Seeding The Future

THE 2007 GMA NETWORK ANNUAL REPORT

CORPORATE PURPOSE

We enrich the lives of Filipinos everywhere with superior Entertainment and 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.

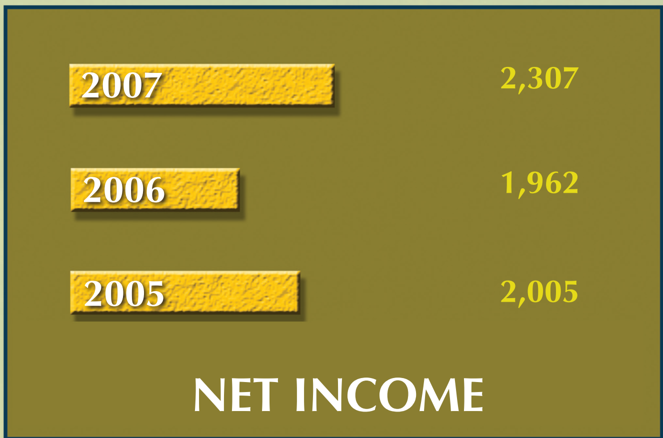
GMA NETWORK

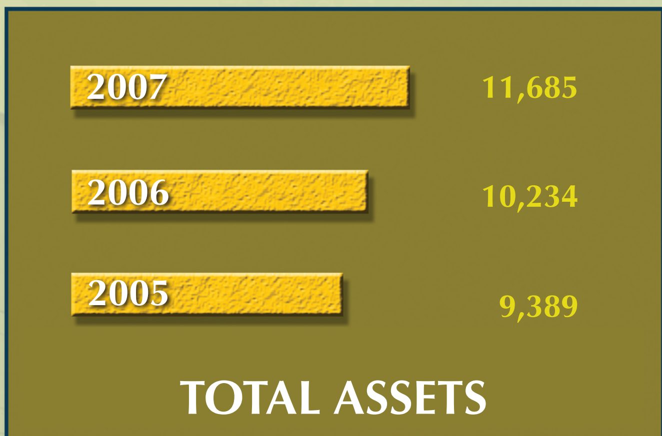
FINANCIAL SUMMARY - CONSOLIDATED

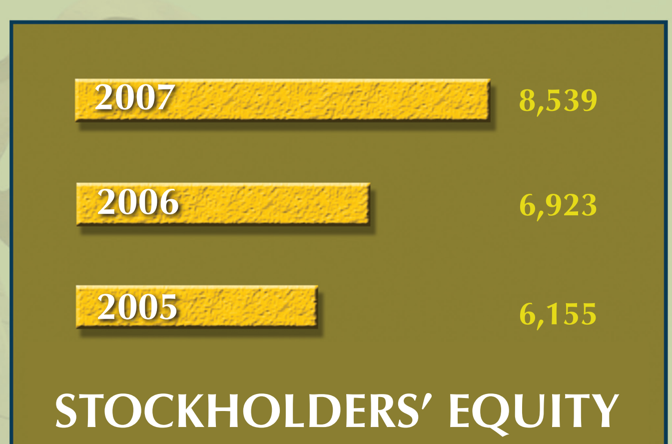
INCOME STATEMENT (for the year)	2005	2006	2007	% Change '07 vs '06
REVENUE	9,850	11,072	12,057	9%
REVENUE DEDUCTIONS	1,738	1,839	1,870	2%
PRODUCTION COSTS	2,874	3,703	3,851	4%
GENERAL & ADMIN EXPENSES	2,309	2,613	3,020	16%
SUBTOTAL	6,921	8,155	8,741	7%
FINANCE COSTS - NET	(21)	(25)	49	296%
OTHER INCOME	38	122	87	-29%
INCOME BEFORE INCOME TAX	**2,946**	**3,014**	**3,452**	**15%**
NET INCOME	**2,005**	**1,962**	**2,307**	**18%**

BALANCE SHEET (at year end)	2005	2006	2007	% Change '07 vs '06
ASSETS				
CURRENT ASSETS	4,839	5,646	6,889	22%
NONCURRENT ASSETS	4,550	4,588	4,796	5%
TOTAL ASSETS	**9,389**	**10,234**	**11,685**	**14%**
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
CURRENT LIABILITIES	2,747	2,826	2,731	-3%
NONCURRENT LIABILITIES	487	485	415	-14%
TOTAL LIABILITIES	**3,234**	**3,311**	**3,146**	**-5%**
STOCKHOLDERS' EQUITY	**6,155**	**6,923**	**8,539**	**23%**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**9,389**	**10,234**	**11,685**	**14%**

(Amounts in Million Pesos)







"We will continue to fortify our competitiveness in our core business of producing entertainment, news and public affairs programs for radio and television."

Seeding The Future

The Chairman's Message

Dear Fellow Shareholders:

It was a very good year for the Philippine economy in 2007. Despite the sharp increases in oil prices, inflation was tamed at 2.8%, and the economy grew by 7.3%, the highest growth rate in three decades.

For GMA Network Inc., 2007 was marked with significant achievements including improved financial results, higher ratings for GMA and QTV programs, and increased subscriber base for GMA Pinoy TV. It was a landmark year, with our Company's Initial Public Offering (IPO) that made history in the Philippine Stock Exchange with the PSE trading participants committing to purchase more than seven times their allocation, and the international book more than 29 times covered. Considering the so-called sub-prime crisis in the U.S. and its effects on Dow Jones, our stocks performed fairly well in the PSE during the year.

Business initiatives

It was also a year of significant ventures for the Network which has been assertive in seeding the future for sustainable growth. Among our initiatives in 2007 were the extensive improvements in Channel 7 regional operations, QTV reprogramming and repositioning, the launch of GMA Pinoy TV in new areas abroad, the rebranding of our flagship FM station which is now known as "Barangay LS", as well as improvements in our AM radio programming, and our foray into online publishing. All of these, coupled with our continuing efforts to produce programs with broad popular appeal and constant innovation, enhanced our standing as the country's pre-eminent broadcasting network.

Financial Performance

We are pleased that in 2007, the Company's consolidated net income reached P2.3 billion, 18% higher than the previous year and an alltime high for the Company. Our return on equity reached 27% while Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA), which amounted to P4.5 billion, surpassed last year's figure by 10%. Gross revenues amounted to P12.1 billion, higher by 9% than the previous year. Political ads and the growth from international operations (Pinoy TV and syndication) contributed to the upsurge of revenues this year. Total assets went up 14% to P11.7 billion while total liabilities decreased by 5% from P3.3 billion in 2006 to P3.1 billion in 2007.

We believe that the Company's sustained strong performance in 2007 reflects the soundness of our business strategies.

2007 was a landmark year, with our company's Initial Public Offering that made history in the Philippine Stock Exchange with PSE trading participants committing to purchase more than seven times their allocation and the international book more than 29 times covered.

Meeting the challenges

There were a number of challenges that we faced in 2007. For one, our nearest competitor was more aggressive not only in programming, but also in

Our consolidated net income reached P2.3 billion, 18% higher than the previous year and an all-time high for GMA.

marketing its programs. Be that as it may, we managed to hold our own by maintaining our lead in ratings in Mega Manila and even gained ratings supremacy in the whole of Luzon. Overall, the Company remains ahead of all networks in terms of competitive loading although our share of the Top 20 advertisers' TV adspend allocation declined from 58% in 2006 to 55% in 2007.

Our News and Public Affairs programs, as well as our primetime entertainment programs, drove our growth in 2007 as we did our best to offer our viewers new programs that we thought they would like to watch. Our primetime programs generated very high ratings and beat the counterpart programs of our competitor.

The overall top 10 TV programs in 2007, as well as the Top 10 programs on primetime and all top programs by genre, were from GMA. However, we continued to encounter lower ratings for our programs from cabled TV homes, a phenomenon that we find strange. It is as if those watching our programs on cabled TV are not Filipinos but from other countries. This phenomenon, we understand, happens only in the Philippines. We continue to seek for a plausible explanation of this unusual discrepancy.

2007 was an election year, yet, the infusion of political ads for the May 14 elections did not help much in improving the industrywide sluggish trend of advertising spend that started the previous year. Nevertheless, our introduction of new concepts and innovative entertainment programs, constant refinements to match the changing tastes of the viewing audience, plus the credibility of our journalists, gained more support from our advertisers.

Unfortunately, our Company's reputation was put at risk when in December, the Company was dragged into a case filed by ABS-CBN against AGB Nielsen. ABS-CBN accused the Company of manipulating the ratings. We filed a libel case against ABS-CBN, its officers and talents, for their repeated, malicious attempts to damage the reputation of the Company by falsely claiming that AGB Nielsen named the Company as the party behind the alleged ratings manipulation in the city of Bacolod and elsewhere in the Visayas and Mindanao.

Our tireless efforts in upgrading our facilities in the regions also enabled us to make progress in one of our key strategic priorities: expanding locally in our largest markets. The results of the ratings are a product not only of our excellent and relevant programming, but also of the improving reach and quality of our signals in the regions that draw more viewers to our TV stations nationwide.

We achieved wider audience reach through the re-programming and repositioning of QTV. QTV has become stronger with improved programming and positioning aimed at middle- to upper-class women that constitute a major portion of television viewers. It remains the No. 3 television station in the country delivering strong ratings.

We also pursued the expansion of our business outside the Philippines. We entered new markets in the United States, Papua New Guinea, British Indian Ocean Territory of Diego Garcia, Canada, Singapore, and started negotiations with various carriers for the Company's second international channel. The popularity of our programs and the strong leadership position of GMA Network, Inc. contributed to the success of our international operations in 2007 that saw GMA Pinoy TV's subscriber base expand by 32%.

With these initiatives in place, and with such a committed group of employees and talents working so hard to compete, we are confident that GMA Network, Inc. will continue to grow and expand and maintain its track record of value creation for its shareholders.

New growth areas

Among our strategic initiatives in seeding the future is the advancement of our digital media efforts. In 2007, GMA New Media, in collaboration with GMA News and

Public Affairs, launched GMANews.tv, the official news website of GMA Network. The site quickly attracted 25 million average pageviews per month.

Soon after, NMI relaunched iGMA.tv, the official entertainment website of GMA Network. IGMA.tv produced groundbreaking products and services for the toprating programs of GMA, from exclusive webisodes to **Live Chat** sessions that allowed fans around the world to interact live and realtime with their favorite Kapuso stars.

NMI also launched Pep.ph, the Philippines' first showbiz-only portal which is a joint venture with Summit Media. Pep.ph became the hottest source of local entertainment news, ending the year with over 21 million average monthly pageviews.

NMI ended on a high note with its entry into online gaming through I-Play, a partnership with IP E-Game Ventures, Inc., the online gaming subsidiary of IPVG Corporation. I-Play will focus on designing, operating, and maintaining casual online gaming portals.

These new internet initiatives position us to support the Company's growth objectives as we see significant opportunity in the development of our internet products and services that will enhance the value of the Company for its shareholders in the near future.

Our diversification into media related activities helped strengthen our core operations by providing support to our talents and complementing our activities. Our film production and distribution business also did very well in 2007.

GMA Films produced **The Promise,** which grossed P60 million and **Ouija,** which was also a box office success. Its co-production venture with Ignite Media for the movie ***Batanes sa Dulo ng Walang Hanggan*** and with Regal Films for ***Desperadas*** also reaped commercial success.

GMA Records was another source of revenue in 2007. It has produced eight albums using GMA artists within the pool of musical talents available. It also released three old titles from GMA Films, namely, ***Sa Pusod ng Dagat*, Death Row,** and ***Muro Ami.*** Its releases of GMA teleseryes **Asian Treasures, Lupin,** and ***Mahiwagang Baul*** on DVD generated revenues amounting to P3.6 million. GMA Records songs were also made available for internet download.

The year also saw GMA Licensing installing its own retail modules at SM Department Stores where a wide array of GMA merchandise, including t-shirts, toys, bags, wallets, caps, slippers, comics, books, and candies, were made available. Products from programs like **Asian Treasures, Princess Charming, Super Twins, Lupin,** and **Zaido** made their mark on retail and are now a new source of revenue.

The achievements, recognition and awards that we received in 2007 are a testament to the extraordinary work of our best assets, our talented employees.

Awards

Beyond our improved market position and healthy financial results, we are encouraged by the recognition and awards received by the Company and its subsidiaries this year. GMA Network's **I-Witness** documentary *"Boy Pusit,"* a story of children in Masbate who catch squid to earn for their education, won the Gold Medal for Social Issues and Current Events at the 50th New York Festivals. QTV's **At Your Service, Star Power!** also won the Bronze Medal for community service. These and other outstanding works were cited as among the best, not only in the Philippines, but also worldwide. At the New York Festivals, for example, at least 130 countries competed to receive "The World's Best Work" in news, documentary, information and entertainment programming, as well as videos, infomercials, promotion spots, openings, and station IDs.

The Company is perennially among the most honored in the industry for excellence, not only in broadcast journalism, but also in the field of entertainment, advertising, communication, and public relations. Included among its awards in 2007 are those received from the Rotary Club of Manila, US International Film and Video Festival, Silver Screen Awards, PMPC Star Awards, Global Media Awards, Anak TV Seal Awards, Catholic Mass Media Awards, Asian Television Awards, PopDev Media Awards, Philippine Gold Quill Awards, PRSP Anvil Awards, ARAW Values Advertising Awards, UST Students' Choice Awards, Apollo Awards, UNICEF Asia Pacific Child Rights Awards, La Sallian Scholarium Award, and Awit Awards.

GMA received its sixth "Station of the Year" Award from the Rotary Club of Manila for its "outstanding coverage in 2006 that contributed to the public's understanding of national and world events." At the 2007 US International Film and Video Festival, GMA and QTV won three Silver Screen Awards and nine Certificates of Creative Excellence. In addition to these, many of our homegrown talents won awards and citations from various award-giving bodies, both local and international, bearing the Company's tradition of excellence in the Philippine broadcasting industry.

The success of our endeavors is largely due to the work of our talented employees whom we consider our best assets. The achievements, recognition, and awards we received in 2007 are a testament to the extraordinary work that's done in the pursuit of excellence which has become a habit among our employees and talents.

Giving back to communities

True to our tagline, *Kapuso ng Bawat Pilipino*, part of our mission is to serve the community. The GMA Kapuso Foundation, *Kapwa Ko Mahal Ko* Foundation, and our Regional TV Group continue to reach out to various communities all over the country in times of need. In 2007, we provided medical assistance, scholarships and undertook relief operations for victims of disasters. We continued our partnership with Habitat for Humanity for the construction of school buildings, Ayala Foundation for Gearing Up Internet Literacy and Access for Students (GILAS), Haribon Foundation for promoting bio-diversity, Avon Philippines in the breast cancer awareness campaign, the Diabetes Foundation for diabetes prevention, among others.

As a good corporate citizen, the Company is committed to support nation building be it simply through the taxes the Company dutifully pays or just by encouraging the public to play a greater role in supporting local communities.

As the leading broadcasting network in the country, we shall continue to provide our viewers with opportunities to discover what it means to be a responsible citizen through our call for action on social issues and through our program features on the varied situations of our communities.

Strengthening our Core Business

We will continue to fortify our competitiveness in our core business of producing entertainment, news and public affairs programs for radio and television. Our initiatives in producing worldclass and innovative programs and original ideas based on a better understanding of our audience will be our means of achieving even higher household ratings and audience shares, and keeping the momentum going.

We are inspired by the reception of GMA Pinoy TV by our fellow Filipinos abroad, and we intend to serve their needs by making our presence felt where they are in the years ahead.

2008 Prospects

Looking ahead in 2008, we will strengthen our regional operations to take advantage of the upbeat business environment and assert our presence in key regional areas. Our priority in 2008 is to continue to strengthen our signals, expand our reach, and increase the ratings of our programs in South Luzon, Visayas and Mindanao. This will prepare the Company to meet the demands of advertisers who are increasing their presence in these areas.

We also plan to establish an academy of performing arts for our talents and others as we continue to focus on the development of the GMA Artist Center as our primary talent source and a vehicle for molding the most promising faces in the industry.

The reprogramming and repositioning of QTV, which we did this year to target viewers that are not current or regular viewers of GMA, will create new avenues for growth. Strengthening QTV's ratings and audience shares will considerably increase the revenues of QTV.

In the international front, we will focus on expanding the coverage and increasing the subscribers of our two international channels (GMA Pinoy TV and GMA Life TV).

The television industry is very dynamic and the pace of change continues to accelerate. We need to always stay in touch with our viewers, not only on air, but now also online.

Our commitment to the highest standards of integrity and good governance, and our passion for excellence which is inherent in our Company's culture, most certainly contribute to our success. With the continued support of our shareholders, employees, talents and various stakeholders, we are confident that GMA Network, Inc. will continue to maintain its track record of financial performance and commercial success.

We thank our Board of Directors for their continuing guidance and valuable perspectives. We are grateful to our officers, employees, talents, and consultants, who responded to the many challenges with dedication and hard work; our advertisers, who made us their preferred partner; and our subscribers, who entrusted us with their loyalty.

It is always a challenge to identify new strategies for growth. This is why we have seeded the future with initiatives that will make our Company the best positioned in the industry. Our regional expansion program is rolling out smoothly; our international operations are gaining ground; QTV is very promising; and, we have a running start on film making and new media opportunities.

With such solid foundation, we are confident of doing better, achieving more, and building more value for our advertisers, shareholders, and our communities.

FELIPE L. GOZON
Chairman, President and CEO

"We maintained our No.1 position in the industry as we continued to lead in the ratings in the key markets of Mega Manila and Luzon through the delivery of superior programming across all genres."

Report on Operations

The year 2007 was marked with milestones and with GMA Network, Inc. making history by undertaking its Initial Public Offering (IPO) in July. Our competitive position improved further with key initiatives put in place to ensure future growth. We maintained our No.1 position in the industry as we continued to lead in the ratings in the key markets of Mega Manila and Luzon through the delivery of superior programming across all genres. Our international channel subscriptions continued to grow, and QTV evolved into the premier channel for the ABC1 Filipina.

We achieved a substantial growth in net income in 2007 despite ad spend actually declining by 1.2% with GMA posting a 6.2% reduction in ad minutes versus 2006. Nevertheless, GMA closed the year with the highest ad minutes aired in the industry.

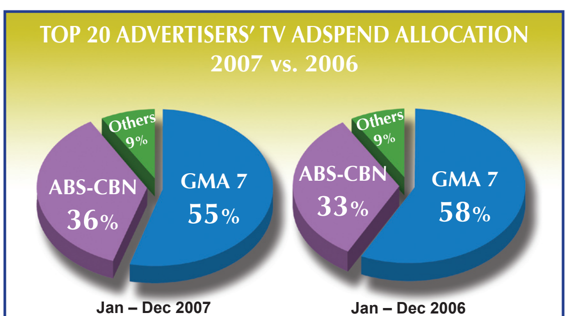
Competitive Loading
(In minutes)
Sign on - sign off
Comparative Program Loading Totals

	2007	2006	Diff (2007-2006) in mins.	Diff (2007-2006) % inc/dec
Total*	268,127	271,366	(3,239)	(1.2)
GMA	**93,074**	**99,190**	**(6,116)**	**(6.2)**
GMA (Less Eat Bulaga)	**84,506**	**89,532**	**(5,026)**	**(5.6)**
ABS-CBN	82,968	75,119	7,849	10.4
QTV	**32,566**	**21,867**	**10,698**	**48.9**
ABC 5	14,257	20,599	(6,342)	(30.8)
Studio 23	17,549	16,383	1,166	7.1
RPN 9	11,790	14,330	(2,540)	(17.7)
IBC 13	7,083	11,040	(3,957)	(35.8)
NBN 4	8,840	12,838	(3,998)	(31.1)

* Includes Channels 2, 4, 5, 7, 9, 11,13 & 23 only.

NOTES:
1. Commercial minutes reported under the San Miguel Documentary have been removed from the data.
2. 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 Nielsen Media Research.

The top 20 advertisers in the country allocated 55% of their TV ad spend to our Network. Although this was 3% less than the allocation the previous year, GMA's share continued to be the largest among the top-tier advertisers in 2007.



Source: Nielsen Media Research (Adquest)

Note: 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 Nielsen Media).

