GMA
NETWORK

2009 GMA NETWORK, INC. ANNUAL REPORT

CONTENTS

CORPORATE PURPOSE

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

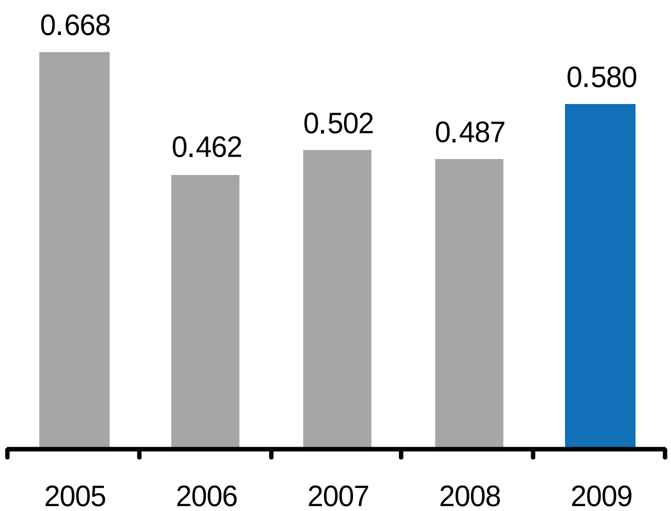
CORPORATE VISION

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

CORE VALUES

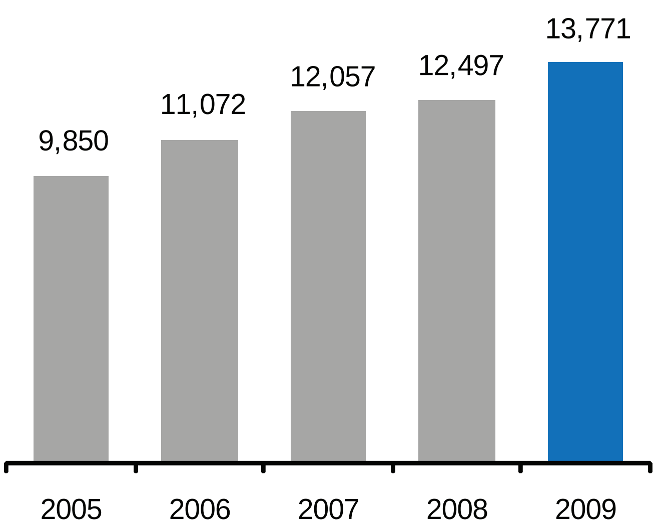
We place God above all.
We believe that the viewer is Boss.
We value our People as our best assets.
We uphold Integrity and Transparency.
We are driven by our Passion for Excellence.
We strive for Efficiency in everything we do.
We pursue Creativity and Innovation.

FINANCIAL HIGHLIGHTS 2009



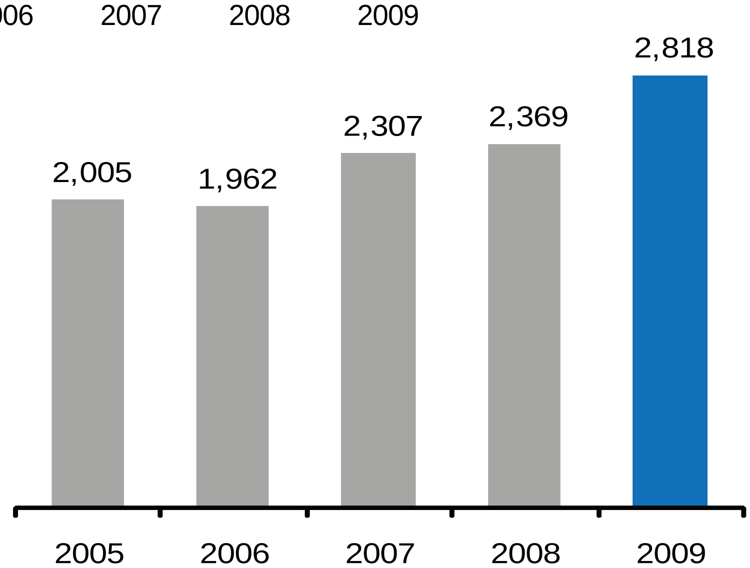
EARNINGS PER SHARE

2005-2009
Amounts in Pesos



GROSS REVENUES

2005-2009
Amounts in Million Pesos

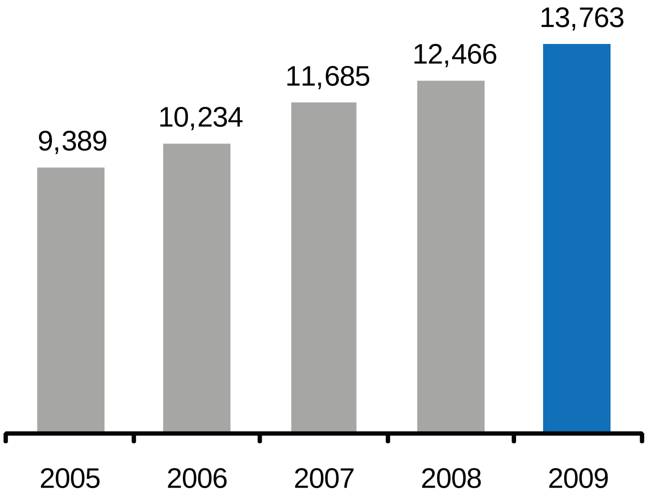


NET INCOME

2005-2009
Amounts in Million Pesos

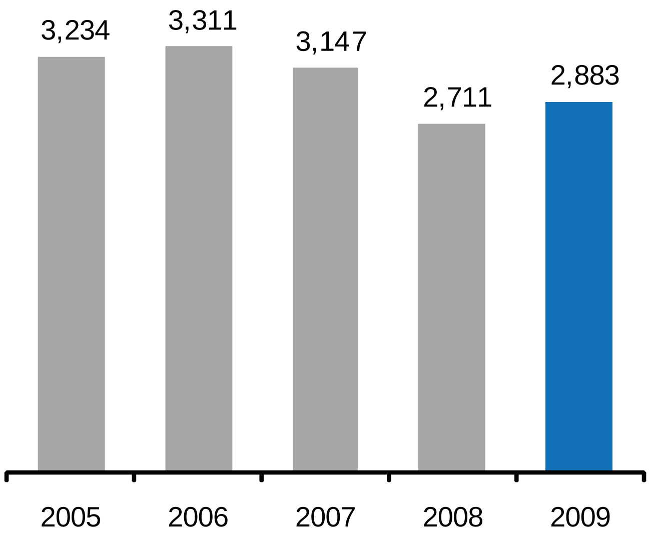
TOTAL ASSETS

2005-2009
Amounts in Million Pesos



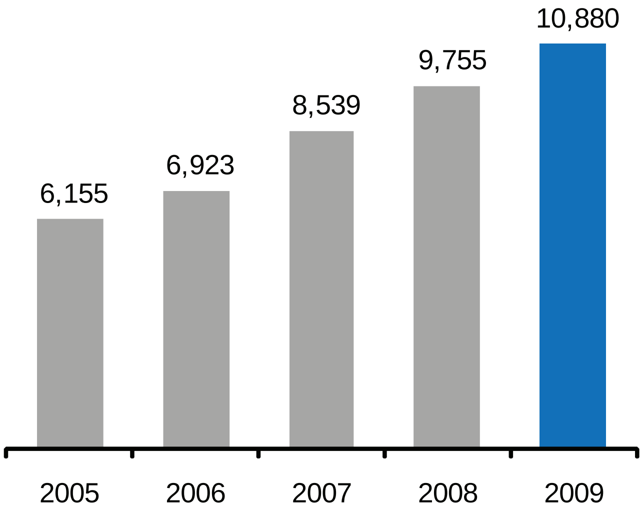
TOTAL LIABILITIES

2005-2009
Amounts in Million Pesos



TOTAL EQUITY

2005-2009
Amounts in Million Pesos



CHAIRMAN'S MESSAGE

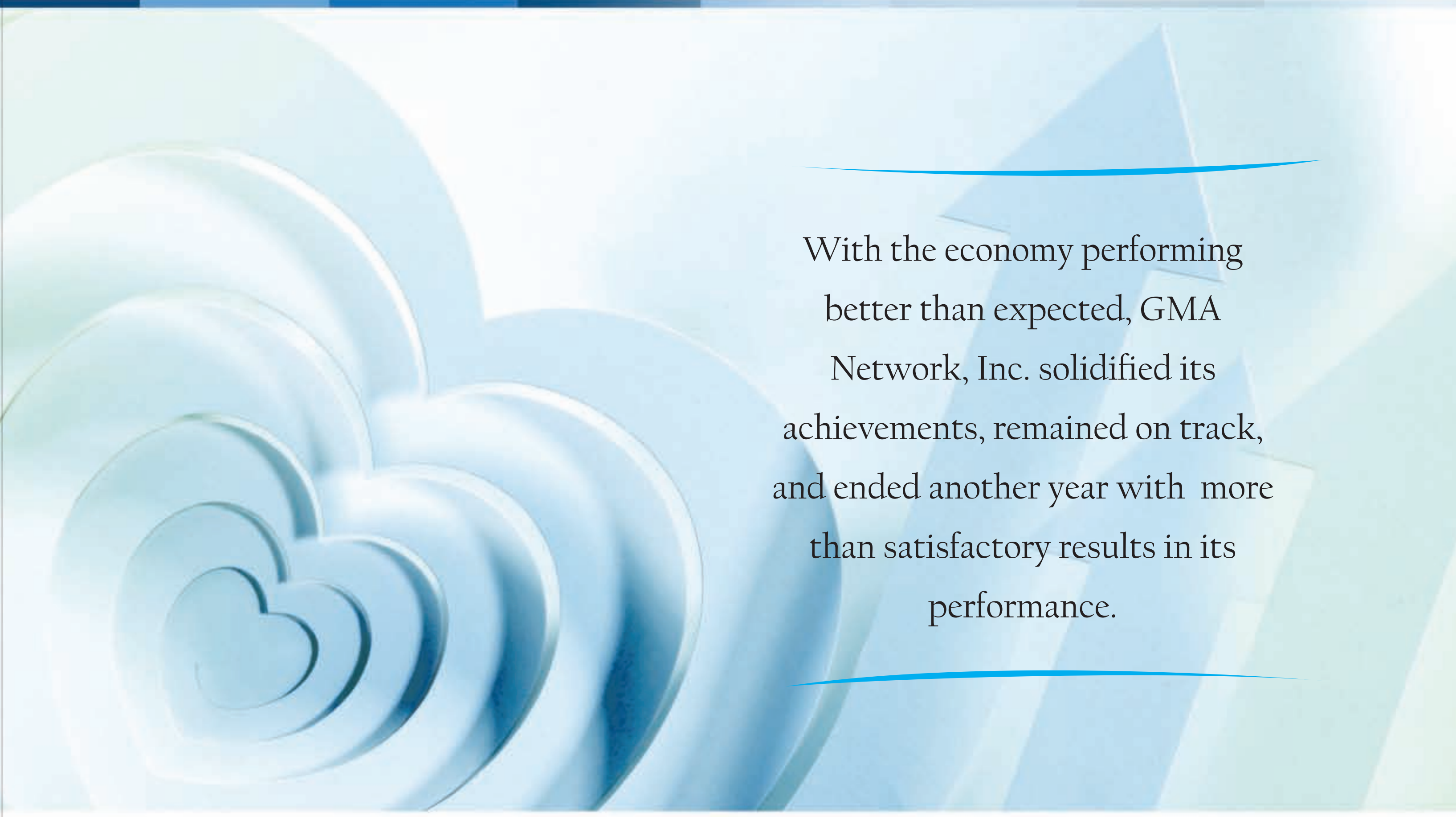
BETTER TIMES

Dear Fellow Shareholders:

The year 2009 was full of big news stories. Many unforgettable events — both good and bad — transpired. This was the year the first African American took office as president of the United States. The year also witnessed former President Corazon C. Aquino's phenomenal wake and funeral, Manny Pacquiao's record-breaking spectacular fights against Hatton and Cotto,

The year 2009 was "the best of times, it was the worst of times... It was the spring of hope; it was the winter of despair..."

AHEAD



With the economy performing better than expected, GMA Network, Inc. solidified its achievements, remained on track, and ended another year with more than satisfactory results in its performance.

Efren Peñaflorida's selection as the CNN Hero of the Year, the disastrous floods brought by typhoons Ondoy and Pepeng in Metro Manila and North Luzon, and the horrible Maguindanao massacre that saw 57 unarmed civilians gunned down in cold blood by warlords, among others. This eventful year ended with the eruption of Mayon Volcano that drove many families spending the Christmas holidays in evacuation centers. As Charles Dickens wrote, "It was the best of times, it was the worst of times… It was the spring of hope; it was the winter of despair…"

Even in the face of all these developments, the Philippine economy once again exhibited its resilience. The economic storm that swept the world in the last quarter of the previous year spared the country from what could have been an economic recession. Fortunately, the Philippines emerged as one among the few developing economies to have exhibited growth. The Philippine peso remained stable, foreign exchange reserves were at a comfortable level, and the economy as a whole managed to grow by 0.9%.

With the economy performing better than expected, GMA Network, Inc. solidified its achievements, remained on track, and ended another year with more than satisfactory results in its performance.

Our core business turned in a strong performance, and our other businesses also contributed to the growth of the Company. Consolidated revenues grew by 10% to ₱13.771 billion in 2009. Net income went up by 19% to ₱2.818 billion as the company also benefited from a 5% reduced corporate income tax. EBITDA ended at ₱4.889 billion, 10% more than last year's.

Total assets grew by 10% to ₱13.763 billion, higher than last year's ₱12.466 billion, while total liabilities increased only by 6% from ₱2.711 billion in 2008 to ₱2.883 billion this year. As in the previous year, the Company remained free of long-term debt in 2009.

