-3403 / 0918-9194941

TV-27 Davao (UHF)
Shrine Hills, Matina, Davao City
(082) 299-3403 / 0918-9194941

TV-12 Mt. Kitanglad
Mt. Kitanglad, Bukidnon
0919-6260634 / 0921-2045939

TV-12 Cagayan de Oro
Malasag Heights, Brgy. Cugman,
Cagayan de Oro City
0919-8608868

TV-8 General Santos
Nuñez St., Brgy. San Isidro,
General Santos City
0918-2176935 / 0919-5788292

TV-12 Cotabato
Regional Government Center, Cotabato City
0916-5326950 / 0920-3537395

TV-9 Zamboanga
Brgy. Cabatangan, Zamboanga City
0921-2002689 / 0918-5602062

TV-5 Ozamis
Bo. Malaubang, Ozamis City,
Misamis Occidental
0918-52550766 / 0927-3453437

TV-5 Dipolog
Bo. Sicayab, Dipolog, Zamboanga del Norte
0920-8668705 / 0918-3594361

TV-10 Surigao
Lipata Hills, Surigao City
0920-2952515 / 0919-8095052

TV-12 Jolo, Sulu
2/F Evermall Bldg., HJI Buto St., Jolo, Sulu
0928-5930547

TV-2 Tandag, Surigao del Sur
Capitol Hill, Brgy. Telaje, Tandag,
Surigao del Sur
0927-3316371 / 0920-2952515

TV-3 Pagadian
Mt. Palpalan, Pagadian City
0920-8320307

TV-11 Iligan
3/F Kimberly Bldg., A. Bonifacio cor. Isidoro
Emilia Ave., Tibanga Hi-way, Iligan City
0915-9948791 / 0921-3384319

AFFILIATE TV STATION

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

RADIO

METRO MANILA

DWLS-FM 97.1
DZBB-AM 594
GMA Complex
EDSA corner Timog Avenue,
Diliman, Quezon City
(02) 924-3093 / 927-8862

LUZON

DWRA-FM 92.7 BAGUIO
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DWTL-FM 93.5 DAGUPAN
4/F De Vera Bldg., Arellano Ave.
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DWCW-FM 96.3 LEGASPI
3rd level A.Bichara Silversreen Entertainment Center, Magallanes St., Legaspi City
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DWQL-FM 91.1 LUCENA
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DWQW-FM 101.5 NAGA
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DWWQ-FM 89.3 TUGUEGARAO
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VISAYAS

DYEN-FM 107.1 BACOLOD
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(034) 434-1347-fm booth / 708-2524-fm booth
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(032) 232-3378 - SPA / 231-4777 - AJ Ocampo
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DYMK-FM 93.5
Phase 5, Alta Tierra Village
Jaro, Iloilo City
(033) 329-2059 -fm booth / 329-2110-telefax
(033) 329-1228 am/tv / 329-2854- TV
(033) 329-3100 (office)/5084627 -am booth
rgma_iloilo2007@yahoo.com

DYRU-FM 92.9 KALIBO
Torres-Olivia Bldg.
Roxas Ave. Extension
Kalibo, Aklan
(036) 262-5386 / 268-3876 - FM booth
(036) 262-5387 / (036) 268-3875-telefax
(036) 268-6330 - office
gma@kalibo-cable.tv
bjmaquinto@cruznet.com

MINDANAO

DXLX-FM 100.7 CAGAYAN DE ORO
2/F Marel Realty Bldg., Pabayo corner
Hayes St.,Cagayan De Oro City,
Misamis Oriental
(08822) 729-576 - booth
(088) 857-4030 - booth
(08822) 729-436 - office / telefax
ccbalane@gmanetwork.com

DXND-FM 90.1 ILIGAN
3/F Kimberly Bldg., A. Bonifacio
cor. Isidoro Emilia Ave. Iligan,
Lanao del Norte
(063) 223-9264 (booth)
(063) 225-4022 (office)
buddyfroi@yahoo.com

DXGM-AM 1125 DAVAO
DXRV-FM 103.5
Penthouse, Amesco Bldg.
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(082) 222-1343-telefax / 222-3085/86 AM tech
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Chairman & CEO : **Felipe L. Gozon**
President & COO : **Edilberto I. Gallares**

Citynet Network Marketing and Productions, Inc.
GMA Network Center
EDSA corner Timog Avenue
Diliman, Quezon City
Tel. No.: 982-777

Chairman: **Felipe L. Gozon**
President: **Gilberto R. Duavit, Jr.**

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Chairman: **Gilberto R. Duavit, Jr.**
President: **Anna Teresa G. Abrogar**

GMA Worldwide (Philippines), Inc.
10/F GMA Network Center
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Fax: 928-5065

Chairman: **Gilberto R. Duavit, Jr.**
President: **Anna Teresa G. Abrogar**

RGMA Marketing and Productions, Inc. (GMA Records)
Unit 1405 Future Point Plaza
112 Panay Avenue, Bgy. South Triangle,
Quezon City
Website: www.gmarecords.com.ph
Tel. No.: 411-7521
Telefax: 376-3395

Chairman: **Felipe L. Gozon**
President & CEO: **Gilberto R. Duavit, Jr.**

Scenarios, Inc.
GMA Complex
EDSA corner Timog Avenue, Diliman, Quezon City
Tel. No.: 982-777 local 9921 / 928-5507
Telefax: 928-7482

Chairman: **Felipe L. Gozon**
President and CEO: **Gilberto R. Duavit, Jr.**

Alta Productions, Inc.
10/F Sagittarius Building
H.V. Dela Costa Street, Salcedo Village, Makati City
Tel. Nos.: 816-3881
Fax: 813-3982

Chairman: **Felipe L. Gozon**
President & COO: **Edmund A. Alcaraz**

GMA Marketing and Productions, Inc.
15/F GMA Network Center
EDSA corner Timog Avenue, Diliman, Quezon City
Tel. No.: 982-7777
Fax: 928-2044

Chairman & CEO: **Felipe L. Gozon**
President & COO: **Manuel P. Quiogue**

MediaMerge Corporation (1)
6/F GMA Network Center
EDSA corner Timog Avenue, Diliman, Quezon City
Tel. No.: 982-7777 loc. 1308 / 927-6268
Fax: 927-6210

Chairman: **Felipe L. Gozon**
President: **Gilberto R. Duavit, Jr.**

AFFILIATES

RGMA Network, Inc.
GMA Complex
EDSA corner Timog Avenue, Diliman
Quezon City
Tel. No.: 925-2094
Telefax: 925-8188

***INQ7 Interactive, Inc.**
9/F Rufino Building
Ayala Avenue corner Rufino Street
Makati City
Tel. Nos.: 892-1828 to 29
Fax : 813-0818

Philippine Entertainment Portal, Inc.
Level 2, Robinsons Galleria
EDSA cor. Ortigas Ave., Quezon City
Tel. Nos.: 633-13-68
Telefax: 634-6140
Website: www.pep.ph

X-Play Online Game, Inc.
Podium 4, RCBC Plaza, Yuchengco Tower,
Ayala Ave., Makati City
Tel. No.: 976-47-84
Fax No.: 886-65-10

Mont-Aire Realty and Development Corporation (2)
16/F Sagittarius Condominium 1
H.V. dela Costa St.
Salcedo Village, Makati City
Tel. Nos.: 750-4531
Fax: 338-5689

* Non-operational
(1) Indirectly owned through GMA New Media, Inc.
(2) On April 26, 2007, the Company's Board of Directors declared its shareholdings in Mont-Aire subject to sale to any interested buyer. In the event the Company does not find a willing buyer, the same shall be declared as property dividend to stockholders of record as of April 26, 2007.

SOCIO-CIVIC ORGANIZATIONS

GMA Kapuso Foundation, Inc.
2/F Kapuso Center
GMA Network Drive corner Samar St.
EDSA Diliman, Quezon City
Tel. Nos.: 982-7777 loc. 9901 and 9905
Telefax: 928-4299 / 928-9351
Email: gmaf@gmanetwork.com

Kapwa Ko, Mahal Ko Foundation, Inc.
2/F Kapuso Center
GMA Network Drive corner Samar St.
EDSA Diliman, Quezon City
Tel. Nos.: 426-3920 / 982-7777 loc. 9950
Email: kkmk@gmanetwork.com

CORPORATE INFORMATION

WEBSITES

www.iGMA.tv
www.gmapinoytv.com
www.QTV.com.ph
www.inq7.net
www.gmanews.tv
www.gmanetwork.com/ir
www.gmarecords.com.ph
www.mygma.com.ph

MAIN OFFICE

GMA Network, Inc.
GMA Network Center
EDSA corner Timog Avenue
Diliman, Quezon City
Tel. No.: 982-7777

AUDITOR

Sycip Gorres Velayo & Co.
6750 Ayala Avenue
Makati City
Tel. No. 891-0307
Fax: 819-0872

LEGAL COUNSEL

Belo Gozon Elma Parel Asunsion & Lucila
15/F Sagittarius Building
H.V. De La Costa Street
Salcedo Village, Makati City
Tel. No. 816-3716
Fax; 817-0696 / 812-0008

Tarreila Tagao Ona & Associates
8/F Strata 2000
Emerald Ave., Ortigas Center, Pasig City
Tel. No.: 635-6092 to 94
Fax: 635-6245

BANK REFERENCES

Abacus Capital & Investment Corp.
Unit 3001-E Philippine Stock Exchange Ctr.
Exchange Road, Ortigas Center, Pasig City

Asia United Bank
Parc Royale Condominium
Dona Julia Vargas, Ortigas Center, Pasig City

Banco De Oro Universal Bank
12 ADB Avenue, Ortigas Center
Mandaluyong City

Chinatrust (Phils.) Commercial Bank
Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Development Bank of the Philippines
Sen. Gil Puyat Avenue
Makati City

Deutsche Bank AG (Manila Branch)
26/F Tower One, Ayala Triange
Makati City

East West Bank
6795 Ayala Avenue cor. Herrera St.
Salcedo Village, Makati City

Export Bank
Export Bank Plaza
Chino Roces Avenue
Makati City

JP Morgan Chase Bank
31/F Philamlife Tower
8767 Paseo de Roxas, Makati City

Landbank of the Philippines
Landbank Plaza, 1598 M.H. del Pilar St.
Cor. J. Quintos, Malate, Manila

Metropolitan Bank & Trust Co.
Metrobank Plaza, Sen. Gil Puyat Avenue
Makati City

Malayan Bank Savings and Mortgage Bank
Majalco Bldg., Benavidez cor. Trasierra St.
Legaspi Village, Makati City

Philippine Bank of Communication
APC Bldg. 1186 Quezon Avenue
Quezon City

Philippine National Bank
PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City

Unicapital/Majalco
Majalco Bldg., Benavidez cor. Trasierra St.
Legaspi Village, Makati City

Union Bank of the Philippines
Union Bank Plaza
Meralco Ave. cor. Onyx & Sapphire Roads
Ortigas Center, Pasig City

United Coconut Planters Bank
UCPB Building
Makati Avenue, Makati City

SHAREHOLDER SERVICES

Stock Transfer Services, Inc.
8/F Phinma Plaza
39 Plaza Drive
Rockwell Center, Makati City
Tel. No.: 898-75555
Fax No.: 898-7597

INVESTOR RELATIONS
10/F GMA Network Center
EDSA corner Timog Avenue
Diliman, Quezon City
Tel. No.: 982-7777 loc. 8042
Email: Investor_Relations@gmanetwork.com
Website: www.gmanetwork.com/ir

STOCK TRADING INFORMATION
GMA Network, Inc. is listed on the Philippine Stock Exchange.
Ticker symbol: GMA7-Common Shares
GMAP-PDRs

financial statements

FINANCIAL SUMMARY - CONSOLIDATED

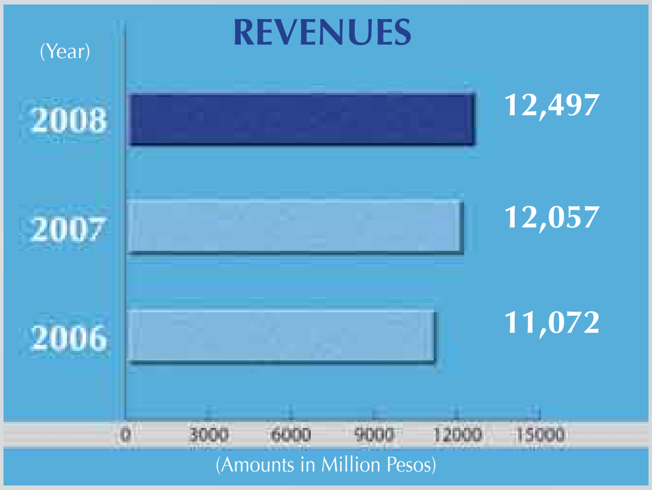
(Amounts in Million Pesos)

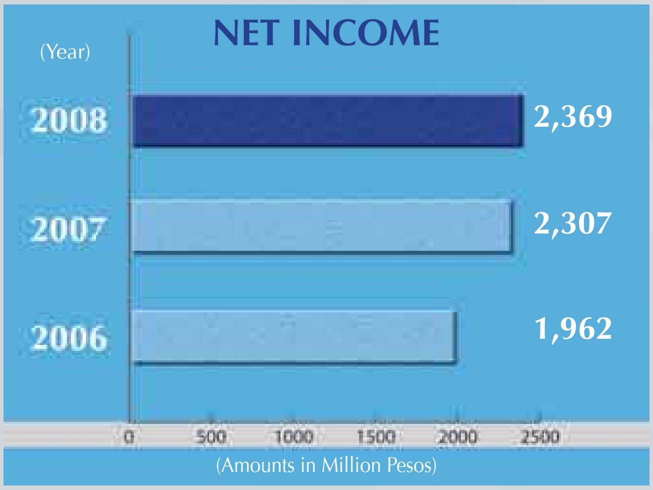
INCOME STATEMENT (for the year)	2006	2007	2008	% Change '08 vs '07
REVENUE	11,072	12,057	12,497	4%
REVENUE DEDUCTIONS	1,839	1,870	1,947	4%
PRODUCTION COSTS	3,703	3,851	3,986	3%
GENERAL & ADMIN EXPENSES	2,613	3,020	3,176	5%
SUBTOTAL	8,155	8,741	9,109	4%
FINANCE COSTS - NET	(25)	49	60	23%
OTHER INCOME	122	88	75	-14%
INCOME BEFORE INCOME TAX	3,014	3,452	3,523	2%
NET INCOME	**1,962**	**2,307**	**2,369**	**3%**