The broadcast industry is one of the more dynamic industries both here and abroad. Audience tastes and preferences incessantly evolve alongside advances in technology that create diversifying opportunities. Amidst this challenging backdrop, we remained focused on five key areas that form the foundation of our core business growth: (1) maintaining top ratings across all program genres and timeslots; (2) extending audience reach and increasing available ad minutes through the targeted programming and repositioning of QTV; (3) improving and expanding regional coverage; (4) further growing the international audience; and, (5) controlling costs to increase profitability.

Audience tastes and preferences incessantly evolve alongside advances in technology that create diversifying opportunities. Amidst this challenging backdrop, we remained focused on five key areas that form the foundation of our core business growth.

Maintaining top ratings

Television Ratings

In 2007, we introduced innovative programs and produced world-class specials with exciting new concepts that were very well received by our viewers. The year also saw us acquiring foreign program franchises that we produced for the local audience with great success.

The *telebabad*/early primetime block bannered the success of our Entertainment programming with fantasy-action/adventure soaps such as **Asian Treasures, Lupin, Zaido,** and ***Kamandag*,** and our traditional dramas like

Impostora, Mga Mata ni Angelita, and ***La Vendetta,*** all out-rating their competing programs. The biggest success of the year was **Marimar**, the local version of the Mexican telenovela that continued to take the country by storm. Recording an average rating of 39.5% in 2007, Marimar achieved the highest average for any program during the year.

Our franchised shows **Celebrity Duets** and ***Kakasa Ka Ba sa* Grade 5?*,*** the local version of **Are You Smarter Than a Fifth Grader?** and **Whammy Push Your Luck** were all winners registering average ratings above 20%.

GMA News and Public Affairs' ***Eleksyon* 2007** coverage demonstrated our News team's ability to apply new technologies that served to widen our coverage and allowed us to broadcast news events faster. Apart from traditional electronic news gathering systems, the News Department deployed digital news gathering technology and maximized 3G and Mobile Eye technology options that enabled us to efficiently increase the number of live points as well as reach more people.

We also mounted election specials to better familiarize our viewers with the most relevant issues that confront the nation. The eight-part election special, **The Philippine Agenda**, tackled the country's biggest problems from education to corruption. ***Sa Isa Kong Boto*** -- a voter's education campaign -- communicated the inspiring message that there is power in every vote to change the country's future. Commended by many viewers, the series won the Best TVC Campaign Award -- the Grand Prize at the 2007 Asia Image Apollo Awards. ***Sa Isa Kong Boto*** also received a special citation from the Catholic Mass Media Awards for Best Public Service Advertisement. ***Isang Tanong*** was a two-part special that put together all the senatorial candidates of the May 2007 election in a no holds-barred forum. The program received voluminous feedback from viewers, who said it helped them in their selection of candidates to elect to the Senate.

Viewers consistently preferred **24 *Oras*** and ***Saksi,*** more so on days with highly significant events. Public Affairs programs such as **Wish *Ko Lang*!*, Imbestigador*, *Kapuso mo,* Jessica Soho,** and **Emergency** continued to lead the ratings in their respective time slots, as did virtually all our Public Affairs programs.

GMA's superior programming resulted in dominance over competition across all day parts in Mega Manila. GMA's total day rating average of **17.7%** in 2007 was ahead of competition by **3.4** points. Of note is the Kapuso Network's outstanding performance on **primetime** (with a **5.6** –point lead) -- the most contested time block.

Overall Channel Ranking

MEGA MANILA TV Households • 2007

Rank	Channel	6am-12mn (Rtg%)
1	**GMA**	**17.7**
2	ABS-CBN	14.3
		8am-12mn (Rtg%)
3	**QTV**	**1.8**
4	ABC	1.2
5	RPN	0.7
6	STUDIO 23	0.6
7-8	NBN	0.3
	IBC	0.3

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

Channel Ratings by Daypart

MEGA MANILA TV Households • 2007

	Total Day (6am-12mn)	Morning (6am-12nn)	Afternoon (12nn-6pm)	Evening (6pm-12mn)
GMA 7	**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. (MEGATAM Arianna)

GMA's programming superiority over competition in Mega Manila was sustained in 2007, as shown by the following charts that illustrate the outright dominance of the Network's programs:

Overall Top 10 TV Programs

MEGA MANILA TV Households • 2007

Rank	Program Name	Channel	Household Rating(%)
1	MARIMAR	GMA	39.5
2	KAMANDAG	GMA	37.7
3	ZAIDO	GMA	34.3
4	ASIAN TREASURES	GMA	32.8
5	MGA MATA NI ANGHELITA	GMA	32.3
6	CAPTAIN BARBELL	GMA	32.2
7	SUPER TWINS	GMA	32.1
8	BAKEKANG	GMA	31.7
9	LUPIN	GMA	31.4
10	IMPOSTORA	GMA	30.8

All top-rating programs are on GMA

Notes: 1) Overall top 10 programs in Mega Manila are all from GMA and are primetime programs.
2.) Excluding Specials and replays

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

Top 10 Evening/Primetime TV Programs

MEGA MANILA TV Households • 2007

Rank	Program Name	Channel	Household Rating(%)
1	MARIMAR	GMA	39.5
2	KAMANDAG	GMA	37.7
3	ZAIDO	GMA	34.3
4	ASIAN TREASURES	GMA	32.8
5	MGA MATA NI ANGHELITA	GMA	32.3
6	CAPTAIN BARBELL	GMA	32.2
7	SUPER TWINS	GMA	32.1
8	BAKEKANG	GMA	31.7
9	LUPIN	GMA	31.4
10	IMPOSTORA	GMA	30.8

All top 10 programs are on GMA

Note: Excluding Specials and replays

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

Top 20 News & Public Affairs/Service Programs

MEGA MANILA TV Households • 2007

Rank	Program Name	Channel	Household Rating(%)
1	**24 ORAS**	**GMA**	**29.2**
2	**KAPUSO MO JESSICA SOHO**	**GMA**	**28.7**
3	**IMBESTIGADOR**	**GMA**	**25.1**
4	TV PATROL(Mon-Sun)	ABS-CBN	22.8
5	RATED K HANDA NA BA KAYO?	ABS-CBN	20.4
6	XXX EXKLUSIBONG EXPLOSIBONG EXPOSE	ABS-CBN	20.1
7	**WISH KO LANG**	**GMA**	**17.3**
8	NAGMAMAHAL KAPAMILYA	ABS-CBN	12.4
9	**SINE TOTOO**	**GMA**	**9.9**
10-11	BANDILA	ABS-CBN	9.7
	SAKSI LIGA NG KATOTOHANAN	**GMA**	**9.7**
12-13	**BORN TO BE WILD**	**GMA**	**8.4**
	SOCO	ABS-CBN	8.4
14	**I-WITNESS**	**GMA**	**7.6**
15	**100% PINOY**	**GMA**	**7.4**
16	**GMA FLASH REPORT SPECIAL EDITION**	**GMA**	**7.3**
17	**EMERGENCY**	**GMA**	**7.1**
18	**REPORTER'S NOTEBOOK**	**GMA**	**7.0**
19	**UNANG HIRIT!**	**GMA**	**6.8**
20	THE CORRESPONDENTS	ABS-CBN	6.3

13 out of 20 programs are on GMA

Note: Excluding Specials

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

Top Programs by Genre

MEGA MANILA TV Households • 2007

Genre	Programs	Channel	Rtg (%)
Animation	**Slamdunk**	GMA	16.6
Drama (Daytime)	**Meteor Garden**	GMA	22.9
Drama (Primetime)	**Marimar**	GMA	39.5
Comedy/Gag Shows	**Bitoy's Funniest Videos**	GMA	27.6
Reality/Game Shows	**Kakasa Ka ba sa Grade 5?**	GMA	28.1
General Talk Show	**Mel & Joey**	GMA	23.1
General Variety	**Eat Bulaga**	GMA	21.8
Infotainment	**Kap's Amazing Stories**	GMA	27.1
Musical Variety	**Sobrang Okey Pare**	GMA	15.6
Newscast	**24 Oras**	GMA	29.2
Public Affairs/Feature/ Informational Magazine	**Kapuso Mo Jessica Soho**	GMA	28.7
Public Affairs Docu/ Investigative	**Imbestigador**	GMA	25.1
Showbiz Talk Show	**Startalk**	GMA	15.2

All top-rating programs in all genres are on GMA

Note: Program ratings are based on AGB Nielsen Media Research MEGA TAM data.

We started subscribing to the National Urban Television Audience Measurement (NUTAM) service of AGB Nielsen Media Research in July; at which point GMA was behind our key competitor by **4.2** points on a weighted National basis covering the period July 1-7, 2007.

Within the months of July to December, we intensified our Regional promotional efforts and further improved our signal delivery infrastructure to complement local and national programming changes. As a result, GMA was able to close the gap against its key competitor in the NUTAM ratings to an average of **3.6** points in the second half of the year. In Urban Luzon, which captures 76% of the Total Urban Television Households, GMA led ABS-CBN by **0.5** point.

Jul-Dec 2007 *Overall Channel Ranking

NATIONAL URBAN PHILS. TV HOUSEHOLDS

Rank	Channel	6am-12mn (Rtg%)
1	ABS-CBN	18.7
2	**GMA**	**15.2**
		8am-12mn (Rtg%)
3	**QTV 11**	**1.1**
4	ABC	0.8
5	STUDIO 23	0.7
6	RPN	0.4
7 - 8	NBN	0.2
	IBC	0.2

** Reading limited to Jul – Dec 29, 2007 (coverage of NUTAM data delivered by supplier to GMA)*

Source: AGB Nielsen Media Research Phils. (Arianna - NUTAM)

Jul-Dec 2007 *Overall Channel Ranking

URBAN LUZON TV HOUSEHOLDS

Rank	Channel	6am-12mn (Rtg%)
1	**GMA**	**16.9**
2	ABS-CBN	16.4
		8am-12mn (Rtg%)
3	**QTV 11**	**1.3**
4	ABC	0.8
5	STUDIO 23	0.6
6	RPN	0.5
7 - 8	NBN	0.2
	IBC	0.2

** Reading limited to Jul – Dec 29, 2007 (coverage of NUTAM data delivered by supplier to GMA)*

Source: AGB Nielsen Media Research Phils. (Arianna - NUTAM)

The data covering the week of December 23 to 29, 2007 show that GMA was only **2.2** points behind ABS-CBN nationally (NUTAM), validating the soundness and effectiveness of the investments and strategies deployed towards winning nationally, while maintaining our profitability margins and managing our growth.

Radio Ratings

The year also saw two of our key FM stations in Dagupan and Bacolod emerge as No. 1 in their respective areas based on the ratings of Nielsen Media conducted in July. Our other stations throughout the country were also among the top-rating radio stations. These are Baguio FM (No.5); Cebu's DYSS-AM (No.2) and DYRT-FM (No.2) in the August survey; Davao's DXGM-AM (No. 5) and DXRV-FM (No. 4); Metro Manila's DZBB-AM (No. 3) and DWLS-FM (No. 5).

Extending audience reach and increasing available ad minutes through the targeted programming and repositioning of QTV

The repositioning and reprogramming of QTV was a key priority in 2007. With emphasis on further reducing audience duplication with GMA, we re-defined the channel's target market and focused on the middle to upper-class female segment, a consumer group particularly attractive to a broad base of advertisers. This required a shift in the Channel's positioning and programming.

A total of nine new programs were launched during the year; among them, **The Ricky Lo Exclusives, The Sweet Life, Here Comes the Bride, Stars on Ice, Planet Q, Proudly Filipina, Living It Up, Chef to Go** and **Last Woman Standing**, with a greater number of Entertainment programs planned and lined up for the launch within the earlier part of 2008.

Our News and Public Affairs programs on QTV; namely, ***Balitanghali,*** **News on Q,** ***Sa Pulso, Sana'y Muling Makapiling, Balikbayan,*** **Day-Off, Women's Desk, Rx Men, Kids on Q** and ***Ang Pinaka***…, are all performing exceptionally well but are nonetheless undergoing further improvements by their producers to better appeal to the redefined target audience.

We are well on the way towards achieving the objective of profitability for QTV within a reasonable period.

Comparing the years 2006 and 2007, QTV's programming costs were reduced by **15%** in 2007 versus 2006, complemented by an increase of **10,698** ad minutes for 2007 that translates to a loading improvement of **48.9%** over 2006.

Channel Ratings by Day

MEGA MANILA TV Households • 2007
VHF channels (less GMA and ABS) and Studio 23
8AM-12MN

Weekdays

Rank	Channel	(Rtg%)
1	**QTV**	**1.6**
2	ABC	1.1
3	STUDIO 23	0.6
4	RPN	0.5
5	NBN	0.3
6	IBC	0.2

Saturday

Rank	Channel	(Rtg%)
1	**QTV**	**2.3**
2	ABC	1.0
3	RPN	0.9
4	STUDIO 23	0.7
5	IBC	0.4
6	NBN	0.3

Sunday

Rank	Channel	(Rtg%)
1	**QTV**	**2.1**
2	RPN	2.0
3	ABC	1.9
4	STUDIO 23	0.7
5	IBC	0.5
6	NBN	0.4

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

Channel Ratings by Daypart

QTV vs. ABC, Studio 23 and RPN
MEGA MANILA TV Households 2007

	Total Day (8am-12mn)	Morning (8am-12nn)	Afternoon (12nn-6pm)	Evening (6pm-12mn)
QTV	**1.8**	**1.8**	**1.5**	**2.0**
ABC	1.2	0.6	0.8	1.9
RPN	0.7	0.5	0.6	1.0
Studio 23	0.6	0.6	0.6	0.6

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

QTV has maintained its unbroken run of being the #3 station in Mega Manila and in National Urban Philippines. Given the focus and efforts of the teams, we are confident that the Channel ratings and the upward trend in revenues are sustainable.

Improving and expanding Regional coverage

Improving and expanding our national coverage and reach is a basic ingredient to achieving two related objectives: first, to expand the area/s of programming availability with the end in view of further increasing our audience base and ratings; and, second, to enhance the value we deliver to our advertisers resulting from the expanded audience reach achieved. To these ends, we continued to pursue the Regional Expansion Program we started in 2004. In 2007, we completed the **TV-10 Mt. Sto. Tomas**, **Benguet** transmitter facility upgrade, thus increasing GMA's signal strength and reach in the provinces of **Pangasinan, Benguet, La Union, Tarlac,** and **Nueva Ecija**.

We completed the **TV-8 General Santos** transmitter facility relocation and upgrade in March 2007 with a further upgrade scheduled for April 2008. The upgrade of this facility improved the signal quality and increased our reach in **South Cotabato**. Further, a new 10KW transmitter and antenna facility was also completed within the year that improved our signal strength and quality in **Cagayan de Oro City.** The **Iloilo** Studio complex, now complete with broadcast and OB (Outside Broadcast) facilities, became operational in September. In October, we completed our transmitter facility rehabilitation and upgrade project in **Legazpi City**. The construction of our new originating station in **Dagupan City** is nearing completion as are our transmitter upgrades in **Batangas** province and **Naga City**. Scheduled for commissioning by April 2008, these three additional facilities will further strengthen our national platform and enhance our competitiveness.

On the programming side, our approach was to offer viewers in the regions programs that highlight the uniqueness of their area/s and feature the little known facets of their region. We launched morning shows such as ***Buena Mano*** (Cebu), ***Arangkada*** (Iloilo), and ***Una Ka Bai*** (Davao) that include the latest updates in the community as well as the latest local news. We also re-programmed certain timeslots to better appeal to local viewer profiles and preferences. We started airing ***Kakabaka-Boo!*** -- a horror-fantasy program, and will soon air ***Mahiwagang Baul*** -- a fantasy drama, in select regional areas. ***Kapuso Sinespesyal***, our afternoon regional movie slot, was launched in November and kicked off via a "Comedy Week" featuring comedy films that rated better than the previously aired programs.

To attract more regional viewers, TAPE Inc., our programming partner and producer of **Eat *Bulaga,*** launched **Eat *Na Ta*** on GMA Cebu. Eat *Na Ta* is a 30-minute local show in Cebu which goes to various barangays to play the fun games that **Eat *Bulaga*** has become famous for.

We also re-launched local news programs ***Balitang Bisdak*** (in Cebu), ***Ratsada*** (in Iloilo), and ***Testigo*** (in Davao) as shorter and faster-paced daily newscasts.

To endear ourselves to regional viewers, GMA enthusiastically participated in various festivals and events in 2007. We strengthened the Kapuso equity in the regions by fully supporting and participating in the *Sinulog, Kadayawan*, GenSan *Tuna, Dinagyang, Paraw Regata, Araw ng Dabaw, Pintados de Passi, Masskara*, and the *Musikahan sa Tagum* festivals.

To encourage goodwill in the regions, RTV (Regional TV) organized ***Kapuso Days*** in Cebu and Davao, bringing the much-loved Kapuso stars to the regional viewers. To help our fellow Filipinos in need, the GMA Kapuso Foundation initiated several medical missions in Cebu, Iloilo and Davao, aided on the ground by our RTV station teams.

Our efforts to improve and upgrade our regional facilities, along with programming improvements introduced within the year, have started to show positive results substantiated by our improvement in the National ratings and the significant increase in local regional sales.

Initiatives, investments and partnerships geared toward ensuring our sustained growth and maintaining industry leadership are either already in place or in the works, the benefits of which we will start to realize within 2008.

Further growing the international audience

Content distribution opportunities continued to open up for us in 2007 – allowing us to access more of our *kababayans* abroad. Carriage of our international channel, GMA Pinoy TV, was extended to more cable systems in the U.S. with territories such as Canada and Singapore coming in towards the end of the year. By the end of December 2007, GMA Pinoy TV's subscription count stood at **166,332**, an increase of **32%** over the previous year despite delays in the finalization of numerous carriage agreements, all of which we expect to be formalized within the early part of 2008.

In 2007, GMA International also prepared for the 2008 launch of the Network's second international channel -- **GMA Life TV**. Positioned to appeal more to the broader Filipina overseas market, GMA Life TV's programming will include shows from QTV such as **The Sweet Life**, **Proudly Filipina**, **Chef to Go**, **Day-Off**, **Moms**, ***Ka-Toque***, ***Maging Akin Ka Lamang***, ***Balitanghali, News on Q, Sa Pulso, Sana'y Muling Makapiling, Balikbayan,*** and **Women's Desk,** among others. Viewed as a perfect complement to Pinoy TV, GMA Life TV has been met with interest by numerous international carriers and is envisioned to not only contribute to our total subscriber numbers, but as significantly, to increased average revenue per subscriber (ARPS) in all territories where both Channels will be bundled.

We are currently working on a product that leverages on advancements in IP technology which will eventually provide access to our high value programming via the internet on a pay-per-view basis. In advanced stages of development, the subsequent launch of this product will allow the cost-effective distribution of our programming to an extended base of overseas Filipinos, further increasing subscription-based revenue potentials.

Controlling costs to increase profitability

Key learnings culled from a review of our key operating processes conducted last year have become practice. In 2007, we successfully tightened production schedules, reduced taping days, and better managed work hours resulting in contained production costs and overhead expenses. For QTV, creative cost containment measures were implemented, resulting in greater synergies with Support Groups, our Sales and Marketing Group and trade partners for lifestyle events, product launches, branded programming and the like. Through our evolving understanding of viewer preferences, we were able to maintain and air a strategic mix of licensed and Network-produced programs, managing programming costs while increasing our lead in the ratings within the year.

We continued to rely on our home-grown talents and invested wisely on further strengthening our creative back-end with obvious benefits and results as seen in our effective management of talent fees and the success of our Network-produced programs. Today, the GMA Artists Center (GMAAC) stands as our primary source of on-camera talent and our vehicle for molding and developing our future stars.

Beyond these, we continued to encourage the development of creative cost-saving ideas from our employees through our unique **Continuous Improvement Awards Program** (CIAP) where employees are formally rewarded and recognized for their innovative cost-saving projects. Processes developed to ensure the optimum utilization of production and post-production facilities are firmly in place, resulting in controlled rental costs and maximized asset use. The list goes on. More importantly, however, a culture of prudence and respect for corporate resources is becoming even more deeply rooted and evident in our people.

The combined efforts of all within the Group resulted in another commendable year for the Network.