This is a performance that few companies, including our competitors, can match; more so in 2009, under an uncertain economic environment. Our record of performance for the past ten years which always ended in growth bespeaks of the strength of our Company.

Our performance did not go unnoticed as the share prices of both GMA7 and GMAP surged in 2009, outperforming the Philippine Stock Exchange Index (PSEI) which increased by 63%. From ₱3.45 at the start of the year, the share price of GMA7 gained 126% to end the year at ₱7.80. The Philippine Deposit Receipts (PDRs)-GMAP did even better as it gained 145% to close 2009 at ₱8.10 from ₱3.30.

Our record of performance for the past ten years which always ended in growth bespeaks of the strength of our Company.

GMA Network, Inc. continues to be part of the 30 Company Philippine Stock Exchange Index and is currently the only media/broadcast company that is part of the Index.

Our Company's strong financial performance this year was driven by the robust performance of our television business and the growing contributions of our radio, regional, and notably, our international operations. GMA-7 programs continued to deliver high ratings especially in Mega Manila and Luzon that comprise 50% and 77% of the TV viewing audience, respectively. In terms of ad loading, GMA-7 outperformed its nearest competitor with a 28,088-minute advantage during the year. Of the top 20 advertisers' adspend allocation in 2009, GMA captured the highest share at 52% .

Gross airtime revenues from Channel 7 increased by 8%, from ₱10.852 billion in 2008 to ₱11.764 billion in 2009, while that of QTV grew by 10% from ₱396 million last year to ₱437 million this year. Revenues from regional operations also increased from ₱77 million in 2008 to ₱115 million in 2009, an increase of 50%. Radio also performed better with revenues, which increased from ₱330 million last year to ₱376 million this year.

Noteworthy is our international operation which did very well this year by registering a 16% increase in subscriber base. By the end of the year, the subscriber base closed at 235,587. Thus, GMA International increased its share in the Company's consolidated revenues from 4.7% last year to 6.2% this year by growing in gross revenues by 45% from ₱590 million in 2008 to ₱855 million this year.

Our subsidiaries likewise contributed to the increase in the Company's consolidated revenues and net income. Among GMA's subsidiaries, GMA Network Films, Inc., and RGMA Marketing and Productions, Inc. (GMA Records) generated impressive gains in net income (46% and 688% growth, respectively).

Preparations of aspirants for the 2010 elections came early this year with their placements of advocacy plugs coming in as early as November. Apparently, political spending will be at record-high levels beginning this year, and carrying forward to 2010. We expect our radio and television stations to generate substantial revenues from these sources.

All these make us optimistic over the company's prospects for the coming year. Indeed, the theme of the 2009 Annual Report reflects our belief that the Company is in for **better times ahead**.

Strategies driving growth

What also spelled our success this year were the strategic moves we continued to undertake to better position our Company for the future. These include the continuous improvement of our facilities in the regions. This year, we set up four satellite stations capable of independent playout of canned programs and commercials in Naga, Bacolod, Cagayan de Oro, and General Santos City. We have also completed the facility upgrades of TV-7 Naga City; TV-5 Mt. Amuyao, Mountain Province; TV-5 Matina, Davao City; TV-5 Roxas City, Capiz; and TV-5 Ozamis City, Misamis Occidental.

Overseas, we continued to roll out GMA Pinoy TV and GMA Life TV in more areas. In particular, the Network improved the penetration of GMA Pinoy TV and GMA Life TV in its biggest market, the United States, by signing a corporate agreement with Time Warner Cable and expanding into more Comcast systems. GMA Pinoy TV is currently available in the United States, Canada, Singapore, Japan, Guam, 49 countries in Europe, Saipan, Papua New Guinea, the British Indian Territory of Diego Garcia, 16 countries in the Middle East, and 11 countries in North Africa. On the other hand, GMA Life TV is available in the United States, Canada, Japan, Guam, 49 countries in Europe, Papua New Guinea, the British Indian Ocean Territory of Diego Garcia, 16 countries in the Middle East, 11 countries in North Africa, Australia, and New Zealand.

We follow a clear strategy: our in-house programming continues to evolve and innovate to produce programs with broad popular appeal. In developing content, we always have our viewers in mind, making sure that they are satisfied with our program offerings. Thus far, we have been successful in coming out with high-rating programs.

The Company's marketing arm, GMA Marketing and Productions, Inc. (GMPI), provides our advertisers with innovative packages that help them better promote their products and services. These initiatives, along with our cost-effective program offerings, helped grow our share of the advertising pie.

As a content provider, we have broadened our offerings from free television to films, to Internet. All at once, as we continue with our successful television operations, we now have new digital media offerings that have their own following, and we are now positioning our Company for success and growth in the realm of new media.

Dividend Payments

We are very much encouraged by the progress we have been making in all areas of our operations. The strength and popularity of our entertainment, news and public affairs content, our strong brand, and the high value of our marketing services and promotion efforts are contributing to the continued success of our Company. Our ability to deliver content to our local and international audiences through our international channels and the use of our digital media initiatives provide exciting and promising opportunities for us. All these resulted in the continued improvement of our financial position which allowed us to fulfill our commitment to provide significant returns to our shareholders.

> Even as we continue to reap financial success, we did not forget that we also have great responsibilities to the communities we serve.

In May, the Company paid its shareholders ₱1.7 billion in dividends which is equivalent to 72% of the 2008 net income. This is ₱486 million more than the dividends declared as a publicly listed company last year which was equivalent to 53% of the net income in 2007.

Our People, Our Best Assets

We are very proud to have been blessed with many of the industry's best and brightest within the ranks of GMA Network, Inc. They are our best assets who execute our business objectives, meet the many challenges we face daily, and drive the Company's success. What is more gratifying is to see the commitment, dedication and passion for excellence rising within our ranks. It is no wonder that the Company as a whole, as well as many individual employees and talents, continue to reap awards from various award-giving bodies, both local and international.

What we witnessed in September and October in the wake of the calamities we experienced in Metro Manila and North Luzon best illustrates the quality of our people. It was a shining moment for our mission as broadcasters that our men and women, particularly from our radio and TV stations in Mega Manila and Luzon, responded courageously and selflessly to cover a story of devastation and survival unprecedented in our nation's history.   Our employees and talents, even as they were also victims, went out of their way to help in the relief and rehabilitation operations.

The on-site help, as well as the financial and emotional support extended by many individuals within GMA Network, Inc. to the many victims of the calamities, were undeniably the marks of a true *Kapuso* — one in heart with the Filipino in every way.

Corporate Social Responsibility

Sama-sama Tayo sa Pagbangon

Even as we continue to reap financial success, we did not forget that we also have great responsibilities to the communities we serve. As a broadcaster, we go beyond our responsibility as the first informer and chronicler of the many stories happening around us by providing *Serbisyong Totoo* (true service). In the wake of the devastation caused by the typhoons that visited the country this year, we pledged our commitment — *Sama-sama tayo sa pagbangon* (together in achieving recovery) — and provided financial, material, as well as moral support to our countrymen. Through the telethon and appeals for donations that we initiated, we were able to generate cash and material donations that were used to help the flood victims and for the school rehabilitation program that we continue to undertake.

The GMA Kapuso Foundation (GMAKF) and the Kapwa Ko Mahal Ko Foundation (KKMK) were among the very first to respond to meet the needs of the victims of the calamities. Both of these institutions continue to undertake many programs that contribute to the general welfare of the poorest of the poor.

Corporate social responsibility (CSR) is an integral part of our business. Together with our partners, we continue to undertake projects to support education and promote health and care for the environment. As detailed in our CSR report on page 34 of this Annual Report, the programs we undertake through our foundations and with our partners contribute to alleviating the plight of many of our less fortunate countrymen in various ways.

Top Taxpayer

As a group, we provide employment to more than 4,500 employees and talents nationwide. Through our business, we create economic opportunities not only in Metro Manila but also in the regions where we operate. The taxes we have paid to local and national treasuries — income taxes, VAT and other direct and indirect taxes — amounted to about ₱2.0 billion in 2009. For our contributions, GMA Network, Inc. was again acknowledged as among the top taxpayers of Quezon City. These initiatives are consistent with our mission to enrich the lives of Filipinos and to be a key partner in promoting the best in the Filipino.

Awards

As in previous years, our Company, our TV and radio programs and personalities received many awards from various award-giving bodies. The list of awards received by the Company, as well as our programs and personalities, forms part of this Annual Report.

Commitment to Good Governance

As a good corporate citizen, GMA Network, Inc. shall continue to pursue new initiatives to develop and adopt best governance practices in the organization. Our commitment to the highest standards of corporate governance will help our business to deliver and generate shareholder value and safeguard our shareholders' long-term interests.

We consider our business a public trust and we believe that there is much we can do to promote good governance practices in our country. The election in 2010 is an opportunity that will enable us to help in educating our people about issues on governance. We therefore initiated an advocacy and information campaign designed to engage our audience and to get them ready for the elections in 2010.

We shall provide the widest coverage of the elections. Our advocacy for good governance, clean and honest elections in 2010 with the engagement, experience, and credibility of our radio and television stations' journalists will help illuminate the stories of the candidates and the issues of concern for local and national audiences, as well. For a start, we got all aspirants for the top positions — President and Vice President — to sign a covenant that will help ensure clean and honest elections. Eleksyon 2010's *Isang Tanong* featuring the presidential aspirants giving their thoughts and opinions on questions and issues of national significance provided our viewers and electorate an insight on how these candidates will run the country, if elected.

Better Times Ahead

Historically and traditionally, we have observed that a bad or not-so-good year in our industry is followed by a good year. While this year was not really a bad year for some of us, it was a not-so-good year, either. We are optimistic that the broadcast industry will experience a robust growth in 2010, not only because it is a presidential election year but also because there are positive signs that the global economy is pulling out of recession. The indications of recovery in the global markets and the resiliency shown by the Philippine economy will see more growth and improve market expectations.

The pace of change in the industry continues to accelerate as the next generation of television and new media are unfolding before our eyes. There are new players in the industry that make competition keener and fiercer. As such, it is always a challenge to identify

new strategies for growth while continuing to harvest the opportunities provided by our core business that remains to be the main source of funds for future initiatives.

In 2009, we aggressively expanded our efforts in digital media by undertaking more video broadband initiatives and strategic alliances with top telecommunication companies in the mobile distribution of our proprietary content. GMA New Media, Inc. (NMI) has also partnered with Google-owned YouTube for myGMA.com.ph, the Network's Internet TV service. YouTube, the leader in online video is now the platform provider for all GMA Internet TV content, thus allowing Kapuso viewers around the globe free and easy access to GMA videos online.

Our news and entertainment programs command high ratings, and our websites now reach millions of Filipinos every day in pursuit of timely and reliable news and public affairs programs, entertainment, and community content.

We have also been increasingly effective in expanding the distribution of our content through the efforts of GMA International and our subsidiary, GMA Worldwide, Inc.

We shall continue to pursue new initiatives to achieve further growth from our international and regional operations, film ventures, film syndication, and other businesses. We always aim for the better and have performed creditably well, not only this year but also in the past. All the more, we have reason to be optimistic about the future given that the Philippine economy is on the road to recovery and that economic growth has started to gain momentum.

Conclusion

We have overcome all barriers that came our way in 2009. Thanks to the hard work of our people — our officers, consultants, employees, and talents — who share our vision and are deeply committed to the mission of the Company.

Our deepest appreciation and gratitude to the Board of Directors for giving us the confidence to capitalize on our strength and move forward decisively amid the many challenges we faced during a difficult year. We thank our partners, advertisers, subscribers and our shareholders for their continued generous support. On behalf of the Board of Directors, I assure you that we can all look forward to better times ahead as GMA Network, Inc. will continue to aspire to be the best in the years to come in our industry.

To the management and staff, talents and consultants, our deepest gratitude for another year of great achievements. Thank you and all the best!

Felipe L. Gozon
Chairman, President and CEO

REPORT ON OPERATIONS
ON TARGET

Our proactive stance paid off quite well, especially when the economic conditions proved to be better than projected.

The local economy was expected to deteriorate in 2009 as a result of the global slowdown. This assumption led us to anticipate the worst and prepare well for it. In the end, our proactive stance paid off quite well, especially when the economic conditions proved to be better than projected.

The company's bottom line growth was our biggest accomplishment for 2009. Amid the conservative business environment, consolidated revenues for the twelve-month period reached an all-time high of ₱13.771 billion, 10% higher than the revenue posted in 2008. While the consolidated operating expenses climbed by 9%, most of it was accounted for by necessary increases in our headcount and pertinent employee benefits; inclusive of a non-recurring expense related to the signing of our Collective Bargaining Agreement (CBA) during the year.

Our subsidiaries also contributed to the Network's continuous growth. In particular, GMA Films and RGMA Marketing and Productions, Inc. (GMA Records) either met or exceeded their revenue targets and posted net income growth.

Consolidated net income after tax surged to ₱2.818 billion, a 19% improvement from last year's ₱2.369 billion, as the company benefited from continued operational efficiencies and the legislated reduction in the reduced income tax rate. In 2009, GMA's total assets reached ₱13.763 billion, 10% higher than the previous year.

The observed shift in viewers' preferences in 2009 was admittedly an eye opener for us. However, despite hitting roadblocks in the latter part of the year, we were able to keep our edge in Mega Manila and Urban Luzon where majority of the Urban TV households are found. From January to December of 2009, the Network dominated Mega Manila with an audience share of 39.8 %, leading rival network ABS-CBN by 7.8 points based on AGB Nielsen data. Our advantage was most notable in the afternoon block where GMA recorded its biggest lead of 11.0 audience share points.