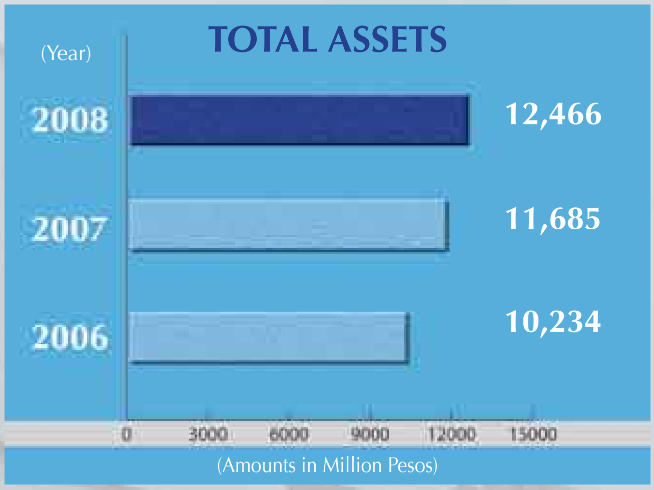
BALANCE SHEET (at year end)	2006	2007	2008	% Change '08 vs '07
ASSETS				
CURRENT ASSETS	5,646	6,889	7,274	6%
NONCURRENT ASSETS	4,588	4,796	5,192	8%
TOTAL ASSETS	**10,234**	**11,685**	**12,466**	**7%**
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
CURRENT LIABILITIES	2,826	2,731	2,253	-18%
NONCURRENT LIABILITIES	485	415	458	10%
TOTAL LIABILITIES	3,311	3,146	2,711	-14%
STOCKHOLDERS' EQUITY	6,923	8,539	9,755	14%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**10,234**	**11,685**	**12,466**	**7%**

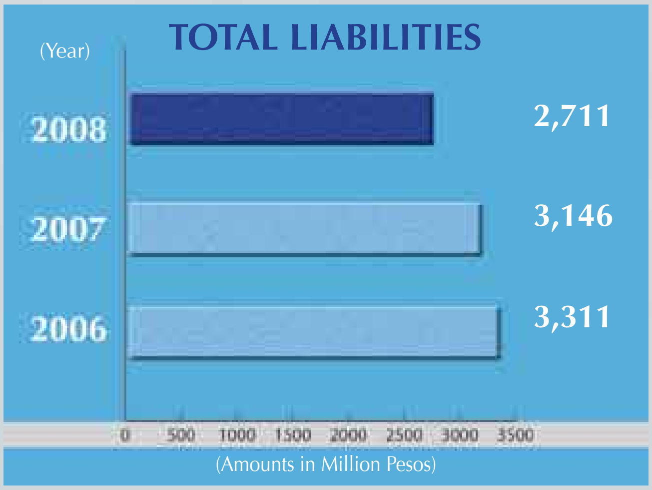
FINANCIAL RATIOS	2006	2007	2008
EBITDA MARGIN	37%	37%	36%
NET INCOME MARGIN	18%	19%	19%
RETURN ON ASSETS	19%	20%	19%
RETURN ON EQUITY	28%	27%	24%
CURRENT RATIO	2.0:1	2.5:1	3.2:1

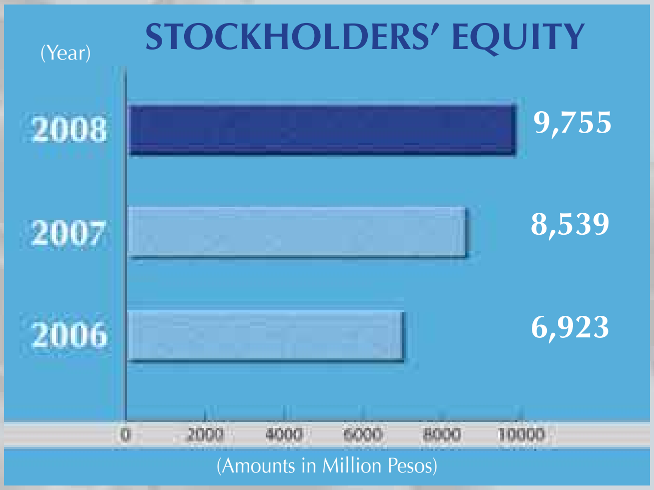
Financial Highlights











Management Discussion and Analysis of Financial Condition and Results of Operations for the Year Ended December 31, 2008.

GMA Network, Inc. remained resilient in 2008. It recorded improvements in most key financial indicators despite the absence of political ads during the first half of the year and the global economic setbacks felt towards the tail end of 2008. Effective cost management enabled the Company to weather the prevailing weak market condition. Gross revenues for the twelve-month period of P12,497 million grew by 4%, P440 million higher than last year's which included political ads of more than P500 million. With the increase in total operating expenses kept at 4% or P290 million over last year, net income settled at P2,369 million, up by 3% versus net income recorded in 2007.

	Year '08 *(in millions)*	Year '07 *(in millions)*
Statement of Income Data:		
Revenue		
Television and radio airtime	**11,653.5**	11,367.3
Production and others	**843.2**	689.6
	12,496.7	12,056.9
Less: Revenue Deductions		
Agency and marketing commissions	**1,784.7**	1,748.3
Co-producers' share	**162.3**	121.8
Net Revenue	**10,549.7**	10,186.8
Production Costs	**3,986.1**	3,851.3
Gross Profit	**6,563.7**	6,335.5
General and Administrative Expenses	**(3,175.7)**	(3,020.1)
Interest Expense and Financing Charges	**(9.1)**	(23.1)
Interest Income	**68.7**	71.8
Other Income	**75.2**	87.7
Income Before Income Tax	**3,522.7**	3,451.7
Provision for Income Tax	**1,153.8**	1,144.5
Net Income	**2,368.9**	2,307.2
Earnings Per Share		
Basic	**0.487**	0.502
Diluted	**0.487**	0.502

Revenues

Gross revenues, consisting of airtime revenues from television and radio, subscription revenue from international operations, and other revenues from subsidiaries, improved by 4% or P440 million, sealing 2008 top-line performance at P12,497 million from P12,057 million in 2007.

	Year '08 *(in millions)*	Year '07 *(in millions)*	Inc/(Dec)	%
Television and radio airtime	**11,653.5**	11,367.3	286.3	3%
Production and others	**843.2**	689.6	153.5	22%
Gross revenues	**12,496.7**	12,056.9	439.8	4%

Airtime revenues from TV and radio, which made up 93% of total revenues, inched up by P286 million or 3%, notwithstanding the absence of political ads amounting to roughly P500 million in 2007. While airtime revenues from Ch-7 continued to boost top-line performance with its 87% contribution, revenues from other business provided the impetus for the future. QTV, the Network's second VHF channel, posted an increase of 16% or P56 million over last year's P340 million, boosted by the remarkable sales of the American Idol series. In the same manner, Radio grew its top line by 4% or P13 million despite the absence of more than P50 million in political ad placements in 2008. Revenues from international operations and other sources, on the other hand, grew 22% to P843 million, an increase of P154 million vs. 2007, driven by the sustained growth in subscriber base for GMA Pinoy TV as well as from the launch of the second international channel GMA Life TV in mid-2008. At the close of the year, subscribers of Pinoy TV and Life TV registered at 207,876 vs. 166,332 in 2007.

Expenses

The Company continued to put a tight rein on cost, especially in view of the challenges that lie ahead. Total operating expenses, which includes production cost and general and administrative expenses, grew by only 4% or P290 million to P7,162 million compared to last year's P6,871 million.

Production-related expenses edged up 3% or P135 million from last year's P3,851 million to P3,986 million in 2008. While there was an 8% growth in cash production cost as a result of the introduction of more in-house-produced shows this year vice canned programs, this was nevertheless partly offset by the P139 million or 22% drop in amortization of program rights brought about by the changes in programming mix for Ch 7 and by the airing of popular and classic reruns of Koreanovelas on QTV.

Production Costs	Year '08 *(in millions)*	Year '07 *(in millions)*	Inc/(Dec)	%
Talent fees	**1,995.7**	1,894.6	101.0	5%
Rentals and outside services	**507.9**	469.5	38.4	8%
Other program expenses	**996.3**	862.4	133.9	16%
Sub-total - cash production cost	**3,500.0**	3,226.6	273.4	8%
Program Rights amortization	**486.1**	624.7	(138.6)	-22%
Total production cost	**3,986.1**	3,851.3	134.8	3%

Meanwhile, consolidated general and administrative expenses (GAEX) amounted to P3,176 million, reflecting an increase of 5% or P156 million versus last year.

GAEX	Year '08 *(in millions)*	Year '07 *(in millions)*	Inc/(Dec)	%
Personnel costs	**1,241.3**	1,254.7	(13.4)	-1%
Facilities costs	**325.2**	330.0	(4.8)	-1%
Outside services	**520.5**	435.4	85.1	20%
Taxes and licenses	**155.9**	132.8	23.0	17%
Others	**437.6**	435.7	2.0	0%
Subtotal - Cash GAEX	**2,680.5**	2,588.7	91.8	4%
Depreciation and amortization	**478.6**	418.8	59.8	14%
Amortization of software cost	**16.7**	12.7	4.0	32%
Subtotal - Non-cash GAEX	**495.3**	431.4	63.8	15%
Total GAEX	**3,175.7**	3,020.1	155.6	5%

Personnel cost amounted to P1,241 million, down 1% from last year. The slight drop resulted from the net effect of the one-time collective bargaining agreement (CBA) signing bonus granted in 2007 which mitigated this year's increase in the salary base for rank & file employees covered by the CBA and the annual performance increase for confidential employees, on top of the year-on-year (y-o-y) augmentation in manpower complement.

Outside services, consisting of advertising and promotions, management and professional fees, and sales incentives, climbed 20% or P85 million primarily due to higher spending on promotional activities to further establish the Network's presence in the regions, the undertaking of more intensive marketing campaigns for international operations with the launch of the Company's second VHF channel, and other events in order to build and sustain the brand image and equity for the Pinoy TV channel.

Taxes and licenses increased 17% from P133 million to P156 million largely due to the increase in local business tax corresponding to the growth in the Company's revenue base. The annual NTC supervision fee likewise increased as a result of the growth in capital stock.

Other cash GAEX, on the other hand, held steady at P438 million y-o-y. The jump in research and survey expense as the Company commenced subscription to the nationwide ratings measurement service or National Urban Television Audience Measurement (NUTAM) and Metro Key Cities Audience Measurement (MCTAM) during the later part of last year was offset by the reduction in the provision for doubtful accounts for 2008.

Despite the operation of the GMA Studios towards the last quarter of the year, facilities cost -- composed of utilities and repairs and maintenance –- closed even lower than last year's by P4.8 million or 1%. The increase in rates and consumption of utilities was counterbalanced by the installation of additional energy-saving devices within the Network premises.

On the other hand, depreciation and amortization of software cost under non-cash GAEX grew by P64 million or 15% from last year as depreciation expense went up due to current year's additions to fixed assets; in particular, the infrastructure related to the signal-strengthening transmission facilities in the regions and the recently commissioned GMA Studios.

Interest and financing charges on short-term loans

Interest expense and financing charges this year reached P9.1 million, equivalent to a reduction of P14 million or 61% compared with last year's P23 million. The decrease was due to the drop in the Company's short-term borrowings. As of end-December 2008, the Company has practically no short-term loans.

Interest income from short-term investments

While the Company consistently maintained a solid net cash position, interest income from short-term investments slightly dipped by 4% to P69 million from last year's P72 million on account of generally lower interest rates for money market placements this year.

Other Income

Other income this year ended at P75 million, down 14% from P88 million in 2007. Last year's total included reversals of long-outstanding accruals which were not present this year.

Provision for Income Tax

Despite the increase in income before tax, the provision for income tax inched up by less than 1%, or P9 million, to P1,154 million in 2008. The effective income tax rate for 2008 is lower than that of 2007 owing to the income tax holiday accreditation of Pinoy TV, notwithstanding the increase in the provision for deferred tax resulting from the change in corporate income tax rate starting 2009.

Net Income

With the increase in revenues during the year coupled with a conscious effort to tighten costs, net income improved by 3% over last year. Thus, by end-December 31, 2008 the bottom line settled at P2,369 million, P62 million higher versus 2007's P2,307 million.

Balance Sheet Accounts

Consolidated assets totaled P12,466 million, representing an increase of 7% over last year. Cash and cash equivalent and short-term investments rose by 65% to P1,690 million from end-2007 level driven mainly by solid cash flows generated from operations on the back of aggressive efforts in reducing the accounts receivable balance. As trade receivables declined by 6% or P299 million, despite the increase in revenues, trade days-sales-outstanding (DSO) likewise improved from 144 days at end-2007 to 141 days at the close of 2008.

The modest improvement in net income caused return on assets (ROA) to slide down to 19% from last year's 20%, while return on equity (ROE) likewise dropped to 24% vs. last year's 27%.

Cash Flow	Year '08 (in millions)	Year '07 (in millions)
Net cash provided by operating activities	**2,942.7**	2,082.0
Net cash used in investing activities	**(804.1)**	(363.1)
Net cash used in financing activities	**(1,482.6)**	(984.2)
Effect of exchange rate changes on cash and cash equivalents	**12.4**	(21.6)
Net increase (decrease) in cash and cash equivalents	**668.4**	713.1
Cash and cash equivalents, beginning of period	**1,019.7**	306.6
Cash and cash equivalents, end of period	**1,688.1**	1,019.7

Operating Activities

Net cash from operations registered at P2,943 million this year. This resulted from the income before income tax of P3,523 million adjusted by depreciation expense of P479 million, program rights usage of P486 million, and provision for retirement benefits of P116 million apart from the changes in working capital. The primary components of the changes in working capital include the P502 million increase in program rights, as the Company accumulated more format and story rights in its inventory vis-à-vis the degree of usage, the decrease in pension liability of P101 million due to actual funding of the retirement fund and the decrease in trade payables and other current liabilities of P127 million. On the other hand, these were partly mitigated by trade and other receivables, which, despite the increase in revenues, decreased by P285 million resulting from the aggressive collection efforts implemented by the Company especially for long-outstanding accounts.

Investing Activities

Net cash used in investing activities amounted to P804 million. The P853 million additions to property and equipment was the primary driver, with the completion of the state-of-the-art GMA Studios and continuous expansion in the regions. Another P50 million was attributed to investments and advances as the Company, through its subsidiary New Media, Inc., entered into a joint venture agreement with IPVG for X-play, a form of on-line gaming. Increases in investment properties of P21 million and additions to land at revalued amounts of P8 million further comprised the cash used for investing activities. These were offset by the P65 million interest earned from cash placements as well as from the P35 million proceeds from sale of property and equipment and investment properties.