Consolidated gross revenues grew by **9%** to **P12.1 billion** despite the 6.2% reduction in our 2007 commercial minutes, while our Cost of Programming increased by only **4%** to **P3.9 billion** despite our aggressive programming changes both in produced and licensed programs to increase the ratings lead of GMA and re-program QTV.

The Network's General Administrative Expenses (GAEX) grew by **16%** in 2007 versus the previous year at **P3.0 billion**; inclusive of a non-recurring expense of **P80 million** representing the signing bonus paid out to our employees in 2007 as part of our Collective Bargaining Agreement (CBA).

In sum, we ended 2007 with an EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) of **P4.5 billion**, an improvement of **10%** over 2006 and closed the year with a net income after tax of **P2.3 billion**, representing a growth of **18%** over the previous year. Based on these numbers, we remain the most profitable broadcast media network in the country and, with a **19%** net income margin, by far the most cost-efficient in 2007.

There is cause for optimism as we look forward to the challenges of the coming year. Initiatives, investments and partnerships geared toward ensuring our sustained growth and maintaining industry leadership are either already in place or in the works, the benefits of which we will start to realize within 2008.

The GMA Network Center Annex is scheduled to be completed by mid-year in 2008, allowing the execution of a broader base of program concepts intended to protect our dominance in the ratings and further increase the value and diversity of our programs.

On the regional front, our Dagupan originating station and upgraded transmitter sites in Naga City and the Batangas province will all be operational by end April 2008 with our planned originating station in Naga City targeted for completion within the last quarter of the same year. Given these, and our current momentum, winning NUTAM in 2008 is certainly tenable.

Our financial position is stronger than ever. Our subsidiaries are all geared up. Our programming and support teams are focused and motivated. Our growth, well managed. All told, the ingredients needed to confront heightened competition have been prepared in anticipation of further growing our business in the coming year.

None of these achievements would have been possible without the hard work and commitment of all our employees and talents, the strengthening partnerships and synergies with our valued advertisers and business partners, the trust and support of our shareholders, and the unwavering patronage of our Kapuso viewers, both here and abroad.

Sa inyo pong lahat, ang aming taos-pusong pasasalamat.

GILBERTO R. DUAVIT, JR.
Executive Vice President and Chief Operating Officer

OVERVIEW OF THE BUSINESS

GMA Network, Inc. is the leading free-to-air media broadcasting company in the Philippines. Headquartered in Quezon City, the Company provides a variety of programs to an estimated television audience of approximately 8.1 million television-owning households in the Philippines, based on 2000 data from the National Statistics Office.

GMA's 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***, meaning "One in heart with the Filipino people," guides its programming choices and allows viewers to feel closely connected to us.

An important objective of the Company's business strategy has been to broaden its revenue base. Since 2005, the Company has identified additional revenue streams by broadcasting programming on an additional channel, Quality TV (QTV) and through its subscription-based international channel, GMA Pinoy 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 that constitute an important part of television viewers.

As of end December 2007, QTV was the third highest rated station in Mega Manila, according to AGB Nielsen Phils. The Company's television programs are also broadcast outside the Philippines through its subscription-based international channel, GMA Pinoy TV, as well as distributed outside the Philippines through GMA Worldwide (Philippines), Inc. (GWI), a wholly-owned subsidiary of the Company. GMA Pinoy TV was first aired in April 2005 and is currently shown in the United States including Hawaii, Canada, Singapore, the British Indian Ocean Territory of Diego Garcia, Japan, Guam, Saipan, Papua New Guinea, the Middle East, and North Africa. As of end December 2007, GMA Pinoy TV had 166,332 subscribers. A variety of GMA's original productions are also distributed through syndication sales to foreign television stations in Canada, Malaysia, Cambodia, Indonesia, and the United States.

The Company's provincial radio stations are managed by RGMA Network, Inc. ("RGMA"), an affiliate, which provides programming and administrative services for the Company's radio stations.

Competitive Strengths

We believe that the Company is uniquely positioned to provide innovative programming and benefits from higher ratings, audience, and advertising shares due to the following competitive advantages:

<u>Superior Programming</u>

We believe its focus on superior programming and original program ideas has resulted in the Company achieving higher household ratings and audience shares than any other broadcasting company in the Philippines. We believe its superior programming is based on the following:

- **Highly-rated and credible news coverage**. GMA's news programs provide well-balanced, in-depth, and groundbreaking news coverage of all major news events in the Philippines. Its news and public affairs programs have won a number of awards, including the prestigious George Foster Peabody Award for excellence in broadcast journalism. GMA's news presenters, including Mike Enriquez, Mel Tiangco, Jessica Soho, Arnold Clavio, and Vicky Morales are well-known and well-respected public figures in the Philippines.

- **Innovative programming**. We believe that GMA's programming is innovative, well researched, and in tune with the interests of its primary audience. GMA pioneered the production and programming of the fantasy and reality genres on Philippine television, resulting in fantasy programs such as ***Kamandag*** and **Zaido**, and reality programs such as **Pinoy Pop Superstar**, **Starstruck**, and **Extra Challenge**.

  These programs have earned high ratings in their respective genres. 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, 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. For example, in recognition of viewers' appreciation of Asian dramas, the Company airs Taiwanese and Korean dramas that are top-rated shows in their home countries. GMA constantly seeks to introduce innovative programming formats to increase viewership.

- **Interactive shows**. GMA has developed interactive shows that allow the viewing audience to participate in the program. One of its first and most successful interactive shows is **Starstruck**, the Philippines' first reality-based talent search program which allowed viewers to select the surviving aspirants. Another program, **Emergency**, allows viewers to present their concerns and requests to the show through SMS texting. In addition, through a majority of its shows, including **Asian Treasures** and **Jumong**, viewers can participate in polls and win prizes through SMS

texting. Through the **S-Files** hotline, viewers can receive the latest updates on their favorite celebrities on the show and can call in during the show to ask questions of celebrities as they are being interviewed.

Leading Television Broadcaster in Mega Manila and Urban Luzon

The leadership of the GMA Network in the Mega Manila and Urban Luzon television markets in terms of household ratings makes it the leading broadcasting company in the Philippines. Mega Manila is the largest television market in the Philippines, with an estimated viewing audience of 3.5 million television-owning households, according to AGB Nielsen Phils. Since September 30, 2003, GMA has surpassed its closest competitor, ABS-CBN, in household ratings and audience share in the Mega Manila market.

In Urban Luzon, which comprises 76% of Total Urban Philippines households, GMA also leads competition, according to the AGB Nielsen Media Research National Urban Television Audience Measurement (NUTAM).

Due to its ratings leadership, GMA has been able to raise its advertising rates and increase its minute loading.

Strong Relationships with Advertisers and Advertising Agencies

GMA Marketing & Productions, Inc. (GMPI), one of the Company's subsidiaries, maintains strong relationships with and delivers services to advertisers and advertising agencies, providing traditional commercial spots and non-traditional media packages, promotional programs, and materials and creative products. For example, GMA Marketing assists advertisers in producing commercial campaigns. Through its dedicated sales force specializing in entertainment programs, news and public affairs programs, radio and QTV, GMA Marketing is in constant communication with advertisers to maintain and develop relationships. Sales executives have received numerous awards from reputable organizations recognizing their achievements as the industry's top sales executives. As a result of its strong relationships with advertisers and advertising agencies, the Company is able to better address the needs of advertisers, manage advertising schedules and ensure repeat placements.

Extensive Reach and Market Share

Its broadcasts currently reach more than 90% of Philippine television-owning households, ranking GMA among the leading television station operators in terms of broadcast coverage. 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. While having a strong market share in Mega Manila is important, advertisers generally prefer to reach audiences in all areas of the Philippines as they can save costs and reach all areas of the nation by placing advertisements in one network. GMA's leadership in Mega Manila, Urban Luzon and nationwide broadcasting capability appeal to these advertisers.

Deep Talent Pool

The Company has developed a deep talent pool by working to discover and develop its on-and off-air talents. As of end December 2007, it had 2,801 talents under contract, consisting of on-air performers and presenters, and behind-the-scenes writers, directors and producers. It has successfully developed a number of its on-air talents into stars by showcasing them in popular television programs.

GMA Artists Center (GMAAC) plays a strong role in recruiting, identifying and retaining emerging talents and developing and promoting existing talents, in particular, on-air talents including performers and presenters. Building on GMA's strong program concepts, GMAAC focuses on the optimal casting of its talents, ensuring proper exposure, training, career guidance, and opportunities in programs, in the fields of television, movies, and music recording. Its internal development of talents helps to keep talent costs low.

GMA Subsidiaries, Joint Venture and Affiliates

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

For television, GMA New Media helps to produce the Company's fully interactive television programming by providing services such as audience polling through SMS. GMA New Media 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 addition, GMA New Media launched its own interactive TV shows such as **Txtube** and **GroupeeTV** where viewers can meet friends and chat.

In 2007, NMI started the year by launching GMANews.tv, the official news website of GMA Network. The site quickly won the hearts of the Filipino public, generating 25 million average pageviews per month. Its editorial team also scored big in the international awards scene by romping off with the following: Best in Photojournalism and Best Online News Reportage in the 3rd PopDev Awards; Best Individual Reporting, Population Institute, Washington DC; 2007 Global Media Award and Merit Award The Power of Multimedia Interactive, Multilingual Content & Community; and the 2007 IABC Gold Quill Award.

Subsidiaries

GMA New Media, Inc. *(Converging Technology)*

GMA New Media, 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 ring tone downloads, television content downloads through SMS and WAP, and information services about GMA artists. GMA New Media was also the first in the Philippines to offer 3G wireless streaming services, in partnership with a local telecommunications provider. GMA New Media plans to provide the same mobile and TV subscriptions offered to the domestic market to Filipinos in other countries, including Japan, Korea, Hong Kong, the United States, Canada and the United Arab Emirates.

Soon after, NMI re-launched iGMA.tv. iGMA.tv produced a slew of groundbreaking products and services for the top-rating programs of GMA, from exclusive webisodes to Live Chat sessions that allowed fans from around the world to interact live and realtime with their favorite Kapuso stars.

NMI launched another category-breaking product in the form of Pep.ph, the Philippines' first showbiz-only portal, which is a joint venture with Summit Media. Pep.ph became the hottest source of local entertainment news, ending the year with over 21 million average monthly pageviews.

To support these initiatives, NMI built a US$1 million distribution hub based at One Wilshire Building in Los Angeles, California. It also implemented a Sales Expansion and Development Program aimed at beefing up and training the in-house web sales team. Armed with improved Ad Server technology, web impressions jumped from 15 million to 300 million in less than three months. The new ad server technology also allowed for a more accurate and optimized inventory management system.

NMI ended the year on a high note with its entry into online gaming through I-Play, a partnership with IP E-Game Ventures, Inc., the online gaming subsidiary of IPVG Corporation. I-Play will focus on designing, operating and maintaining casual online gaming portals.

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. It was 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.

In 2005, GMA Films produced **Let the Love Begin** and **Lovestruck**, starring the Company's young and popular talents, which grossed approximately P110 million and P42 million, respectively, at the box office. GMA Films also co-produced **Mulawin** (the Movie), the only Rated-A movie, the highest category rating for quality in films by the Film Development Council of the Philippines, during the 2005 Metro Manila Film Festival. In 2006, GMA Films released three movies: **Moments of Love**, **I Will Always Love You** and **Till I Met You**. GMA Films was the sole producer of Moments of Love, which was a finalist at the 2007 New York Festivals International Film and Video Awards.

GMA Records and GMA Films provide the Company's talents with opportunities to supplement their income and gain more exposure while remaining a part the Company's business. Providing these opportunities to the talents also engenders their greater loyalty to the Company.

During the first quarter of 2007, GMA Films launched its Valentine Movie entitled **The Promise** on Feb. 14, 2007. This is a co-production with Regal Films. The movie grossed P60 million nationwide.

In the third quarter, GMA FILMS launched **Ouija**, its first venture into the horror movie genre. Not only was Ouija a box office success, it also got an A grading from the Cinema Evaluation Board. Ouija grossed P95 million in its six-week run.

In the fourth quarter, GMA Films entered into a co-production with Ignite Media for the Movie ***Batanes Sa Dulo ng Walang Hanggan*** starring Iza Calzado and Meteor Garden's Ken Chu. As co-producer, GMA Films aired the trailers of Batanes over GMA. In exchange, GMA Films received a 50% share of the net proceeds of the movie. The TV rights in perpetuity were also turned over to GMA Films.

GMA spearheaded the promo and publicity for ***Desperadas*** (Regal). GMA Films entered into a co-production for this movie with Regal, only in so far as the expenses for promo and publicity are concerned. In exchange, GMA Films will receive 10% of net receipts of Desperadas (which grossed over P60 million), as partial co-producer. It will also get the TV Rights of the movie for three years and three runs.

For ***Anak ng Kumander*** of MP productions, GMA Films spearheaded the promo and publicity of the movie. In exchange, GMA Films will get the TV Rights of *Anak ng Kumander* in perpetuity.

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 Kapuso programs and films to be available globally.

In 2007, GWI sourced, negotiated, and acquired US$ 7,621,156 worth of programs, including 122 titles (animé, Korean, Taiwanese, and Japanese dramas). Syndication sales totaled US$ 225,308.

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 released 28 audio albums by 16 contract artists with eight new albums released in 2007. In addition, GMA Records is partnering with sister company GMA Films in the home video market to release its films. It has released 3 films from GMA Films in 2007: ***Sa Pusod ng Dagat***, ***Death Row***, and ***Muro Ami,*** as well as GMA *teleseryes*, **Asian Treasures** and **Lupin.**

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 close to 100 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. Major stage and set projects for the year included **All Star K!** 2008 set and revised backdrop design, **Celebrity Duets**, **Bb. Pilipinas 2007**, and **Starstruck 4 Final Judgement**.

Alta Productions Group, Inc. *(Audiovisual Production)*

Alta Productions was established in 1988 and is an audiovisual production company that provides clients with unique and effective communications materials, produces corporate training videos and television programs and provides staging services. Alta Productions operates as an independent production facility providing both pre and post production services to the Company's television network as well as other clients. Alta Productions also provides services to other 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.

Alta Productions is also engaged in web-based design, interactive CD-ROM products, and other innovative digital applications. It has expanded and upgraded its audio facilities to accommodate the growing demand for foreign broadcast programs dubbed into local languages.

Aside from the traditional dubbing and mixing services provided for both GMA and QTV, Alta Productions has started producing quasi-TVC plugs for GMA Marketing & Productions, Inc. (GMPI).

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. This ensures 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.

It studies possible program and show concepts that can be sold, and considers programming and talent concerns that may help maximize opportunities in selling the program. It organizes network initiated creative-based campaigns like **Starstruck: The Next Level, Pinoy Pop Superstar Year 3 Grand Showdown**, and the **Christmas Short Films**. Job fairs, dental and medical missions and Kapuso Weekends to celebrate various fiestas in the regional areas are organized to maximize sponsors' brand exposure.

Joint Venture

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

INQ7 Interactive, Inc. is the joint online 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.

Affiliates

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 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. The Company has rebranded its flagship DWLS-FM station as "Barangay LS." This radio station now broadcasts comedic segments in between presenting pop music hits. The Company decided to reformat the radio station as a result of an extensive study and research on market trends.

Philippine Entertainment Portal, Inc.

The Philippine Entertainment Portal, Inc. the operating company of Pep.ph, is the Philippines' first showbiz-only portal. A joint venture with Summit Media, Pep.ph became the hottest source of local entertainment news. The website is managed by Mediamerge Corporation, a wholly-owned subsidiary of GMA New Media.

The following table shows the Company's holdings in its principal subsidiaries and affiliates as of December 31, 2007:

Subsidiaries and Affiliates	Ownership	Principal Activities
Subsidiaries		
GMA News 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
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.*
*** 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.*

2007 MOMENTS AND MILESTONES

This year, we continued to be the leader in the broadcasting industry despite competition's efforts to gain supremacy in Mega Manila. But we will not rest on our laurels. Our drive to create, innovate and outdo what's already been done keeps us closer to the hearts of our viewers. We always strive to produce only the best in programming concepts and unceasingly enthrall our viewers.

Join us as we relive our biggest moments this year:

GMA goes public

GMA Network's listing at the Philippine Stock Exchange in July was the most anticipated and the hottest initial public offering of the year. GMA stocks were 29 times oversubscribed abroad while locally, the offering was seven times oversubscribed.

Be on Q

QTV redefines TV viewing

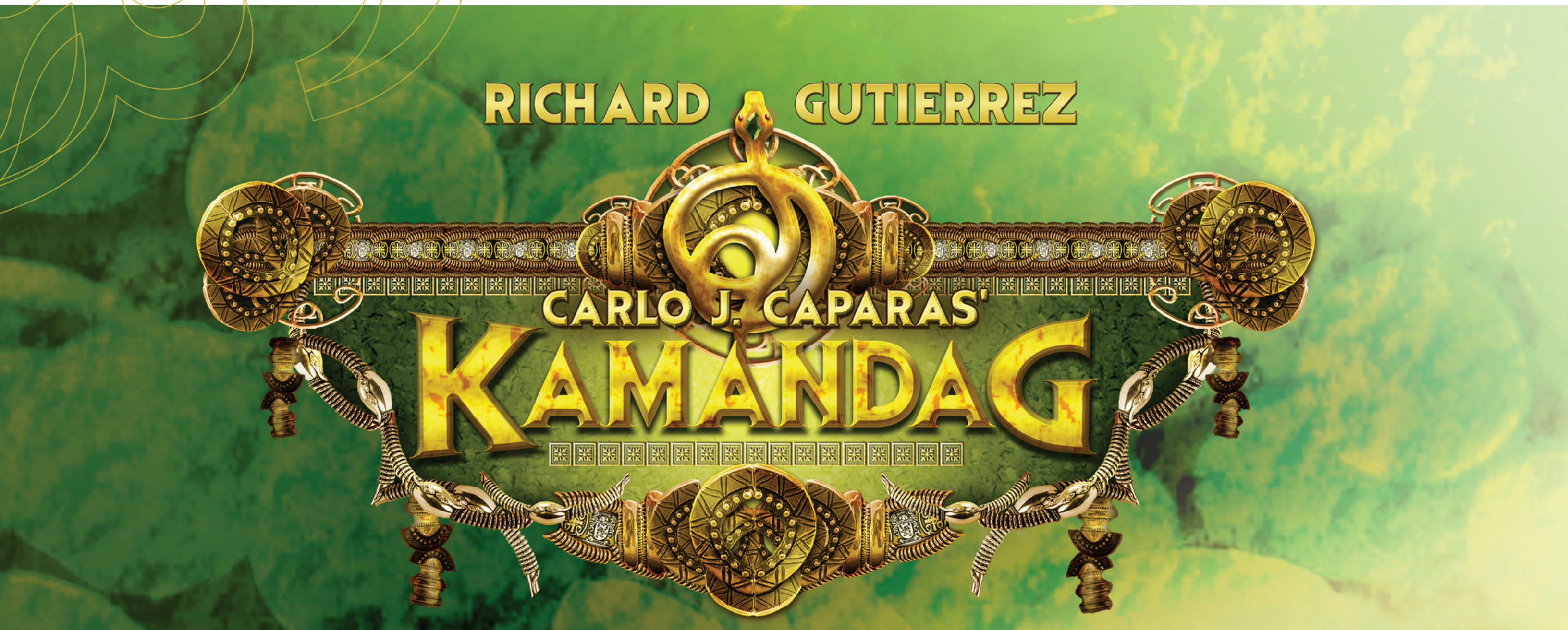
QTV goes beyond traditional television practices and takes the challenge of redefining TV viewing with its brand new line-up of programs and innovative ways of presenting television content.

Pinay Marimar rules primetime

The '90s pop culture phenomenon Marimar made a comeback on Philippine TV. GMA's adaptation of the Mexican telenovela once again took Filipinos by storm. Playing the lead roles were Marian Rivera and Dingdong Dantes, with Richard Gomez and Katrina Halili in the cast.