Moreover, 23 out of the top 30 programs in Mega Manila for 2009 came from GMA. The boxing specials **Firepower** (Pacquiao vs. Cotto) and **The Battle of the East and the West** (Pacquiao vs. Hatton), which virtually kept most viewers in Mega Manila glued to their television sets, clinched the top two spots. Pinay superhero, **Darna**, was also a household favorite, along with other GMA Telebabad programs **Luna Mystika**, **Zorro**, **Totoy Bato**, **Lalola,** and **Stairway to Heaven**.

GMA maintained its stronghold in primetime with 15 of its programs among the top 20 most watched pro-

Overall Top 30 Programs (with specials)

AGB Nielsen Mega Manila TV Households

Jan- December 2009

Rank	Program Name	Channel	Household Rating (%)
1	PACQUIAO FIREPOWER COTTO*	GMA	50.1
2	PACQUIAO VS. HATTON*	GMA	43.2
3	DARNA	GMA	35.5
4	LUNA MYSTIKA	GMA	33.6
5	PACQUIAO VS. COTTO THE PRIMER*	GMA	32.7
6	THE FLASH AND THE FURIOUS*	GMA	32.6
7	ZORRO	GMA	31.9
8	TOTOY BATO	GMA	31.8
9	LALOLA	GMA	31.7
10	STAIRWAY TO HEAVEN	GMA	30.9
11	24 ORAS	GMA	30.3
12	GAGAMBINO	GMA	30.2
13	TAYONG DALAWA	ABS-CBN	30.1
14	ANG BABAENG HINUGOT SA AKING TADYANG	GMA	30.0
15	SALAMAT PRES. CORY A. PEOPLE'S FAREWELL*	ABS-CBN	29.5
16	SALAMAT AT PAALAM CORY*	GMA	29.4
17	DONAIRE VS. CONCEPCION*	GMA	28.9
18	ALL ABOUT EVE	GMA	28.1
19	THE PROMISE*	GMA	27.9
20	ONLY YOU	ABS-CBN	27.8
21-22	SUGAT NG KAHAPON*	GMA	27.7
	MAY BUKAS PA	ABS-CBN	27.7
23	ROSALINDA	GMA	27.4
24	KAPUSO MO JESSICA SOHO	GMA	27.3
25	DAHIL MAY ISANG IKAW	ABS-CBN	27.1
26	MY BESTFRIEND'S GIRLFRIEND*	GMA	27.0
27	FULL HOUSE	GMA	26.9
28-29	I LOVE BETTY LA FEA	ABS-CBN	26.8
	MAYWEATHER VS. MARQUEZ*	ABS-CBN	26.8
30	FAMILY FEUD CELEBRITY EDITION	GMA	26.4

* Specials

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

grams within the block.

In Total Urban Luzon, which accounts for 77% of the national urban TV households, GMA Network, Inc. led ABS-CBN by 3.3 share points in total day (6am-12mn).

Our ratings in the Visayas and Mindanao, however, still remained substantially lower than those of our key competitor. The gains achieved by GMA in 2008 were partially lost in 2009 as the gap between ABS-CBN and GMA widened.

Focused on addressing this condition through situation -intensified regional promotions and the completion of another ten transmitter upgrade projects in the coming year, we anticipate the ratings gap in the Visayas and Mindanao to narrow in 2010.

Our program ratings and continued dominance in the key markets of Mega Manila and Luzon served to ensure the cost efficiency of ad placements with the Network. Driven in part by our prevailing effective rate discount in 2009, GMA loaded approximately 52% of the Top 20 advertisers' TV ad placements. This, however, is expected to reduce in the coming year on the back of a planned and calibrated rate increase which will allow us to reduce on-air clutter and better promote our programs while still meeting revenue growth targets.

Excluded from the chart are the political/advocacy ads aired in 2009. Expected to increase substantially in the months leading to the May national elections, political ad revenues are envisioned to contribute materially to our top line growth in 2010.

Our key market transmission facility upgrade program was completed in 2009, save for the final commissioning of our transmitter-antenna project in Davao.

Comparative Channel Ratings

AGB NUTAM TV Households

Todal Day (6am - 12nn) GMA vs. ABS-CBN

TV HOUSEHOLD RATINGS	2009 GMA %	2009 ABS-CBN %	2009 DIFF (GMA-ABS)	2008 GMA %	2008 ABS-CBN %	2008 DIFF (GMA-ABS)	JULY-DEC 2007* GMA %	JULY-DEC 2007* ABS-CBN %	JULY-DEC 2007* DIFF (GMA-ABS)
NAT'L URBAN PHILS.	14.1	16.8	(2.7)	15.2	17.0	(1.8)	15.1	18.7	(3.6)
TOTAL URBAN LUZON	15.8	14.4	1.4	16.7	14.7	2.0	16.9	16.4	0.5
Metro Manila	15.2	14.1	1.1	15.7	13.3	2.4	16.9	14.8	2.1
Urban North/Central Luzon	17.2	12.7	4.5	18.5	12.8	5.7	19.7	13.0	6.7
Urban South Luzon	15.3	16.3	(1.0)	16.5	17.9	(1.4)	14.6	21.2	(6.6)
URBAN VISAYAS	8.8	23.2	(14.4)	10.6	22.7	(12.1)	10.0	24.3	(14.3)
URBAN MINDANAO	8.1	26.5	(18.4)	9.7	26.8	(17.1)	9.0	29.0	(20.0)

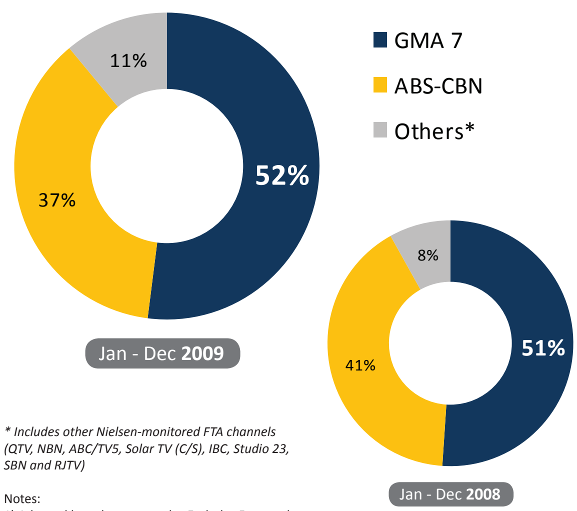
*** GMA's NUTAM data subscription started in July 2007.**

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

Within the year, we set up and operationalized four new satellite stations in the cities of Naga, Bacolod, Cagayan De Oro, and General Santos, enabling independent content play-out capabilities in these key regional areas. A natural complement to our existing originating stations — GMA Channel 10 Dagupan, GMA Channel 7 Cebu, GMA Channel 6 Iloilo, and GMA Channel 5 Davao — these new satellite stations have effectively expanded our ability not only to tap those additional commercial markets, but, as importantly, to target messaging and programming to their respective audiences.

TV-5 Mt. Amuyao, Mountain Province, GMA's newest VHF TV relay station, went on test broadcast in Octo-

Top 20 Advertisers TV Adspend Allocation



** Includes other Nielsen-monitored FTA channels (QTV, NBN, ABC/TV5, Solar TV (C/S), IBC, Studio 23, SBN and RJTV)*

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

ber 2009 and is presently serving no less than three provinces in North/Central Luzon. We also commissioned ten new UHF stations, bringing our signal distribution network to a total of 47 VHF and 13 UHF stations nationwide by the end of 2009.

Apart from these, we also commenced upgrading our transmitter facilities in identified secondary markets; specifically in the areas of Dipolog, San Jose (Mindoro), Kalibo, Virac, Ormoc, Tagbilaran, Santiago (Isabela), Jala-jala (Rizal), Mt. Caniao Bantay (Ilocos Sur), Tacloban, and Ozamis. Scheduled for completion in 2010, these additional upgrades will bring our national reach to unprecedented levels.

As we near the completion of our facilities upgrade projects, we are gradually shifting our focus to building the GMA brand and creating geo-targeted programming, geared towards expanding our audience base in key market areas outside Mega Manila. This early, we are slowly seeing the benefits of these projects. In particular, Regional TV's performance in local sales was at a record high in 2009, posting a commendable growth of 85% versus 2008. The morning shows aired over the four originating stations by GMA Regional News, **Buena Mano Balita** (Cebu), **Arangkada** (Iloilo), **Una Ka Bai** (Davao), and **Primera Balita** (Dagupan) continue to gain strength both in ratings and revenues. Notable was GMA's local morning news program in Dagupan, which hit the ground running, outrating competition since its launch last year.

Our international business continued to do well despite the global financial crisis, which affected many of our overseas *kababayans* in the United States, Japan and the Middle East. Anticipating a possible reduction in their disposable income, which could result in subscription churn, efforts were exerted to enhance the value of our product offerings — complemented by the implementation of a planned increase in awareness building promotional activities. These efforts paid off.

Our main channel, GMA Pinoy TV closed the year with 235,587 subscriptions, representing a growth of 16% year-on-year. Launched only in 2008, our second channel, GMA Life TV, accounted for 107,496 subscriptions by end of December 2009, posting a growth of 141%. In terms of revenue, these positive subscriber increments translated to a growth of 21% for GMA Pinoy TV and a whopping 315% growth for GMA Life TV based on their respective US Dollar channel revenues.

In sum, our international business grew by a total of 45% in 2009 and contributed approximately 16% to our consolidated net income. Expected to grow further in the coming year, our international business is targeted to generate gross revenues of ₱1 billion, enabled in part by the launching of a time-shifted Pinoy TV grid within the year to better serve the Middle East and European markets.

While targeted to break even this year, QTV closed 2009 still with an operating deficit – albeit significantly reduced from that of the previous year. Despite successful efforts to further reduce programming costs, the continued loss of QTV was accounted for by its virtually flat top line – admittedly, due to the channel's stagnant ratings. As a result, a decision was reached by management late in the year to liberate QTV's programming by relaxing its previous strictly AB female positioning, thereby extending its appeal to a wider audience.

Aside from increasing the channels' ratings and revenues, the forthcoming changes in QTV's programming are also intended to further enhance the program line up of GMA Life TV which draws its programming from QTV. Viewed in broader terms, these changes are envisioned to further enhance the product value of our international Pinoy TV-Life TV bundle while at the same time increase employment and development opportunities for our talents. While QTV may not yet break even next year due the earlier mentioned programming changes, we believe that the practical and strategic benefits we will derive from these changes will more than compensate for the drag in 2010 alongside putting QTV on the road to eventual profitability.

Our new media subsidiary, GMA New Media, Inc. (NMI), was confronted with challenges in 2009. It was adversely affected by the sharp decline in SMS-VAS revenues. As the corporate vehicle for all our new media related investments, NMI is directly involved in our joint ventures such as PEP.ph, the country's leading entertainment website (in partnership with the Summit Publishing Group), and X-Play (our on-line gaming investment in partnership with IPVG), from which returns are expected in the near term. Towards the end of the year, NMI inked a partnership with Google-owned YouTube for myGMA.com.ph, the Network's broadband based VOD service. Under the partnership, three sub-channels created under the GMA Kapuso channel will be offered, powered by YouTube. In 2009, NMI also implemented a corporate re-structuring exercise aimed at addressing shifts in its core revenue sources and is expected to return to profitability in 2010.

Our other subsidiaries fared quite well.

Towards the end of the year, NMI inked a partnership with Google-owned YouTube for myGMA.com.ph, the Network's broadband based VOD service.

In 2009, GMA Films adopted a direction that leverages on the shared strengths of partnerships: co-producing **When I Met You** (with Regal Films), **Sundo** (with VKI), **Yaya and Angelina: The Spoiled Brat** movie (with APT Enterprise), **Patient X** (with Viva Films), and **Ang Panday** (with Imus Productions). As a result, our film subsidiary ended the year with a positive number while continuing to provide opportunities for our talents and content to the Network. Ang Panday, our official entry to the 2009 Metro Manila Film Festival, was the festival's top grosser which also reaped seven major awards, including Best Picture.

GMA Records, on the other hand, continued to optimize established distribution linkages by adding select GMA and QTV programs to its list of products in 2009. With the release of five albums and six video titles within the year, GMA records succeeded in improving its operating margins and closed the year with a net income growth of over 600% despite the prevalence of content piracy.

Scenarios, Inc. succeeded in further improving its set/stage design and fabrication capabilities through the reorganization of its Operations Department in 2009. Scenarios also activated an external sales team with the objective of diversifying its client base beyond GMA programs and production groups. Met with considerable success, the efforts of Scenarios in 2009 resulted in a top-line growth of 27%.

On the people side, a team of consultants was engaged to conduct a thorough review of employee job descriptions and to recommend changes in our performance evaluation system – with the end in view of updating the bases used in guiding our merit-oriented approach to promotions, bonuses and other forms of rewards. Our Human Resource Development Department continued to implement developmental training aimed at further improving the skills and competencies of our people. We continued to recognize the outstanding employees and groups through the Continuous Improvement Awards Program (CIAP). For 2009, News and Public Affairs' Digital News Gathering project, which generated actual net savings of ₱3.6 million, was awarded by the CIAP. More than just the savings it generates, this innovative and highly efficient process of news gathering stands out as a testament to the commitment of our people to incessantly improve the way we do things.

By the third quarter, negotiations for the new CBA were concluded after only a few days of deliberations. Covering as much as five years on some provisions, the expediency with which the agreements were reached proved once again that harmony and mutual trust between Management and the Union continue to strengthen within our company.

While 2009 was a banner year for us, it was also a year where adjustments in our operations were made to address the expected changes in the landscape. Towards the middle of the year, the Artist Center was restructured into the Talent Development Management Department to enable us to bring our related efforts to higher levels of success. On the content side, the observed shift in audience preferences and the entry of the PLDT Group into the media space in the latter part of the year signalled the need to effect modifications in the operating structures of both the ETV and N&PA Groups – most of which we see completing by the end of the first quarter of 2010. These and more will be done to ensure our sustained growth and industry leadership.