Financing Activities

Net cash used in financing activities amounted to P1,483 million, with the P1,213 million cash dividend payout as the foremost component. Financing activities further consisted of the payment of P311 million in short term loans during the year, interest and financing charges of P10 million and reacquisition of treasury shares worth P8 million. These were partly reduced by the collection of subscriptions receivable amounting to P59 million.

Management's Responsibility for Financial Statements

April 2, 2009

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

The management of GMA Network, Inc. is responsible for all information and representations contained in the consolidated financial statements for the years ended December 31, 2008, 2007 and 2006. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

Sycip, Gorres, Velayo & Co., CPA's, the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:

FELIPE L. GOZON
Chairman of the Board
President and Chief Executive Officer

FELIPE S. YALONG
Senior Vice President
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of GMA Network, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated statements of income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GMA Network, Inc. and Subsidiaries as of December 31, 2008 and 2007, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Melinda Gonzales-Manto

Melinda Gonzales-Manto
Partner
CPA Certificate No. 26497
SEC Accreditation No. 0085-AR-1
Tax Identification No. 123-305-056
PTR No. 1566443, January 5, 2009, Makati City

April 2, 2009

GMA NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 30 and 31)	**P1,688,107,116**	P1,019,710,422
Short-term investments (Notes 30 and 31)	**2,066,957**	2,907,361
Trade and other receivables - net (Notes 6, 30 and 31)	**4,460,404,397**	4,759,450,464
Program rights - net (Note 7)	**833,188,602**	817,132,463
Prepaid expenses and other current assets (Note 8)	**290,064,076**	289,918,367
Total Current Assets	**7,273,831,148**	6,889,119,077
Noncurrent Assets		
Available-for-sale financial assets (Notes 9, 30 and 31)	**99,766,171**	99,435,171
Investments and advances (Notes 10 and 18)	**405,805,681**	362,726,235
Property and equipment at cost - net (Note 11)	**3,023,028,026**	2,680,590,272
Land at revalued amounts (Note 12)	**1,403,122,465**	1,380,006,192
Investment properties - net (Notes 13 and 18)	**63,914,233**	41,464,880
Deferred tax assets - net (Note 28)	**35,971,633**	31,274,686
Other noncurrent assets - net (Notes 14, 30 and 31)	**160,848,427**	200,604,080
Total Noncurrent Assets	**5,192,456,636**	4,796,101,516
	P12,466,287,784	P11,685,220,593
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable (Notes 15, 30 and 31)	**P–**	P310,700,000
Trade payables and other current liabilities (Notes 16, 30 and 31)	**1,631,146,271**	1,710,726,088
Income tax payable	**509,903,736**	624,537,238
Obligations for program rights (Notes 17, 30 and 31)	**110,459,407**	85,273,273
Dividends payable (Notes 30 and 31)	**1,564,709**	–
Total Current Liabilities	**2,253,074,123**	2,731,236,599
Noncurrent Liabilities		
Pension liability (Note 25)	**288,834,807**	274,145,533
Deferred tax liabilities - net (Note 28)	**169,255,508**	141,242,806
Total Noncurrent Liabilities	**458,090,315**	415,388,339
Stockholders' Equity (Note 30)		
Capital stock (Note 18)	**4,864,692,000**	4,864,692,000
Additional paid-in capital (Note 18)	**1,651,547,885**	1,592,615,799
Revaluation increment in land - net (Notes 12 and 28)	**744,158,022**	733,610,450
Unrealized gain on available-for-sale financial assets - net (Note 9)	**1,843,368**	1,741,413
Retained earnings (Notes 18 and 19)	**2,527,155,258**	1,372,390,597
Treasury stock (Notes 18 and 29)	**(28,483,171)**	(20,664,588)
Underlying shares of the acquired Philippine deposit receipts (Notes 18 and 29)	**(5,790,016)**	(5,790,016)
Total Stockholders' Equity	**9,755,123,346**	8,538,595,655
	P12,466,287,784	P11,685,220,593

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2008	2007	2006
REVENUE (Note 21)	**P12,496,701,664**	P12,056,924,402	P11,071,627,997
LESS REVENUE DEDUCTIONS			
Agency and marketing commissions	**1,784,690,688**	1,748,344,331	1,685,747,826
Co-producers' share	**162,272,741**	121,781,011	153,483,007
	1,946,963,429	1,870,125,342	1,839,230,833
NET REVENUE	**10,549,738,235**	10,186,799,060	9,232,397,164
PRODUCTION COSTS (Note 22)	**3,986,058,361**	3,851,280,138	3,702,822,047
GROSS PROFIT	**6,563,679,874**	6,335,518,922	5,529,575,117
GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	**(3,175,728,773)**	(3,020,092,942)	(2,612,972,057)
INTEREST INCOME FROM BANK DEPOSITS AND SHORT-TERM INVESTMENTS (Note 5)	**68,732,583**	71,762,331	12,697,551
INTEREST EXPENSE AND FINANCING CHARGES ON SHORT-TERM LOANS (Note 15)	**(9,092,572)**	(23,130,092)	(38,029,562)
EQUITY IN NET LOSSES OF ASSOCIATES AND JOINT VENTURES (Note 10)	**(6,958,589)**	(3,228,728)	(10,395,732)
OTHER INCOME - Net (Note 26)	**82,113,023**	90,901,501	133,466,300
INCOME BEFORE INCOME TAX	**3,522,745,546**	3,451,730,992	3,014,341,617
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)			
Current	**1,134,845,527**	1,210,602,378	1,086,052,406
Deferred	**18,972,357**	(66,101,949)	(34,210,082)
	1,153,817,884	1,144,500,429	1,051,842,324
NET INCOME	**P2,368,927,662**	P2,307,230,563	P1,962,499,293
Basic Earnings Per Share (Note 29)	**P0.487**	P0.502	P0.462
Diluted Earnings Per Share (Note 29)	**P0.487**	P0.502	P0.462

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Capital Stock (Note 18)	**Additional Paid-In Capital** (Note 18)	**Revaluation Increment in Land - Net** (Notes 12 and 28)	**Unrealized Gain (Loss) on Available-for-sale Financial Assets** (Note 9)	**Retained Earnings** (Notes 18 and 19)	**Treasury Stock** (Notes 18 and 29)	**Underlying Shares of the Acquired Philippine Deposit Receipts** (Notes 18 and 29)	**Total Stockholders' Equity**
At January 1, 2008	**P4,864,692,000**	**P1,592,615,799**	**P733,610,450**	**P1,741,413**	**P1,372,390,597**	**(P20,664,588)**	**(P5,790,016)**	**P8,538,595,655**
Loss for the year recognized directly in equity	**–**	**–**	**–**	**(21,000)**	**–**	**–**	**–**	**(21,000)**
Net income	**–**	**–**	**–**	**–**	**2,368,927,662**	**–**	**–**	**2,368,927,662**
Addition to revaluation increment (net of tax effect)	**–**	**–**	**10,547,572**	**–**	**–**	**–**	**–**	**10,547,572**
Addition due to change in tax rate	**–**	**–**	**–**	**122,955**	**–**	**–**	**–**	**122,955**
Total income and expense for the year	**–**	**–**	**10,547,572**	**101,955**	**2,368,927,662**	**–**	**–**	**2,379,577,189**
Cash dividends - P0.25 a share	**–**	**–**	**–**	**–**	**(1,214,163,001)**	**–**	**–**	**(1,214,163,001)**
Collection of subscriptions receivable	**–**	**58,932,086**	**–**	**–**	**–**	**–**	**–**	**58,932,086**
Acquisition of treasury stock	**–**	**–**	**–**	**–**	**–**	**(7,818,583)**	**–**	**(7,818,583)**
	–	**58,932,086**	**–**	**–**	**(1,214,163,001)**	**(7,818,583)**	**–**	**(1,163,049,498)**
At December 31, 2008	**P4,864,692,000**	**P1,651,547,885**	**P744,158,022**	**P1,843,368**	**P2,527,155,258**	**(P28,483,171)**	**(P5,790,016)**	**P9,755,123,346**
At January 1, 2007	P4,250,000,000	P–	P733,610,450	(P546,035)	P1,940,160,034	P–	P–	P6,923,224,449
Gain for the year recognized directly in equity	–	–	–	2,287,448	–	–	–	2,287,448
Net income	–	–	–	–	2,307,230,563	–	–	2,307,230,563
Total income and expense for the year	–	–	–	2,287,448	2,307,230,563	–	–	2,309,518,011
Issuance of common stock - net of subscriptions receivable amounting to P70,093,655	239,692,000	1,727,596,345	–	–	–	–	–	1,967,288,345
Cash dividends - P0.54 a share	–	–	–	–	(2,500,000,000)	–	–	(2,500,000,000)
Stock dividends	375,000,000	–	–	–	(375,000,000)	–	–	–
Stock issuance costs	–	(134,980,546)	–	–	–	–	–	(134,980,546)
Acquisition of treasury stock	–	–	–	–	–	(20,664,588)	–	(20,664,588)
Acquisition of Philippine deposit receipts	–	–	–	–	–	–	(5,790,016)	(5,790,016)
	614,692,000	1,592,615,799	–	–	(2,875,000,000)	(20,664,588)	(5,790,016)	(694,146,805)
At December 31, 2007	P4,864,692,000	P1,592,615,799	P733,610,450	P1,741,413	P1,372,390,597	(P20,664,558)	(P5,790,016)	P8,538,595,655
At January 1, 2006	P1,250,000,000	P–	P733,610,450	P–	P4,171,668,411	P–	P–	P6,155,278,861
Loss for the year recognized directly in equity	–	–	–	(546,035)	–	–	–	(546,035)
Net income	–	–	–	–	1,962,499,293	–	–	1,962,499,293
Total income and expense for the year	–	–	–	(546,035)	1,962,499,293	–	–	1,961,953,258
Stock dividends	3,000,000,000	–	–	–	(3,000,000,000)	–	–	–
Cash dividends - P0.46 a share	–	–	–	–	(1,089,540,602)	–	–	(1,089,540,602)
Property dividends	–	–	–	–	(104,467,068)	–	–	(104,467,068)
	3,000,000,000	–	–	–	(4,194,007,670)	–	–	(1,194,007,670)
At December 31, 2006	P4,250,000,000	P–	P733,610,450	(P546,035)	P1,940,160,034	P–	P–	P6,923,224,449

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**P3,522,745,546**	P3,451,730,992	P3,014,341,617
Adjustments for:			
Depreciation and amortization (Note 23)	**478,595,734**	418,760,008	412,403,819
Net pension expense (Notes 24 and 25)	**116,186,298**	131,400,335	73,834,854
Interest income from bank deposits and short-term investments (Note 5)	**(68,732,583)**	(71,762,331)	(12,697,551)
Loss (gain) on sale of property and equipment and investment properties (Note 26)	**(30,632,485)**	828,095	465,236
Other noncash expenses - net	**18,757,505**	12,141,144	13,898,254
Amortization of software costs (Notes 14 and 23)	**16,670,009**	12,660,849	9,724,154
Interest expense and financing charges on short-term loans (Note 15)	**9,092,572**	23,130,092	38,029,562
Unrealized foreign exchange loss (gain)	**(7,805,559)**	29,296,408	(4,701,248)
Equity in net losses of associates and joint ventures (Note 10)	**6,958,589**	3,228,728	10,395,732
Dividend income (Note 26)	**(58,082)**	(2,618,418)	(5,038,580)
Reversal of long-outstanding liabilities and accruals (Note 26)	**–**	(17,209,507)	(44,575,703)
Reversal of allowance for impairment loss on investment properties (Note 13)	**–**	(4,353,538)	–
Mark-to-market gain on derivatives and financial assets through profit or loss (Note 26)	**–**	–	(6,844,877)
Operating income before working capital changes	**4,061,777,544**	3,987,232,857	3,499,235,269
Program rights usage (Notes 7 and 22)	**486,107,804**	624,703,967	581,546,752
Sick and vacation leaves expense (Note 24)	**48,833,357**	49,549,493	42,650,259
Provision for doubtful accounts (Notes 6 and 23)	**22,171,088**	122,003,748	4,168,622
Impairment (reversal of allowance for impairment) of program rights carried at perpetuity (Notes 7 and 26)	**–**	(160,305)	1,794,047
Decrease (increase) in:			
Trade and other receivables	**284,624,726**	(1,056,961,397)	(728,331,369)
Program rights (Note 7)	**(502,163,943)**	(410,616,152)	(613,326,282)
Prepaid expenses and other current assets	**3,225,469**	(18,448,196)	(6,521,440)
Increase (decrease) in:			
Trade payables and other current liabilities	**(126,752,112)**	174,230,440	(141,627,168)
Obligations for program rights	**15,839,854**	(90,535,514)	(164,256,738)
Pension liability	**(101,497,024)**	(143,743,777)	(26,316,924)
Cash generated from operations	**4,192,166,763**	3,237,255,164	2,449,015,028
Income taxes paid	**(1,249,464,065)**	(1,155,230,429)	(1,026,223,943)
Net cash provided by operating activities	**2,942,702,698**	2,082,024,735	1,422,791,085

(Forward)

	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 11)	**(P852,955,607)**	(P628,218,477)	(P514,768,749)
Investment properties (Note 13)	**(21,497,788)**	–	9,036,266
Decrease (increase) in:			
Short-term investments	**840,404**	223,445,609	(226,352,970)
Investments and advances (Note 10)	**(50,038,035)**	(1,909,812)	(23,032,231)
Other noncurrent assets - net	**27,337,970**	(32,633,341)	(38,237,617)
Interest received	**65,377,217**	70,788,225	13,154,358
Proceeds from sale of property and equipment and investment properties	**34,801,030**	10,950,431	2,041,863
Additions to land at revalued amounts (Note 12)	**(8,048,312)**	(8,121,828)	(7,080,300)
Cash dividends received (Note 26)	**58,082**	2,618,418	5,038,580
Net cash used in investing activities	**(804,125,039)**	(363,080,775)	(780,200,800)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Note 18)	**(1,212,598,292)**	(2,500,000,000)	(1,089,540,602)
Notes payable	**(310,700,000)**	(566,400,000)	(535,900,000)
Collection of subscriptions receivable	**58,932,086**	–	–
Interest and financing charges paid	**(10,434,239)**	(23,681,864)	(42,255,427)
Acquisitions of:			
Treasury stock (Note 18)	**(7,818,583)**	(20,664,588)	–
Philippine deposit receipts (Note 18)	**–**	(5,790,016)	–
Net proceeds from issuance of common stock (Note 18)	**–**	1,832,307,799	–
Proceeds from availments of notes payable	**–**	300,000,000	836,400,000
Net cash used in financing activities	**(1,482,619,028)**	(984,228,669)	(831,296,029)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**12,438,063**	(21,605,308)	4,701,248
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**668,396,694**	713,109,983	(184,004,496)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,019,710,422**	306,600,439	490,604,935
CASH AND CASH EQUIVALENTS AT END OF YEAR	**P1,688,107,116**	P1,019,710,422	P306,600,439

See accompanying 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.