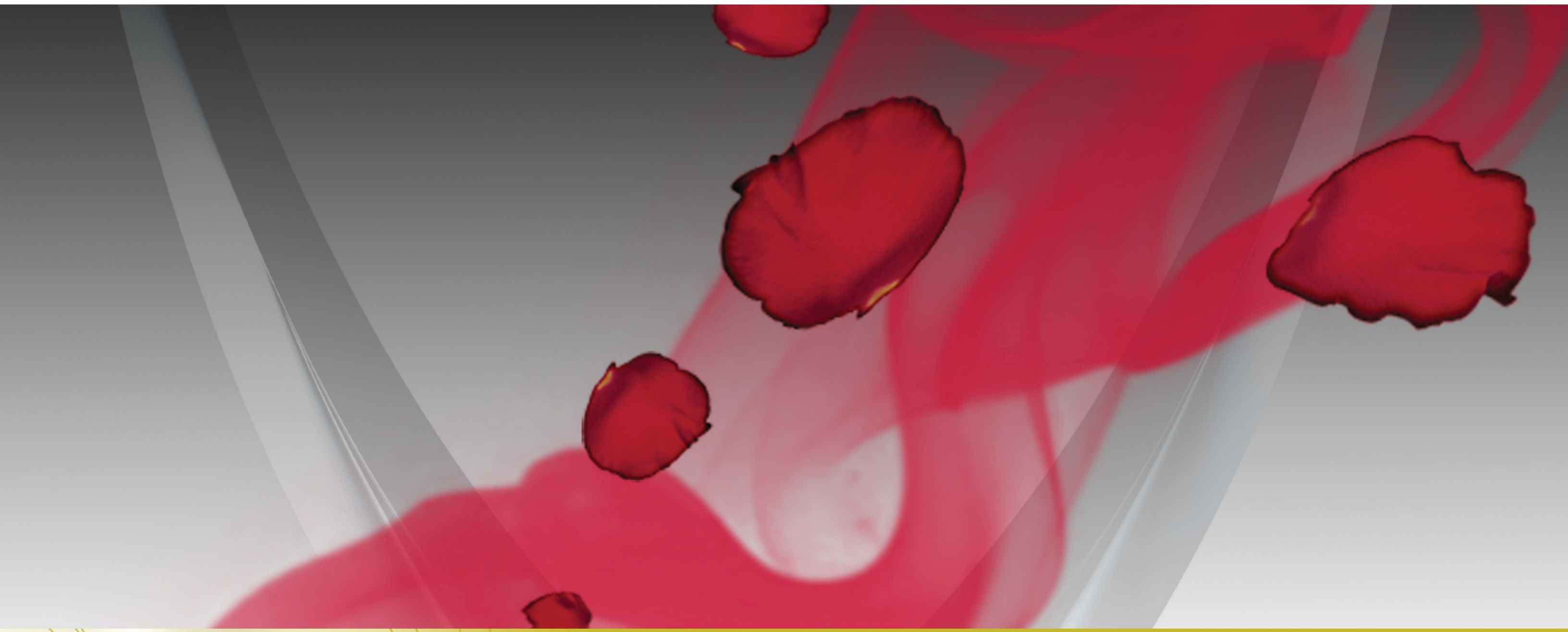
Zaido flies high

GMA brought viewers to a galactic space adventure in Zaido, *Pulis Pangkalawakan*, the first *Pinoy*-made Metal Hero Series on Philippine television. Zaido was based on the highly popular Shaider of the '80s and was top-billed by Dennis Trillo, Marky Cielo, and Aljur Abrenica.



Kamandag's lethal TV presence

Based on the popular Carlo J. Caparas comic strip in the early ‘80s, *Kamandag* boasted of a powerhouse cast led by Primetime Prince Richard Guttierez and impressive fight scenes featuring the Ultimate Fighting Champion (UFC) superstar Brandon Vera. The program also showcased the colorful and unique production design created by the team spearheaded by award-winning production designer Rodell Cruz.



La Vendetta settles the score

La Vendetta, the first ever suspense-drama on primetime TV starring Jean Garcia, Jennylyn Mercado and Sunshine Dizon, remained unfazed in its timeslot despite being pitted against five programs of ABS-CBN.

The biggest stars on GMA's station ID

About 200 GMA talents, all clad in white, gathered inside Studio 3 to shoot the Network's newest station ID. The new station ID featured not only the Network's grand stable of stars; it also portrayed how GMA is one in heart with Filipinos in their day-to-day challenges, moments and triumphs.

Stronger provincial presence

GMA endeared its viewers in the regions through its exciting new programs and intensive on-ground promotions. The Kapuso brand was experienced by viewers in *barangays*, malls, beaches, and in fiesta celebrations like the *Sinulog* in Cebu, *Dinagyang* in Iloilo, and *Kadayawan* in Davao.

A Rewarding Year

GMA received various awards from local and international award-giving bodies in 2007. Among the biggest awards it received during the year was the Gold World Medal for Social Issues and Current Events at the 50th New York Festivals for I-Witness' "Boy Pusit," a story about children in Masbate who catch squid to earn money for their education. QTV's At Your Service, Star Power! also won the Bronze World Medal for community service.

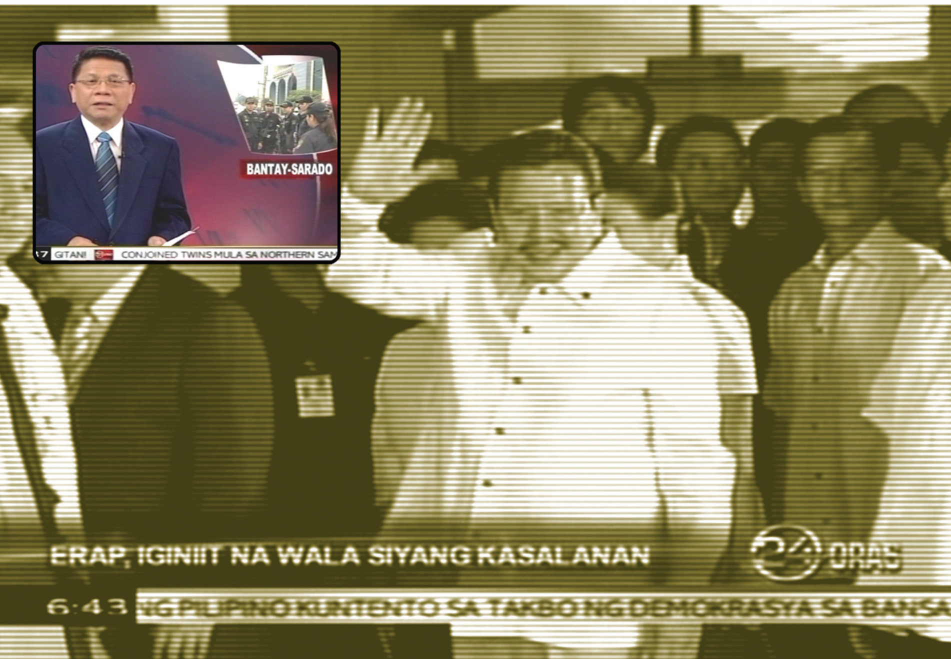
GMA Reporter Kara David also bagged The Outstanding Young Men of the Philippines (TOYM) award for Broadcast Journalism.

Ouija's box office success

GMA Films' first horror movie, Ouija, was a box-office hit in 2007. The movie featuring Jolina Magdangal, Judy Ann Santos, Iza Calzado, and Rhian Ramos grossed P95 million in its six-week run. It also received an A Grade from the Cinema Evaluation Board.

Out of the box product exposure

GMA Marketing and Productions, Inc. produced various creative products and executions; the GMA Short Film Festival and the Christmas Daytime Promo were among the many projects that provided substantial brand exposure to clients' products and successfully pulled in revenues for the Company.



Viewers' choice in news coverage

Viewers preferred GMA newscasts for breaking news and major events. At the height of the coverage of the Manila Peninsula siege on November 29, viewers watched 24 *Oras* despite the fact that GMA News reporters and crew members had to leave the hotel for their own safety. 24 *Oras* scored a high 35.5 on that day.

In the historic promulgation of the plunder and perjury cases versus Joseph Estrada on September 12, 24 *Oras* rated a high of 34.9 versus ABS-CBN's TV Patrol World 23.9.

GMA *Eleksyon* 2007

From the start of the election campaign to the proclamation of winners, GMA News provided insightful reports on the 2007 elections. *Eleksyon* 2007 helped Filipinos in making informed election decisions.

Public Affairs' 20th Anniversary Special

Featuring the 20 biggest stories that were aired for the last 20 years, the GMA Public Affairs' 20th Anniversary Special was ahead of competition with a rating of 13.6, double that of ABS-CBN's Sunday's Best 6.9 average.

International Operations

GMA Pinoy TV ended 2007 with a 32% growth of its subscriber base compared to the previous year. More and more Filipinos in the U.S., Middle East, North Africa, Asia-Pacific, and Canada have tuned in to GMA Pinoy TV's top-rate program offerings.

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 out 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 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

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 Corporation and secures its sustained competitiveness. It shall protect 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.

Board Composition

The Board is composed of nine 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 independent directors that constitute at least 20% of the members of the Board. An "Independent Director" shall 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.

Every director receives appropriate training on good governance (including his duties as a Director and how to discharge his duties) when he is first appointed to the Board of Directors. This would include an orientation – training program to ensure that he is familiar with the Company's business and governance process. If he or she has not previously done so, a director shall be required to attend a seminar on corporate governance that shall be conducted by a duly recognized private or governmental institute.

As of 31 December 2007, the Board comprised the following members:

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

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. The Company has four working Board committees: the Executive Committee, the Nomination Committee, the 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 three 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 of all its members on such specific matters within the competence of the Board of Directors as may, from time to time, be delegated to the Executive Committee or in the absence of the Board. An act of the Excom which is within the scope of its powers shall not require ratification or approval for its validity and effectivity, provided however, that the Board of Directors may, at any time, enlarge or redefine the powers of the Executive Committee. 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 Company 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 mission of the Committee is to objectively recommend 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 Company'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 Company as designed by Management and provides assurance that these are properly functioning.

The Audit Committee Charter provides that the Committee shall be composed of three members and at least one of its members shall always be an independent director. The Board shall ensure that each member should have adequate competence and/or experience of financial management systems and environment to enable them to discharge their responsibilities. The Board of Directors shall appoint the Independent Director as Committee Chairman or one of the Independent Directors if more than one.

Management

The CEO, with the assistance of the COO and the Senior Executives, is responsible for the development and execution of strategies in line with the Company's vision, mission, and value statements, the day-to-day management of the business 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.

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 regard 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.

CORPORATE SOCIAL RESPONSIBILITY

Broadcasting with a heart: GMA's Corporate Social Responsibility

GMA Network, Inc. enjoys a privileged position in Filipino homes – everyday, over 2.6 million Filipinos tune in to its stations. Its viewers include children as young as two years old to adults 40 years old and above. Serving them is an honor and a privilege -- and that is why GMA tries to give its viewers the best of what it can offer.

More than producing worldclass programs and services that entertain, inform, and educate, GMA's programs help address issues that affect its audiences, to accurately reflect the world they live in, and to bring people together and encourage them to be active and responsible citizens in society.

Public awareness

Corporate Social Responsibility begins with GMA's mandate to provide its viewers with timely, comprehensive, objective, and balanced news and information. Behind the faces seen on screen is an army of hardworking journalists, editors, all-around production crews and support staff committed to bring up-to-date and unbiased information to viewers.

The GMA News and Public Affairs slogan "*Walang kinikilingan, walang pinoprotektahan, walang kasinungalingan, Serbisyong Totoo lang*" is not just a battle cry but a way of life. And that is probably the reason why GMA's daily weekday newscasts and public affairs' programs remain to be the most trusted and most watched in the country.

Taking it a step further

One of the most challenging and exciting programs this year was ***Eleksyon* 2007,** GMA News and Public Affairs' elections coverage**.** Conscious of its power in shaping public opinion, GMA aimed to play an active role during the May 2007 polls. We asked ourselves several questions: How can we encourage Filipinos to reclaim faith in their votes? How do we empower Filipinos to look past personalities and consider the real issues that they need to think about? How can we present a more honest and unbiased presentation of the candidates? GMA's response was to produce several election-themed programs and specials that addressed these points.

The Philippine Agenda opened the eyes of Filipinos to the most urgent issues in the country: education, delivery of health services, corruption, hunger, housing, labor, crime and electoral reform. For its undeniable contribution in enlightening Filipinos, the series received an Award of Excellence (the highest award) in the Economic, Social and Environmental development category at the Philippine Quill Awards.

The two-part Sunday special ***Isang Tanong*** gathered all senatorial candidates in a no holds-barred forum. The special received voluminous feedback from viewers who said it helped them choose which senatorial candidates to vote for.

Sa Isa Kong Boto was a series of vignettes aimed at voter education. It presented the inspiring message that every single vote has the power to change the future of the country. This won the Best TVC Campaign Award at the 2007 Asia Image Apollo Awards beating the biggest advertising agencies in Asia.

When it still aired, weekly public affairs program ***Palaban*** had Winnie Monsod in fearless, no-nonsense one-on-one interviews with candidates.

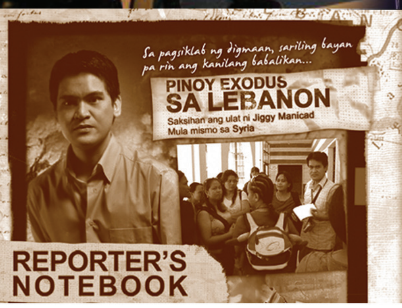
Reporter's Notebook aired an election series that presented the issues and problems every voter should discover and understand. The series opened with a special episode entitled "*Gatilyo*" that investigated why the business of gun-making booms as election draws near. The documentary was given a Certificate for Creative Excellence at the US International Film and Video Awards.

From the campaign period to election day, to the canvassing of votes and proclamations, GMA News and Public Affairs provided insightful reports that guided Filipinos in making informed and empowered decisions.

As GMA's Senior Vice President for Radio and multi-awarded broadcast journalist and public affairs host Mike Enriquez said, "We take pride in being able to move viewers into action through relevant news and information. This is what a media network should be doing –- making viewers realize that they have the power."

Public service

Aside from keeping people abreast with the latest news and information, GMA continues to provide in-depth discussion of significant issues through its various Public Affairs programs. With our stories, GMA changes the lives and perspectives of millions of people.



The weekday late night strip which features **I-Witness, Reporter's Notebook, Born to be Wild, 100% Pinoy** and **Emergency** discuss issues and problems in society, politics, environment, culture and health. ***Kapuso Mo,*** **Jessica Soho** presents interesting facts about Filipino society and Pinoys in the country and around the globe.

Sandra Aguinaldo and her team's New York Festival Gold Winner documentary, *"Boy Pusit"*, told the story of young divers in Masbate who risk their lives just to put food on their tables. After the documentary aired, the young divers of Masbate were given scholarship grants and other forms of assistance by different groups.

Sharing the Joy

In addition to featuring in-depth reports and documentaries, GMA has numerous programs that touch the heart in the hope that after watching, viewers will share their blessings with others.

Family reunions are featured on **Wish *Ko Lang!*** and **QTV's *Sana'y Muling Makapiling*** (which has since been renamed **Reunions**) that never fail to touch the hearts and ignite the hopes of millions of viewers.

Sana'y Muling Makapiling has reunited almost 286 persons back with their families. Wish *Ko Lang!* also reunited families, provided sources of livelihood, scholarship grants, and a chance to live their ultimate dreams.

QTV's **At Your Service, Star Power!** served as a platform for personalities to use their "star power" to attend to communities' needs. The program showed that behind the television shows, movies, magazine covers and billboards, celebrities are also people ready to lend a hand and reach out. For its Bicol-Typhoon Reming episode, At Your Service, Star Power*!* received a Certificate of Creative Excellence from the US International Film and Video Festival. The program also reached Finalist status in the Community Service category at the New York Festivals. QTV's **Women's Desk** continues its unwavering dedication to rescue mothers and kids from abuse with the help of local authorities. The program has saved over 200 children and 80 women this year alone while its Women's Desk Action Center receives at least 30 calls a day. In 2007, Women's Desk also launched a major advocacy campaign called "Draw the Line." The campaign is a series of public service announcements and print advertisements designed to encourage the public, victims and non-victims alike, to speak up about abuse by reporting possible cases to authorities or simply by educating themselves about the types of abuses against women and children and how to fight them. The campaign was also reinforced with self-defense training for women in a variety of schools, fitness centers and call centers.

The hard-hitting program ***Imbestigador*** has lived up to its name of being the *"Sumbungan ng Bayan."* This year, a total of 9,214 beneficiaries and 11,115 calls were received by the *Imbestigador* Action Center. The program also organized two legal clinics in SM Bicutan and Ever Commonwealth that served over 700 clients in 2007. Conducting relief operations and medical services to

different towns and far flung areas is not only an activity solely shouldered by GMA's socio-civic arm Kapuso Foundation. Programs such as **Emergency** and QTV's **RX Men** and GMA's Regional Television also provide these services and encourage the public to play a greater role in supporting local communities.

Empowering the Youth

GMA also has a host of projects and initiatives for children. It has programs showcasing fun in art in **Art Angel** and love for the environment and history in **Kids on Q**.

Aligned with its corporate purpose, GMA supports education as a means of enriching the lives of Filipinos. For five years now, GMA has awarded the President's Medal to outstanding students from the University of the Philippines College of Mass Communication and the Don Bosco Technical College.

The President's Medal is a distinction given to students who had shown excellence in their fields of study and in their areas of influence. To date, the GMA President's Medal has been awarded to 16 students since the project started in 2002. The GMA Scholarship Program, in its pilot year, has provided financial assistance to two incoming fourth-year students of Broadcast Communications and Journalism of the University of the Philippines (UP).

GMA's socio-civic arm, the **GMA Kapuso Foundation (GMAKF)**, through its ***Unang Hakbang Sa Kinabukasan*** project, provided basic school supplies and school bags to 43,977 incoming grade one students belonging to far-flung and underserved schools all over the country. With partner Habitat for Humanity, the Foundation constructed and rehabilitated 12 school buildings and 36 classrooms in Albay and Sorsogon.

Among the schools that GMAKF rehabilitated and reconstructed this year was the historical Prieto-Diaz Central Elementary School. The *Escuela Pia* is a 200 year old school structure and is a historical landmark in the country. The project was such a success, even the National Historical Institute has recognized and applauded GMAKF's efforts.

GMAKF brought nourishment to 822 children living in ten *barangays* in Ternate, Cavite and in three *barangays* in General T. De Leon in Valenzuela City. Fifty-eight kids with hernia in Cebu and Davao were treated with the help of GMAKF's partner, the Philippine Society of Surgeons. Twenty-four kids with cancer were given free chemotherapy treatment with the support of the Go Tong Foundation and Ever Gotesco.

The **Give-A-Gift *Alay Sa Batang Pinoy*** project spread the Christmas cheer by giving toys and *Noche Buena* packages to some 30,000 children of indigenous tribes from various areas.

The Kapwa Ko Mahal Ko Foundation, on the other hand, continues to provide medical assistance to walk-in patients and children with cancer through its ***Batang* K** project. Its weekly program, which airs every Saturday at 6:00 a.m., also seeks to uplift the quality of life and instill in the minds of the destitute the nobility of human life.

Beacon of hope

As we are always first on site of the greatest need –- whether behind the cacophony of disasters or the unheard needs of neglected individuals -- it was a natural reaction to do more than just report what is happening. Our staff and army of volunteers have braved journeys to calamity-stricken areas in the remotest and littlest known *barangay* or *sitio* in the country to lend a hand in times when they are most needed.

***Operation Bayanihan* Disaster Relief Operations** have extended help to close to 120,000 individuals who were victims of typhoons, floods, landslides, fire and armed conflicts in different parts of the country. We brought food, water, clothing, and blankets within 24 hours after the occurrence of the calamity.

Kapuso Foundation's ***Bisig Bayan* Medical Assistance** program has provided medical assistance to 7,936 individuals this year. Some of the indigent patients that were served were suffering from various medical conditions such as congenital

hydrocephalus, Pott's disease, flame burn, hermaphrodism, psoriasis, bilateral pneumonia, acute lymphocytic leukemia, glaucoma, acute glomerulonephritis, severe malnutrition, appendicitis, Hansen disease, Guillain Barre syndrome, vascular malformation, and conjoined twins.

During its special Valentine activity, the Foundation also provided free 2D Echo and ECG to more than 40 patients.