The coming year will be one of challenges as we leverage the benefits of investments previously, and yet to be made, against the hurdles of shifting media habits and the objective of further growing our audience shares both locally and internationally. Having seen what has to be done, it is reassuring to know that we have the continued support of our valued employees, partners and shareholders.

Sa inyo pong lahat, maraming salamat.

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

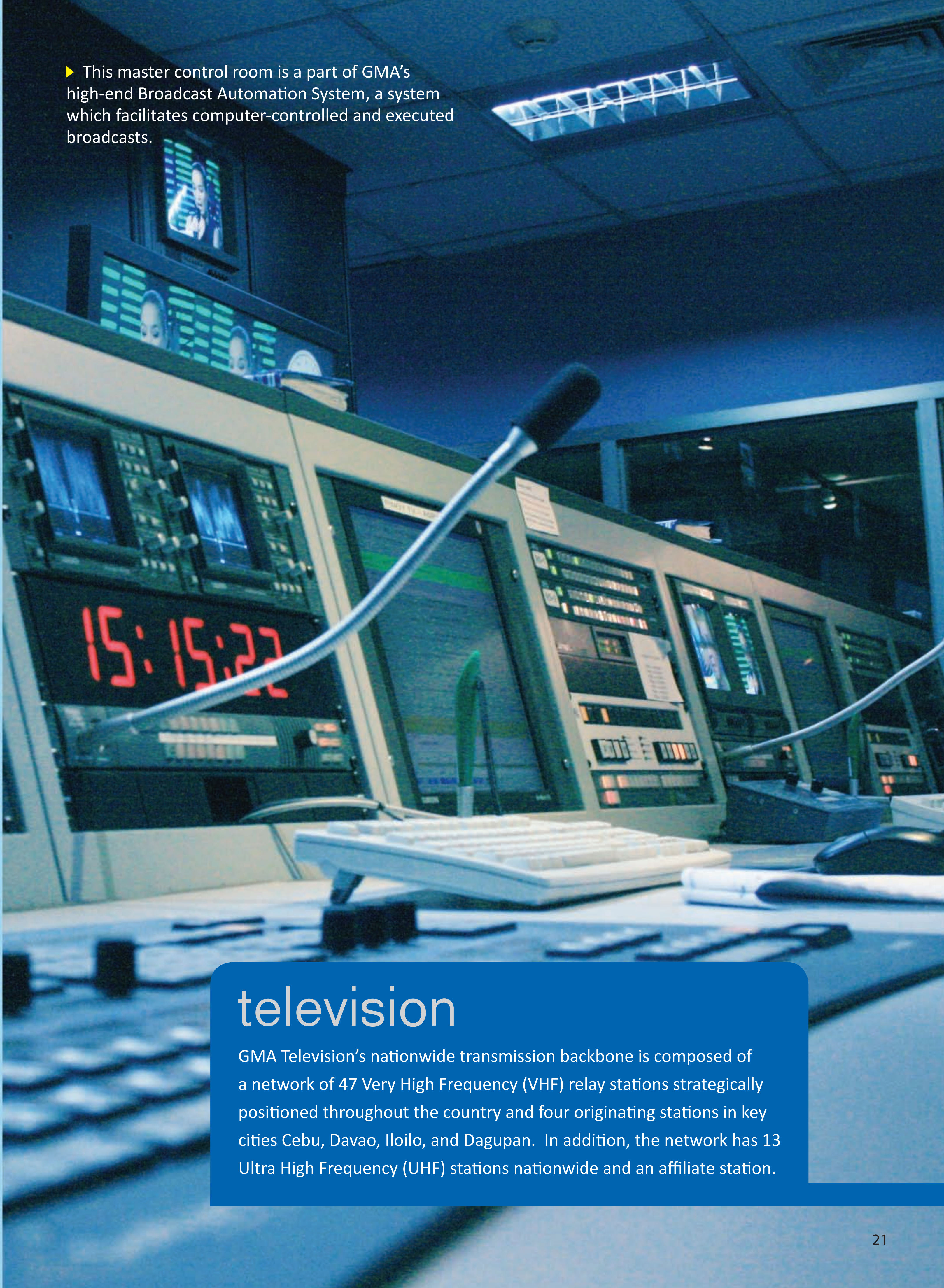
OUR BUSINESS

Through almost 60 years of continued progress and expansion, GMA Network has grown from being just a radio station in the 1950s into a conglomerate of diverse businesses engaged in broadcasting, film production, recording, post production services, marketing, set design, and new media.

Then until now, GMA remains the most trusted source of news and information, and superior quality entertainment. This is evidenced by the various awards and recognition it has garnered from distinguished award-giving bodies both local and international, and the consistent dominance of its programs in the ratings arena.

The success of GMA Network is a result of almost six decades of experience, the dedication and hard work of its employees, the professionalism and expertise of its management team, and the unwavering support of its stockholders, advertisers, and viewers.

Today, GMA continues to defy archipelagic borders and bring the best the Filipino can offer to the rest of the world.



▶ This master control room is a part of GMA's high-end Broadcast Automation System, a system which facilitates computer-controlled and executed broadcasts.

television

GMA Television's nationwide transmission backbone is composed of a network of 47 Very High Frequency (VHF) relay stations strategically positioned throughout the country and four originating stations in key cities Cebu, Davao, Iloilo, and Dagupan. In addition, the network has 13 Ultra High Frequency (UHF) stations nationwide and an affiliate station.

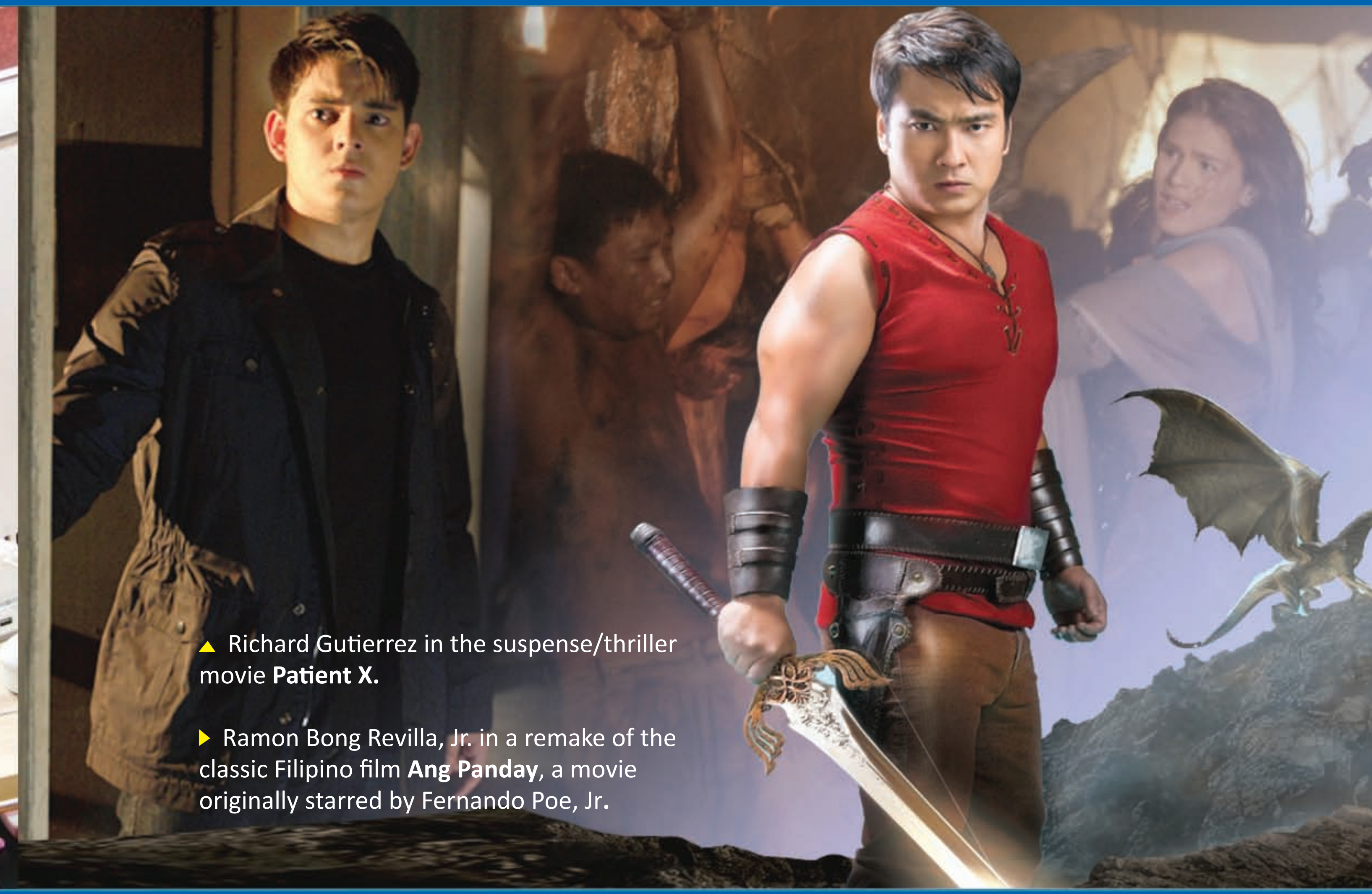
GMA artists Dingdong Dantes and Marian Rivera chat with fans via GMA New Media's Live Chat feature on iGMA.tv, the Network's entertainment website.

new media

Realizing the potential of the World Wide Web as a viable source of revenue and an opportunity to diversify the business by offering niche services, GMA Network formed GMA New Media, Inc. (NMI), its digital media arm. Since its inception in July 2000, NMI has launched category-breaking projects in multiple platforms including mobile, internet, and digital TV. It owns the celebrity phone portal Fanatxt, and powers all the SMS-TV campaigns of GMA.

film making

GMA takes viewers from the small screen to the silver screen through GMA Network Films, Inc. GMA Films produces movies that cater to both the local and international markets. Its movie productions have reaped both critical acclaim and commercial success.



▲ Richard Gutierrez in the suspense/thriller movie **Patient X.**

▶ Ramon Bong Revilla, Jr. in a remake of the classic Filipino film **Ang Panday**, a movie originally starred by Fernando Poe, Jr.


▶ Scenarios, Inc. constructs the sets of GMA's television programs and special productions, like this Christmas Special in 2009.

production design

Behind the production of sets and properties of GMA's top programs is a team composed of creative professionals comprising Scenarios, Inc., a subsidiary engaged in the design, construction, transport, and maintenance of sets of television programs, theatrical productions, and concerts.

talent development

GMA's Talent Development Management Department (TDMD) is in charge of recruiting, identifying, and retaining emerging talents, and developing and promoting existing talents — in particular, on-air talents, including performers, and presenters. As of December 2009, 184 artists are managed by TDMD. It has successfully developed a number of its on-air talents into stars by showcasing them in popular television programs, among other promotional activities, advocacies, and special events.

Isabel Oli, Iza Calzado, Rhian Ramos and Aljur Abrenica are some of the artists of GMA Talent Development Management Department.

Alta Productions Group's dubbing and post-production facility.

audio visual production

Aside from the Network's in-house post-production facilities, Alta Productions Group, Inc., a wholly-owned subsidiary, provides dubbing and mixing services to both GMA and QTV; post-production for regional operations; dubbing and repurposing services to GMA Worldwide; and the production of quasi-TV plugs for GMA Marketing and Productions, Inc.

radio

GMA traces its roots from a small AM station in the 1950s - DZBB. Today, DZBB is the flagship AM station of GMA's nationwide radio network composed of 21 FM and AM radio stations and one minority-owned radio station. Its anchor FM radio station in Manila, DWLS, was reformatted in 2007 and is now known as **Barangay LS 97.1 Ayos!**

Broadcast journalists Lala Roque and Arnold Clavio inside the booth of AM radio station DZBB during one of the episodes of their radio program **One-on-One with Igan Kasama si Lala Roque.**