GMA Network, Inc. is the ultimate parent company of the Group.

The Parent Company's shares of stock are publicly listed and traded in the Philippine Stock Exchange (PSE) (see Note 18).

The accompanying consolidated financial statements of the Group as of and for the years ended December 31, 2008, 2007 and 2006 were authorized for issue in accordance with a resolution by the Board of Directors (BOD) on April 2, 2009.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) financial assets, which have been measured at fair value, and land used in operations, which is carried at revalued amounts. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The accompanying consolidated financial statements of the Group have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) issued by the Financial Reporting Standards Council.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except for the following new Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which the Group has adopted during the year:

- Philippine Interpretation IFRIC 11, PFRS 2 - *Group and Treasury Share Transactions*, requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholders of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent. As the Group has no such transaction, the adoption of this interpretation has no impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, covers contractual arrangements arising from public-to-private service concession arrangements if control of the assets remains in public hands but the private sector operator is responsible for construction activities, as well as for operating and maintaining the public sector infrastructure. No member of the Group is an operator and, therefore, this interpretation has no impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 14, PAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. The Group's defined benefit plan has been in deficit, therefore the adoption of this interpretation has no impact on its financial position or performance.

Future Changes in Accounting Policies
The Group did not early adopt the following standards and Philippine Interpretations that have been approved but are not yet effective:

- PFRS 2, *Share-based Payment (Revised)*, will become effective for financial years beginning on or after January 1, 2009. It restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In case the award does not vest as result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, it must be accounted for as a cancellation. As the Group has no such transaction, the revised standard will have no impact on the consolidated financial statements.

- PFRS 3, *Business Combinations (Revised)*, and PAS 27, *Consolidated and Separate Financial Statements (Revised)*, will become effective for financial years beginning on or after July 1, 2009. The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The revised PAS 27 requires that a change in the ownership interest of a subsidiary be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary, as well as the loss of control of a subsidiary. The changes introduced by the revised standards must be applied prospectively and will affect future acquisitions and transactions with minority interests. The changes in the standards will have no impact on the consolidated financial statements.

- PFRS 8, *Operating Segments*, will replace PAS 14, *Segment Reporting*, and will become effective for financial years beginning on or after January 1, 2009. It adopts a management approach in reporting segment information. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated balance sheets and consolidated statements of income and companies will need to provide explanations and reconciliations of the differences. The Group will assess the impact of this standard to its current manner of reporting segment information when it adopts the standard on January 1, 2009.

- PAS 1, *Presentation of Financial Statements (Revised)*, will become effective for financial years beginning on or after January 1, 2009. It separates owner and non-owner changes in equity. The consolidated statements of changes in stockholders' equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income, which presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The Group is currently assessing the impact of this revised standard on the consolidated financial statements.

- PAS 23, *Borrowing Costs (Revised)*, will become effective for financial years beginning on or after January 1, 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transition requirements of the standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs, if any, will be capitalized on qualifying assets starting January 1, 2009.

- PAS 32, *Financial Instrument: Presentation, and PAS 1, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)*, will become effective for financial years beginning on or after January 1, 2009. The amendment to PAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to PAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Group expects that the amendments will have no impact on its financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items (Amendment)*, will become effective for financial years beginning on or after July 1, 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The amendment will not have any impact on the consolidated financial statements as the Group has not entered into any such hedges.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, will become effective for financial years beginning on or after July 1, 2008. It requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore, part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group expects that this interpretation will have no impact on the consolidated financial statements as no such schemes currently exist.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, will become effective for financial years beginning on or after January 1, 2012. The interpretation is to be applied retroactively. It clarifies when and how revenue and related expenses from the sale of real estate should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*. The interpretation will not have an impact on the consolidated financial statements because the Group does not have such activity.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in Foreign Operations*, will become effective for financial years beginning on or after October 1, 2008. It provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The interpretation will have no impact on the consolidated financial statements.

<u>Improvements to Existing Accounting Standards</u>
The Group did not early adopt the following improvements to existing accounting standards that have been approved but are not yet effective. The Group is currently assessing the impact of the following improvements to existing standards but anticipates that the changes will have no material effect on the consolidated financial statements.

- PFRS 7, *Financial Instruments*: *Disclosures*, removes the reference to "total interest income" as a component of finance costs.

- PAS 1, *Presentation of Financial Statements*, provides that assets and liabilities classified as held for trading in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, are not automatically classified as current in the consolidated balance sheets.

- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, clarifies that only the implementation guidance that is an integral part of a PFRS is mandatory when selecting accounting policies.

- PAS 10, *Events after the Balance Sheet Date*, clarifies that dividends declared after the end of reporting period are not obligations.

- PAS 16, *Property, Plant and Equipment*, replaces the term "net selling price" with "fair value less costs to sell". It further clarifies that items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventory when rental ceases and they are held for sale.

- PAS 18, *Revenue*, replaces the term "direct costs" with "transaction costs" as defined in PAS 39, *Financial Instruments: Recognition and Measurement*.

- PAS 19, *Employee Benefits*, revises the definition of past service costs, return on plan assets and short-term and long-term employee benefits. Amendments to plans that result in reduction in benefits related to future services are accounted for as curtailment. It deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

- PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, provides that loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Various terms were revised to be consistent with other PFRS.

- PAS 23, *Borrowing Costs*, revises the definition of borrowing costs to consolidate the two types of items that are considered components of borrowing costs into one – the interest expense calculated using the effective interest method calculated in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*.

- PAS 27, *Consolidated and Separate Financial Statements*, states that when a parent entity accounts for a subsidiary in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- PAS 28, *Investment in Associates*, establishes that if an associate is accounted for at fair value in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

- PAS 29, *Financial Reporting in Hyperinflationary Economies*, revises the reference to the exception to measure assets and liabilities at historical costs, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Various terms were revised to be consistent with other PFRS.

- PAS 31, *Interest in Joint Ventures*, provides that if a joint venture is accounted for at fair value in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, only the requirement of PAS 31 to disclose the commitments of the venturer and the joint venture as well as summary financial information about the assets, liabilities, income and expense will apply.

- PAS 34, *Interim Financial Reporting*, requires that earnings per share be disclosed in interim financial reports if an entity is within the scope of PAS 33, *Earnings per Share*.

- PAS 36, *Impairment of Assets*, provides that if discounted cash flows are used to estimate "fair value less costs to sell", additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate "value in use."

- PAS 38, *Intangible Assets*, requires that expenditure on advertising and promotional activities be recognized as an expense when the Group has either the right to access the goods or has received the services.

- PAS 39, *Financial Instruments*: *Recognition and Measurement*, changes in circumstances relating to derivatives are not reclassification and therefore maybe either removed from, or included in, the "fair value through profit or loss" (FVPL) classification after initial recognition. It removes the reference to a segment when determining whether an instrument qualifies as a hedge. It further requires the use of the revised effective interest rate when re-measuring a debt instrument on the cessation of fair value hedge accounting.

- PAS 40, *Investment Property*, revises the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time that fair value can be determined or construction is complete. It revises the conditions for a voluntary change in accounting policy to be consistent with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, and clarifies that the carrying amount of investment property held under lease is the valuation obtained, increased by any recognized liability.

- PAS 41, *Agriculture*, removes the reference to the use of pre-tax discount rate to determine fair value. It likewise removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Furthermore, it replaces the term "point-of-sale costs" with "costs to sell".

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Country of Incorporation	Percentage of Ownership	
		2008	2007
Entertainment Business:			
Citynet Network Marketing and Productions, Inc.	Philippines	100	100
GMA Network Films, Inc.	- do -	100	100
GMA New Media, Inc. (GNMI)	- do -	100	100
GMA Worldwide (Philippines), Inc.	- do -	100	100
RGMA Marketing and Productions, Inc.	- do -	100	100
Scenarios, Inc.	- do -	100	100
Advertising Business:			
Alta Productions Group, Inc. (Alta)	- do -	100	100
GMA Marketing & Productions, Inc. (GMPI)	- do -	100	100
Others:			
MediaMerge Corporation*	- do -	100	100
Ninja Graphics, Inc. (Ninja)**	- do -	51	51

* *Indirectly owned through GNMI*
** *Indirectly owned through Alta; ceased commercial operations in 2001*

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company. Intercompany balances and transactions, including intercompany and unrealized profits and losses, are eliminated in full.

The minority interest in Ninja as of December 31, 2008, 2007 and 2006 has been reduced to zero because Ninja is in a net capital deficiency position in those years.

3. **Significant Accounting Judgments, Estimates and Assumptions**

The Group's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes.

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

Operating Leases. The Group has entered into various lease agreements as a lessee. The lease agreements are accounted for as operating leases, with the lessors retaining all the significant risks and rewards of ownership of the properties.

Rent expense charged to operations amounted to P573.39 million, P533.32 million and P582.31 million in 2008, 2007 and 2006, respectively (see Notes 22 and 23).

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

Estimates and Assumptions
The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Group's financial statements. Actual results could differ from such estimates. The key estimates and assumptions that may have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

Trade and other receivables, net of allowance for doubtful accounts, amounted to P4,460.40 million and P4,759.45 million as of December 31, 2008 and 2007, respectively (see Note 6).

Amortization of Program Rights. The Group estimates the amortization of program rights with finite lives based on the manner and pattern of usage of the acquired program rights. The Group estimates that programs are more marketable in their initial airing as compared to the succeeding airings. In addition, estimation of the amortization of program rights is based on industry practice and experience with such rights. The Group also estimates residual values on program rights carried at perpetuity at an amount set by management, which is a certain percentage of the acquisition cost. 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 rights, net of accumulated impairment loss, amounted to P833.19 million and P817.13 million as of December 31, 2008 and 2007, respectively (see Note 7).

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 20% or more of the original cost of investment, and 'prolonged' as greater than 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.

The carrying value of AFS financial assets amounted to P99.77 million and P99.44 million as of December 31, 2008 and 2007, respectively (see Notes 9 and 31).

Estimating Useful Lives of Property and Equipment and Investment Properties. The Group estimates the useful lives of property and equipment 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 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 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 and investment properties would increase recorded general and administrative expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation and amortization, amounted to P3,023.03 million and P2,680.59 million as of December 31, 2008 and 2007, respectively (see Note 11). Investment properties, net of accumulated depreciation and accumulated impairment in value, amounted to P63.91 million and P41.46 million as of December 31, 2008 and 2007, respectively (see Note 13).

Asset Retirement Obligation. Determining asset retirement obligation requires estimation of the cost of dismantling, installation and restoring leased properties to their original condition. The Group determined that there are no significant asset retirement obligations as of December 31, 2008 and 2007.

Revaluation of Land. The Group engages Crown Property Appraisal Corporation, an accredited independent appraiser, to determine the fair value of the land used in operations. Fair value is determined by reference to market-based evidence.

The revalued amount of land amounted to P1,403.12 million and P1,380.01 million as of December 31, 2008 and 2007, respectively (see Note 12).

Impairment of Nonfinancial Assets. For property and equipment and other long-lived assets, impairment testing is performed whenever there is an indication that the assets are impaired. Determining the net recoverable value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

The aggregate amount of program rights, investments and advances, property and equipment, land and investment properties amounted to P5,729.06 million and P5,281.92 million as of December 31, 2008 and 2007, respectively (see Notes 7, 10, 11, 12 and 13).

Estimating Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on nondeductible temporary differences and carryforward benefits of net operating loss carry over (NOLCO) and excess minimum corporate income tax (MCIT) is based on the forecasted taxable income of the following reporting period. This forecast is based on the Group's future expectations on revenue and expenses.

Deferred tax assets amounted to P225.64 million and P245.95 million as of December 31, 2008 and 2007, 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 25 and include, among others, discount rate, expected rate of return on plan assets and expected rate of salary increase. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in such future periods.

Net pension liability amounted to P288.83 million and P274.15 million as of December 31, 2008 and 2007, respectively. Unrecognized actuarial losses amounted to P307.84 million and P248.08 million as of December 31, 2008 and 2007, respectively (see Note 25).

Financial Assets and Liabilities. The Group carries certain financial assets and liabilities 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 these financial assets and liabilities would affect profit and loss and equity.

The fair value of financial assets and liabilities are enumerated in Note 31.

Contingencies. The Group currently has various legal claims. The Group's estimates of the probable costs for the resolution of these claims have been developed in consultation with in-house, as well as outside counsel handling the prosecution and defense of these cases and are based upon an analysis of potential results. The Group currently does not believe these legal claims will have a material adverse effect on its consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings (see Note 32).

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

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

<u>Short-term Investments</u>
Short-term investments include highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months but less than one year from the dates of acquisition and are subject to an insignificant risk of change in value.

<u>Financial Assets and Liabilities</u>

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated balance sheets when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

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

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

Determination of Fair Value. The fair value of financial instruments traded in active markets at balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Day 1 Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 profit) in the consolidated statements of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statements of income 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' profit amount.

<u>Financial Assets</u>

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in the consolidated statements of income.

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or

- the assets are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

The Group has no financial assets classified under this category as of December 31, 2008 and 2007.

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. Loans and receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within 12 months from balance sheet date. Otherwise, these are classified as noncurrent assets.

Classified as loans and receivables are the Group's cash and cash equivalents, short-term investments, trade and other receivables and guarantee and other deposits. The carrying values of financial assets under this category amounted to P6,164.57 million and P5,793.48 million as of December 31, 2008 and 2007, respectively (see Note 31).

HTM Investments. HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statements of income when the HTM investments are derecognized or impaired, as well as through the amortization process. Assets under this category are classified as current assets if maturity is within 12 months from balance sheet date and as noncurrent assets if maturity date is more than a year from balance sheet date.

The Group has no investments classified as HTM as of December 31, 2008 and 2007.

AFS Financial Assets. AFS financial assets are nonderivative financial assets that are designated in this category or are not classified in any of the other categories. Subsequent to initial recognition, AFS financial assets are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets are reported as revaluation reserve for AFS financial assets in the stockholders' equity section of the consolidated balance sheets until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in stockholders' equity is transferred to the consolidated statements of income. Interest earned on holding AFS financial assets are recognized in the consolidated statements of income using the effective interest rate. Assets under this category are classified as current assets if maturity is within 12 months from balance sheet date and as noncurrent assets if maturity date is more than a year from balance sheet date.