Free medical check-up and dental services were provided to 6,489 individuals under the ***Kalusugan Karavan*** project in Cebu, Cainta, and Quezon province. Wheelchairs and hearing aids were given out to patients in General Maxilom Avenue, Cebu City. We have also provided free circumcision to 226 kids in Floodway, Manggahan in Cainta under the Foundation's *Kalusugan Karavan* project.

Over 700 individuals donated blood in GMAKF's blood-letting project ***Sagip Dugtong Buhay*** in Ever Gotesco Mall and San Beda College and as much as 304,050 ccs of blood were donated to the Philippine Red Cross.

A habit of volunteerism

GMA employees are committed to support the Company's corporate social responsibility projects by volunteering to participate in several projects in 2007. In partnership with Haribon Foundation, over 100 employees trooped to Caliraya, Laguna to plant 1,000 seedlings. A total of 500 seedlings, on the other hand, were planted during the inauguration of schools constructed in Sorsogon and Albay.

GMA employees also volunteered to help rebuild two schools damaged by typhoons Milenyo and Reming in Sorsogon and Albay.

Strong partnerships

GMA is the media partner of Ayala Foundation's **Gearing Up Internet Literacy and Access for Students (GILAS)** project which aims to bring internet and computer literacy to Filipino high school students.

It has also partnered with Bangko Sentral ng Pilipinas through ***Barya Para sa Eskwela,*** Haribon Foundation, the Center for Environmental Awareness and Education for environmental causes, Diabetes Foundation for diabetes prevention, and Avon Philippines for breast cancer awareness and assistance to women victims.

Beyond GMA's socio-civic commitments, GMA's programs are directed to empower Filipinos to help themselves. GMA believes that for the Filipino to triumph over the adversities he faces in life, it is not enough to provide aid – what is truly needed is to transform and equip the individual to enable him to help himself, and help others in the future. This is real corporate social responsibility. This is *Serbisyong Totoo*.

2007 AWARDS

ROTARY CLUB OF MANILA JOURNALISM AWARDS

Television Station of the Year
GMA Network, Inc.

Investigative Journalist of the Year
Howie Severino (Hall of Fame)

Broadcast Journalist of the Year
Kara David

The Outstanding Young Men of the Philippines (TOYM)

Broadcast Journalism
Kara David

2007 NEW YORK FESTIVALS FOR TELEVISION AND FILM

Gold World Medal for Social Issues and Current Events
I-Witness: *Boy Pusit*

2007 ASIAN TV AWARDS

Best Comedy Performance by an Actor, Runner-Up
Michael V for Bubble Gang

Best Current Affairs Program
Reporter's Notebook: *Pinoy* Exodus *sa* Lebanon

UN MILLENIUM DEVELOPMENT GOALS MEDIA AWARDS

Second Prize
I-Witness: *Huling Hala Bira*

29th CATHOLIC MASS MEDIA AWARDS (CMMA)

Best Children's Program
Mga Kuwento ni Lola Basyang

Best Drama Program
Magpakailanman

Best News Program
24 *Oras*

Best Adult Educational Program
The Philippine Agenda

Best Public Service Program
Wish *Ko Lang*!

Best News Magazine Program
***Kapuso Mo*, Jessica Soho**

Best Public Service Advertisement (Special Citation)
***Sa Isa Kong Boto* Election Advocacy Ad Series**

Best Documentary Program
I–Witness

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

Best Public Service Program Host
Vicky Morales (Wish *Ko Lang!*)

Best Female Newscaster
Mel Tiangco (24 *Oras*)

Best New Female TV Personality
Lovi Poe (*Bakekang*)

Best Celebrity Talk Show
SIS

Best Talent Search Program:
StarStruck: The Next Level

Best Talent Search Program Host
Dingdong Dantes, Jolina Magdangal and Raymond Gutierrez (StarStruck: The Next Level)

Best Gag Show
Bubble Gang

U.S. INTERNATIONAL FILM AND VIDEO FESTIVALS

Silver Screen Awards
Art Angel: Plastic Special
I-Witness: *Sa Mata ni Ekang*

Second Place
***Ang Pinaka*...:** The Most Tragic Events in the Philippines

Certificates for Creative Excellence
Emergency: Medical Expose
Emergency: *Bagong Buhay*
Reporter's Notebook: *Gatilyo*
Reporter's Notebook: *Slaughterhouse*
Wish *Ko Lang!*: *Titser*
At Your Service, Star Power!: *Bicol-Reming*
***Balik-Bayan*:** Leyte with Tessie Tomas
RX Men: *Inventor, Matang Luwa, Paniki, and Tuko*
***Sana'y Muling Makapiling*:** *Taong Grasa, Angel, and Lola Potenciana*

Finalist for Action and Adventure
Moments of Love

PMPC STAR AWARDS

Excellence in Broadcasting Award
Mel Tiangco

Best Children's Program
Art Angel

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

Best Travel Show Hosts
Paolo Bediones and Miriam Quiambao (Pinoy Meets World)

Best Reality Competition Program
Here Comes the Bride (QTV)

Best Reality Competition Program Host:
Christine Jacob-Sandejas (QTV)

Best Lifestyle Show Hosts:
Raymond Gutierrez, Tim Yap, Issa Litton and Gaby dela Merced (QTV)

Best Comedy Show
Bahay Mo Ba 'To?

Best Comedy Actor
Ogie Alcasid (Bubble Gang)

Best Comedy Actress
Tiya Pusit *(Bahay Mo Ba 'To?)*

Best Daytime Drama Series
Sine Novela Presents: *Sinasamba Kita*

Best Variety Show
Eat *Bulaga*

Best Drama Actress
Sunshine Dizon (*Bakekang*)

Best Single Performance By An Actress
Pauleen Luna *(Magpakailanman/ Sa Dulo Ng Pag-Ibig:* The Olivia Ortiz Story")

Female Star of The Night
Lorna Tolentino

Male Star of The Night
Dingdong Dantes

ANAK TV SEAL AWARDS

Awardees
***Kapuso Mo,* Jessica Soho**
Kakasa Ka Ba sa Grade 5?
Art Angel
Lovely Day
Magpakailanman
Mga Kwento ni Lola Basyang
Wish *Ko Lang!*

Q-11
Alice in Wonderland
Carebears
Ang Pinaka
Day Off
Anne of Green Gables
***Ka*-Toque**
At Your Service, Star Power!
May Trabaho Ka
Are You Smarter than A Fifth Grader?
***Mga Waging Kwento ng* OFW**
Balitanghali
RX Men

Students' Choice for Actress in a Drama Series
Angel Locsin

Students' Choice for Actor in a Drama Series
Dennis Trillo

20TH AWIT AWARDS

Best Song Written for Movie/TV/Stage Play
Kitchie Nadal's Majika (GMA Records)
Best Performance by a New Female Artist
Aicelle Santos

2007 LA SALLIAN SCHOLARIUM AWARD

Outstanding Media Coverage of Youth and Education
I-Witness: *Mga Batang Hiram*

APOLLO AWARDS

Grand Prize
Best Television Ad Campaign
***Sa Isa Kong Boto* Election Advocacy Ad Series**

UNICEF ASIA PACIFIC CHILD RIGHTS AWARDS

Top Ten
Reporter's Notebook: Discrimination

3rd POPDEV MEDIA AWARDS

Best TV Documentary
I-Witness: P36

Best in Online Reportage and Runner-up
Abraham Cerojano (www.gmanews.tv)

Best in Photojournalism
Joe Galvez (www.gmanews.tv)

Best in Online Reportage (Runner-up)
Agatha Guidaben and Brenda Barrientos

BROADCAST CATEGORY

Runner-up
***Imbestigador,* DXGM Super *Radyo* Davao City**

Philippine Quill Awards

Excellence Award
Economic, Social, and Environmental Development Category
Philippine Agenda

Merit Award
Advertising, Conventional Media Category
Sa Isa Kong Boto

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

Most-Admired TV Personalities
Mike Enriquez
Mel Tiangco
Jessica Soho
Arnold Clavio

3rd USTv STUDENTS' CHOICE AWARDS

Students' Choice for Foreign Soap Opera
Jewel in the Palace

Students' Choice for Drama Anthology
Magpakailanman

Students' Choice for Drama Series
Bakekang

Students' Choice for Comedy Program
Bahay Mo Ba To

1st GANDINGAN AWARDS

Best Public Service Program
Wish *Ko Lang!*

Best Investigative Program
Imbestigador

Best Public Affairs Show
Imbestigador

Best Host for an Investigative Program
Mike Enriquez

PLATINUM AWARD

Michael V: The Bubble G Anthology (GMA Records)

2007 MYX MUSIC AWARDS

Favorite Celebrity VJ
Michael V.

Merit Award
Electronic and Digital Communications Category
www.gmanews.tv

Advertising
GMA Marketing and Productions, Inc.'s Boxer Ad

Publications
Merit Award: **Scaling Greater Heights,**
2006 The GMA Annual Report

Global Media Award

Best Individual Reporting
MelClaire Sy Delfin: The Forbidden Games Filipino Children Play and When Wells Run Dry: A Tragedy Looming Large (www.gmanews.tv)

FINANCIAL STATEMENTS

Management Discussion and Analysis of Financial Condition and Results of Operations for the Year Ended December 31, 2007.

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

Results of Operations

GMA Network, Inc. posted a net income after tax of P2,307 million for the year 2007, 18% higher than its net income last year. Airtime revenues grew by 8% to P11,367 million this year, while revenue from international and other sources increased by 20%. On the other hand, the Company was able to contain the increase in operating expenses to only 9%; production costs of QTV showed a notable reduction.

	Year '07(in millions)	Year '06(in millions)
Statement of Income Data:		
Revenue		
Television and radio airtime	11,367.3	10,495.6
Production and others	689.6	576.0
	12,056.9	11,071.6
Less: Revenue Deductions		
Agency and marketing commissions	1,748.3	1,685.7
Co-producer's share	121.8	153.5
Net Revenue	10,186.8	9,232.4
Production Costs	3,851.3	3,702.8
Gross Profit	6,335.5	5,529.6
General and Administrative Expenses	(3,020.1)	(2,613.0)
Interest and Financing Charges	(23.1)	(38.0)
Interest Income	71.7	12.7
Other Income	87.7	123.0
Income Before Income Tax	3,451.7	3,014.3
Provision for Income Tax	1,144.5	1,051.8
Net Income	2,307.2	1,962.5
Earnings Per Share		
Basic	0.502	0.462
Diluted	0.502	0.462

Revenues

Gross revenues, which consist of gross airtime revenue, production and others, went up by 9% or P985 million to P12,057 million.

	Year '07 (in millions)	Year '06(in millions)	Increase (decrease)	%
Television and radio airtime	P11,367	P10,496	P871	8%
Production and others	690	576	114	20%
	P12,057	P11,072	P985	9%

Both Channel 7 and QTV experienced growth in gross revenues buoyed up by the strong ratings of their programs particularly in the second half of the year. Channel 7 year-to-date gross revenues amounted to P10,711 million, 7% higher than last year's P9,965 million. QTV revenues, on the other hand, posted a 67% increase, capping the year with P340 million gross revenues. Political advertisements amounting to P500 million also contributed to the increased revenues. Moreover, QTV achieved higher sales which could be partly attributed to its repositioned programming. On the other hand, Radio's performance declined by 3% as a result of the government's imposition of the ban on cigarette advertising effective January 2007.

International operations ended 2007 with P429 million cumulative revenues, up 35% versus 2006's P317 million. Pinoy TV registered increased sales as the number of subscribers grew from 125,912 in 2006 to 166,332 in 2007.

Expenses

Total operating expenses increased by 9% to P6,871 million compared to last year's P6,316 million.

Production-related expenses rose to P3,851 million, up by only 4% versus last year. The increase is due to the more station-produced programs aired on primetime and early afternoon blocks. Election-related programs as well as the election coverage also entailed higher production costs which contributed to the increase in production-related expenses. On the other hand, the airing of more canned programs instead of more expensive station-produced programs on QTV partly mitigated the increase in cash production costs.

Production Cost	Year 2007 (in millions)	Year 2006(in millions)	Increase (decrease)	%
Talent fees	P1,895	P1,746	P149	9%
Rentals and outside services	470	515	(45)	(9%)
Other program expenses	861	860	1	0%
Cash Production Cost	P3,226	P3,121	P105	3%
Program rights amortization	625	582	43	7%
Total Production Cost	P3,851	P3,703	P148	4%

General and administrative expenses sealed 2007 with an increase of 16% from last year's P2,613 million to P3,020 million.

GAEX	Year 2007 (in millions)	Year 2006(in millions)	Increase (decrease)	%
Personnel costs	1,255	986	269	27%
Facilities costs	330	349	(19)	(5%)
Outside services	435	451	(16)	(4%)
Taxes and licenses	133	88	45	52%
Others	436	317	119	38%
Cash GAEX	P2,589	P2,191	P398	18%
Depreciation	419	412	7	2%
Amortization of software	13	10	3	30%
Non-Cash GAEX	431	422	9	2%
Total GAEX	P3,020	P2,613	P471	16%

General and administrative expenses surged to P3,020 million on account of higher personnel costs; taxes and licenses; and other GAEX. Personnel costs registered an increase of 27% to P1,255 million. This was largely due to the signing bonus given to employees in compliance with the recently concluded Collective Bargaining Agreement (CBA); year-on-year increase in manpower count from 1,173 to 1,247; increase in the provision for retirement expense in accordance with the latest actuarial valuation report; and increase in salaries due to mandatory wage increases and merit increases.

Taxes and licenses expenses rose by 52% primarily due to the final tax withheld on GMA Pinoy TV revenues by foreign tax authorities.

Other cash GAEX climbed to P436 million or 38% up from last year largely due to higher provision for doubtful accounts and research and survey expenses.

Total outside services costs declined by 4% mainly due to lower consultancy fees this year as against last year.

Meanwhile, facilities costs decreased by 5% as both utilities and repairs and maintenance expenses went down compared to last year.

Non-cash GAEX slightly inched up from last year as depreciation expense went up by P7 million due to current year's additions to fixed assets.

Interest and financing charges from short-term and long-term loans

Interest expense and financing charges this year settled at P23 million, lower by P15 million or 39% compared with last year's P38 million. The decrease was due to the reduction in the Company's loan.

Interest income from short-term investments

Interest income was P72 million in 2007, compared to P13 million in 2006, an increase of P59 million or 465%. This was principally due to higher amount of money market placements this year coming from the proceeds of the IPO.

Provision for Income Tax

With the increase in the Company's revenues this year, the provision for income tax increased by P93 million or 9% to P1,145 million in 2007, compared to P1,052 million in 2006. However, the effective income tax rate for 2007 is lower than that of 2006 because of the income tax holiday being enjoyed by Pinoy TV.

Other Income

Other income this year was P88 million, 29% less than last year's P123 million. The decrease was primarily due to unrealized foreign exchange losses as the Philippine peso appreciated relative to the U.S. dollar in 2007.

Net Income

On account of higher net revenues and contained cash operating expenses, the Network's net income in 2007 amounted to P2,307 million, up by 18% from last year's P1,962 million. Likewise, earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 10% to P4,459 million which translated to a 37% EBITDA margin.

	Year 2007 (in millions)	Year 2006(in millions)
Cash Flow Data:		
Net cash provided by operating activities	2,082.0	1,422.8
Net cash used in investing activities	(363.1)	(780.2)
Net cash used in financing activities	(984.2)	(831.3)
Effect of exchange rate changes on cash and cash equivalents	(21.6)	4.7
Net increase (decrease) in cash and cash equivalents	713.1	(184.0)
Cash and cash equivalents, beginning of period	306.6	490.6
Cash and cash equivalents, end of period	1,019.7	306.6

Operating Activities

Net cash provided by operating activities was P2,082 million in 2007. This amount was mainly comprised of income before income tax of P3,452 million, adjustments for depreciation and amortization of P419 million and program rights usage of P625 million, and changes in working capital. The primary factors for the changes in working capital were an increase in trade and other receivables of P1,057 million as revenues increased, an increase in program rights of P411 million due to increased use and more costly canned programming, offset by an increase in trade payables and other current liabilities of P157 million.

Investing Activities

Net cash used in investing activities was P363 million in 2007, which primarily consisted of additions to property and equipment of P628 million to meet the continuing development and expansion of QTV and Pinoy TV, the construction of the GMA Network Center Annex and regional expansion projects, an increase in other non-current assets of P33 million, increase in investments and advances of P2 million, and increase in value of land by revaluation of P8 million. This was offset by the decrease in short-term investments of P223 million, interest received of P71 million, cash dividends received of P3 million, and proceeds from sale of property and equipment of P7 million.

Financing Activities

Net cash used in financing activities amounted to P984 million in 2007. This consisted mostly of payments of short-term notes of P566 million, cash dividends of P2,500 million, and interest and financing charges paid of P24 million. This was offset by the proceeds from issuance of capital stock amounting to P1,832 million, and proceeds from availments of short-term notes payable of P300 million.

Management's Responsibility for Financial Statements

March 28, 2008

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, 2007, 2006 and 2005. 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.

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, 2007 and 2006, 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, 2007, 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, 2007 and 2006, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2007 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. 0017602, January 3, 2008, Makati City

March 28, 2008

GMA NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 30 and 31)	**P1,019,710,422**	P306,600,439
Short-term investments (Notes 30 and 31)	**2,907,361**	226,352,970
Trade and other receivables - net (Notes 4, 6, 30 and 31)	**4,759,450,464**	3,830,713,778
Program rights - net (Notes 4 and 7)	**817,132,463**	1,031,059,973
Prepaid expenses and other current assets (Notes 8 and 31)	**289,918,367**	250,879,213
Total Current Assets	**6,889,119,077**	5,645,606,373
Noncurrent Assets		
Available-for-sale financial assets (Notes 4, 9 and 31)	**99,435,171**	97,346,586
Investments and advances (Notes 4, 10 and 18)	**362,726,235**	364,045,151
Property and equipment at cost - net (Notes 4 and 11)	**2,680,590,272**	2,522,169,579
Land at revalued amounts (Notes 4 and 12)	**1,380,006,192**	1,371,884,364
Investment properties - net (Notes 4, 13 and 18)	**41,464,880**	43,363,765
Deferred tax assets - net (Note 28)	**31,274,686**	21,878,040
Other noncurrent assets - net (Notes 14 and 31)	**200,604,080**	167,736,206
Total Noncurrent Assets	**4,796,101,516**	4,588,423,691
	P11,685,220,593	P10,234,030,064
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable (Notes 15, 30 and 31)	**P310,700,000**	P577,100,000
Trade payables and other current liabilities (Notes 16, 30 and 31)	**1,710,726,088**	1,506,383,284
Income tax payable	**624,537,238**	569,165,289
Obligations for program rights (Notes 17, 30 and 31)	**85,273,273**	172,758,147
Total Current Liabilities	**2,731,236,599**	2,825,406,720
Noncurrent Liabilities		
Pension liability (Notes 4 and 25)	**274,145,533**	286,473,230
Deferred tax liabilities - net (Note 28)	**141,242,806**	198,925,665
Total Noncurrent Liabilities	**415,388,339**	485,398,895
Stockholders' Equity (Note 30)		
Capital stock (Note 18)	**4,864,692,000**	4,250,000,000
Additional paid in capital (Note 18)	**1,592,615,799**	–
Revaluation increment in land - net (Notes 12 and 28)	**733,610,450**	733,610,450
Unrealized gain (loss) on available-for-sale financial assets (Note 9)	**1,741,413**	(546,035)
Retained earnings (Notes 10, 18 and 19)	**1,372,390,597**	1,940,160,034
Treasury stock (Notes 18 and 29)	**(20,664,588)**	–
Underlying shares of the acquired Philippine deposit receipts (Notes 18 and 29)	**(5,790,016)**	–
Total Stockholders' Equity	**8,538,595,655**	6,923,224,449
	P11,685,220,593	P10,234,030,064