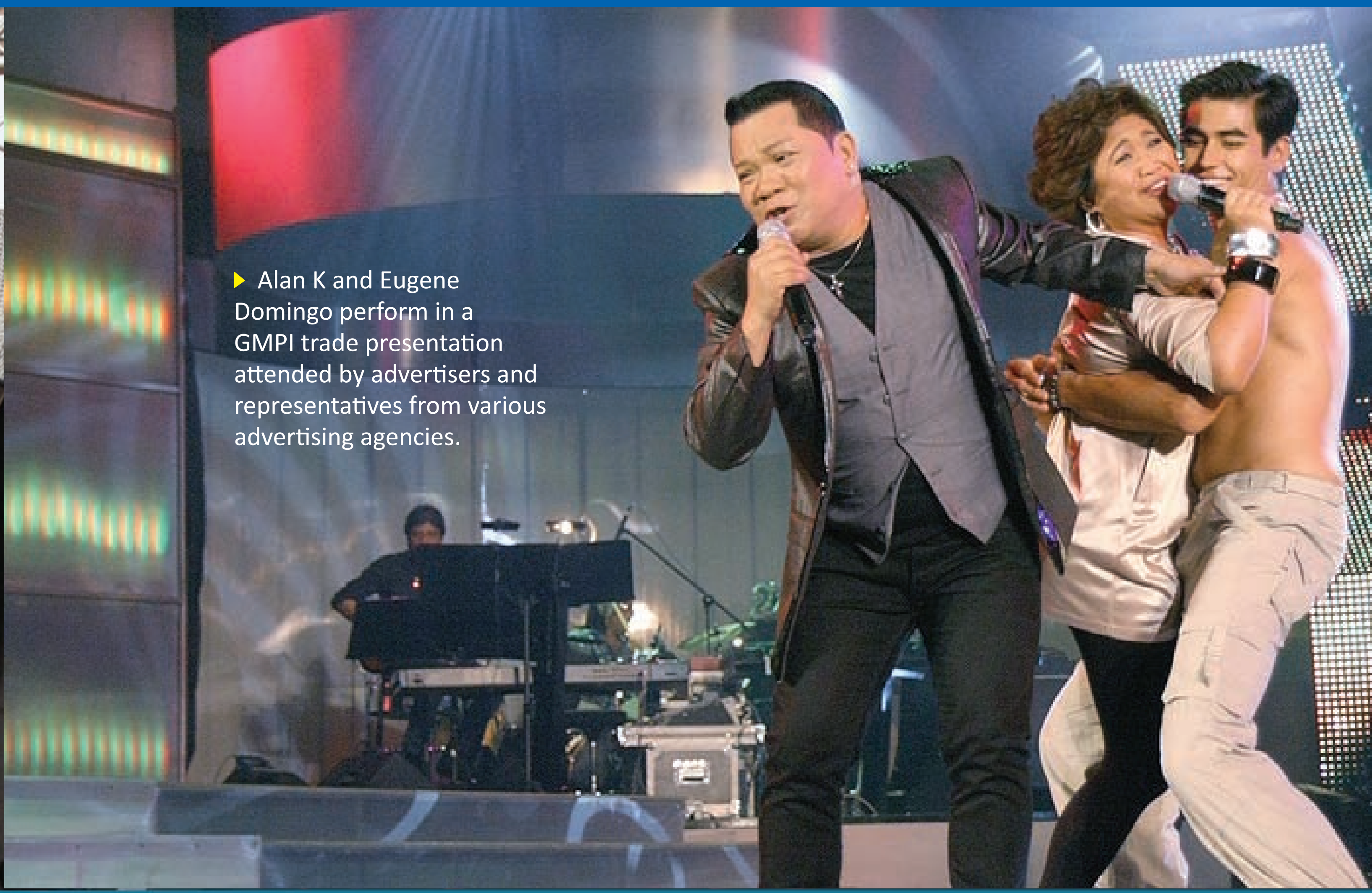
The all-female trio **La Diva** records a song specially created for the victims of typhoon Ondoy. La Diva is one of the contract artists of GMA Records.

recording

RGMA Marketing and Productions, Inc. (GMA Records), the Network's recording arm, leverages the Company's talent and media resources, releases albums of the Network's top contract artists, and partners with GMA Films and other major film production outfits to have their films on DVD. GMA Records also packages the Network's top-rating television series into home video packages and makes them available worldwide.

marketing

GMA Marketing and Productions, Inc. (GMPI) is the exclusive marketing and sales arm for the Company's commercial television and radio airtime. GMPI 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.



Alan K and Eugene Domingo perform in a GMPI trade presentation attended by advertisers and representatives from various advertising agencies.

GMA Worldwide, Inc. distributes GMA-produced programs in many parts of the globe.

program acquisition and distribution

GMA's foreign program acquisitions and the distribution of the Network's programs in the international market is handled by GMA Worldwide, Inc. It acquires programs from major program distributors worldwide and sells and distributes GMA-produced programs and films globally.

international operations

GMA delivers the best the Filipino can offer to the world through its international channels — GMA Pinoy TV and GMA Life TV. Carried by large cable networks abroad, GMA's international channels now reach thousands of Filipino homes in the US including Hawaii, Canada, Singapore, Japan, Guam, Europe, Saipan, Papua New Guinea, the Middle East, Australia, New Zealand, and North Africa.

▼ The comedic tandem of Yaya (Michael V) and the spoiled brat Angelina (Ogie Alcasid) brings certified "Pinoy" humor to hundreds of thousands of subscibers around the world via GMA Pinoy TV and GMA Life TV.

SUBSIDIARIES (WHOLLY-OWNED COMPANIES)

GMA New Media, Inc.
Converging Technology

Citynet Network Marketing and Productions Inc.
Television entertainment production

GMA Network Films, Inc.
Film production

Alta Productions Group, Inc.
Pre- and post-production services

GMA Marketing and Productions, Inc.
Exclusive marketing and sales arm of GMA's airtime

MediaMerge Corporation*
Business development and operations for the Company's online publishing/advertising initiatives

NOTES:
* Indirectly owned through GMA New Media, Inc.

GMA Worldwide (Philippines), Inc.
International marketing, handling foreign program acquisitions and international syndication of the Company's programs

RGMA Marketing and Productions, Inc. (GMA Records)
Music recording, publishing and video distribution

Scenarios, Inc.
Design, construction and maintenance of sets for TV, stage plays and concerts

AFFILIATES

Philippine Entertainment Portal, Inc.
Operation of Pep.ph, an entertainment portal

Ownership: 50%

INQ7 Interactive, Inc.
A joint multimedia news and information delivery company of the Philippine Daily Inquirer, Inc. and GMA

Ownership: 50%

X-Play
A partnership between IPVG Corp. and GMA New Media, Inc. which focuses on designing, operating and maintaining casual online gaming and casual online gaming-related portals

Ownership: 50%

Mont-Aire Realty and Development Corp.**
A real estate holding company

Ownership: 49%

RGMA Network, Inc.
General management programming, research and event management services for the Company's radio stations

Ownership: 49%

** On April 26, 2007, the Company's Board of Directors declared its sharehold-ings 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 dividents to the stockholders of record as of April 26, 2007.

CORPORATE SOCIAL RESPONSIBILITY

▲ GMA artists join volunteers in the packing of relief goods to be distributed to victims of typhoon Ondoy. Other artists and volunteer employees man the telethon, receiving calls of pledges from donors within the country and abroad.

For the past years, GMA Network, Inc. (GMA) has been enjoying the privilege of being the leading broadcast company in the industry. In spite of the global economic downturn in 2009, GMA performed well against competition and even surpassed its targets. The Network has succeeded in maintaining growth by undertaking strategic moves to expand its business such as investing in the production of world class content, upgrading its facilities, and strengthening its presence here and abroad.

With a sustained growth and profitability, GMA remains steadfast in responding to the increasing needs of less fortunate Filipinos. GMA believes that doing well in business goes hand in hand with exercising social responsibility.

GMA is committed to contribute to economic development while improving the quality of life of its employ-

True to its corporate purpose of enriching the lives of Filipinos, GMA has been undertaking several corporate social responsibility (CSR) programs aimed at improving the lives of underprivileged Filipinos.

GMA's Studio 1 is filled with volunteers — GMA artists, employees and viewers — during a relief operation for the victims of typhoon Ondoy.

ees and their families as well as the community at large. True to its corporate purpose of enriching the lives of Filipinos, GMA has been undertaking several corporate social responsibility (CSR) programs aimed at improving the lives of underprivileged Filipinos.

Serbisyong Totoo

As a broadcasting company, GMA produces high-rating programs not only to entertain, inform, and educate but also to empower its audiences to be responsible citizens through its call for action on significant social, economic, political, and other issues. The GMA News and Public Affairs team not only covers stories where they happen, when these happen; the group also extends its services to respond to the needs and helps provide solutions to the problems facing communities and the marginalized members of Philippine society. To the men and women of GMA, this is the true essence of “Serbisyong Totoo”.

When typhoons Ondoy and Pepeng ravaged through Metro Manila and neighboring provinces, the GMA News team risked life and limb to chronicle the news and more importantly, extend to the victims much needed assistance and relief goods.

Serbisyong Totoo also means producing public service programs the likes of **Imbestigador** and **Reunions** that address the concerns of individuals in need of assistance, and documentaries that bring to the fore issues of national concern, and eventually, incite action. As part of the Network’s advocacy program for the environment in 2009, GMA News and Public Affairs produced an environmental documentary entitled **Planet Philippines**. Planet Philippines showcased the Philippines as a home to thousands of plant and animal species endemic only to our country. This documentary highlights the Philippines’ rich bio-diversity and the looming dangers that these irreplaceable treasures are exposed to due to man’s negligent actions.

Recognizing how important the upcoming national election will be, the GMA News and Public Affairs team in the last quarter of the year launched a series of pre-election programs and activities that would enable voters to make intelligent choices come election day. The election advocacy campaign dubbed **May Magagawa Tayo** consists of several projects, among them: **Gusto Kong Maging Pangulo, Isang Tanong: the Presidential Forum** and other specials that provide the venues for candidates to present their platforms and for voters to discuss with the candidates the pressing issues that affect them. A voters’ education campaign was also launched through a music video entitled **Bilog na Hugis Itlog** that instructs voters on how to vote using the new electronic voting system.

Hundreds of GMA employees and talents plant tree seedlings in a deforested area in Tanay, Rizal. This activity is part of GMA’s environmental CSR projects.

GMA Kapuso Foundation, GMA's socio-civic arm, firmly believes that education is the best weapon against poverty.

Commitment to Education

In its desire to empower and motivate the underprivileged yet deserving students, for four years now, GMA has been providing scholarship grants to students of the University of the Philippines (UP) and Don Bosco Technical College (DBTC). In 2009, the project expanded to include the Angeles Foundation University.

GMA likewise continues to confer the President's Medal Award to outstanding students of UP and DBTC. The President's Medal is a distinction given to students who have shown excellence in their fields of study and in their areas of influence.

GMA Kapuso Foundation, GMA's socio-civic arm, firmly believes that education is the best weapon against poverty. The Foundation noted from a previous study that one of the causes of drop outs among Grade 1 pupils is the lack of school supplies they need to support learning. Through the **Unang Hakbang sa Kinabukasan** project, the Foundation provides Grade 1 pupils from underserved public elementary schools with backpacks that contain basic school supplies. This simple, yet crucial endowment, serves as the first step towards a future of bright possibilities for children of poor families.

The **Kapuso School Rehabilitation** project undertakes the rebuilding of public elementary schools heavily damaged by natural and man-made calamities. With the Habitat Foundation as its partner, the Foundation, in coordination with the Department of Education has constructed eight classrooms in two school buildings in Romblon and has started the rehabilitation of four school buildings in Rizal destroyed by typhoons and other natural calamities.

Social Investment

The Kapuso Foundation's activities revolve around its mission of uplifting the lives of underprivileged Filipinos. Aside from education, it undertakes programs on health, disaster relief, and values formation.

Bisig Bayan is the Kapuso Foundation's medical assistance program that provides free medicines and medical services to indigent beneficiaries afflicted with various illnesses. The Bisig Bayan program has provided medical assistance to 2,833 individuals in 2009. Aside from providing medical assistance, the Foundation through its **Wheelchair Giving** project gave away wheelchairs to 54 indigent individuals with physical disabilities. In cooperation with the Integrated Philippine Association of Optometrists, the Foundation has provided free eye refraction services and eyeglasses to 300 indigent individuals under a new project dubbed **Kapuso 20/20**.

Through a partnership with UNICEF, the Foundation has also rolled out the **Linis Lusog Kids** project that aims to improve the health of millions of young Filipinos enrolled in public elementary schools by providing the most basic hygiene requirement – clean water. The project also involves the provision of toilet facilities in schools. In 2009, Kapuso Foundation started constructing water and toilet facilities for ten school-recipients in Antique, Camarines Norte, Saranggani and Negros Oriental. Hygiene trainings were also conducted for teachers, Parents Teachers Association (PTA) officers, and health workers in these schools to ensure that they are able to effectively communicate to school children the importance of proper hygiene practices.

The **Kalusugan Karavan**, which extends roaming medical and dental services to poor and far-flung communities nationwide, has served over 23,993, while **Gift-A-Gift Surgical,** which provides assistance for minor to complex surgical procedures, has served over 919.

Through the **Give-A-Gift: Feed A Child** project, malnourished children are subjected to a sustained 120-day feeding program. In 2009, the Foundation served 353 malnourished children. The **Give-A-Gift: Alay sa Batang Pinoy,** a yearly Christmas project that provides gift packages customized to the needs of indigent children**,** benefited 31,580 children who received *Noche Buena* packages, toys and additional gifts such as school supplies, clothes, tents, mats, and blankets.

The **Operation Bayanihan Disaster Relief Operation**, a project which provides immediate relief and assistance to victims of natural and man-made calamities nationwide, has extended help to 841,528 individuals affected by calamities such as fires, flashfloods, landslides, and typhoons. This year's relief operations included the victims of typhoons Ondoy and Pepeng and Mt. Mayon's eruption.

In celebration of Valentine's Day, the Foundation organized two bloodletting events through its **Sagip Dugtong Buhay** project, which was held at the GMA Network Studios and Ever Gotesco Mall (Commonwealth). A total of 1,706 bags or 722,500 ccs of blood were produced from the two events.

Kapwa Ko, Mahal Ko Foundation, GMA's other socio-civic arm, continues to pursue its mission of providing public service on health care, medical and social services. The Foundation provided medical and social assistance to 26 cancer-stricken children in 2009. It also conducted relief operations and extended medical attention to the victims of floods caused by typhoons Ondoy and Pepeng.

Environmental Stewardship

GMA's advocacy for the preservation of the environment and the need to take steps to mitigate the effects of climate change continues unabated. Through its environmental programs, GMA created awareness on the issues involved, educated and encouraged its employees and viewers to do their share in caring for the environment.

In 2009, with the Haribon Foundation as partner, GMA conducted tree-planting activities in watersheds of Tanay, Iloilo, Cebu, and Pangasinan. GMA also helped promote Haribon's Million Hectare Walk that raised funds for reforestation.

Integrated in its business operations, GMA undertakes initiatives to help preserve the environment. The Network has been implementing waste management, water and energy conservation for a time now.

Corporate Partnerships

GMA's commitment to uplift the lives of Filipinos everywhere is also achieved through its partnerships with key institutions and organizations with objectives aligned with GMA's mission and vision.

In 2009, GMA forged a partnership with the Department of Energy (DOE) and signed a pledge of commitment to support the DOE's National Energy Efficiency and Conservation Program (NEECP).