The Group has investments in various quoted and unquoted shares of stocks classified under this category. The carrying values of financial assets classified under this category amounted to P99.77 million and P99.44 million as of December 31, 2008 and 2007, respectively (see Note 31).

<u>Financial Liabilities</u>
Financial Liabilities at FVPL. Financial liabilities are classified in this category if these result from trading activities or derivatives transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

The Group has no financial liabilities classified under this category as of December 31, 2008 and 2007.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes notes payable, trade payables and other current liabilities (excluding payable to government agencies), obligations for program rights and dividends payable. The carrying values of financial liabilities under this category amounted to P1,112.59 million and P1,400.44 million as of December 31, 2008 and 2007, respectively (see Note 31).

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

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

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

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

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

Derecognition of Financial Assets and Liabilities

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or 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 modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of income.

<u>Impairment of Financial Assets</u>
The Group assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired.

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statements of income.

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

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated statements of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If, 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 decreased by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the consolidated statements of income. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

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

AFS Financial Assets. If an AFS asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from stockholders' equity to the consolidated statements of income. Reversals in respect of equity instruments classified as AFS are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

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

<u>Program Rights</u>
Program rights with finite lives are stated at amortized cost less any impairment in value. The cost is: (1) charged directly to income on the first airing of the program if program cost is below a certain amount set by management; or (2) amortized to the extent of 70% on the first airing and 30% on the second airing if program

cost exceeds the amount set by management (70-30 amortization rule).

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

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

For rights carried at perpetuity, the 70-30 amortization rule shall apply on the amount, net of residual value.

Materials and Supplies Inventory

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

Investments in Associates

The Group's investments in associates are accounted for under the equity method. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group. The investments in associates are carried in the consolidated balance sheets at cost plus post-acquisition changes in the Group's share in the net assets of the associates, less any impairment in value. The consolidated statements of income include the Group's share in the results of operations of the associates. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associates, against the investments in the associates. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

Advances to Associates

Advances to associates are stated at face value less allowance for any uncollectible accounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable.

Interests in Joint Ventures

The Group's interests in joint ventures are accounted for using the equity method, similar to investments in associates described above.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties and borrowing costs and other costs directly attributable in bringing the asset to its working condition and location for its intended use. Cost also includes any asset retirement obligation. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Construction in progress and equipment for installation are stated at cost. Construction in progress and equipment for installation are not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings, towers and improvements	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

The remaining useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

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.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts; any resulting gain or loss is credited or charged to current operations.

Land
Following initial recognition at cost, land used in operations is carried at revalued amount, which is the fair value at the date of the revaluation, less any subsequent accumulated impairment losses. Fair value was determined by an independent firm of appraisers on December 23, 2008 and January 5, 2009. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The revaluation increment resulting from the revaluation, net of deferred tax liability, is credited to the "Revaluation increment in land" account included in the stockholders' equity section of the consolidated balance sheets.

Upon disposal, the revaluation increment relating to the asset being sold is transferred to retained earnings. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of income in the year the asset is derecognized.

Investment Properties
Investment properties consist of real estate held for capital appreciation. Investment properties, except land, are measured at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value.

Depreciation is computed using the straight-line method over 20 years.

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

Transfers are made to investment property when, and only when, there is a change in use, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the Group's occupation or commencement of development with a view to sale.

Investment in Artworks
Investment in artworks (included under "Other noncurrent assets" account in the consolidated balance sheets) 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 balance sheets) are capitalized and amortized on a straight-line basis over three years.

Impairment of Nonfinancial Assets
The carrying values of property and equipment and other long-lived assets 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 or cash-generating units are written down to their recoverable amounts. The recoverable amount of property and equipment and other long-lived assets is the greater of fair value less cost to sell or value in use. 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 income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date 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 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.

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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. 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.

Treasury Stock

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured.

Airtime revenue is recognized in the period the advertisement is aired.

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 Presidential Decree No. 1362 are recognized as income when there is reasonable certainty that these can be used to pay duties and taxes on imported capital equipment.

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

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

Rental income from property and equipment is accounted for on a straight-line basis over the lease term.

Dividend income is recognized when the Group's right to receive the payment is established.

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

Research Costs

Research costs are expensed as incurred.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Pension Costs

The Parent Company and some of its subsidiaries have funded, noncontributory retirement plans covering their permanent employees. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plans at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

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

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

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plans or reductions in the future contributions to the plans, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of 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.

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

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

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 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 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 Transactions

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate at balance sheet date. All differences are taken to the consolidated statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, 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 or loss; 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 are recognized for all deductible temporary differences, carryforward benefits of excess MCIT and unused 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 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 or loss; 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 balance sheet date 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 balance sheet date 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 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) that have been enacted or substantively enacted at balance sheet date.

Income tax relating to the items recognized directly in stockholders' equity is recognized in the consolidated statements of changes in stockholders' equity and not in the consolidated statements of income.

Deferred tax assets and deferred tax 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.

Sales Tax. Revenue, expenses and assets are recognized net of the amount of sales tax, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of "Trade and other receivables" or "Trade payables and other current liabilities" in the consolidated balance sheets.

Earnings Per Share (EPS)
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.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed 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 when an inflow of economic benefits is probable.

Events After Balance Sheet Date
Post year-end events that provide additional information about the Group's position at balance sheet date (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.

Segment Reporting
The Group considers television operations as the major business segment. This accounts for about 95% of the Group's gross revenue, net income, assets and liabilities. Other operations account for less than 5% of the Group's gross revenue, net income, assets and liabilities.

5. Cash and Cash Equivalents

This account consists of:

	2008	2007
Cash on hand and in banks	**P403,803,438**	P828,220,662
Short-term placements	**1,284,303,678**	191,489,760
	P1,688,107,116	P 1,019,710,422

Cash in banks earn interest at the respective bank deposit rates. Short-term placements 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 placement rates.

Interest income, net of final tax, earned from cash and cash equivalents and short-term investments amounted to P68.73 million, P71.76 million and P12.70 million in 2008, 2007 and 2006, respectively.

6. Trade and Other Receivables

This account consists of:

	2008	2007
Trade (see Note 20)	**P4,515,649,223**	P4,800,107,880
Others	**145,039,633**	137,455,955
	4,660,688,856	4,937,563,835
Less allowance for doubtful accounts	**200,284,459**	178,113,371
	P4,460,404,397	P4,759,450,464

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

Other receivables are noninterest-bearing and are normally collected throughout the financial year.

As of December 31, 2008 and 2007, trade receivables amounting to P200.28 million and P178.11 million, respectively, were impaired. The movements in the allowance for doubtful accounts for trade receivables are as follows:

	2008	2007
Balance at beginning of year	**P178,113,371**	P56,109,623
Provision for the year (see Note 23)	**22,171,088**	122,003,748
Balance at end of year	**P200,284,459**	P178,113,371

As of December 31, 2008 and 2007, the aging analysis of trade receivables that were not impaired follows:

	2008	2007
Neither past due nor impaired	**P2,685,896,872**	P3,551,154,666
Past due but not impaired:		
< 30 days	**496,748,575**	433,043,426
31–60 days	**220,090,144**	196,877,256
61–90 days	**194,655,761**	91,383,367
91–180 days	**219,286,858**	207,414,915
181–365 days	**75,362,194**	54,117,015
Over one year	**423,324,360**	88,003,864
	P4,315,364,764	P4,621,994,509

Trade receivables that were not impaired are assessed by the management of the Group as good and collectible.

7. Program Rights

The movements in program rights are as follows:

	2008	2007
Cost		
Balance at beginning of year	**P819,834,723**	P1,033,922,538
Additions	**502,163,943**	410,616,152
Program rights usage (see Note 22)	**(486,107,804)**	(624,703,967)
Balance at end of year	**835,890,862**	819,834,723
Accumulated Impairment Loss		
Balance at beginning of year	**2,702,260**	2,862,565
Reversals (see Note 26)	–	(160,305)
Balance at end of year	**2,702,260**	2,702,260
Net Book Value	**P833,188,602**	P817,132,463

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2008	2007
Prepaid production costs	**P85,290,285**	P112,316,523
Materials and supplies inventory at cost	**88,948,023**	80,921,342
Prepaid expenses	**78,770,987**	46,187,422
Others	**37,054,781**	50,493,080
	P290,064,076	P289,918,367

Prepaid production costs represent costs related to unaired programs, such as talent fees of artists and production staff and other costs directly attributable to production. These costs are charged to income upon airing of the related programs.

9. **Available-for-Sale Financial Assets**

This account consists of investments in quoted and unquoted shares of stock amounting to P16.51 million and P83.26 million, respectively, as of December 31, 2008 and P16.18 million and P83.26 million, respectively, as of December 31, 2007. There were no additions or disposals in 2008 and 2007 (see Note 31).

The Group has no intention to dispose its investments in unquoted shares of stock in the near future.

In 2008, AFS financial assets include unrealized gain amounting to P2.63 million. This amount, net of deferred tax liabilities amounting to P0.79 million, is deferred under the stockholders' equity section of the consolidated balance sheets.

In 2007, AFS financial assets include unrealized gain amounting to P2.68 million. This amount, net of deferred tax liabilities amounting to P0.94 million, is deferred under the stockholders' equity section of the consolidated balance sheets.

10. **Investments and Advances**

This account consists of:

	2008	2007
Investments in shares of stocks accounted under the equity method	**P250,504,780**	P207,463,369
Advances to associates and joint ventures (see Note 20)	**155,300,901**	155,262,866
	P405,805,681	P362,726,235

The movements in the above amounts follow:

	2008	2007
Investments in shares of stock accounted for under the equity method		
Acquisition cost:		
Balance at beginning of year	**P268,788,343**	P100,788,343
Additional investments during the year	**50,000,000**	168,000,000
Balance at end of year	**318,788,343**	268,788,343
Accumulated equity in net losses:		
Balance at beginning of year	**(61,324,974)**	(58,096,246)
Equity in net losses during the year	**(6,958,589)**	(3,228,728)
Balance at end of year	**(68,283,563)**	(61,324,974)
	250,504,780	207,463,369
Advances to associates and joint ventures:		
Balance at beginning of year	**155,262,866**	96,019,370
Additional advances during the year	**38,035**	1,909,812
Reclassifications during the year	–	57,333,684
Balance at end of year	**155,300,901**	155,262,866
Advances to related parties:		
Balance at beginning of year	–	225,333,684
Conversion of advances into equity investments during the year	–	(168,000,000)
Reclassifications during the year	–	(57,333,684)
Balance at end of year	–	–
Total investments and advances	**P405,805,681**	P362,726,235

The ownership interests in associates and joint ventures accounted for under the equity method consist of the following:

	Percentage of Ownership		Country of
	2008	2007	Incorporation
Associates:			
Real Estate -			
Mont-Aire Realty and Development Corporation (Mont-Aire)	**49.0**	49.0	Philippines
Advertising Business -			
RGMA Network, Inc. (RGMA)	**49.0**	49.0	- do -
Joint ventures -			
Internet Publishing:			
INQ7 Interactive, Inc. (INQ7)	**50.0**	50.0	- do -
Philippine Entertainment Portal, Inc. (PEP)	**50.0**	50.0	- do -
Casual Online Interactive Games -			
X-Play Online Games Incorporated (X-Play)	**50.0**	–	- do -

The carrying values of investments accounted for under the equity method and the related advances are as follows:

	2008		
	Investments	**Advances** (see Note 20)	**Total**
Associates:			
RGMA	**P170,794,550**	**P59,281,531**	**P230,076,081**
Mont-Aire	**38,350,619**	**84,475,370**	**122,825,989**
Joint ventures:			
X-Play	**47,683,654**	**–**	**47,683,654**
INQ7	**(8,933,713)**	**11,544,000**	**2,610,287**
PEP	**2,609,670**	**–**	**2,609,670**
	P250,504,780	**P155,300,901**	**P405,805,681**

	2007		
	Investments	Advances (see Note 20)	Total
Associates:			
RGMA	P169,485,771	P59,243,496	P228,729,267
Mont-Aire	38,331,617	84,475,370	122,806,987
Joint ventures:			
INQ7	(8,933,713)	11,544,000	2,610,287
PEP	8,579,694	–	8,579,694
	P207,463,369	P155,262,866	P362,726,235

On February 21, 2006, the BOD approved the conversion to equity of the advances made by the Parent Company to RGMA amounting to P168.00 million. The net effect of the conversion is for the Parent Company to hold or own 49% interest in RGMA. The conversion of the Parent Company's advances to RGMA to equity was approved by the Philippine Securities and Exchange Commission (SEC) on February 6, 2007.