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2007	2006	2005
REVENUE (Note 21)	**P12,056,924,402**	P11,071,627,997	P9,849,791,565
LESS REVENUE DEDUCTIONS			
Agency and marketing commissions	**1,748,344,331**	1,685,747,826	1,581,875,091
Co-producers' share	**121,781,011**	153,483,007	156,445,280
	1,870,125,342	1,839,230,833	1,738,320,371
NET REVENUE	**10,186,799,060**	9,232,397,164	8,111,471,194
PRODUCTION COSTS (Note 22)	**3,851,280,138**	3,702,822,047	2,873,671,299
GROSS PROFIT	**6,335,518,922**	5,529,575,117	5,237,799,895
GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	**(3,020,092,942)**	(2,612,972,057)	(2,308,908,921)
INTEREST INCOME FROM SHORT-TERM INVESTMENTS	**71,762,331**	12,697,551	22,301,854
INTEREST EXPENSE AND FINANCING CHARGES ON SHORT-TERM LOANS (Note 15)	**(23,130,092)**	(38,029,562)	(43,623,936)
EQUITY IN NET LOSSES OF ASSOCIATES AND JOINT VENTURES (Note 10)	**(3,228,728)**	(10,395,732)	(7,894,998)
OTHER INCOME - Net (Notes 26 and 31)	**90,901,501**	133,466,300	46,052,469
INCOME BEFORE INCOME TAX	**3,451,730,992**	3,014,341,617	2,945,726,363
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)			
Current	**1,210,602,378**	1,086,052,406	991,315,755
Deferred	**(66,101,949)**	(34,210,082)	(50,839,768)
	1,144,500,429	1,051,842,324	940,475,987
NET INCOME	**P2,307,230,563**	P1,962,499,293	P2,005,250,376
Basic Earnings Per Share (Note 29)	**P0.502**	P0.462	P0.668
Diluted Earnings Per Share (Note 29)	**P0.502**	P0.462	–

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS 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 10, 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, 2007	**P4,250,000,000**	**P–**	**P733,610,450**	**(P546,035)**	**P1,940,160,034**	**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)**
Acquisitions of treasury stocks	**–**	**–**	**–**	**–**	**–**	**(20,664,588)**	**–**	**(20,664,588)**
Acquisitions 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**	**(P20,664,588)**	**(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
At January 1, 2005	P1,062,645,472	P–	P712,650,151	P–	P3,353,983,971	P–	P–	P5,129,279,594
Net income	–	–	–	–	2,005,250,376	–	–	2,005,250,376
Addition to revaluation increment due to increase in tax rate	–	–	20,960,299	–	–	–	–	20,960,299
Total income and expense for the year	–	–	20,960,299	–	2,005,250,376	–	–	2,026,210,675
Collection of subscriptions receivable	187,354,528	–	–	–	–	–	–	187,354,528
Cash dividends - P0.95 a share	–	–	–	–	(1,187,565,936)	–	–	(1,187,565,936)
	187,354,528	–	–	–	(1,187,565,936)	–	–	(1,000,211,408)
At December 31, 2005	P1,250,000,000	P–	P733,610,450	P–	P4,171,668,411	P–	P–	P6,155,278,861

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**P3,451,730,992**	P3,014,341,617	P2,945,726,363
Adjustments for:			
Depreciation and amortization (Note 23)	**418,760,008**	412,403,819	400,783,621
Net pension expense (Note 24 and 25)	**131,400,335**	73,834,854	56,535,539
Interest income from short-term investments	**(71,762,331)**	(12,697,551)	(22,301,854)
Unrealized foreign exchange loss (gain)	**29,296,408**	(4,701,248)	(8,365,126)
Interest expense and financing charges on short-term loans (Note 15)	**23,130,092**	38,029,562	43,623,936
Reversal of long-outstanding liabilities and accruals (Note 26)	**(17,209,507)**	(44,575,703)	–
Amortization of software costs (Notes 14 and 23)	**12,660,849**	9,724,154	11,007,746
Other noncash expenses - net	**12,141,144**	13,898,254	–
Impairment loss (reversal of allowance for impairment) on investment properties (Note 13)	**(4,353,538)**	–	5,410,892
Equity in net losses of associates and joint ventures (Note 10)	**3,228,728**	10,395,732	7,894,998
Dividend income (Note 26)	**(2,618,418)**	(5,038,580)	(2,537,650)
Loss (gain) on sale of property and equipment and investment properties (Note 26)	**828,095**	465,236	(929,910)
Marked-to-market (gain) loss on derivatives and financial assets through profit or loss (Note 26)	–	(6,844,877)	(5,482,847)
Operating income before working capital changes	**3,987,232,857**	3,499,235,269	3,431,365,708
Program rights usage (Notes 7 and 22)	**624,703,967**	581,546,752	299,072,199
Provision for doubtful accounts (Note 6 and 23)	**122,003,748**	4,168,622	31,162,605
Sick and vacation leaves expense (Note 24)	**49,549,493**	42,650,259	39,789,064
Impairment (reversal of allowance for impairment) of program rights carried at perpetuity (Notes 7 and 26)	**(160,305)**	1,794,047	(1,428,056)
Decrease (increase) in:			
Trade and other receivables	**(1,056,961,397)**	(728,331,369)	112,271,134
Program rights (Note 7)	**(410,616,152)**	(613,326,282)	(733,151,314)
Prepaid expenses and other current assets	**(18,448,196)**	(6,521,440)	(88,642,742)
Increase (decrease) in:			
Trade payables and other current liabilities	**174,230,440**	(141,627,168)	389,206,021
Obligations for program rights	**(90,535,514)**	(164,256,738)	168,150,865
Pension liability	**(143,743,777)**	(26,316,924)	(28,811,129)
Cash generated from operations	**3,237,255,164**	2,449,015,028	3,618,984,355
Income taxes paid	**(1,155,230,429)**	(1,026,223,943)	(899,746,502)
Net cash provided by operating activities	**2,082,024,735**	1,422,791,085	2,719,237,853

(Forward)

	Years Ended December 31		
	2007	2006	2005
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment (Note 11)	**(P628,218,477)**	(P514,768,749)	(P857,112,311)
Decrease (increase) in:			
Short-term investments	**223,445,609**	(226,352,970)	7,072,961
Investments and advances (Note 10)	**(1,909,812)**	(23,032,231)	(19,273,433)
Investment properties	**–**	9,036,266	(23,224,280)
Other noncurrent assets – net	**(32,633,341)**	(38,237,617)	51,401,975
Interest received	**70,788,225**	13,154,358	20,078,270
Proceeds from sale of property and equipment and investment properties	**10,950,431**	2,041,863	2,330,055
Additions to land at revalued amounts (Note 12)	**(8,121,828)**	(7,080,300)	(12,808,890)
Cash dividends received (Note 26)	**2,618,418**	5,038,580	2,537,650
Net cash used in investing activities	**(363,080,775)**	(780,200,800)	(828,998,003)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Note 18)	**(2,500,000,000)**	(1,089,540,602)	(1,159,586,782)
Notes payable	**(566,400,000)**	(535,900,000)	(620,408,646)
Long-term debt	**–**	–	(524,590,007)
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	510,000,000
Interest and financing charges paid	**(23,681,864)**	(42,255,427)	(39,063,333)
Acquisitions of:			
Treasury stock (Note 18)	**(20,664,588)**	–	–
Philippine deposit receipts (Note 18)	**(5,790,016)**	–	–
Net cash used in financing activities	**(984,228,669)**	(831,296,029)	(1,833,648,768)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(21,605,308)**	4,701,248	444,386
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**713,109,983**	(184,004,496)	57,035,468
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**306,600,439**	490,604,935	433,569,467
CASH AND CASH EQUIVALENTS AT END OF YEAR	**P1,019,710,422**	P306,600,439	P490,604,935

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.

On July 30, 2007, the Parent Company's shares of stock were 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, 2007, 2006 and 2005 were authorized for issue by the Board of Directors (BOD) on March 28, 2008.

2. **Basis of Preparation**

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for derivative financial instruments and 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 reporting currency. 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 Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) issued by the Financial Reporting Standards Council (FRSC).

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

- PFRS 7, *Financial Instruments: Disclosures,* requires disclosures that enable users of financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the consolidated financial statements. While there has been no effect on the financial position or results of operations, comparative information has been revised where needed.

  The Group availed of the amendment to the transition provisions of this standard, as approved by the FRSC. This gives transition relief with respect to the presentation of comparative information for new risks disclosures about the nature and extent of risks arising from financial instrument in paragraphs 31–42 of PFRS 7. Accordingly, an entity that applies PFRS 7 for annual periods beginning on or after January 1, 2007 need not present comparative information unless previously required by PAS 32, *Financial Intruments: Presentation*. The adoption of this standard resulted in the inclusion of additional disclosures, such as aging analysis of trade receivables, contractual maturity analysis of financial liabilities and market sensitivity analysis in the consolidated financial statements (see Notes 6 and 30).

- PAS 1, *Amendment to Presentation of Financial Statements*, requires the Group to make additional disclosures to enable the users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The adoption of this amendment did not have any effects on the financial position of the Group. It did, however, give rise to additional disclosures. These new disclosures are shown in Note 30.

- Philippine Interpretation IFRIC 7, *Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies*, becomes effective for financial years beginning on or after March 1, 2006. This interpretation provides guidance on how to apply PAS 29 when an economy first becomes hyperinflationary, in particular the accounting for deferred income tax. The adoption of this interpretation did not have any impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 8, *Scope of PFRS 2*, requires PFRS 2, *Share-based Payment* to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation had no impact on the financial position or performance of the Group.

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*, becomes effective for financial years beginning on or after June 1, 2006. This interpretation establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. The adoption of this interpretation had no impact on the financial position or performance of the Group.

- Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment*, becomes effective for financial years beginning on or after November 1, 2006. It provides that the frequency of financial reporting does affect the amount of impairment charge to be recognized in the annual financial reporting with respect to goodwill and AFS equity investments. It prohibits the reversal of impairment losses on goodwill and AFS equity investments recognized in the interim financial reports even if impairment is no longer present at the annual balance sheet date. As the Group had no impairment losses previously reversed, the adoption of this interpretation had no impact on the financial position or performance of the Group.

<u>Future Changes in Accounting Policies</u>

- PFRS 8, *Operating Segments*, becomes effective for financial years beginning on or after January 1, 2009, and will replace PAS 14, *Segment Reporting*. It adopts a management approach to 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, *Revised Presentation of Financial Statements*, becomes effective for financial years beginning on or after January 1, 2009. The standard separates owner and non-owner changes in equity. The consolidated statements of changes in 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 the revised standard on its consolidated financial statements.

- PAS 23, *Borrowing Costs*, becomes 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.

- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*, becomes effective for financial years beginning on or after March 1, 2007. This interpretation 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. The Group does not expect this interpretation to have a significant impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 12, *Service Concession Arrangement*, become effective on January 1, 2008. This interpretation 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. This interpretation will have no impact on the Group's consolidated financial statements as this is not relevant to its current operations.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, becomes effective for annual periods beginning on or after July 1, 2008. This interpretation 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 14, *PAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, becomes effective for annual periods beginning on or after January 1, 2008. This interpretation 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 expects that this interpretation will have no impact on the financial position or performance of the Group.

Basis of Consolidation

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

	Country of Incorporation	Percentage of Ownership	
		2007	2006
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

* Started operations in 2004
** Indirectly owned through GNMI; formerly Digital Kitchen, Inc.
*** 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.

Minority interest in Ninja as of December 31, 2007, 2006 and 2005 has been reduced to zero because Ninja is in a net capital deficiency position in those years.

3. Summary of Significant Accounting and Financial Reporting Policies

Cash and Cash Equivalents

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

Short-term Investments

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.

Program Rights

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.

Financial Assets and Liabilities

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 fair value through profit or loss (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 for 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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. 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.

Classified as financial assets at FVPL are the Parent Company's bifurcated embedded derivatives. The carrying values of financial assets under this category amounted to P3.76 million as of December 31, 2006 (see Note 31).

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 (see Notes 5, 6 and 14). The carrying values of financial assets under this category amounted to P5,793.48 million and P4,373.04 million as of December 31, 2007 and 2006, 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, 2007 and 2006.

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 P99.44 million and P97.35 million as of December 31, 2007 and 2006, respectively (see Note 31).

Financial Liabilities

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, 2007 and 2006.

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, and obligations for program rights (see Notes 15, 16 and 17). The carrying values of financial liabilities under this category amounted to P1,400.44 million and P1,681.20 million as of December 31, 2007 and 2006, 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.

Impairment of Financial Assets

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. 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 the 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. 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.

Offsetting Financial Instruments

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.

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 May 18, 2004 and October 18, 2004. 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 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 is the greater of fair value less cost to sell or value in use. The fair value 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 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 of 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 and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership 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.

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 recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange 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 unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of unused tax credits and unused tax losses 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 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 related 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 receivables or payables 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, asset and liabilities.

4. **Significant Accounting Judgments and Estimates**

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 lessor retaining all significant risk and rewards of ownership of these properties.

Rent expense charged to operations amounted to P533.32 million, P582.31 million and P495.25 million in 2007, 2006 and 2005, 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
The 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.

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 impairment losses would increase the recorded general and administrative expenses and decrease current assets.

Trade and other receivables, net of allowance for doubtful accounts, amounted to P4,759.45 million and P3,830.71 million as of December 31, 2007 and 2006, respectively (see Note 6).

Amortization of Program Rights. The Group estimates the amortization method 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 method 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 P817.13 million and P1,031.06 million as of December 31, 2007 and 2006, 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% more of the original cost of investment, and 'prolonged' as greater than 6 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 Group's AFS financial assets amounted to P99.44 million and P97.35 million as of December 31, 2007 and 2006, 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 P2,680.59 million and P2,522.17 million as of December 31, 2007 and 2006, respectively (see Note 11). Investment properties, net of accumulated depreciation and accumulated impairment in value, amounted to P41.46 million and P43.36 million as of December 31, 2007 and 2006, 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, 2007 and 2006.

Revaluation of Land. The Group engages Cuervo Appraisers, Inc., 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 P1,380.01 million and P1,371.88 million as of December 31, 2007 and 2006, respectively (see Note 12).

Impairment of Nonfinacial 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 P5,281.92 million and P5,332.52 million as of December 31, 2007 and 2006, respectively (see Notes 7, 10, 11, 12 and 13).

Estimating Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each balance sheet date and reduces the carrying amount 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.

Deferred tax assets amounted to P245.95 million and P184.95 million as of December 31, 2007 and 2006, respectively (see Note 28).

Pension and Other Retirement Benefits. The determination of the Group's obligation and cost of pension and other retirement 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 rates, expected rates of return on plan assets and expected rates 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 P274.15 million and P286.47 million as of December 31, 2007 and 2006, respectively. Unrecognized actuarial losses amounted to P248.08 million and P384.41 million as of December 31, 2007 and 2006, 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 judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates). However, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in 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).

5. **Cash and Cash Equivalents**

This account consists of:

	2007	2006
Cash on hand and in banks	**P828,220,662**	P212,014,487
Short-term placements	**191,489,760**	94,585,952
	P1,019,710,422	P306,600,439

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.

6. **Trade and Other Receivables**

This account consists of:

	2007	2006
Trade (see Note 20)	**P4,800,107,880**	P3,802,715,622
Others	**137,455,955**	84,107,779
	4,937,563,835	3,886,823,401
Less allowance for doubtful accounts	**178,113,371**	56,109,623
	P4,759,450,464	P3,830,713,778

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 normally collected throughout the financial year.

As of December 31, 2007 and 2006, trade receivables amounting to P178.11 million and P56.11 million, respectively, were impaired. The movements in the allowance for doubtful accounts for trade receivables are as follows:

	2007	2006
Balance at beginning of year	**P56,109,623**	P52,141,000
Provisions for the year (see Note 23)	**122,003,748**	4,168,622
Reversal of provision for accounts written-off	**–**	(199,999)
	P178,113,371	P56,109,623

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

Neither past due nor impaired	P3,551,154,666
Past due but not impaired:	
< 30 days	433,043,426
31–60 days	196,877,256
61–90 days	91,383,367
91–180 days	207,414,915
181–365 days	54,117,015
Over one year	88,003,864
	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:

	2007	2006
Cost		
Balance at beginning of year	**P1,033,922,538**	P1,002,143,008
Additions	**410,616,152**	613,326,282
Program rights usage (see Note 22)	**(624,703,967)**	(581,546,752)
Balance at end of year	**819,834,723**	1,033,922,538
Accumulated Impairment Loss		
Balance at beginning of year	**2,862,565**	1,068,518
Additions (reversals) (see Note 26)	**(160,305)**	1,794,047
Balance at end of year	**2,702,260**	2,862,565
Net Book Value	**P817,132,463**	P1,031,059,973

8. **Prepaid Expenses and Other Current Assets**

This account consists of:

	2007	2006
Prepaid production costs	**P112,316,523**	P101,727,830
Materials and supplies inventory at cost	**80,921,342**	71,438,801
Prepaid expenses	**46,187,422**	42,935,246
Derivative assets (see Note 31)	**–**	3,759,775
Others	**50,493,080**	31,017,561
	P289,918,367	P250,879,213

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 P16.18 million and P83.26 million, respectively, as of December 31, 2007 and P14.09 million and P83.26 million, respectively, as of December 31, 2006. There were no additions or disposals in 2007 and 2006 (see Note 31).

The Group has no intention to dispose, its invesment in unquoted shares of stocks in the near future.

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.

In 2006, AFS financial assets include unrealized loss amounting P0.84 million. This amount, net of deferred tax assets amounting to P0.29 million, is deferred under the stockholders' equity section of the consolidated balance sheets.

10. **Investments and Advances**

This account consists of:

	2007	2006
Investments in shares of stocks accounted under the equity method	**P207,463,369**	P42,692,097
Advances to associates and joint ventures	**155,262,866**	96,019,370
Advances to related parties (see Note 20)	**–**	225,333,684
	P362,726,235	P364,045,151

The movements in the above amounts follow:

	2007	2006
Investments in shares of stock accounted for under the equity method		
Acquisition cost:		
Balance at beginning of year	**P100,788,343**	P68,253,749
Additional investments during the year	**168,000,000**	50,788,343
Disposal during the year	**–**	(18,253,749)
Balance at end of year	**268,788,343**	100,788,343
Accumulated equity in net losses:		
Balance at beginning of year	**(58,096,246)**	(102,466,117)
Equity in net losses during the year	**(3,228,728)**	(10,395,732)
Disposal during the year	**–**	54,765,603
Balance at end of year	**(61,324,974)**	(58,096,246)
	207,463,369	42,692,097
Advances to associates and joint ventures:		
Balance at beginning of year	**96,019,370**	101,593,021
Reclassifications during the year	**57,333,684**	84,475,370
Additional advances during the year	**1,909,812**	–
Disposal during the year	**–**	(90,049,021)
Balance at end of year	**155,262,866**	96,019,370
Advances to related parties:		
Balance at beginning of year	**225,333,684**	347,364,365
Conversion of advances into equity investments during the year	**(168,000,000)**	(38,288,343)
Reclassifications during the year	**(57,333,684)**	(84,475,370)
Additional advances during the year	**–**	733,032
Balance at end of year	**–**	225,333,684
Total investments and advances	**P362,726,235**	P364,045,151

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

	Percentage of Ownership		Country of
	2007	2006	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**	–	- do -
Joint ventures -			
Internet Publishing:			
INQ7 Interactive, Inc. (INQ7)	**50.0**	50.0	- do -
Philippine Entertainment Portal, Inc. (PEP)	**50.0**	50.0	- do -

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

	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**

	2006		
	Investments	Advances (see Note 20)	Total
Associate -			
Mont-Aire	P38,316,029	P84,475,370	P122,791,399
Joint ventures:			
PEP	12,500,000	–	12,500,000
INQ7	(8,123,932)	11,544,000	3,420,068
	P42,692,097	P96,019,370	P138,711,467

In 2006, advances to related parties consist of advances to RGMA for future conversion to equity amounting to P225.33 million (see Note 20).

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.

In 2006, the Parent Company's investments in Image One Multi-Media Corporation (Image One) and Film Experts, Inc. (Filmex) were declared as property dividends to the major shareholders of the Parent Company (see Note 18).

The Parent Company likewise converted its advances to Mont-Aire amounting to P38.29 million into equity investments in 2006. The SEC approved the conversion on February 17, 2006.