GMA also joined Avon Philippines, Inc. in its campaign against breast cancer. In this initiative, GMA helped create awareness for the campaign by providing airtime and participating in the **Avon Walk Against Breast Cancer** held in Manila and other key cities of the country.

GMA was also the media partner of the Cultural Center of the Philippines in the celebration of **Earth Day**.

To promote the prevention of diabetes, GMA partnered with the Diabetes Foundation and provided air time for its diabetes awareness campaign.

The Network likewise supported Ayala Foundation's **Gearing Up Internet Literacy and Access for Students (GILAS)** project that provided computer facilities to identified high schools in the country.

Investment in People

The heart of GMA's business success lies in its creative, dedicated and highly skilled workforce.

GMA's Human Resources Development Department (HRDD) continues to provide opportunities for career growth and development, skills enhancement, including personality development.

In 2009, GMA through its HRDD conducted health and wellness programs, sports tournaments, and livelihood programs to improve and maintain the good health, physical and social well being of employees. HRDD also conducted career development trainings to strengthen GMA employees' skills, competencies, and values.

More than the material support that the Network's CSR projects provide to their beneficiaries is the involvement and participation of GMA employees and talents in the GMA Volunteering Program. Philanthropy and community service are not just encouraged; they are part of the culture within the Kapuso family. Hundreds of employees participated in the tree-planting activities conducted nationwide, the Kapuso Day bloodletting activity that collected blood for donation to the Philippine Red Cross, the relief operations for the victims of calamities, and other projects undertaken by the GMA Kapuso Foundation.

▼ GMA Network partners with Avon Philippines, Inc. in "Kiss Goodbye to Breast Cancer," a yearly walk against breast cancer participated in by thousands of Filipinos nationwide including GMA artists and employees.

Beyond GMA's exemplary performance in business is a commitment to be socially responsible. Doing well in business and doing something good for the community make GMA's business more relevant, significant, and sustainable for the long term.

A SPECIAL REPORT ON ELEKSYON 2010:

ADVOCATING GOOD GOVERNA

NCE

With close to 50 remote sites nationwide, state-of-the-art equipment, and a slew of reporters to bring substantial stories on air, GMA pledges to deliver what crucial information the public has the right to know in this critical time in the country's history.

▲ Presidential and Vice-Presidential aspirants pledge their commitment to promote clean and honest elections.

In 2010, as part of its obligation to the public it serves, GMA Network, Inc. is making sure the electorate makes only informed choices on May 10. It is taking upon itself the responsibility to promote good governance in the country.

In May 2010, Filipinos here and abroad will once again exercise their right to vote by electing into office a new set of leaders. Taking into consideration the use of the automated process for the first time here, GMA decided to take a proactive stance to make sure that voters not only understand how automation works but what each candidate's background, stand on current issues and platform are.

On top of which the Network — headlined by its News and Public Affairs Group — made sure candidates make good on their campaign commitments by signing a document to that effect.

Cognizant of the need to empower the Filipinos with the right voter education, GMA synergized with equally credible organizations and made them election partners.   As early as July 2009, GMA Network and other top institutions representing the academe, media, telecommunications and civic groups banded together to deliver the biggest, widest, and most comprehensive coverage of the May 2010 elections. The Philippine Daily Inquirer (PDI), Philippine Long Distance Telephone Co. (PLDT) and Smart Telecommunication, Inc., Inquirer.net, Philippine Center for Investigative Journalism (PCIJ), Catholic Media Network (CMN), AMA Education System, Ateneo School of Government, De La Salle University, San Beda College, University of Santo Tomas, University of the Philippines School of Economics, Youth Vote Philippines, RockEd Philippines, Institute for Public and Electoral Reforms (IPER), Solar Entertainment Corp., Philippine Bar Association (PBA), National Citizens' Movement for Free Elections (NAMFREL), and the Parish Pastoral Council for Responsible Voting (PPCRV) joined forces for Eleksyon 2010.

The solid alliance, which drives the election advocacy, started with an activity that got the candidates to commit to clean and honest elections. In August 2009, the aspirants for the top elective posts signed a formal covenant on national television via **Eleksyon 2010 Na, Tatakbo, Ka Ba?** The signing capped a run-for-a cause held at the Bonifacio Global City. The covenant, which details sworn-in statements for fraud-free elections, is notarized and legally binding. This initiative likewise reflects the people's collective challenge to the aspirants to do what's right.

GMA produced television specials to inform the voting public about the candidates. Through a series of televised fora titled **Isang Tanong**, the network provided the setting for presidential and vice-presidential aspirants to detail their platforms and programs once elected into office.

Designed to help the electorate decide who among the aspirants best deserve the highest posts, Isang-Tanong compelled the political candidates to each answer one question from a panel composed of GMA News pillars Mel Tiangco, Mike Enriquez, Jessica Soho, Arnold Clavio, Vicky Morales and Howie Severino. Representatives from among Eleksyon 2010's partner institutions and those who posted questions through GMANews.tv were also given the chance to field their one question.

As the election month draws near, more relevant and timely projects within the election advocacy lineup unfold, including the launch of **24 Oras Weekend**, a presidential debate, the weekly program **Kandidato** (a job interview of the applicants to the highest post of the land), news and public affairs election segments on both TV and radio, and other specials. Produced also were a series of vignettes called **May Magagawa Tayo** showing how one's actions have the power to change history, along with a series of infomercials on automated elections called **Leksyon sa Eleksyon**.

The centerpiece of GMA Network's voter education efforts is its information campaign on the automated elections. A music video called **Bilog na Hugis Itlog** details instructions on voting using the new ballot and reminds the public about choosing candidates who will serve the country well. The non-traditional approach used in the Bilog music video is a big departure from the usual trite instructional modules used for voters' education. By using song and dance as a teaching tool, the complicated voting process in an automated election is simplified and made more understandable.

Since its launch, Bilog has received positive reviews from Comelec, notably Commissioners Rene Sarmiento and Gregorio Larrazabal, and PPCRV Chairperson Amb. Henrietta de Villa. Political parties have sought the network's permission to use this in educating candidates on automation. People from all walks of life including celebrities and the famous Cebu dancing inmates have danced to the tune of Bilog. It enjoys high frequency airplay over DZBB, DWLS-FM, all RGMA radio stations as well as all Catholic Media Network radio stations nationwide. The Bilog music video has become viral, with the videos uploaded in various websites. The Network also spearheads on-ground demonstrations of the step-by-step process of the automation.

GMA's efforts on voter education are not confined to television and radio. GMA's official news website GMANews.tv created an election microsite called YourVox. YourVox features three pioneering web shows: **Examine** — a question-and-answer web show that compels election candidates and experts to answer questions fielded through the new media; **Exchange** — the first ever live chat forum where Filipinos here and abroad can personally interview election candidates online; and **EGIG** (Election Guide for the Interactive Generation) — a youth web show hosted by Gang Badoy of RockEd Philippines and Howie Severino, Editor-in-Chief of GMANews.tv. The show discusses election-related topics that appeal to the youth.

With close to 50 remote sites nationwide, state-of-the-art equipment, and a slew of reporters to bring substantial stories on air, GMA pledges to deliver what crucial information the public has the right to know in this critical time in the country's history.

But more than this, the network acknowledges that the people themselves, whether individually or collectively, can make a difference in turning this country around. By providing the public with that continuous stream of vital information, and various venues to express their opinions, ask questions and interact with the key candidates, GMA fulfills its commitment to empower the people and make this coming election a relevant and significant one.

AWARDS & RECOGNITIONS

ANAK TV SEAL AWARDS

Most Admired TV Personalities
Mike Enriquez
Vic Sotto
Ryan Agoncillo
Jessica Soho
Mel Tiangco

Most Well-Liked TV Programs
24 Oras
Art Angel
Batang Bibbo
Happy Land
Kay Susan Tayo
Lovely Day
Wish Ko Lang!
Ang Pinaka
Day-off
Kids on Q
Balitanghali

ANVIL AWARDS (PRSP)

Anvil Award of Excellence
GMA Kapuso Magazine

Anvil Award of Recognition
Proud to be Kapuso Campaign

ASIAN TV AWARDS

Highly Commended, Best Comedy Performance by an Actor
Michael V

2009 METRO MANILA FILM FESTIVAL

Best Festival Picture
Ang Panday (GMA Films/Imus Productions)

Best Festival Actor
Bong Revilla, Ang Panday

Best Festival Supporting Actor
Philip Salvador, Ang Panday

Best Original Theme Song
Tanging Ikaw Lamang, Ang Panday by Ogie Alcasid

Best Festival Production Design
Richard Somes, Ang Panday

Best Festival Visual Effects
RIOT, Jay Santiago, Ang Panday

Best Festival Child Performer
Robert Villar, Ang Panday

AWIT AWARDS

People's Choice Favorite Group Recording Artists
La Diva

BARANGAY-BAYAN GOVERNANCE CONSORTIUM AND THE INSTITUTE OF POLITICS AND GOVERNANCE

Draw the Line- Special Bayi Citation (local)

CATHOLIC MASS MEDIA AWARDS

Hall of Fame Award for Best Public Service Program
Wish Ko Lang! (for winning in 2003, 2005, 2007 and 2008)

Best Adult Educational/Cultural Program
I-Witness "Batang Langoy"

Best Public Service Program
Reunions

Best Children's Program
Kids on Q

Best Entertainment TV Program
SOP

Best TV Talk Show
SIS

GAWAD TANGLAW (GAWAD TAGAPURING MGA AKADEMISYAN NG ANINONG GUMAGALAW)

Best News Program
24 Oras

Best Documentary Special
Signos: Banta ng Nagbabagong Klima

Best Public Service Program
Wish Ko Lang!

Best Educational Program
Art Angel

Best TV Anchor
Vicky Morales

Best Documentary Program
Reporter's Notebook

Natatanging Gawad Tanglaw para sa Mass Media
Susan Enriquez

Best Family Oriented Talk Show
Moms

Best Lifestyle Show
The Sweet Life

INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS (IABC) PHILIPPINE QUILL AWARDS

Awards of Merit
Earth day 2009; Project Gift; Aiming Higher: The GMA Network, Inc. 2008 Annual Report; GMA Network Education Studio Tours

Excellence Award
GMA Marketing and Productions, Inc. (GMPI) for 2008 GMA Christmas Short Film Festival

INTERNATIONAL EMMY AWARDS

Best Telenovela Category
"Magdusa Ka" (nominee)

IR MAGAZINE SOUTH EAST ASIA AWARDS 2009

3rd Placer: Best Investor Relations by a Philippine Company, GMA Network, Inc.

JAPAN PRIZE AWARD FOR CHILDREN

Finalist
Ka-Blog

LA SALLIAN SCHOLARUM AWARD

Best TV Feature on Youth and Education
I-Witness: "Papa, Papa, Paano Ako Ginawa?"

Finalist
I-Witness: "Kapatiran sa Laman" and "Gangsta Girls"

MANAGEMENT ASSOCIATION OF THE PHILIPPINES (MAP)

Best Annual Report Award

Finalist
Aiming Higher: The GMA Network, Inc. 2008 Annual Report

MOVIE AND TELEVISION REVIEW AND CLASSIFICATION BOARD (MTRCB) AWARDS

Best Public Affairs Show
I-Witness: "Ambulansiyang de Paa"

Best Female Host
Jessica Soho

Best News Program
Balitanghali

Best Drama Special
Obra

Best Actor
Michael V

Special award for promoting environmental protection
Born to be Wild

NAMIC EXCELLENCE IN MULTICULTURAL AWARDS

1st place in the Grassroots Category
GMA Family Balikbayan Box Campaign (CA Region)

NCCA AWARDS

Ani ng Dangal Award
Reporter's Notebook

NEW YORK FESTIVALS

Gold World Medal: Coverage of an Ongoing Story
24 Oras: "Corporal Abeto"

Silver World Medal, Best Newscast
24 Oras: "Lanao del Norte Attacks"

Bronze World Medal, Best Public Affairs Program
Reporter's Notebook - "Pinays for Export: The Asian Sex Trafficking Trail"

Finalist Certificate: Social Issues/Current Events
Emergency: "Jumper Kids/Battered Children"

Finalist Certificate: Community Portraits
I-Witness – Kara David: "Bundok na Kristal"

Finalist Certificate: Magazine Format
Ang Pinaka: "Most Popular Filipinos in the Internet"

Finalist Certificate: Coverage of Breaking News (Longform)
News on Q: "Batasan Blast"

PMPC STAR AWARDS FOR MUSIC

Best New Female Performer
Maricris Garcia

PMPC STAR AWARDS FOR TELEVISION 2009

Best Children Show
Art Angel

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

Best Educational Program Host
Ramon "Bong" Revilla, Jr.
(Kap's Amazing Stories)

Best Travel Show
Balik-Bayan

Best Travel Show Host
Drew Arellano (Balik-Bayan)

Best Reality Program
Day Off

Best Reality Program Host
Paolo Bediones (Survivor Philippines)

Best Lifestyle Show
Events Incorporated

Best Lifestyle Show Host
Tim Yap and Sam Oh (Events Incorporated)

Best Magazine Show
Kapuso Mo, Jessica Soho

Best Magazine Show Host
Jessica Soho (Kapuso Mo, Jessica Soho)

Best Documentary Program
I-Witness: The GMA Documentaries

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

Best Public Service Program
Imbestigador

Best Female Newscaster
Vicky Morales (Saksi)

Best Youth-Oriented Program
Ka-Blog

Best Celebrity Talk Show
SIS

Best Game Show Host
Richard Gomez (Family Feud)

Best Gag Show
Bubble Gang (GMA-7) tied with Banana Split (ABS-CBN)

Best Comedy Show
Ful Haus (GMA-7)

Best Comedy Actress
Rufa Mae Quinto (Bubble Gang)

Best Single Performance By An Actress
Gretchen Barretto (Maalaala Mo Kaya: "Salamin" episode, ABS-CBN) & Sunshine Dizon (Obra Presents: Sunshine Dizon, "Butch" episode, GMA 7)

Special awards
Hall of Fame Award for Eat Bulaga!