Following are the condensed financial information of the associates:

		Total Assets	Total Liabilities	Revenue	Net Income (Loss)
RGMA	2008	P122,844,618	P121,444,289	P107,567,161	P2,670,981
	2007	117,694,937	118,965,589	111,590,201	(899,091)
Mont-Aire	2008	160,136,147	94,460,607	1,412,799	38,779
	2007	160,214,339	94,577,576	1,482,688	31,176

The aggregate amounts related to the Group's 50% interest in INQ7, PEP and X-Play follow:

	INQ		PEP		X-Play
	2008	2007	**2008**	2007	**2008**
Current assets	**P7,699,079**	P7,699,079	**P15,377,868**	P9,105,304	**P29,198,860**
Noncurrent assets	**2,182,230**	2,182,230	**2,611,406**	425,395	**24,756,276**
Current liabilities	**29,032,924**	29,032,924	**15,379,603**	951,004	**6,449,273**
Noncurrent liabilities	**–**	–	–	–	**–**
Revenue	**–**	–	**7,090,681**	2,378,266	**6,434,852**
Expenses	**–**	809,781	**13,060,705**	6,298,572	**8,751,199**
Net loss	**–**	809,781	**5,970,024**	3,920,306	**2,316,347**

11. **Property and Equipment at Cost**

The details of property and equipment at cost are as follows:

			2008		
	January 1, 2008	**Additions**	**Disposals**	**Reclassifications**	**December 31, 2008**
Cost:					
Buildings, towers and improvements	**P1,638,209,318**	**P347,920,316**	**(P1,739,669)**	**P441,539,517**	**P2,425,929,482**
Antenna and transmitter systems and broadcast equipment	**3,400,780,176**	**273,744,713**	**(5,401,307)**	**121,020,903**	**3,790,144,485**
Communication and mechanical equipment	**399,108,279**	**106,021,489**	**(326,483)**	**25,750,424**	**530,553,709**
Transportation equipment	**331,279,983**	**56,990,080**	**(68,155,064)**	**2,187,098**	**322,302,097**
Furniture, fixtures and equipment	**178,518,391**	**18,921,288**	**(5,079,487)**	**11,652,835**	**204,013,027**
	5,947,896,147	**803,597,886**	**(80,702,010)**	**602,150,777**	**7,272,942,800**
Accumulated depreciation and amortization:					
Buildings, towers and improvements	**654,126,577**	**84,494,790**	**(1,658,036)**	**(11,374,167)**	**725,589,164**
Antenna and transmitter systems and broadcast equipment	**2,685,412,598**	**248,462,343**	**(5,177,785)**	**(501,544)**	**2,928,195,612**
Communication and mechanical equipment	**302,726,808**	**53,156,239**	**(326,483)**	**906,389**	**356,462,953**
Transportation equipment	**162,252,107**	**61,108,763**	**(64,962,528)**	**(395,833)**	**158,002,509**
Furniture, fixtures and equipment	**113,466,216**	**29,583,792**	**(5,013,433)**	**(18,526)**	**138,018,049**
	3,917,984,306	**476,805,927**	**(77,138,265)**	**(11,383,681)**	**4,306,268,287**
Construction in progress and equipment for installation	**650,678,431**	**49,357,721**	**–**	**(643,682,639)**	**56,353,513**
Net book value	**P2,680,590,272**	**P376,149,680**	**(P3,563,745)**	**(P30,148,181)**	**P3,023,028,026**

			2007		
	January 1, 2007	Additions	Disposals	Reclassifications	December 31, 2007
Cost:					
Buildings, towers and improvements	P1,612,646,108	P14,658,228	(P1,135,887)	P12,040,869	P1,638,209,318
Antenna and transmitter systems and broadcast equipment	3,361,887,917	61,982,252	(23,262,541)	172,548	3,400,780,176
Communication and mechanical equipment	373,253,151	11,847,872	(5,009,441)	19,016,697	399,108,279
Transportation equipment	277,548,137	87,153,715	(39,629,905)	6,208,036	331,279,983
Furniture, fixtures and equipment	161,198,413	30,289,053	(1,986,012)	(10,983,063)	178,518,391
Total (Carried Forward)	5,786,533,726	205,931,120	(71,023,786)	26,455,087	5,947,896,147

	2007				
	January 1, 2007	Additions	Disposals	Reclassifications	December 31, 2007
Total (Brought Forward)	P5,786,533,726	P205,931,120	(P71,023,786)	P26,455,087	P5,947,896,147
Accumulated depreciation and amortization:					
Buildings, towers and improvements	572,006,134	81,048,316	(234,684)	1,306,811	654,126,577
Antenna and transmitter systems and broadcast equipment	2,496,981,361	213,381,983	(22,769,360)	(2,181,386)	2,685,412,598
Communication and mechanical equipment	244,309,618	42,737,983	(3,571,232)	19,250,439	302,726,808
Transportation equipment	141,802,621	53,977,439	(33,527,953)	–	162,252,107
Furniture, fixtures and equipment	108,799,822	26,187,364	(3,967,531)	(17,553,439)	113,466,216
	3,563,899,556	417,333,085	(64,070,760)	822,425	3,917,984,306
Construction in progress and equipment for installation	299,535,409	422,287,357	–	(71,144,335)	650,678,431
Net book value	P2,522,169,579	P210,885,392	(P6,953,026)	(P45,511,673)	P2,680,590,272

No borrowing cost was capitalized in 2008 and 2007.

Depreciation and amortization charged to operations amounted to P476.81 million, P417.33 million and P410.27 million in 2008, 2007 and 2006, respectively. These amounts include amortization of capitalized borrowing costs amounting to P10.08 million in 2008, 2007 and 2006 and amortization of customs duties and taxes amounting to P0.62 million in 2006.

12. Land at Revalued Amounts

This account consists of:

	2008	2007
Cost		
Balance at beginning of year	**P331,991,264**	P323,869,436
Additions	**8,048,312**	8,121,828
Balance at end of year	**340,039,576**	331,991,264
Revaluation Increment		
Balance at beginning of year	**1,048,014,928**	1,048,014,928
Additions	**15,067,961**	–
Balance at end of year	**1,063,082,889**	1,048,014,928
	P1,403,122,465	P1,380,006,192

As mentioned in Note 4, land used in operations were appraised by an independent firm of appraisers on December 23, 2008 and January 5, 2009.

13. Investment Properties

The movements in investment properties follow:

	2008		
	Land and Improvements	**Buildings and Improvements**	**Total**
Cost			
Balance at beginning of year	**P36,626,199**	**P31,595,721**	**P68,221,920**
Additions	**–**	**21,497,788**	**21,497,788**
Disposals	**(604,800)**	**–**	**(604,800)**
Reclassifications		**14,712,959**	**14,712,959**
Balance at end of year	**36,021,399**	**67,806,468**	**103,827,867**
Accumulated Depreciation			
Balance at beginning of year	**–**	**19,721,648**	**19,721,648**
Additions	**–**	**1,789,807**	**1,789,807**

	2008		
	Land and Improvements	**Buildings and Improvements**	**Total**
Reclassifications		**11,366,787**	**11,366,787**
Balance at end of year	**–**	**32,878,242**	**32,878,242**
Accumulated Impairment in Value			
Balance at beginning and end of year	**–**	**7,035,392**	**7,035,392**
Net Book Value	**P36,021,399**	**P27,892,834**	**P63,914,233**

	2007		
	Land and Improvements	Buildings and Improvements	Total
Cost			
Balance at beginning of year	P41,426,199	P31,765,721	P73,191,920
Disposals	(4,800,000)	(170,000)	(4,970,000)
Balance at end of year	36,626,199	31,595,721	68,221,920
Accumulated Depreciation			
Balance at beginning of year	–	18,439,225	18,439,225
Additions	–	1,426,923	1,426,923
Disposals	–	(144,500)	(144,500)
Balance at end of year	–	19,721,648	19,721,648
Accumulated Impairment in Value			
Balance at beginning of year	–	11,388,930	11,388,930
Reversals	–	(4,353,538)	(4,353,538)
Balance at end of year	–	7,035,392	7,035,392
Net Book Value	P36,626,199	P4,838,681	P41,464,880

The fair value of certain investment properties with carrying values of P65.33 million as of December 31, 2005 amounted to P124.45 million, which was determined based on valuations performed by independent appraisers in November 2005.

While fair values of the investment properties were not determined as of December 31, 2008 and 2007, the Group's management believes that there were no conditions present in 2008 and 2007 that would significantly reduce the fair value of the investment properties from that determined in 2005.

The Parent Company also owns several vacant lots in various remote areas in the Philippines with an aggregate area of 5,028 square meters and a carrying value of P5.00 million. There were no available fair values for these properties. Consequently, the lots are carried at acquisition costs. Management, however, believes that there has not been a significant reduction in the fair values of these lots.

14. **Other Noncurrent Assets**

This account consists of:

	2008	2007
Tax credits	**P46,209,219**	P85,899,170
Guarantee and other deposits (see Notes 30 and 31)	**31,584,299**	35,282,242
Software costs - net	**30,958,081**	32,851,044
Investment in artworks	**18,886,410**	10,406,257
Others	**33,210,418**	36,165,367
	P160,848,427	P200,604,080

Tax credits represent claims of the Parent Company from the government arising from airing of government commercials and advertisements.

The movements in software costs follow:

	2008	2007
Cost:		
Balance at beginning of year	**P92,690,300**	P67,140,982
Additions	**14,777,046**	25,549,318
Balance at end of year	**107,467,346**	92,690,300
Accumulated amortization:		
Balance at beginning of year	**59,839,256**	47,178,407
Additions (see Note 23)	**16,670,009**	12,660,849
Balance at end of year	**76,509,265**	59,839,256
Net book value	**P30,958,081**	P32,851,044

15. **Notes Payable**

The balance of the account in 2007 primarily consists of unsecured peso-denominated short-term borrowings obtained from various financial institutions, with fixed interest rates ranging from 5.25% to 6.00%.

16. **Trade Payables and Other Current Liabilities**

This account consists of:

	2008	2007
Trade (see Note 20)	**P429,940,000**	P301,790,923
Payable to government agencies	**630,576,248**	706,257,479
Accrued expenses	**298,453,558**	336,534,009
Accrued sick and vacation leaves	**179,024,098**	157,307,245
Due to related parties (see Note 20)	**–**	145,082,590
Others	**93,152,367**	63,753,842
	P1,631,146,271	P1,710,726,088

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

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

Accrued expenses, accrued sick and vacation leaves, due to related parties and others are noninterest-bearing and are generally settled throughout the financial year.

17. **Obligations for Program Rights**

This account represents liabilities to foreign and local film suppliers for program rights purchased by the Group. The liabilities are noninterest-bearing and are generally payable in equal monthly or quarterly installments over a period of one to two years. The amounts presented in the consolidated balance sheets as of December 31, 2008 and 2007 represent the face amounts of the obligations, net of the unamortized difference between the face amounts and the fair values of the obligations upon initial recognition (the "unamortized discounts"). There are no unamortized discounts as of December 31, 2008 and 2007.

18. **Stockholders' Equity**

a. Capital Stock

The composition of capital stock as of December 31, 2008 and 2007 follows:

	Number of Preferred Shares		Number of Common Shares	
	2008	2007	**2008**	2007
Authorized - P0.20 par value per preferred share /P1.00 par value per common share	**7,500,000,000**	7,500,000,000	**5,000,000,000**	5,000,000,000
Subscribed and issued at beginning of year	**7,500,000,000**	7,500,000,000	**3,364,692,000**	2,750,000,000
Stock dividends	**–**	–	**–**	375,000,000
Issuance through initial public offering (IPO)	**–**	–	**–**	182,692,000
Subscriptions through employee stock ownership plan (ESOP)	**–**	–	**–**	57,000,000
Subscribed and issued at end of year	**7,500,000,000**	7,500,000,000	**3,364,692,000**	3,364,692,000

On April 26, 2007, the BOD and stockholders approved the increase in the Parent Company's authorized capital stock from P5,000 million to P6,500 million, divided into 5,000 million common shares with P1.00 par value and 7,500 million preferred shares with P0.20 par value. On the same date, the BOD and stockholders approved the declaration of stock dividends amounting to P375 million representing 375 million common shares to all stockholders of record as of April 25, 2007. The stock dividends will be taken from the increase in authorized capital stock. The increase in the Parent Company's authorized capital stock was approved by the SEC on May 10, 2007.

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 (1/5th) of the dividend paid to common shares, which rate 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 rate of five (5) preferred shares to one (1) 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.

IPO

The BOD of the PSE, in its regular meeting on June 27, 2007, approved the Parent Company's application to list its common shares with the PSE. On July 16, 2007, the SEC declared the Parent Company's Registration Statement in respect of the IPO effective and issued the "Certificate of Permit to Offer Securities for Sale" in respect of the offer shares.

On July 30, 2007, the Parent Company completed its IPO of 91,346,000 common shares, at an offer price of P8.50 a share, from its authorized and unissued capital stock by way of a primary offer (the Domestic Share Offer). In addition, 822,115,000 Philippine Deposit Receipts (PDRs), at an issue price of P8.50 per PDR, were issued by GMA Holdings, Inc. (GHI), an affiliate. Of the PDRs issued by GHI, 91,346,000 PDRs covered 91,346,000 common shares of the Parent Company (the Primary PDR Offer) and 730,769,000 PDRs covered 730,769,000 common shares of certain shareholders of the Parent Company (the Secondary PDR Offer).

The total gross proceeds from the Domestic Share Offer and Primary PDR Offer amounted to P1,552.88 million while the total gross proceeds for the Secondary PDR Offer amounted to P6,211.54 million. The Parent Company did not receive any proceeds from the Secondary PDR Offer. The net proceeds from the Domestic

Share Offer and Primary PDR Offer were intended to be used primarily for improvements to existing facilities, investments in capacity expansion and general corporate purposes. Direct costs incurred relative to the IPO amounting to P135.00 million were charged against the corresponding additional paid-in capital arising therefrom.

ESOP

On April 26, 2007, the Parent Company's BOD and shareholders approved the Parent Company's ESOP. The Parent Company allocated a maximum of 57.00 million shares from its unissued common shares to be made available to its regular employees, talents and consultants under the terms of the ESOP. The purpose of the ESOP is to allow regular employees of the Group, as well as qualified Filipino consultants and talents, to be part owners of the Parent Company and to share in its profits by giving them the opportunity to own common shares.

Under the terms of the ESOP, regular employees with at least three years of service with the Group are allowed to subscribe to a maximum number of shares equivalent to six times of their gross monthly salary at the offer price. Employees with less than three years of service are allowed to subscribe to a maximum of three times their gross monthly salary at the offer price during listing. The shares to be subscribed by the employees, however, cannot be less than the minimum number of shares set by the Parent Company. In the event that the total number of shares applied for by all the employees exceeded the number of shares made available under the ESOP, the number of shares applied for by each employee will be reduced proportionately.

At least 25% of the subscription had to be paid while the balance will be payable over maximum period of one and a half years in 36 equal semi-monthly installments through payroll deductions, without interest. In the case of talents and consultants, the number of shares allotted shall be determined by the Parent Company.

The ESOP is administered by a board of administrators consisting of five members who are appointed by the Parent Company's BOD. The board of administrators oversees the implementation of the ESOP and decides on any matters which may arise regarding its implementation. The Parent Company's Executive Committee has the authority to modify the terms of the ESOP as it may deem necessary or beneficial for the Parent Company.

As of December 31, 2007, the ESOP was fully subscribed.

Subscriptions receivable amounted to P11.16 million and P70.09 million as of December 31, 2008 and 2007, respectively. The increase in additional paid-in capital was due to collection of subscriptions receivable amounting to P58.93 million in 2008.

Treasury Stock and Underlying Shares of Acquired PDRs

In 2008, the Parent Company reacquired common shares and preferred shares totaling 1,000,000 and 492,816, respectively, at acquisition cost of P7.82 million.

In 2007, the Parent Company reacquired common shares totaling 2,645,000 at acquisition cost of P20.66 million.

The Parent Company likewise acquired 750,000 PDRs at acquisition cost of P5.79 million in 2007.

b. Retained Earnings

The retained earnings account is restricted for the payment of dividends to the extent of P34.27 million and P26.45 million as of December 31, 2008 and 2007, respectively, representing the cost of shares held in treasury amounting to P28.48 million in 2008 and P20.66 million in 2007 and underlying shares of the acquired PDRs amounting to P5.79 million in 2008 and 2007.