Following are the condensed financial information of the associates:

		Total Assets	Total Liabilities	Revenue	Net Income (Loss)
RGMA	2007	P117,694,937	P118,965,589	P111,590,201	(P899,091)
Mont-Aire	2007	160,214,339	94,577,576	1,482,688	31,176
	2006	160,275,934	94,670,348	1,293,159	56,503

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

	INQ7		PEP	
	2007	2006	**2007**	2006
Current assets	**P7,699,079**	P17,206,563	**P9,105,304**	P12,500,000
Noncurrent assets	**2,182,230**	13,517,355	**425,395**	–
Current liabilities	**29,032,924**	27,255,791	**951,004**	–
Noncurrent liabilities	**–**	48,059	–	–
Revenue	**–**	42,539,800	**2,378,266**	–
Expenses	**809,781**	51,503,683	**6,298,572**	–
Net loss	**809,781**	8,963,883	**3,920,306**	–

11. **Property and Equipment at Cost**

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

	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**
	5,786,533,726	**205,931,120**	**(71,023,786)**	**26,455,087**	**5,947,896,147**
Accumulated depreciation and amortization:					
Buildings, towers and leasehold 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**

	2006				
	January 1, 2006	Additions	Disposals	Reclassifications	December 31, 2006
Cost:					
Buildings, towers and improvements	P1,527,761,200	P48,785,571	P–	P36,099,337	P1,612,646,108
Antenna and transmitter systems and broadcast equipment	3,101,242,956	218,197,728	(627,718)	43,074,951	3,361,887,917
Communication and mechanical equipment	335,924,875	10,975,040	(392,000)	26,745,236	373,253,151
Transportation equipment	226,107,544	54,586,319	(11,978,048)	8,832,322	277,548,137
Furniture, fixtures and equipment	123,428,630	31,508,433	(4,159,387)	10,420,737	161,198,413
Total	5,314,465,205	364,053,091	(17,157,153)	125,172,583	5,786,533,726
Accumulated depreciation and amortization:					
Buildings, towers and leasehold improvements	497,496,801	74,509,333	–	–	572,006,134
Antenna and transmitter systems and broadcast equipment	2,277,443,627	220,112,803	(614,093)	39,024	2,496,981,361
Communication and mechanical equipment	218,433,615	25,876,003	–	–	244,309,618
Transportation equipment	101,284,351	50,202,737	(9,684,467)	–	141,802,621
Furniture, fixtures and equipment	73,620,849	39,569,491	(4,351,494)	(39,024)	108,799,822
	3,168,279,243	410,270,367	(14,650,054)	–	3,563,899,556
Construction in progress and equipment for installation	290,319,051	150,715,658	–	(141,499,300)	299,535,409
Net book value	P2,436,505,013	P104,498,382	(P2,507,099)	(P16,326,717)	P2,522,169,579

No borrowing cost was capitalized in 2007 and 2006.

Depreciation and amortization charged to operations amounted to P417.33 million, P410.27 million and P398.82 million in 2007, 2006 and 2005, respectively. These amounts include amortization of capitalized borrowing costs and customs duties and taxes amounting to P10.08 million and none, respectively, in 2007, P10.08 million and P0.62 million, respectively, in 2006 and P10.08 million and P2.05 million, respectively, in 2005.

12. Land at Revalued Amounts

This account consists of:

	2007	2006
Cost		
Balance at beginning of year	**P323,869,436**	P316,789,136
Additions	**8,121,828**	7,080,300
Balance at end of year	**331,991,264**	323,869,436
Revaluation Increment		
Balance at beginning of year	**1,048,014,928**	1,048,014,928
Additions	**–**	–
Balance at end of year	**1,048,014,928**	1,048,014,928
	P1,380,006,192	P1,371,884,364

As mentioned in Note 3, land used in operations were appraised by an independent firm of appraisers on May 18, 2004 and October 18, 2004.

While appraised values of land were not determined as of December 31, 2007 and 2006, the Group's management believes that there were no conditions present in 2007 and 2006 that would significantly reduce the appraised values of the land from those determined in 2004.

13. Investment Properties

The movements in investment properties follow:

	Land and Improvements	Buildings and Improvements	Total
Cost			
Balance at January 1, 2006	**P41,426,199**	**P63,322,238**	**P104,748,437**
Additions	**–**	**2,357,398**	**2,357,398**
Declared as property dividends (see Note 18)	**–**	**(33,913,451)**	**(33,913,451)**
Reclassifications	**–**	**(464)**	**(464)**
Balance at December 31, 2006	**41,426,199**	**31,765,721**	**73,191,920**
Disposals	**(4,800,000)**	**(170,000)**	**(4,970,000)**
Balance at December 31, 2007	**36,626,199**	**31,595,721**	**68,221,920**
Accumulated Depreciation			
Balance at January 1, 2006	**–**	**25,200,075**	**25,200,075**
Additions	**–**	**2,133,452**	**2,133,452**
Disposals	**–**	**(8,894,302)**	**(8,894,302)**
Balance at December 31, 2006	**–**	**18,439,225**	**18,439,225**
Additions	**–**	**1,426,923**	**1,426,923**
Disposals	**–**	**(144,500)**	**(144,500)**
Balance at December 31, 2007	**–**	**19,721,648**	**19,721,648**
Accumulated Impairment in Value			
Balance at January 1, 2006	**–**	**11,388,930**	**11,388,930**
Additions	**–**	**–**	**–**
Balance at December 31, 2006	**–**	**11,388,930**	**11,388,930**
Reversals		**(4,353,538)**	**(4,353,538)**
Balance at December 31, 2007	P–	**P7,035,392**	**P7,035,392**
Net Book Value			
At December 31, 2007	**P36,626,199**	**P4,838,681**	**P41,464,880**
At December 31, 2006	**41,426,199**	**1,937,566**	**43,363,765**
At January 1, 2006	**41,426,199**	**26,733,233**	**68,159,432**

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, 2007 and 2006, the Group's management believes that there were no conditions present in 2007 and 2006 that would significantly reduce the fair values 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.

Certain investment properties totaling to P33.91 million were declared as property dividends on June 13, 2006 (see Note 18).

14. Other Noncurrent Assets

This account consists of:

	2007	2006
Tax credits	**P85,899,170**	P79,894,909
Guarantee and other deposits (see Note 31)	**35,282,242**	28,607,053
Software costs - net	**32,851,044**	19,962,575
Investment in artworks	**10,406,257**	10,406,257
Others	**36,165,367**	28,865,412
	P200,604,080	P167,736,206

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:

	2007	2006
Cost:		
Balance at beginning of year	**P67,140,982**	P52,178,850
Additions	**25,549,318**	14,962,132
Balance at end of year	**92,690,300**	67,140,982
Accumulated amortization:		
Balance at beginning of year	**47,178,407**	37,454,253
Additions (see Note 23)	**12,660,849**	9,724,154
Balance at end of year	**59,839,256**	47,178,407
Net book value	**P32,851,044**	P19,962,575

15. Notes Payable

This account 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% in 2007 and 6.25% to 7.00% in 2006.

16. Trade Payables and Other Current Liabilities

This account consists of:

	2007	2006
Trade (see Note 20)	**P301,790,923**	P323,560,208
Payable to government agencies	**706,257,479**	575,040,349
Accrued expenses	**336,534,009**	402,580,383
Accrued sick and vacation leaves	**157,307,245**	137,071,394
Due to related parties (see Note 20)	**145,082,590**	3,984,553
Others	**63,753,842**	64,146,397
	P1,710,726,088	P1,506,383,284

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 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, 2007 and 2006 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"). Unamortized discounts as of December 31, 2006 amounted to P2.13 million. There are no unamortized discounts as of December 31, 2007.

18. Stockholders' Equity

a. Capital Stock

The composition of capital stock as of December 31, 2007 and 2006 follows:

	Number of Preferred Shares		Number of Common Shares	
	2007	2006	**2007**	2006
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**	3,500,000,000
Subscribed and issued at beginning of year	**7,500,000,000**	–	**2,750,000,000**	1,250,000,000
Stock dividends	–	7,500,000,000	**375,000,000**	1,500,000,000
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**	2,750,000,000

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 divided 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 P70.09 million.

Treasury Stock and Underlying Shares of Acquired PDRs

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.

b. Retained Earnings

The retained earnings available for dividend declaration of the Parent Company amounted to P1,345.94 million and P1,940.16 million as of December 31, 2007 and 2006, respectively.

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 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 and Filmex 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.

On June 2, 2005 and February 17, 2005, the BOD approved the Parent Company's declaration and distribution of cash dividends totaling P1,187.57 million to all stockholders of record as of declaration dates.

Also on February 17, 2005, the BOD approved the Parent Company's declaration and distribution of property dividends to all stockholders of record as of the same date, consisting of investments in shares of stock of Image One amounting to P44.01 million. The investments in shares of stock of Image One, which were the subject of property dividend declaration, were only issued in 2006 when the SEC approved Image One's application for increase in authorized capital stock on March 7, 2006.

19. Parent Company Dividends

Cash dividends declared per share amounted to P0.54, P0.46 and P0.95 in 2007, 2006 and 2005, 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	2007	P–	P11,544,000	P475,929	P2,631,968
		2006	–	11,544,000	3,984,553	2,631,968

Related Party	Nature of Transaction	Year	Transactions During the Year	Due from Related Parties/ Advances	Due to Related Parties	Trade Receivables (Trade Payables)
RGMA	Advances for working capital requirements, net of marketing commission expense	2007	1,909,812	59,243,496	–	(22,214,596)
		2006	–	225,333,684	–	45,078,732
Mont-Aire	Debt to equity conversion, grant of noninterest-bearing advances	2007	–	84,475,370	–	–
		2006	191,791	84,475,370	–	–
Image One	Collection remittance	2007	18,482,055	–	–	314,107
		2006	–	–	–	18,796,162
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	2007	P18,840,511	–	P144,606,661	–
		2006	23,026,400	–	–	(974,400)

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.

BGE Law

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

FLG, San Mateo, 3LM Koblenz, Majent

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:

	2007	2006	2005
Salaries and other short-term benefits	**P231,880,504**	P212,296,605	P163,731,804
Pension benefits	**37,551,733**	22,957,942	18,643,001
	P269,432,237	P235,254,547	P182,374,805

21. Revenue

This account consists of:

	2007	2006	2005
Television and radio airtime	**P11,367,275,348**	P10,495,641,896	P9,606,669,984
Production and others	**689,649,054**	575,986,101	243,121,581
	P12,056,924,402	P11,071,627,997	P 9,849,791,565

22. Production Costs

This account consists of:

	2007	2006	2005
Talent fees	**P1,894,648,497**	P 1,745,631,197	P1,301,399,213
Program rights usage (see Note 7)	**624,703,967**	581,546,752	299,072,199
Rental	**469,517,457**	514,509,986	451,680,646
Tapes, sets and productions supplies	**363,593,707**	333,582,961	312,790,305
Transportation and communication	**150,913,647**	121,469,486	129,726,237
Facilities and others	**347,902,863**	406,081,665	379,002,699
	P3,851,280,138	P3,702,822,047	P2,873,671,299

23. General and Administrative Expenses

This account consists of:

	2007	2006	2005
Personnel costs (see Note 24)	**P1,254,722,559**	P986,434,911	P862,070,109
Depreciation and amortization (see Notes 11 and 13)	**418,760,008**	412,403,819	400,783,621
Advertising	**224,245,664**	203,677,674	182,572,096
Communication, light and water	**195,963,540**	198,582,120	164,509,764
Repairs and maintenance	**134,065,265**	150,219,791	134,965,474
Taxes and licenses	**132,846,190**	87,664,083	65,395,954
Professional fees (see Note 20)	**128,745,715**	172,685,122	105,690,860
Provision for doubtful accounts (see Note 6)	**122,003,748**	4,168,622	31,162,605
Sales incentives	**82,424,027**	75,085,166	85,619,146
Rental	**63,802,482**	67,801,508	43,570,197
Transportation and travel	**45,759,067**	61,406,085	48,589,804
Materials and supplies	**25,646,309**	22,370,187	31,809,950
Insurance	**18,269,974**	16,189,107	13,466,834
Dues and subscriptions	**16,051,276**	27,694,199	28,496,450
Amortization of software costs (see Note 14)	**12,660,849**	9,724,154	11,007,746
Entertainment, amusement and recreation	**10,751,876**	14,417,118	15,202,551
Others	**133,374,393**	102,448,391	83,995,760
	P3,020,092,942	P2,612,972,057	P2,308,908,921

24. Personnel Costs

This account consists of:

	2007	2006	2005
Salaries and wages	**P733,943,720**	P613,319,665	P543,058,364
Employee benefits and allowances	**339,829,011**	256,630,133	222,687,142
Net pension expense (see Note 25)	**131,400,335**	73,834,854	56,535,539
Sick and vacation leaves expense	**49,549,493**	42,650,259	39,789,064
	P1,254,722,559	P986,434,911	P862,070,109

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:

	2007	2006	2005
Current service cost	**P64,218,882**	P31,330,356	P22,430,096
Interest cost	**55,619,314**	40,287,799	33,693,461
Actuarial losses recognized	**11,725,770**	2,323,930	432,189
Expected return on plan assets	**(163,631)**	(107,231)	(20,207)
	P131,400,335	P73,834,854	P56,535,539

The details of net pension liability are as follows:

	2007	2006	2005
Fair value of the plan assets	**P131,559,055**	P1,487,557	P1,340,378
Present value of defined benefit obligation	**(653,787,108)**	(672,369,032)	(335,731,657)
	(522,228,053)	(670,881,475)	(334,391,279)
Unrecognized actuarial losses	**248,082,520**	384,408,245	95,435,979
Net pension liability	**(P274,145,533)**	(P286,473,230)	(P238,955,300)

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

	2007	2006	2005
Balance at beginning of year	**P1,487,557**	P1,340,378	P252,585
Contribution during the year	**143,743,777**	26,316,924	27,473,430
Benefits paid	**(13,743,777)**	(26,316,924)	(26,473,430)
Expected return on plan assets	**163,631**	107,231	20,207
Actuarial gains (losses)	**(92,133)**	39,948	67,586
Balance at end of year	**P131,559,055**	P1,487,557	P1,340,378
Actual return on plan assets	**P71,498**	P147,179	P87,793

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

	2007	2006	2005
Balance at beginning of year	**P672,369,032**	P335,731,657	P240,667,581
Interest cost	**55,619,314**	40,287,799	33,693,461
Current service cost	**64,218,882**	31,330,356	22,430,096
Benefits paid	**(13,743,777)**	(26,316,924)	(26,473,430)
Actuarial losses (gains)	**(124,676,343)**	291,336,144	65,413,949
Balance at end of year	**P653,787,108**	P672,369,032	P335,731,657

The Group expects to contribute P96.16 million to its defined benefit pension plans in 2008.

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, 2007	January 1, 2006	January 1, 2005
Discount rate	**8%**	12%	14%
Expected rate of return on plan assets	**11%**	8%	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, 2007 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:

	2007	2006	2005
Defined benefit obligation	**P653,787,108**	P672,369,032	P335,731,657
Plan assets	**131,559,055**	1,487,557	1,340,378
Deficit	**522,228,053**	670,881,475	334,391,279
Experience adjustments on plan liabilities	**20,998,177**	15,399,575	–
Experience adjustments on plan assets	**92,133**	(39,948)	(67,586)

26. Other Income

This account consists of the following income (expenses):

	2007	2006	2005
Foreign exchange gain (loss) - net	**(P19,038,386)**	P22,536,504	P10,853,802
Commissions from GMA Artists' Center	**9,016,508**	11,624,969	6,250,268
Reversal of allowance (provision) for impairment loss on investment properties (see Note 13)	**4,353,538**	–	(5,410,892)
Rental (see Note 27)	**3,150,959**	1,995,603	1,838,180
Dividends	**2,618,418**	5,038,580	2,537,650
Gain (loss) on sale of property and equipment and investment properties - net	**(828,095)**	(465,236)	929,910
Reversal of allowance (provision) for impairment of program rights (see Note 7)	**160,305**	(1,794,047)	1,428,056
Mark-to-market gain on derivatives (see Note 31)	**–**	6,844,877	4,722,260
Mark-to-market gain on financial assets at FVPL	**–**	–	760,587
Others	**91,468,254**	87,685,050	22,142,648
	P90,901,501	P133,466,300	P46,052,469

"Others" account in 2007 and 2006 includes reversal of long-outstanding liabilities and accruals amounting to P17.21 million and P44.58 million, 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 for 2007, 2006, and 2005 amounted to P533.32 million, P582.31 million and P495.25 million, respectively (see Notes 22 and 23).

The Group also leases out certain properties. Total rental income for 2007, 2006 and 2005 amounted to P3.15 million, P2.00 million and P1.84 million, 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:

	2007	2006
	(In Millions)	
Within one year	**P88.93**	P80.85
After one year but not more than five years	**385.82**	412.75
After five years	**–**	62.00
	P474.75	P555.60

28. Income Taxes

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

	2007	2006
Deferred tax assets:		
Net pension liability	**P75,639,625**	P88,172,132
Allowance for doubtful accounts	**61,827,575**	19,253,648
Accrued sick and vacation leaves	**50,599,905**	43,045,051
Accrued rent	**12,998,783**	8,492,270
Unrealized foreign exchange loss	**9,563,117**	–
Discounting of long-term obligation for program rights	**1,588,905**	741,603
Unamortized past service costs	**1,907,027**	2,579,062
Others	**305,115**	628,956
	214,430,052	162,912,722

	2007	2006
Deferred tax liabilities:		
Revaluation increment in land	**(314,404,478)**	(314,404,478)
Unamortized capitalized borrowing costs	**(39,804,754)**	(43,331,758)
Revaluation of AFS financial assets	**(748,684)**	–
Bifurcation of lease contracts	**(714,942)**	(1,182,447)
Unrealized foreign exchange gain	**–**	(2,071,287)
Bifurcation of third currency purchase orders	**–**	(848,417)
	(355,672,858)	(361,838,387)
	(P141,242,806)	(P198,925,665)

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

	2007	2006
Deferred tax assets:		
Net pension liability	**P19,638,996**	P11,822,220
Accrued sick and vacation leaves	**5,702,223**	5,613,547
Allowance for doubtful accounts	**2,721,363**	384,718
Allowance for impairment loss	**1,893,812**	1,893,812
Minimum corporate income tax	**703,522**	480,553
Unrealized foreign exchange loss	**650,507**	457,082
Net operating loss carryover	**212,284**	1,382,266
	31,522,707	22,034,198
Deferred tax liabilities:		
Revaluation of available-for-sale financial assets	**(189,000)**	–
Deferred rental income	**(58,985)**	(58,985)
Unrealized foreign exchange gain	**(36)**	(97,173)
	(248,021)	(156,158)
	P31,274,686	P21,878,040

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

	2007	2006	2005
Statutory income tax rates	**35.00%**	35.00%	32.50%
Additions (deductions) in income tax rates resulting from:			
Income tax holiday	**(1.65)**	–	–
Interest income from short-term investments already subjected to final tax	**(0.73)**	(0.15)	(0.25)
Nonclaimable foreign tax credit	**0.32**	–	–
Equity in net losses of associates and joint ventures	**0.03**	0.12	0.09
Impairment losses on investments and program rights	–	0.02	0.04
Effect of change in tax rates	–	0.05	(0.55)
Others - net	**0.19**	(0.15)	0.10
Effective income tax rates	**33.16%**	34.89%	31.93%

29. EPS Computation

The computation of basic EPS follows:

	2007	2006	2005
Net income (a)	**P2,307,230,563**	P1,962,499,293	P2,005,250,376
Less attributable to preferred shareholders	**752,934,496**	577,205,674	–
Net income attributable to common shareholders (b)	**P1,554,296,067**	P1,385,293,619	P2,005,250,376
Common shares issued at the beginning of year	**2,750,000,000**	2,750,000,000	2,750,000,000
Effect of stock dividends	**250,000,000**	250,000,000	250,000,000
Issuance through IPO	**76,121,667**	–	–
Issuance through ESOP (see Note 18)	**23,750,000**	–	–
Treasury shares acquired during the year (see Note 18)	**(2,645,000)**	–	–
Underlying shares on acquired PDRs (see Note 18)	**(750,000)**	–	–
Weighted average number of common shares for basic EPS (c)	**3,096,476,667**	3,000,000,000	3,000,000,000
Basic EPS (b/c)	**P0.502**	P0.462	P0.668

The computation of diluted EPS follows:

	2007	2006
Net income (a)	**P2,307,230,563**	P1,962,499,293
Weighted average number of common shares	**3,096,476,667**	3,000,000,000
Effect of dilution - assumed conversion of preferred shares	**1,500,000,000**	1,250,000,000
Weighted average number of common shares adjusted for the effect of dilution (d)	**4,596,476,667**	4,250,000,000
Diluted EPS (a/d)	**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 and obligations for program rights. 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, 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 P263.57 million (US$6.38 million) and P98.90 million (US$2.40 million), respectively, as of December 31, 2007 and P150.84 million (US$2.97 million) and P159.85 million (US$3.26 million), respectively, as of December 31, 2006.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were P41.28 to US$1.00 and P49.03 to US$1.00, the Philippine peso to U.S. dollar exchange rates as of December 31, 2007 and 2006, 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.