POPDEV MEDIA AWARDS

Best Investigative Report Award
Child pornography: Evil that preys silently on poor Filipino children (by Claire Delfin)

Runner-up, Best Investigative Report
Childbirth, still a grim reality for many Filipino mothers and babies (by Claire Delfin)

Runner-up, Best Feature or Magazine Article
When mom is away, the family goes astray (by Joseph Holandes Ubalde)

UNION CATHOLIQUE INTERNATIONALE DE LA PRESSE (UCIP)

Titus Brandsma Award Leadership in Journalism
Howie Severino (I-Witness)

UP (LOS BAÑOS) GANDINGAN AWARDS

Best Investigative Program Host
Mike Enriquez

Best Investigative Program
Imbestigador

Best Field Reporter
Jiggy Manicad

Best Public Service Program Host
Vicky Morales

Best Public Service Program
Wish Ko Lang!

Most Development-Oriented Public Affairs Program & Most Development-Oriented Documentary Program
I-Witness

Best Documentary Film-maker
Howie Severino

Most Development-Oriented Magazine Program
Kapuso Mo, Jessica Soho

Best Public Affairs Program Host & Best Magazine Program Host
Jessica Soho

Most Development-Oriented TV station
QTV-11

U.S. INTERNATIONAL FILM AND VIDEO FESTIVAL

Silver Screen Award
Reporter's Notebook "Lunok Droga"

Certificate of Creative Excellence
Reporter's Notebook: "Pinays for Export"
I-Witness: "Mga Batang Langoy"
Reunions: Sgt. Holcomb, Multiple Reunions and Rolly Barbuco Story

Silver Screen Award (Documentary: Motivational, Inspirational)
Rajo Red: The Business of Elegance

USTV STUDENTS' CHOICE AWARDS

Students' Choice of Documentary Program
I-Witness

Students' Choice of Magazine Program
Kapuso Mo, Jessica Soho

Students' Choice of Local News Program
24 Oras

Students' Choice of Male News & Public Affairs Host
Mike Enriquez

Speculum Veritatis Award
Arnold Clavio

Students' Choice of Gag Show
Bubble Gang

CORPORATE GOVERNANCE

GMA Network, Inc. is committed to the principles of good governance and recognizes their importance in safeguarding shareholders' interests and in enhancing shareholder value. The Company has adopted a Manual on Corporate Governance to institutionalize the Company's adherence to these principles. This Manual clearly 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.

Our Board of Directors, led by our chairman, Atty. Felipe L. Gozon, strongly advocates accountability, transparency and integrity in all aspects of the business and commits to the best practices of governance in the pursuit of the company's mission and vision.

To ensure adherence to corporate governance, the Board designated a Compliance Officer who is also a Vice President, Atty. Eduardo P. Santos. The Compliance Officer is responsible for monitoring compliance by the Company with the provisions and requirements of good corporate governance.

Board of Directors

Compliance with the principles of good governance starts with the Company's Board of Directors. The Board is responsible for oversight of the business, determination of the company's long-term strategy and objectives, and management of the company's risks by ensuring the adequacy of the company's internal controls and procedures. The Board of Directors ensures a high standard of governance, and promotes and protects the interests of the Company, its stockholders and other stakeholders.

The Board consists of nine directors, two of whom are independent directors. All nine members of the Board have the expertise, professional experience and background that allow a thorough discussion and deliberation of issues and matters affecting the Company.

The two independent directors — former Chief Justice Artemio V. Panganiban and Dr. Jaime C. Laya — have no relationship with the Company, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Board comprise the following members:

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

Board Performance

Directors attend regular meetings of the Board, which are held every quarter and other times as necessary, and the Annual Stockholders' Meeting (ASM). In its meetings, the Board reviews the performance of the Company and its subsidiaries, approves plans, budgets and financial statements, sets policies and guidelines for management, and discusses matters requiring Board attention and approval. The Board met five times in 2009. The attendance of the individual directors at these meetings is duly recorded as follows:

Director's Name	Regular & Special Meetings	
	Present	Absent
Felipe L. Gozon	5	0
Gilberto R. Duavit, Jr.	5	0
Joel Marcelo G. Jimenez	5	0
Felipe S. Yalong	5	0
Anna Teresa G. Abrogar	4	1
Judith D. Vazquez	5	0
Laura J. Westfall	4	1
Artemio V. Panganiban	5	0
Jaime C. Laya	5	0

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

For the ASM held on May 20, 2009, all Directors were present.

The Chairman, Felipe L. Gozon, presided over all the Board meetings for the year. He likewise presided over the Annual Stockholders' Meeting, with all the members of the Board in attendance.

Board Remuneration

The amended by-laws of the Company provides that the Board of Directors shall receive and allocate yearly an amount of not more than two and a half percent (2.5%) of the net income after income tax of the corporation during the preceding year. Of the said 2.5% , one percent (1%) shall be allocated to the members of the Board of Directors to be distributed share and share alike. The remaining one and a half percent (1.5%) shall be allocated to the members of the Executive Committee to be distributed share and share alike.

Committees and Meetings of the Board of Directors

Four committees were established to aid in complying with the principles of good governance and address issues requiring the Board's attention:

Executive Committee

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

Nomination Committee

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

Compensation and Remuneration Committee

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

Audit Committee

The Audit Committee is currently composed of five members with two independent directors as members. Dr. Jaime C. Laya, an independent director serves as Chairman and former Chief Justice Artemio V. Panganiban, also an independent director, serves as Vice Chairman. Anna Teresa G. Abrogar, Judith D. Vazquez and Ms. Laura J. Westfall are members of the Committee. The Audit Committee assists the Board in its fiduciary responsibilities by providing an independent and objective assurance to the Company's management and stakeholders on the continuous improvement of risk management systems, business operations and proper safeguarding and use of the Corporation's resources and assets. The Audit Committee provides a general evaluation and gives assistance to the overall improvement of the risk management, control, and governance process of the Corporation as designed by Management and provides assurance that these are properly functioning.

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

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

The Audit Committee held six meetings in 2009 wherein the Committee reviewed and approved, among others, the Company's 2008 Consolidated Audited Financial Statements as prepared by the external auditors.

The Audit Committee approved the auditor-related fees in 2009.

The detailed Audit Committee Report forms part of this Annual Report.

Management

The Chairman of the Board, President and Chief Executive Officer is Felipe L. Gozon, while Mr. Gilberto R. Duavit, Jr. holds the position of Executive Vice President and Chief Operating Officer.

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

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

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

Employee Relations

Each employee is provided with an Employee Handbook, which contains the policies, guidelines and definitions of the duties and responsibilities of an employee of GMA Network, Inc. The Handbook also details the benefits and privileges accruing to all regular employees.

The News and Public Affairs Ethics Manual, on the other hand, sets the standards and rules on how News and Public Affairs personnel should conduct themselves at work.

Through an internal newsletter and the Intranet facilitated by the Corporate Affairs Division, employees are updated on material developments within the organization.

The Company also provides training programs and seminars for career advancement and development. The Company has also initiated activities centered on the safety, health and welfare of its employees.

Risk Management

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

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

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

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

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

Financial Reporting

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

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

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

Prompt Disclosures and Timely Reporting

GMA Network, Inc. adheres to a high level of corporate disclosure and transparency regarding the company's financial condition and state of corporate governance on a regular basis. Through the Investor Relations and Compliance Division (IRCD), shareholders are provided disclosures, announcements and periodic reports filed with the Securities and Exchange Commission(SEC) and the Philippine Stock Exchange. These are also available on line through the Company's Investor Relations website www.gmanetwork.com/ir.

The Company, through the Investor Relations and Compliance Division, holds regular analysts' and investors' briefings that are attended by the Company's chief executive officer, chief operating officer, chief finance officer as well as other high ranking officers. Meetings with fund managers, investment, financial and research analysts are likewise handled by the IRCD.

Consolidated audited financial statements are submitted to the SEC on or before the prescribed period and distributed to the shareholders prior to the ASM.


Felipe L. Gozon


Gilberto R. Duavit, Jr.


Joel Marcelo G. Jimenez

BOARD OF DIRECTORS

FELIPE L. GOZON

Filipino, 70 years old, has been the Chairman of the Board of Directors of the Company since 1975. He is the Chairman, President, and Chief Executive Officer of the Company, positions which he has held since October 2000. He is a Senior Partner at the Belo Gozon Elma Parel Asuncion & Lucila Law firm. Aside from GMA Network, Inc., he is also Chairman and CEO of GMA Marketing and Productions, Inc. and GMA New Media, Inc.; Chairman and President of FLG Management and Development Corp.; Chairman of Alta Productions Group, Inc., Citynet Network Marketing and Productions, Inc., Mont-Aire Realty and Development Corp., Philippine Entertainment Portal, Inc. and RGMA Network, Inc.; Vice Chairman of Malayan Savings and Mortgage Bank; Director of, among other companies, Gozon Development Corp., Justitia Realty and Management Corp., Antipolo Agri-Business and Land Development Corp., Sagittarius Condominium Corp. and President of Lex Realty, Inc. He is Vice President of the Philippine Chamber of Commerce and Industry and also serves as Chairman of the Board of Trustees of GMA Kapuso Foundation, Inc., Kapwa Ko Mahal Ko Foundation, Inc., and The Potter and Clay Christian School Foundation, Inc.; Chairman and President of Gozon Foundation; Director of The Nova Foundation for Differently Abled Persons, Inc.; and Trustee of Bantayog ng mga Bayani Foundation.

He was named CEO of the Year by UNO Magazine in 2004 and Master Entrepreneur of the Year (Philippines) 2004 by SGV/Ernst & Young in 2005. People Asia Magazine included him in the list of People of the Year 2005. The international magazine BizNews Asia bestowed on him the Business Icon Gold Award in 2008 and Business Excellence Award in 2009.

He earned his Bachelor of Laws degree from the University of the Philippines and his Masters of Laws degree from Yale University Law School. He was admitted to the Bar in 1962, placing 13th in the Bar examinations.

GILBERTO R. DUAVIT, JR.

Filipino, 46 years old, has been a Director of the Company since 1999. He is currently the Chairman of the Company's Executive Committee. He has been the Executive Vice President and Chief Operating Officer of the Company since the year 2000. Aside from GMA Network, Inc., he is the Chairman of the Board of GMA Network Films, Inc. and GMA Worldwide, Inc. and Vice Chairman of the Board of GMA Marketing and Productions, Inc. He also serves as President and CEO of GMA Holdings,

Felipe S. Yalong

Anna Teresa G. Abrogar

Inc., Scenarios, Inc., RGMA Marketing and Productions, Inc., and Film Experts, Inc. and Dual Management and Investments, Inc. President and Director of Mediamerge Corp., Citynet Network Marketing and Productions, Inc.; Director of RGMA Network, Inc., GMA New Media, Inc., Alta Productions Group, Inc., Optima Digital, Inc., Monte-Aire Realty and Development Corp. and Pacific Heights Sports and Resort, Inc.; Executive Vice President and Director of Group Management and Development, Inc. He also serves as the President of the Board of Trustees of GMA Foundation, Inc. and as a Trustee of Guronasyon Foundation, Inc. (formerly LEAF).

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

JOEL MARCELO G. JIMENEZ

Filipino, 45 years old, has been a Director of the Company since 2002. He is currently the Senior Vice President of GMA Marketing and Productions, Inc. and the Chief Executive Officer of Alta Productions Group, Inc. He is a Director of RGMA Network, Inc., GMA New Media, Inc., Scenarios, Inc., and GMA Worldwide, Inc., besides also being a member of the Board of Malayan Savings and Mortgage Bank, and Unicapital Securities, Inc. He is also a Director of Nuvoland Philippines, a real-estate development company. He is a Trustee of GMA Kapuso Foundation, Inc.

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

FELIPE S. YALONG

Filipino, 53 years old, has been a Director of the Company since 2002. He has been the Senior Vice President for Corporate Services Group of the Company since 2001. Aside from GMA Network, Inc., he also serves as Director and Corporate Treasurer of GMA Holdings, Inc., Scenarios, Inc., and GMA Network Films, Inc.; Director of Unicapital, Inc., Majalco Finance and Investments, Inc., and GMA Marketing and Productions, Inc.; Corporate Treasurer of RGMA Network, Inc., Mediamerge Corp.; Executive Vice President of RGMA Marketing and Productions, Inc.; and Corporate Treasurer of the Board of Trustees of GMA Kapuso Foundation, Inc.

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

ANNA TERESA G. ABROGAR

Filipino, 38 years old, has been a Director of the Company since 2000. Atty. Abrogar is also a Director of GMA New Media, Inc.; Director and Corporate Secretary of Mont-Aire Realty and Development Corp., and FLG Management and Development Corp.; and President of GMA Worldwide, Inc. and GMA Network Films, Inc. She is a Junior Partner at Belo Gozon Elma Parel Asuncion & Lucila Law firm.

Atty. Abrogar graduated *cum laude*, with a Bachelor of Science degree in Management Engineering from Ateneo de Manila University and obtained a Bachelor of Laws degree from the University of the Philippines where she graduated valedictorian, *cum laude*. She later obtained a Master of Laws degree from Harvard University. Atty. Abrogar was an Associate Professor at the University of the Philippines, College of Law where she taught Taxation Law.

Judith D. Vazquez

Laura J. Westfall

JUDITH D. VAZQUEZ

Filipino, 47 years old, has been a Director of the Company since 1988. She is a member of the following Special Committees: Audit & Risk Management Committee and Compensation & Remuneration Committee. Moreover, she sits on the boards of the following GMA7 subsidiaries: GMA New Media, Inc., RGMA Network, Inc. and Citynet Network Marketing and Productions, Inc. She is a member of the Board of Trustees of GMA Kapuso Foundation, Inc.