On May 21, 2008, the BOD approved the Parent Company's declaration and distribution of cash dividends totaling to P1,214.16 million to all stockholders of records as of June 11, 2008.

On July 2, 2007 and March 19, 2007, the BOD approved the Parent Company's declaration and distribution of cash dividends totaling to P2,500.00 million to all stockholders of record as of declaration dates.

On June 13, 2006, the BOD approved the Parent Company's declaration and distribution of property dividends totaling P60.46 million to the major stockholders of record as of the same date. The property dividends consist of investments in shares of stock of Image One Multi-Media Corporation (Image One) and Film Experts, Inc. and certain investment properties.

On June 13, 2006, the BOD likewise approved the Parent Company's declaration and distribution of cash dividend of P0.46 a share amounting to P1,089.54 million to all stockholders of record as of declaration date.

On February 17, 2006, the SEC approved the application of the Parent Company to increase its authorized capital stock from P2,000 million to P5,000 million, divided into 3,500 million common shares with par value of P1.00 each and 7,500 million preferred shares with par value of P0.20 each. The increase in authorized capital stock of P3,000 million, consisting of 1,500 million common shares and 7,500 million preferred shares, was subscribed by the Parent Company's stockholders by means of stock dividends.

Events After Balance Sheet Date
On April 2, 2009, the BOD approved the Parent Company's declaration and distribution of cash dividends totaling P1,701.33 million to all stockholders of record as of April 21, 2009.

19. Parent Company Dividends

Cash dividends declared per share amounted to P0.25, P0.54 and P0.46 in 2008, 2007 and 2006, respectively.

20. Related Party Disclosures

Transactions with related parties are as follows:

Related Party	Nature of Transaction	Year	Transactions During the Year	Due from Related Parties/ Advances	Due to Related Parties	Trade Receivables (Trade Payables)
INQ7, GMA Kapuso Foundation, Inc. (GMA Foundation) and Alta Tierra Resources, Inc. (Alta Tierra)	Grant of noninterest-bearing advances	**2008**	**P14,081,026**	**P11,544,000**	**P–**	**P2,631,968**
		2007	–	11,544,000	475,929	2,631,968
RGMA	Advances for working capital requirements, net of marketing commission expense	**2008**	**111,977,320**	**59,281,531**	**–**	**(14,538,295)**
		2007	1,909,812	59,243,496	–	(22,214,596)
Mont-Aire	Debt to equity conversion, grant of noninterest-bearing advances	**2008**	**–**	**84,475,370**	**–**	**–**
		2007	–	84,475,370	–	–
Image One	Collection remittance	**2008**	**4,300,103**	**–**	**–**	**(1,023,381)**
		2007	18,482,055	–	–	314,107
Belo, Gozon, Elma Law (BGE Law), FLG Management and Development Corporation (FLG), San Mateo Management Corporation (San Mateo), 3LM Koblenz Management Corporation (3LM Koblenz) and Majent Management and Development Corporation (Majent)	IPO proceeds, legal and retainers' fees and others	**2008**	**152,823,088**	**–**	**–**	**–**
		2007	18,840,511	–	144,606,661	–

GMA Foundation and Alta Tierra
The Parent Company and Alta Tierra have certain common stockholders. Some of the trustees of GMA Foundation are also the stockholders of the Parent Company.

RGMA
RGMA became an associate of the Parent Company in 2007. In previous years, the Parent Company and RGMA have certain common stockholders. The advances made by the Parent Company to RGMA were intended for future capital subscription.

Mont-Aire
Mont-Aire became an associate of the Parent Company in 2006. The advances made by the Parent Company to Mont-Aire in previous years were intended for future capital subscription.

Image One
In 2006, the Parent Company's investments in Image One were declared as property dividends to the major stockholders of the Parent Company.

GMPI has an existing agreement with Image One whereby GMPI shall be the sole and exclusive contractor for the marketing and sale of advertising spots of Image One's electronic outdoor and indoor billboards. In consideration for the said services, GMPI receives from Image One a marketing fee based on a certain percentage of Image One's annual collection.

On January 31, 2007, the agreement with Image One was terminated.

<u>BGE Law</u>
BGE Law is the legal counsel of the Group. The Parent Company's Chairman of the Board is a principal partner of BGE Law.

<u>FLG, San Mateo, 3LM Koblenz, Majent</u>
These companies are owned or partly owned by some officers of the Parent Company and GMPI. GMPI employs the services of these related parties in sourcing and hiring competent and capable personnel and in conducting studies to improve GMPI's capability in providing efficient services to clients.

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

	2008	2007	2006
Salaries and other short-term benefits	**P245,296,528**	P231,880,504	P212,296,605
Pension benefits	**38,413,229**	37,551,733	22,957,942
	P283,709,757	P269,432,237	P235,254,547

21. Revenue

This account consists of:

	2008	2007	2006
Television and radio airtime	**P11,653,548,484**	P11,367,275,348	P10,495,641,896
Production and others	**843,153,180**	689,649,054	575,986,101
	P12,496,701,664	P12,056,924,402	P11,071,627,997

22. Production Costs

This account consists of:

	2008	2007	2006
Talent fees	**P1,995,666,900**	P1,894,648,497	P1,745,631,197
Rental (see Note 27)	**507,935,577**	469,517,457	514,509,986
Tapes, sets and productions supplies	**493,135,713**	363,593,707	333,582,961
Program rights usage (see Note 7)	**486,107,804**	624,703,967	581,546,752
Transportation and communication	**145,873,439**	150,913,647	121,469,486
Facilities and others	**357,338,928**	347,902,863	406,081,665
	P3,986,058,361	P3,851,280,138	P3,702,822,047

23. General and Administrative Expenses

This account consists of:

	2008	2007	2006
Personnel costs (see Note 24)	**P1,241,295,607**	P1,254,722,559	P986,434,911
Depreciation and amortization			
(see Notes 11 and 13)	**478,595,734**	418,760,008	412,403,819
Advertising	**284,600,142**	224,245,664	203,677,674
Communication, light and water	**198,564,316**	195,963,540	198,582,120
Taxes and licenses	**155,859,059**	132,846,190	87,664,083

(Forward)

	2008	2007	2006
Professional fees (see Note 20)	**140,752,713**	128,745,715	172,685,122
Repairs and maintenance	**126,620,972**	134,065,265	150,219,791
Sales incentives	**95,142,200**	82,424,027	75,085,166
Transportation and travel	**87,751,787**	45,759,067	61,406,085
Rental (see Note 27)	**65,457,504**	63,802,482	67,801,508
Provision for doubtful accounts (see Note 6)	**22,171,088**	122,003,748	4,168,622
Materials and supplies	**21,212,500**	25,646,309	22,370,187
Insurance	**19,357,297**	18,269,974	16,189,107
Amortization of software costs (see Note 14)	**16,670,009**	12,660,849	9,724,154
Entertainment, amusement and recreation	**16,085,695**	10,751,876	14,417,118
Dues and subscriptions	**11,840,330**	16,051,276	27,694,199
Others	**193,751,820**	133,374,393	102,448,391
	P3,175,728,773	P3,020,092,942	P2,612,972,057

24. **Personnel Costs**

This account consists of:

	2008	2007	2006
Salaries and wages	**P754,598,181**	P733,943,720	P613,319,665
Employee benefits and allowances	**321,677,771**	339,829,011	256,630,133
Net pension expense (see Note 25)	**116,186,298**	131,400,335	73,834,854
Sick and vacation leaves expense	**48,833,357**	49,549,493	42,650,259
	P1,241,295,607	P1,254,722,559	P986,434,911

25. **Pension Benefits**

The following tables summarize the components of net pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the Group's plan:

Net pension expense consists of:

	2008	2007	2006
Current service cost	**P69,579,899**	P64,218,882	P31,330,356
Interest cost	**54,574,690**	55,619,314	40,287,799
Expected return on plan assets	**(14,990,315)**	(163,631)	(107,231)
Actuarial losses recognized	**7,022,024**	11,725,770	2,323,930
	P116,186,298	P131,400,335	P73,834,854

The details of net pension liability are as follows:

	2008	2007	2006
Fair value of the plan assets	**P149,767,773**	P131,559,055	P1,487,557
Present value of defined benefit obligation	**(746,444,672)**	(653,787,108)	(672,369,032)
	(596,676,899)	(522,228,053)	(670,881,475)
Unrecognized actuarial losses	**307,842,092**	248,082,520	384,408,245
Net pension liability	**(P288,834,807)**	(P274,145,533)	(P286,473,230)

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

	2008	2007	2006
Balance at beginning of year	**P131,559,055**	P1,487,557	P1,340,378
Contribution during the year	**101,497,024**	143,743,777	26,316,924
Benefits paid	**(31,497,024)**	(13,743,777)	(26,316,924)
Expected return on plan assets	**14,990,315**	163,631	107,231
Actuarial gains (losses)	**(66,781,597)**	(92,133)	39,948
Balance at end of year	**P149,767,773**	P131,559,055	P1,487,557
Actual return on plan assets	**(P51,791,282)**	P71,498	P147,179

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

	2008	2007	2006
Balance at beginning of year	**P653,787,108**	P672,369,032	P335,731,657
Current service cost	**69,579,899**	64,218,882	31,330,356
Interest cost	**54,574,690**	55,619,314	40,287,799
Benefits paid	**31,497,024**	(13,743,777)	(26,316,924)
Actuarial losses (gains)	**(62,994,049)**	(124,676,343)	291,336,144
Balance at end of year	**P746,444,672**	P653,787,108	P672,369,032

The Group expects to contribute P80.00 million to its defined benefit pension plans in 2009.

The plan assets are composed mainly of cash and cash equivalents, investments in government securities and other similar debt instruments.

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

	January 1, 2008	January 1, 2007	January 1, 2006
Discount rate	**8%**	8%	12%
Expected rate of return on plan assets	**9%**	11%	8%
Expected rate of salary increase	**6%**	6%	6%

The discount rate, expected rate of return on plan assets and expected rate of salary increase prevailing as of December 31, 2008 are 8%, 9% and 6%, respectively.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The amounts for the current and previous two years are as follows:

	2008	2007	2006
Defined benefit obligation	**P746,444,672**	P653,787,108	P672,369,032
Plan assets	**149,767,773**	131,559,055	1,487,557
Deficit	**596,676,899**	522,228,053	670,881,475
Experience adjustments on plan liabilities	–	20,998,177	15,399,575
Experience adjustments on plan assets	**(66,781,597)**	92,133	(39,948)

26. **Other Income (Charges)**

This account consists of the following income (expenses):

	2008	2007	2006
Gain (loss) on sale of property and equipment and investment properties - net	**P30,632,485**	(P828,095)	(P465,236)
Commissions from GMA Artists' Center	**12,642,990**	9,016,508	11,624,969
Foreign exchange gain (loss) - net	**347,438**	(19,038,386)	22,536,504
Dividends	**58,082**	2,618,418	5,038,580
Rental (see Note 27)	**4,508,623**	3,150,959	1,995,603
Reversal of allowance for impairment loss on investment properties (see Note 13)	**–**	4,353,538	–
Reversal of allowance (provision) for impairment of program rights (see Note 7)	**–**	160,305	(1,794,047)
Mark-to-market gain on derivatives	**–**	–	6,844,877
Others	**33,923,405**	91,468,254	87,685,050
	P82,113,023	P90,901,501	P133,466,300

"Others" account includes reversal of long-outstanding liabilities and accruals amounting to P17.21 million and P44.58 million in 2007 and 2006, respectively.

27. Lease Agreements

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 cancelable at the Group's option.

Total rental expense amounted to P573.39 million, P533.32 million and P582.31 million in 2008, 2007 and 2006 respectively (see Notes 22 and 23).

The Group also leases out certain properties. Total rental income amounted to P4.51 million, P3.15 million and P2.00 million in 2008, 2007 and 2006 respectively (see Note 26).

The Parent Company entered into a non-cancelable lease which will expire in 2012. The rental rate is subject to 10% annual escalation rate commencing on the third year of the lease.

The future minimum rentals payable under the non-cancelable operating lease follow:

	2008	2007
	(In Millions)	
Within one year	**P97.83**	P88.93
After one year but not more than five years	**287.99**	385.82
	P385.82	P474.75

28. Income Taxes

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

	2008	2007
Deferred tax assets:		
Net pension liability	**P63,208,154**	P75,639,625
Allowance for doubtful accounts	**59,397,511**	61,827,575
Accrued sick and vacation leaves	**49,334,995**	50,599,905
Accrued rent	**15,079,796**	12,998,783
Unamortized past service costs	**1,300,461**	1,907,027
Discounting of long-term obligation for program rights	**635,659**	1,588,905
Unrealized foreign exchange loss	–	9,563,117
Others	**234,031**	305,115
	189,190,607	214,430,052
Deferred tax liabilities:		
Revaluation increment in land	**(318,924,867)**	(314,404,478)
Unamortized capitalized borrowing costs	**(36,781,608)**	(39,804,754)
Unrealized foreign exchange gain	**(2,097,911)**	–
Revaluation of AFS financial assets	**(641,729)**	(748,684)
Bifurcation of lease contracts	–	(714,942)
	(358,446,115)	(355,672,858)
	(P169,255,508)	(P141,242,806)

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

	2008	2007
Deferred tax assets:		
Net pension liability	**P22,534,974**	P19,638,996
Accrued sick and vacation leaves	**6,202,476**	5,702,223
NOLCO	**2,635,513**	212,284
Allowance for doubtful accounts	**2,341,447**	2,721,363
Allowance for impairment loss	**1,923,146**	1,893,812

	2008	2007
MCIT	**805,979**	703,522
Unrealized foreign exchange loss	**2,910**	650,507
	36,446,445	31,522,707
Deferred tax liabilities:		
Unrealized foreign exchange gain	**(370,812)**	(36)
Revaluation of AFS financial assets	**(104,000)**	(189,000)
Deferred rental income	–	(58,985)
	(474,812)	(248,021)
	P35,971,633	P31,274,686

On May 24, 2005, Republic Act No. 9337 (R.A.) was enacted into law which took effect on November 1, 2005. The R.A. introduced changes in regular corporate income tax for domestic corporations, resident and non-resident foreign corporations from 32% to 35% beginning November 1, 2005 and from 35% to 30% beginning January 1, 2009.

The change in enacted tax rate effective January 1, 2009 was included in the computation of deferred tax assets and liabilities.