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.

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.

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.

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

	Neither Past Due Nor Impaired		Past Due	
	High grade	Standard grade	But Not Impaired	Total
Cash and cash equivalents	P1,019,710,422	–	–	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

The Group classifies its receivables into high grade and standard grade. High grade receivables pertain to those customers, belonging to the top 20 advertisers in terms of volume of sales, who consistently pay on or before the maturity date. Standard grade receivables include those customers outside the top 20 advertisers in terms of volume of sales, who consistently pay on maturity date, and other receivables. Past due trade receivables include those that are past due but are still collectible. An analysis of past due trade receivables, by age, is disclosed on page 76. These past due trade receivables are assessed by the management of the Group as good and collectible.

The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of the above financial assets.

Counterparties to the above financial assets consist of a large number of prime financial institutions and companies. The Group does not expect any counterparty to default in its obligations, given the high credit ratings. The Group has no significant concentration of credit risk with any counterparty.

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:

	2007	2006
Total interest-bearing debt (a) - Notes payable	**P310,700,000**	P577,100,000
Total stockholders' equity (b)	**P8,538,595,655**	P6,923,224,449
Interest-bearing debt to total stockholders' equity (a/b)	**3.64%**	8.34%

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:

	2007		2006	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**P1,019,710,422**	**P1,019,710,422**	P306,600,439	P306,600,439
Short-term investments	**2,907,361**	**2,907,361**	226,352,970	226,352,970
Trade and other receivables - net	**4,759,450,464**	**4,759,450,464**	3,830,713,778	3,830,713,778
Guarantee and other deposits (included under "Other noncurrent assets" account in the consolidated balance sheets)	**11,408,161**	**11,093,904**	9,368,672	9,362,844
	5,793,476,408	**5,793,162,151**	4,373,035,859	4,373,030,031
Financial assets at FVPL - Derivative assets (included under "Prepaid expenses and other current assets" account in the 2006 consolidated balance sheet)	–	–	3,759,775	3,759,775
AFS financial assets	**99,435,171**	**99,435,171**	97,346,586	97,346,586
	P5,892,911,579	**P5,892,597,322**	P4,474,142,220	P4,474,136,392
Financial Liabilities				
Other financial liablities:				
Notes payable	**P310,700,000**	**P306,748,099**	P577,100,000	P569,430,018
Trade payables and other current liabilities*	**1,004,468,609**	**1,004,468,609**	931,342,935	931,342,935
Obligations for program rights	**85,273,273**	**85,273,273**	172,758,147	172,758,147
	P1,400,441,882	**P1,396,489,981**	P1,681,201,082	P1,673,531,100

**Excluding payable to government agencies amounting to P706.26 million and P575.04 million as of December 31, 2007 and 2006, respectively, the amounts of which are not considered financial liabilities.*

Fair Value of Financial Instruments

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 4.91% to 5.66% as of December 31, 2007 and 5.11% to 5.52% as of December 31, 2006.

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 carrying value of notes payable that re-priced every 3 months approximates fair value because of the recent and regular repricing based on current market rates. 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 and 5.11% to 5.52% as of December 31, 2006.

Trade Payables and Other Current Liabilities and Obligation for Program Rights. The carrying values of trade payables and other current liabilities and obligations for program rights approximate fair values due to the relatively short-term maturity of these financial instruments.

Derivatives. In 2006, the fair values of bifurcated embedded currency forwards are calculated by reference to current forward exchange rates for contracts with similar maturity profile.

Embedded Derivatives

Embedded foreign currency derivatives were bifurcated from the Parent Company's lease and purchase contracts, which are denominated in a currency that is neither the functional currency of a substantial party to the contract nor the routine currency for the transaction. As of December 31, 2006, the total outstanding notional amount of such embedded foreign currency derivatives amounted to US$1.92 million. The net movements in fair value changes of these embedded derivatives are as follows:

	2007	2006
Balance at beginning of year	**P3,759,775**	P4,722,260
Net changes in fair value	**–**	6,844,877
Fair value of settled contracts	**(3,759,775)**	(7,807,362)
Balance at end of year	P-	P3,759,775

The net changes in fair value are included under "Other income" account in the consolidated statements of income.

In 2006, the net mark-to-market gain on the outstanding embedded derivatives amounted to P3.76 million, included under "Prepaid expenses and other current assets" account in the 2006 consolidated balance sheet.

32. **Other Matters**

a. On February 19, 2007, the Parent Company was registered with the Board of Investments (BOI) as a new export producer of television and motion picture on a non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order No. 226). As a registered enterprise, the Parent Company is entitled to income tax holiday for the registered activities for four years starting from registration date.

   The total tax incentives availed in 2007 amounted to P56.95 million.

b. The Parent Company is a defendant in legal cases for copyright infringement, injunctions and damages which are still pending resolution in the Regional Trial Court (RTC). As of March 28, 2008, no resolution has been issued by RTC. Also, complaints for recovery of retirement and other benefits and illegal dismissal of employees have 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.

c. Republic Act No. 9337 was enacted into law effective November 1, 2005 amending various provisions of the 1997 National Internal Revenue Code. Among the reforms introduced are as follows:

   i. Increase in the corporate income tax rate from 32% to 35%, with reduction thereof to 30% beginning January 1, 2009;

   ii. Increased the 10% Value Added Tax (VAT) rate to 12%, effective February 1, 2006;

   iii. Revised invoicing and reporting requirements for VAT;

   iv. Expanded scope of transactions subject to VAT; and

   v. Provided thresholds and limitation on the amount of VAT credits that can be claimed.

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. and RGMA Network, Inc.; **Vice-Chairman** of Malayan Savings and Mortgage Bank; **Director** of Gozon Development Corp., United Way Phils., Justitia Realty and Management Corp., Antipolo Agri-Business and Land Development Corp., and Unicapital, Inc.; **President** of Sagittarius Condominium Corp., Lex Realty, Inc.; **Vice President** of the Philippine Chamber of Commerce and Industry; **Director** of Asian Institute of Journalism and Communication and Children's Musem and Library, Inc., **Chairman of the Board of Trustees** of GMA Kapuso Foundation, The Potter and Clay Christian School Foundation, Inc., 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.

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 GMA Marketing and Productions, Inc.; **President/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., INQ.7, 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).

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. and Scenarios, Inc.; **Chief Executive Officer** of Alta Productions Group, Inc.; **Trustee** of GMA Kapuso Foundation, Inc.

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., GMA New Media, Inc.; **Executive Vice Presiden**t of RGMA Marketing and Productions, Inc.; **Corporate Treasurer** of the Board of Trustees of GMA Kapuso Foundation, Inc.

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.

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.

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-Phils.

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.

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, Metropolitan Museum of Manila, Opera Guild of the Philippines, Heart Foundation of the Philippines, Inc., and Dangal ng Bulacan Foundation.

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 Production, Inc., EMC Network, Inc., and GMA Kapuso Foundation, Inc.

The Executive Committee
Gilberto R. Duavit, Jr., Felipe L. Gozon and Joel Marcelo G. Jimenez

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




TOP, from left to right: **Edwin J. Uy**, VP for Supply and Asset Management; **Eduardo P. Santos**, Internal Auditor; **Ronaldo P. Mastrili**, VP for Finance; **Dick B. Perez**, VP for Legal Affairs; **Ianessa S. Valdellon**, VP for Public Affairs; **Jose Mari R. Abacan**, VP for Program Management; **Carmencita G. Arce**, Head for Corporate Affairs

BOTTOM, from left to right: **Alfonso S. Raquel, Jr.**, VP for Corporate Communications; **Jessica A. Soho**, VP for News; **Sheila A. Tan**, VP for Research; **Regie C. Bautista**, VP for Program Support; **Joselito B. Remulla**, OIC for Engineering Group; **Marivin T. Arayata**, VP for Entertainment TV and Head, Comedy/Game; **Edward D. Achacoso**, VP for Post Production. Not in photo: **Ma. Lourdes Mangahas**, VP for Research and Content Development


TOP, from left to right: **Virgilio L. Muzones**, AVP for Studio/Remote Operations and Facilities Management; **Elvis B. Ancheta**, AVP for Regional Network Engineering; **Corazon P. De Jesus**, AVP for Talk/Musicals/Specials; **Ida Lucilla R. Henarez**, AVP for GMA Artist Center; **Maria Leogarda L. Sanchez-Matias**, AVP for Alternative Platforms (QTV); **Girly S. Lara**, AVP for Alternative Productions

BOTTOM, from left to right: **Rolando G. Sanico**, Division Head for Controllership and Special Projects; **Victoria T. Arradaza** AVP for Supply Management; **Jose Severino V. Fuentes**, AVP for Technical Operations Center; **Rosette Marie T. Hernandez**, AVP for Viewer Directed Marketing; **Ma. Lourdes A. Topacio**, AVP/Creative Director for Creative Services (QTV); **Abraham B. Viray**, Consultant for Human Resources Management; **Rolando S. Santos**, AVP for Labor Relations Management

TOP, from left to right: **Jose S. Toledo, Jr.,** Division Head for Budget and Payroll; **Sonia A. Saw**, Division Head for SOMD and Implementation and Integration; **Lauro M. Penullar**, AVP for Account Management; **Ayahl Ari P. Chio**, Acting Head for Investor Relations and Comptrollership Division; **Rikki O. Escudero**, Head for Regional Television and Concurrent AVP for Expansion & Production Services; **Mary Grace D. Reyes**, AVP for News Operations

BOTTOM, first row from left to right: **Odilon M. De Guzman**, OIC for Corporate Strategic Planning; **Venus E. Bartolabac**, AVP for Mega Manila TV Programming Research; **Ma. Nenita E. Cruz**, OIC for Information and Communications Technology; **Joseph Jerome T. Francia**, OIC for GMA International & Head for Operations; **Ruth D. Lejarde**, AVP for Channel Performance & Regional TV Research; ***second row from left to right:*** **Lilybeth G. Rasonable**, AVP for Drama; **Roehl Rodelio V. Julian** OIC for Administration; **Paul Hendrik P. Ticzon**, AVP for Post Production Operations; **Thomas M. Sales**, AVP for Metro Manila Transmitter Operations

Heads of Subsidiaries

(counter-clockwise)

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 Network, Inc., and Scenarios, 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.

ANNA-TERESA M. GOZON-ABROGAR, President of GMA Worldwide, Inc. and GMA Network Films, Inc.

EDILBERTO I. GALLARES, **President and COO**, GMA New Media, Inc.

EDMUND A. ALCARAZ, **President and COO**, Alta Productions, Inc.

MANUEL P. QUIOGUE, **President and COO**, GMA Marketing and Productions, Inc.

CORPORATE INFORMATION AND DIRECTORY

LUZON

TV-7 Metro Manila
Brgy. Culiat, Tandang Sora, Quezon City
(02) 931-9183 / (02) 924-2497

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
(077) 770-3342 / 0919-6082302 / 0921-3004319

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

TV-10 Olongapo
Upper Mabayuhan, Olongapo City
0918-6154855 / 0927-2570496

TV-12 Batangas
Mt. Banoy, Batangas City
0921-4937234

TV-7 Naga
4th Floor, DMG Building,
Peñafrancia Ave., 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 / 0925-7636213

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
0927-5292665

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

TV-7 Abra
Brgy. Lusuac, Peñarrubia, Abra
09182221611 / 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., Tug., Cagayan
0918-3304321 / 0919-6325143

TV-8 Coron, Palawan
Tapias Hill, Coron, Palawan
0920-4003954

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

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

TV-7 Quirino
Brgy. San Marcos, Capitol Hills, Cabarroguis, Quirino
0917-2567980

VISAYAS

TV-7 Cebu City
Bonbon, Cebu City
(032) 231-3012, 231-4829; 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 / 0918-9071366

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

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

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

TV-8 Borongan
Poblacion, Borongan, Eastern Samar
09274171547 / 0927-7191386

TV-5 Roxas City
Brgy. Lawa-an, Roxas City, Capiz
0919-6925448

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

TV-10 Sipalay
Sipalay Municipal Building, Sipalay, Negros Occidental
0929-4301411

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

TV-8 Kalibo
New Busuanga, Numancia, Aklan
0919-6542806

TV-10 Bacolod City
Security Bank Bldg., Rizal St. cor. Locsin St., Bacolod City
0910-2360344 / 0918-3973562

MINDANAO

TV-5 Davao
Shrine Hills,Matina, Davao City
(082) 299-3403 / 09189194941

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

TV-12 Mt. Kitanglad
Mt. Kitanglad, Bukidnon
0920-3237602

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

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

TV-5 Ozamis
Bo. Malaubang, Ozamis City, Misamis Occidental
09185250766

TV-4 Dipolog
Bo. Sicayab, Dipolog, Zamboanga del Norte
0920-8668705

TV-10 Surigao
Lipata Hills, Surigao City
0920-2952515

TV-12 Jolo, Sulu
Anuling-Pantao Road, Patikul, Sulu
0927-4144589
TV-2 Tandag, Surigao del Sur
Capitol Hill, Brgy. Telaje, Tandag, Surigao del Sur
0927-3316371

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

DWRA-FM 92.7 Baguio
2/F Baguio Midland Courier Bldg.
16 Kisad Rd., Baguio City
(074) 444-3313 - booth
(074) 444-3312 - telefax
rgmabaguio@gmail.com

DWTL-FM 93.5 Dagupan
4/F De Vera Bldg., Arellano Ave.
Dagupan City, Pangasinan
(075) 515-3743 - office
(075) 515-3746 - FM booth
(075) 523-4053 - telefax
rgmadag@pangasinan.com

DWCW-FM 96.3 Legaspi
3rd level A.Bichara Silversreen Entertainment Center,
Magallanes St., Legaspi City
(052) 820-0117 / 820-0963 - booth
(052) 820-2675 - office / telefax
rgmalegazpi@yahoo.com

DWQL-FM 91.1 Lucena
3/F Ancon Bldg., Merchan Street, Lucena City
(042) 373-4371 - FM booth
(042) 373-6235 - office/telefax
rgmalucena@yahoo.com

DWQW-FM 101.5 Naga
4/F Dmg Bldg., Penafrancia St.
Naga City, Camarines Sur
(054) 811-8195 - office
(054) 811-5050 - booth

DYSP-AM 909 Palawan
DYHY-FM 97.5
Solid Road, San Manuel
Puerto Princesa City, Palawan
(048) 434-2907 - FM booth
(048) 434-2906 - office / telefax
lilymaeuy@yahoo.com

DWWQ-FM 89.3 Tuguegarao
4/F Villablanca Hotel Pattaui St.
cor. Pallua Rd., Ugac Norte
Tuguegarao, Cagayan
(078) 844 - 0183 -telefax/ FM booth
(078) 844- 8931 - booth
(078) 844-8930 - admin
lmr_deleon@yahoo.com

DYEN-FM 107.1 Bacolod
2/F Jomabo Centre Penthouse
Rizal cor. Lacson Sts., Bacolod City
(034) 434-2083 (telefax) / 434-1349-am booth
(034) 434-1347-fm booth / 708-2524-fm booth
ding_rgmabacolod@yahoo.com

DYSS-AM 999 Cebu
DYRT-FM 99.5
GMA Skyview Complex, Nivel Hills, Lahug
(032) 231-3012 -Traffic fax / 233-8645 - James
(032) 255-7374 - Research / 231-4829 - fax
(032) 233-8644 & 47 - Tech/News
(032) 232-3378 - SPA / 231-4777 - AJ Ocampo
spalino@cebu.gmanetwork.com
jmocampo@gmanetwork.com

DYSI-AM 1323 Iloilo
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
john_arnaldo2005@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.ph

DXLX-FM 100.7 Cagayan de Oro
2/F Marel Realty Bldg., Pabayo cor.
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.
Damaso Suazo St., Uyanguren
Davao City
(082) 224-0680 - newsroom / 0681- Stn. Mngr.
(082) 222-1344-fm booth / 227-2473 - TV
(082) 222-1343-telefax / 222-3085/86 - am tech
ndburgos@gmanetwork.com

DXCJ-FM 102.3 General Santos
3/F PBC Bldg., Cagampang St.
Gen. Santos City
(083) 5534180 - FM booth
(083) 553-4178 - admin
bengensan@yahoo.com

SUBSIDIARIES

GMA New Media, Inc.
12/F GMA Network Center
EDSA corner Timog Avenue
Diliman, Quezon City
Tel. Nos.: 925-4627 / 982-7777 local 9501 • Fax: 928-4553
Website: www.gmanmi.com
Chairman & CEO: Felipe L. Gozon
President & COO: Edilberto I. Gallares, Jr.

Citynet Network Marketing and Productions, Inc.
GMA Network Center
EDSA corner Timog Avenue, Diliman, Quezon City
Tel. No.: 982-7777
Chairman: Felipe L. Gozon
President: Gilberto R. Duavit, Jr.

GMA Network Films, Inc.
GMA Complex
EDSA corner Timog Avenue, Diliman, Quezon City
Tel. Nos.: 982-7777 locs. 9980, 9981 • Telefax: 926-1842
Chairman: Gilberto R. Duavit, Jr.
President: Anna Teresa G. Abrogar

GMA Worldwide (Philippines), Inc.
10/F GMA Network Center
EDSA corner Timog Avenue
Diliman, Quezon City
Tel. Nos.: 928-5072-73 / 982-7777 local 9381 • 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: 414-8139
Chairman: Felipe L. Gozon
President & CEO: Gilberto R. Duavit, Jr.

Scenarios, Inc.
GMA Complex
EDSA corner Timog Avenue, Diliman, Quezon City
Tel. No.: 982-7777 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, 813-0598 • Fax: 818-4192
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.

[(1)]Indirectly owned through GMA New Media, Inc.

AFFILIATES

RGMA Network, Inc.
GMA Complex
EDSA corner Timog Avenue, Diliman, Quezon City
Tel. No.: 925-2094 • Telefax: 925-2093

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

[(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.

JOINT VENTURE

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 1, Robinsons Galleria
EDSA cor. Ortigas Ave., Quezon City
Tel. Nos.: 634-61-40 / 633-13-68 • Fax: 631-77-88
Website: www.pep.ph

SOCIO-CIVIC ORGANIZATIONS

GMA Kapuso Foundation, Inc.
2/F Kapuso Center
11th Jamboree corner Samar St.
EDSA Diliman, Quezon City
Tel. Nos.: 982-7777 loc. 9901 and 9905 • Telefax: 928-4299 / 928-9351
Email: gmaf@gmanetwork.com
Website: www.kapusofoundation.com

Kapwa Ko, Mahal Ko Foundation, Inc.
2/F Kapuso Center
11th Jamboree corner Samar St.
EDSA Diliman, Quezon City
Tel. Nos.: 426-3920 / 982-7777 loc. 9950
Email: kkmk@gmanetwork.com
Website: www.kapwakomahalko.org

WEBSITES

www.iGMA.tv
www.QTV.com.ph
www.gmanews.tv
www.gmapinoy.tv
www.inq7.net

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 Asuncion & Lucila
15/F Sagittarius Building
H.V. De La Costa Street,
Salcedo Village, Makati City
Tel. No.: 816-3716
Fax: 817-0696/812-0008

Tarriela 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

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

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

GE Money Bank
E. Rodriguez Ave. cor. Monte de Piedad St.
Cubao, Quezon 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 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 Service, Inc.
8/F Phinma Plaza
39 Plaza Drive
Rockwell Center, Makati City
Tel. No.: 898-7555
Fax No.: 898-7597

INVESTOR RELATIONS

9/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**
GMAP


GMA

GMA
NETWORK