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

	2008	2007	2006
Statutory income tax rate	**35.00%**	35.00%	35.00%
Additions (deductions) in income tax rate resulting from:			
Income tax holiday	**(2.84)**	(1.65)	–
Interest income from short-term investments already subjected to final tax	**(0.68)**	(0.73)	(0.15)
Nonclaimable foreign tax credit	**0.41**	0.32	–
Equity in net losses of associates and joint ventures	**0.07**	0.03	0.12
Impairment losses on investments and program rights	–	–	0.02
Others - net	**(0.17)**	0.19	(0.15)
Effect of change in tax rate	**0.96**	–	0.05
Effective income tax rate	**32.75%**	33.16%	34.89%

29. EPS Computation

The computation of basic EPS follows:

	2008	2007	2006
Net income (a)	**P2,368,927,662**	P2,307,230,563	P1,962,499,293
Less attributable to preferred shareholders	**731,072,620**	752,934,496	577,205,674
Net income attributable to common shareholders (b)	**P1,637,855,042**	P1,554,296,067	P1,385,293,619
Common shares issued at the beginning of year	**3,364,692,000**	2,750,000,000	2,750,000,000
Effect of stock dividends	–	250,000,000	250,000,000
Issuance through IPO	–	76,121,667	–
Issuance through ESOP (see Note 18)	–	23,750,000	–
Treasury shares (see Note 18)	**(3,645,000)**	(2,645,000)	–
Underlying shares on acquired PDRs (see Note 18)	**(750,000)**	(750,000)	–
Weighted average number of common shares for basic EPS (c)	**3,360,297,000**	3,096,476,667	3,000,000,000
Basic EPS (b/c)	**P0.487**	P0.502	P0.462

The computation of diluted EPS follows:

	2008	2007	2006
Net income (a)	**P2,368,927,662**	P2,307,230,563	P1,962,449,293
Weighted average number of common shares	**3,360,297,000**	3,096,476,667	3,000,000,000
Effect of dilution - assumed conversion of preferred shares	**1,500,000,000**	1,500,000,000	1,250,000,000
Reacquired preferred shares	**(98,563)**	–	–
Weighted average number of common shares adjusted for the effect of dilution (d)	**4,860,198,437**	4,596,476,667	4,250,000,000
Diluted EPS (a/d)	**P0.487**	P0.502	P0.462

As mentioned in Note 18, the SEC approved the increase in the Parent Company's authorized capital stock from P2,000 million to P5,000 million on February 17, 2006.

As further mentioned in Note 18, the SEC likewise approved the increase in the Parent Company's authorized capital stock from P5,000 million to P6,500 million on May 10, 2007.

30. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments include nonderivative instruments such as cash and cash equivalents, short-term investments, guarantee and other deposits, short-term loans, obligations for program rights and dividends payable. The main purposes of these financial instruments include raising financing for the Group's operations and managing identified financial risks. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the use of financial instruments are liquidity risk, foreign 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 to substantially higher working capital requirements and the subsequent difficulty in financing additional working capital.

The Group manages liquidity risk by maintaining a pool of credit lines from financial institutions that exceeds expected financing requirements for working capital. The Group likewise regularly evaluates other financing instruments and arrangements to broaden the Group's range of financing sources.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of December 31, 2008 and 2007:

	2008			
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Total**
Trade payables and other current liabilities*	**P205,653,895**	**P387,067,164**	**P407,848,964**	**P1,000,570,023**
Obligations for program rights	–	–	**110,459,407**	**110,459,407**
Dividends payable	**1,564,709**	–	–	**1,564,709**
	P207,218,604	**P387,067,164**	**P518,308,371**	**P1,112,594,139**

* *Excluding payable to government agencies amounting to P630.58 million, which is not considered a financial liability.*

	2007			
	On Demand	Less than 3 Months	3 to 12 Months	Total
Notes payable	P10,840,438	P303,500,000	P–	P314,340,438
Trade payables and other current liabilities*	328,992,403	156,778,044	518,698,162	1,004,468,609
Obligations for program rights	–	–	85,273,273	85,273,273
	P339,832,841	P460,278,044	P603,971,435	P1,404,082,320

* *Excluding payable to government agencies amounting to P706.26 million, which is not considered a financial liability.*

Foreign Exchange Risk. The Group's exposure to foreign 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 exchange risk.

The Group's foreign currency-denominated monetary assets and liabilities amounted to P213.39 million (US$4.49 million) and P122.66 million (US$2.58 million), respectively, as of December 31, 2008, and P263.57 million (US$6.38 million) and P98.90 million (US$2.40 million), respectively, as of December 31, 2007.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were P47.52 to US$1.00 and P41.28 to US$1.00, the Philippine peso to U.S. dollar exchange rates as of December 31, 2008 and 2007, 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 balance sheet date up to next reporting date (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.

2008

Increase (Decrease) in P to US$ Rate	**Effect on Income Before Income Tax**
P0.50	**(P0.95 million)**
(0.50)	**0.95 million**

2007

Increase (Decrease) in P to US$ Rate	Effect on Income Before Income Tax
P0.50	(P1.99 million)
(0.50)	1.99 million

The increase in P to US$ rate means stronger peso against the U.S. dollar while a decrease in P to US$ means stronger U.S. dollar against the peso.

Interest Rate Risk. The Group's exposure to changes in interest rates is minimal and is attributed to cash and cash equivalents and notes payable.

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 balance sheet date up to next reporting date. There is no impact on the Group's equity other than those already affecting profit or loss.

2008

Increase (Decrease) in Basis Points	**Effect on Income Before Income Tax**
50	**P8.44 million**
(50)	**(8.44 million)**

2007

Increase (Decrease) in Basis Points	Effect on Income Before Income Tax
50	P5.10 million
(50)	(5.10 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 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 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, advances to officers and employees and other receivables.

As of December 31, 2008 and 2007, the credit quality of the Group's financial assets is as follows:

	2008			
	Neither Past Due Nor Impaired		**Past Due**	
	High Grade	**Standard Grade**	**But Not Impaired**	**Total**
Cash and cash equivalents	**1,688,107,116**	**P–**	**P–**	**P1,688,107,116**
Short-term investments	**2,066,957**	–	–	**2,066,957**
Trade and other receivables	**1,684,960,521**	**1,145,975,984**	**1,629,467,892**	**4,460,404,397**
Guarantee and other deposits	**13,995,285**	–	–	**13,995,285**
AFS financial assets	**99,766,171**	–	–	**99,766,171**
	P3,488,896,050	**P1,145,975,984**	**P1,629,467,892**	**P6,264,339,926**

	2007			
	Neither Past Due Nor Impaired		Past Due	
	High Grade	Standard Grade	But Not Impaired	Total
Cash and cash equivalents	P1,019,710,422	P–	P–	P1,019,710,422
Short-term investments	2,907,361	–	–	2,907,361
Trade and other receivables	2,311,606,664	1,377,003,957	1,070,839,843	4,759,450,464
Guarantee and other deposits	11,408,161	–	–	11,408,161
AFS financial assets	99,435,171	–	–	99,435,171
	P3,445,067,779	P1,377,003,957	P1,070,839,843	P5,892,911,579

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 Group monitors its capital gearing by measuring the ratio of interest-bearing debt to total stockholders' equity. Interest-bearing debt includes all short-term and long-term debt.

The Group's ratios of interest-bearing debt to total stockholders' equity as of December 31 follow:

	2008	2007
Total interest-bearing debt (a) - Notes payable	**P–**	P310,700,000
Total stockholders' equity (b)	**P9,755,123,346**	P8,538,595,655
Interest-bearing debt to total stockholders' equity (a/b)	**0%**	3.64%

31. **Financial Assets and Liabilities**

The table below presents the carrying values and fair values of the Group's financial instruments by category and by class as of December 31:

	2008		2007	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**P1,688,107,116**	**P1,688,107,116**	P1,019,710,422	P1,019,710,422
Short-term investments	**2,066,957**	**2,066,957**	2,907,361	2,907,361
Trade and other receivables - net	**4,460,404,397**	**4,460,404,397**	4,759,450,464	4,759,450,464
Guarantee and other deposits (included under "Other noncurrent assets" account in the consolidated balance sheets)	**13,995,285**	**13,447,654**	11,408,161	11,093,904
	6,164,573,755	**6,164,026,124**	5,793,476,408	5,793,162,151
AFS financial assets	**99,766,171**	**99,766,171**	99,435,171	99,435,171
	P6,264,339,926	**P6,263,792,295**	P5,892,911,579	P5,892,597,322
Financial Liabilities				
Other financial liablities:				
Notes payable	**P–**	**P–**	P310,700,000	P306,748,099
Trade payables and other current liabilities*	**1,000,570,023**	**1,000,570,023**	1,004,468,609	1,004,468,609
Obligations for program rights	**110,459,407**	**110,459,407**	85,273,273	85,273,273
Dividends payable	**1,564,709**	**1,564,709**	–	–
	P1,112,594,139	**P1,112,594,139**	P1,400,441,882	P1,396,489,981

* *Excluding payable to government agencies amounting to P630.58 million and P706.26 million as of December 31, 2008 and 2007, respectively, the amounts of which are not considered financial liabilities.*

<u>Fair Value of Financial Instruments</u>

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments and Trade and Other Receivables. The carrying values of cash and cash equivalents, short-term investments and trade and other receivables approximate fair values primarily due to the relatively short-term maturity of these financial instruments.

Guarantee and Other Deposits. The fair value of guarantee and other deposits is based on the present value of the future discounted cash flows. Discount rates used range from 6.10% to 6.21% as of December 31, 2008 and 4.91% to 5.66% as of December 31, 2007.

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. In the absence of a reliable basis in determining fair values of unquoted shares, the investments are carried at cost, net of impairment in value.

Notes Payable. The fair value of notes payable with fixed interest rate is determined by discounting the future cash flows using the prevailing rate as of reporting date. Discount rates used range from 4.91% to 5.66% as of December 31, 2007.

Trade Payables and Other Current Liabilities, Obligations for Program Rights and Dividends Payable. The carrying values of trade payables and other current liabilities, obligations for program rights and dividends payable approximate fair values due to the relatively short-term maturity of these financial instruments.

32. **Other Matters**

a. On February 19, 2007, the Parent Company was registered with the Board of Investments 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 the registered activities for four years starting from registration date.

   The total tax incentives availed of in 2008 and 2007 amounted to P100.16 million and P56.95 million, respectively.

b. The Parent Company is a defendant in certain legal cases for copyright infringement, injunctions and damages, which are still pending resolution in the Regional Trial Court (RTC). As of April 2, 2009, no resolution has been issued by the RTC. Complaints for recovery of retirement and other benefits and illegal dismissal of employees have also been filed against the Parent Company.

   The Parent Company's management and legal counsel believe that the outcome of these cases will not have a material adverse effect on the consolidated financial statements.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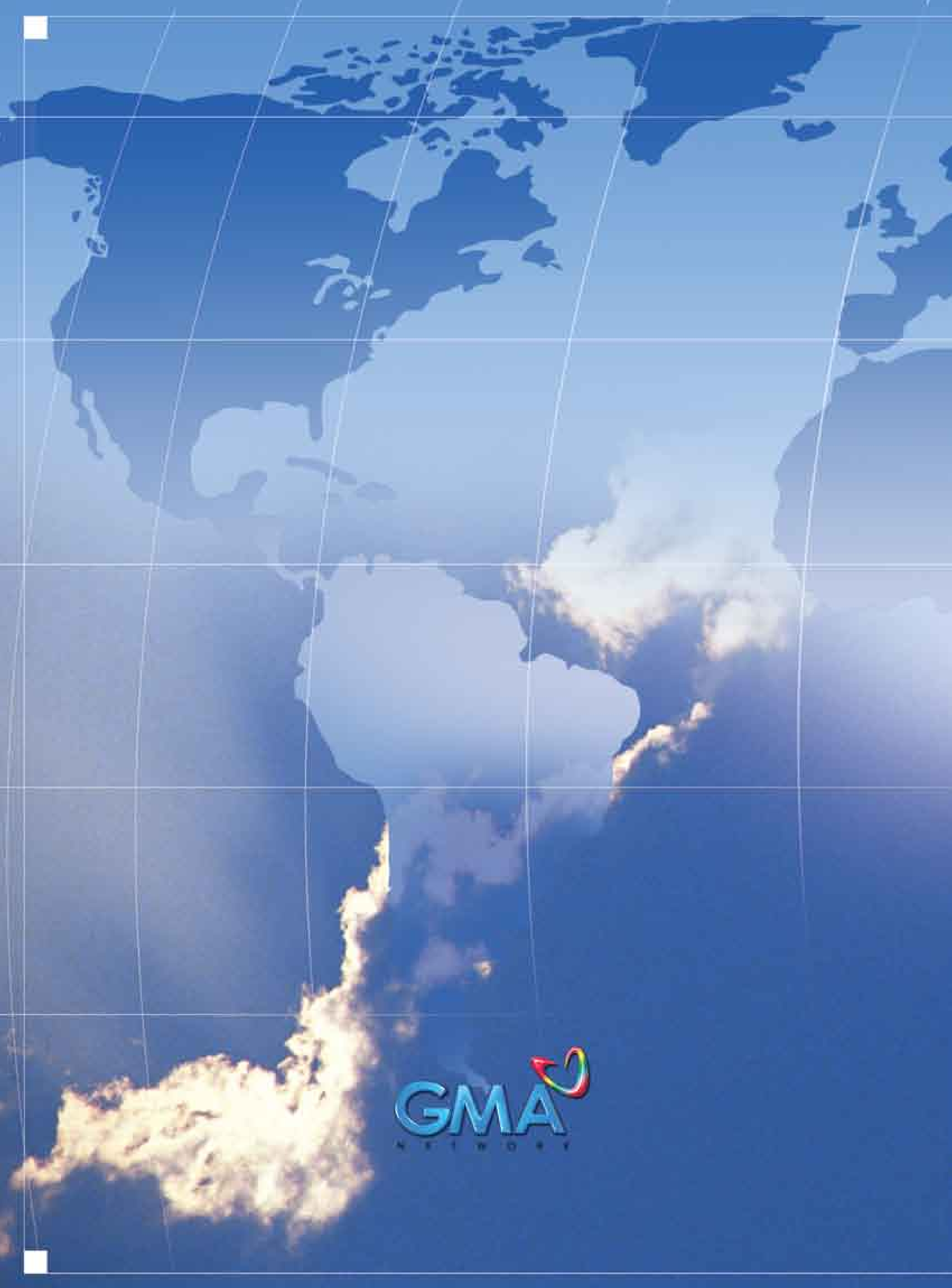
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