Ms. Vazquez is the Founder and Chairman/CEO of PHCOLO, Inc. - the premier interconnection site for 22 telecommunications and Internet Service Provider companies on four platforms: fixed-line fiber, cable, wireless and satellite. She is Chairman/CEO of Vigil Investments Inc. and The Peak Tower Condominium Corporation. She sits on the Board of Governors of the Management Association of the Philippines, and is a Senior Lecturer for Entrepreneurship at the College of Business Administration, University of the Philippines (Diliman campus). She is a member of the World Presidents' Organization.

Her successful and visionary efforts in the field of Information and Communications Technology, which includes the development of the country's first intelligent building, The Peak, have earned her a position in Computerworld's list of "Philippines' Most Powerful in ICT."

Ms. Vazquez holds a Bachelor of Science degree in Business Economics from the University of the Philippines and is an alumna of Harvard Business School, the University of Michigan (Ann Arbor) and the Asian Institute of Management.

LAURA J. WESTFALL

Filipino, 42 years old, has been a Director of the Company since 2000. She held the following positions in the Company — Senior Vice President of Corporate and Strategic Planning and Senior Vice President for Finance. In addition, she served as Chairperson and President of GMA New Media. Prior to joining the Company, she worked for BDO Seidman – Los Angeles, an international audit and management consulting firm. She currently holds various positions in the Majent Group of Companies and serves as Board Member of Coffee Bean and Tea Leaf Philippines and Bronzeoak Clean Energy, Inc. She also serves as Board Member and Treasurer of the Museo Pambata Foundation and USA Girl Scouts – Philippines.

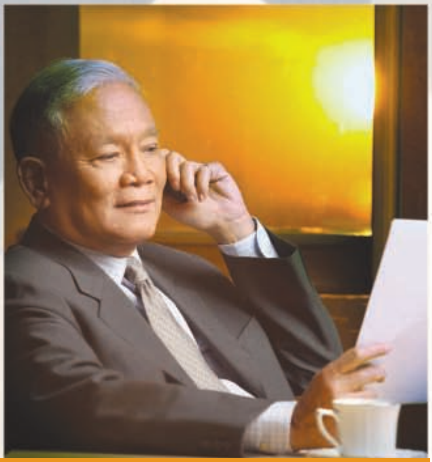
She holds a Masters Degree in Public and Private Management from Yale University and a Bachelor of Science degree in Accounting from the University of Southern California. She is a Certified Public Accountant (CPA) in the State of California.

ARTEMIO V. PANGANIBAN

Filipino, 73 years old, has been an Independent Director of the Company since 2007. In 1995, he was named a Justice of the Supreme Court and in 2005, was appointed Chief Justice of the Philippines, a position he held until December 2006. At present, he is also an Independent Director of First Philippine Holdings Corp., Metro Pacific Investments Corp., Manila Electric Company, Robinson Land Corp., GMA Holdings, Inc. Manila North Tollways Corp., Tollways Management Corp., He is also a Senior Adviser for Metropolitan Bank, Independent Adviser for Philippine Long Distance Telephone Co. and a consultant for Pfizer Philippines, Inc. Chief Justice Panganiban is likewise Chairman, Board of Advisers of Metrobank Foundation; Chairman of the Board of Philippine Dispute Resolution Center, Inc.; and Member, Advisory Board of the World Bank and of the Asian Institute of Management RVR-CVS Governance Council. He also is a column writer of The Philippine Daily Inquirer.

Upon his retirement, he was unanimously conferred a Plaque of Acclamation by the Associate Justices of the Supreme Court as the "Renaissance Jurist of the 21st

Artemio V. Panganiban



Jaime C. Laya

Roberto O. Parel

Century;" and an Award of Honor by the Philippine Bar Association. In recognition of his role as a jurist, lawyer, civic leader, catholic lay worker, business entrepreneur and youth leader, he has been the recipient of over 250 other awards from various governments, civic clubs, consumer associations, bar groups, religious movements and other non-government organizations, both local and international.

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

JAIME C. LAYA

Filipino, 71 years old, has been an independent Director of GMA Network, Inc. since 2007. He is the Chairman of Philippine Trust Company (Philtrust Bank), Director of Victorias Milling Company, Inc., Philippine AXA Life Insurance Company, Inc. and Philippine Ratings Services Corporation. He also serves as Chairman of Don Norberto Ty Foundation, Inc., CIBI Foundation, Inc., and Dual Tech Foundation, Inc.; Trustee of De la Salle University - Taft, St. Paul University - Quezon City, Cultural Center of the Philippines, Metropolitan Museum of Manila, Yuchengco Museum and Fundacion Santiago, Inc. He was Minister of Budget, 1975-1981; Minister of Education, Culture and Sports, 1984-86; Chairman of the Monetary Board and Governor, Central Bank of the Philippines, 1981-1984; Chairman, National Commission for Culture and the Arts, 1996-2001. He was faculty member of the University of the Philippines, 1957-1978 and Dean of the College of Business Administration, 1969-1974. He founded the J.C. Laya & Co., Ltd, now called Laya Mananghaya & Co., and served as chairman of the firm until his retirement in 2004.

He earned his BSBA, *magna cum laude*, University of the Philippines, 1957; M.S. in Industrial Management, Georgia Institute of Technology, 1961; Ph.D. in Financial Management, Stanford University, 1966. He is a Certified Public Accountant.

ROBERTO O. PAREL

Filipino, 53 years old, has been the Corporate Secretary of the Company since 1993. He is a Partner at the law firm of Belo Gozon Elma Parel Asuncion & Lucila. His practice areas include labor relations, natural resources and intellectual property. He is a Director of Time-Life International Philippines, Capitalex Holdings Philippines, Rohm and Haas Philippines, Inc., Ipilan Nickel Corporation, Nickel Laterite Resources, Inc., Berong Nickel Corporation, Ulugan Nickel Corporation, Ulugan Resources Holdings, Inc., Nickeline Resources Holdings, Inc., Skyway O and M Corporation, and Assetvalues Holding Company, Inc.; Director and Corporate Treasurer of Selenga Mining Corporation; Corporate Secretary of Alta Productions Group, Inc., Scenarios, Inc., RGMA Network, Inc., Citynet Network Marketing and Productions, Inc., and GMA Kapuso Foundation, Inc.

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

Executive Committee

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

Senior Vice Presidents

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

Audit Committee

Chairman: **Jaime C. Laya**
Vice Chairman: **Artemio V. Panganiban**
Members: **Anna Teresa G. Abrogar**
Judith D. Vazquez
Laura J. Westfall

Heads of Subsidiaries

Felipe L. Gozon, Chairman and CEO of GMA Marketing and Productions, Inc., and GMA New Media, Inc.; Chairman of Alta Productions Group, Inc., Citynet Network Marketing and Productions, Inc., RGMA Marketing and Productions, Inc., Scenarios, Inc., and MediaMerge Corporation

Anna Teresa G. Abrogar, President of GMA Worldwide, Inc., and GMA Network Films, Inc.

Gilberto R. Duavit, Jr., Chairman of GMA Network Films, Inc., GMA Worldwide, Inc.; President/CEO of Scenarios, Inc., RGMA Marketing and Productions, Inc.; President of Citynet Network Marketing and Productions, Inc. and MediaMerge Corporation

Edmund A. Alcaraz, President and COO, Alta Productions, Inc.

Manuel P. Quiogue, President and COO, GMA Marketing and Productions, Inc.

Edilberto I. Gallares, President and COO, GMA New Media, Inc.

VICE PRESIDENTS

Left to Right: **Ronaldo P. Mastrili**, VP, Finance; **Sheila A. Tan**, VP, Research; **Carmencita G. Arce**, Head, Corporate Affairs; **Edwin J. Uy**, VP, Supply and Asset Management Department

Left to Right: **Jose Mari R. Abacan**, VP, Program Management; **Jessica A. Soho**, VP, News Programs; **Regie C. Bautista**, VP, Program Support Department

Not in picture:

Luz Annalee O. Escudero, VP, Regional TV & Concurrent Head of the Expansion & Production Services

Left to Right: **Eduardo P. Santos**, VP, Internal Audit; **Edward D. Achacoso**, VP, Post Production; **Dick B. Perez**, VP, Legal Affairs; **Joseph Jerome T. Francia**, VP, GMA International

Left to Right: **Ida Lucilla R. Henares**, VP, Talent Development and Management Department; **Alfonso S. Raquel, Jr.**, VP, Corporate Communications; **Marivin T. Arayata**, VP, Entertainment TV/Head, Comedy/Game Division

Standing, Left to Right: **Horacio G. Severino**, Acting Vice President for Multimedia Journalism; **Ayahl Ari Augusto P. Chio**, VP, Investor Relations

Seated, Left to Right: **Roehl Rodelio V. Julian**, VP, Administration; **Joselito B. Remulla**, OIC, Engineering Group

ASSISTANT VICE PRESIDENTS

Left to Right: **Gerrome Y. Apolona**, AVP, Employee Relations Management Division; **Rolando G. Sanico, Jr.**, Division Head, Subsidiary Operations & Monitoring; **Jose Severino V. Fuentes**, AVP, Master Control & On-Air Operations; **Abraham B. Viray**, HRD Consultant

Left to Right: **Thomas M. Sales**, AVP, Metro Manila Transmissions Operations; **Elvis B. Ancheta**, AVP, Regional Network Engineering; **Victoria T. Arradaza**, AVP, Supply Management; **Virgilio L. Muzones**, Consultant, Engineering Department

Standing, Left to Right: **Paul Hendrik P. Ticzon**, AVP, Post Production Operations; **Odilon M. De Guzman**, OIC, Corporate Strategic Planning

Seated, Left to Right: **Lourdes A. Topacio**, AVP/Creative Director, Program Support Department; **Rossette Marie T. Hernandez**, AVP, Viewer Directed Marketing Division

Left to Right: **Ma. Nenita E. Cruz**, OIC, ICT Department; **Ma. Lucille U. Dela Cruz**, AVP, Treasury Division; **John Oliver T. Manalastas**, AVP, News Production; **Rachel Vitaliana B. Vergel de Dios**, AVP, Administration Division, News and Public Affairs; **Mary Grace D. Reyes**, AVP, News Operations

Left to Right: **Janine P. Nacar**, AVP, Talk/Game/Reality; **Lilybeth G. Rasonable**, AVP, Drama Division; **Girly S. Lara**, AVP, Alternative Productions

Clockwise from left: **Venus E. Bartolabac**, AVP, Mega Manila TV Programming Research; **Jose S. Toledo, Jr.**, Division Head, Budget & Payroll; **Maria Leogarda S. Matias**, AVP, Alternative Platforms (QTV); **Clyde Rolando A. Mercado**, OIC, Public Affairs; **Corazon P. De Jesus**, AVP, Talk/Musicals/Specials Division; **Ruth D. Lejarde**, AVP, Channel Performance and Regional TV Research

Not in picture:

Lauro M. Penullar, Division Head, Controllership, Finance Department

Sonia A. Saw, Division Head, Financial Management Systems, Finance Department

FINANCIAL STATEMENTS

Management Discussion and Analysis of Financial Condition and Results of Operations for the Year Ended December 31, 2009.

GMA Network, Inc. remained resilient in 2009. Faced with the prospect of a continued global economic downturn, the Company braced itself for a challenging year ahead. But, buoyed up by revenue from election-related ads and a lower statutory income tax rate, the Company ultimately weathered the year to finish with the best results it has had to date.

Gross revenues in 2009 grew to ₱13,771 million, 10% or ₱1,274 million higher than last year. With the increase in total operating expenses kept at 9% or ₱680 million over last year, net income settled at ₱2,818 million, up by 19% versus the bottom line in 2008.

Income data	2009 (in millions Php)	2008 (in millions Php)	Inc/(Dec) (in millions Php)	%
Revenue				
Television and radio airtime	**12,691.6**	11,653.5	1,038.1	9%
Production and others	**1,079.3**	843.2	236.1	28%
	13,770.9	12,496.7	1,274.2	10%
Less: Revenue Deductions				
Agency and marketing commissions	**1,960.8**	1,784.7	176.1	10%
Co-producers' share	**210.4**	162.3	48.1	30%
	2,171.2	1,947.0	224.2	12%
Net Revenue	**11,599.7**	10,549.7	1,050.0	10%
Production Costs	**4,389.5**	4,102.9	286.7	7%
Gross Profit	**7,210.2**	6,446.9	763.3	12%
General and Administrative Expenses	**(3,452.0)**	(3,058.9)	393.1	13%
Interest Expense and Financing Charges	**(8.9)**	(9.1)	(0.2)	(2%)
Interest Income	**57.8**	68.7	(11.0)	(16%)
Other Income	**31.9**	75.2	(43.3)	(58%)
Income Before Income Tax	**3,838.9**	3,522.7	316.2	9%
Provision for Income Tax	**1,020.6**	1,153.8	(133.2)	(12%)
Net Income	**2,818.3**	2,368.9	449.3	19%
Earnings Per Share				
Basic	**0.580**	0.487		
Diluted	**0.580**	0.487		

Revenues

Gross revenues, consisting of airtime revenues from television and radio, subscription revenue from international operations, and other revenues from subsidiaries, closed at ₱13,771 million, improving by 10% or ₱1,274 million, up from ₱12,497 million in 2008.

Revenues	2009 (in millions Php)	2008 (in millions Php)	Inc/(Dec) (in millions Php)	%
Television and radio airtime	**12,691.6**	11,653.5	1,038.1	9%
Production and others	**1,079.3**	843.2	236.1	28%
Gross revenues	**13,770.9**	12,496.7	1,274.2	10%

Airtime revenues from TV and radio, which made up 92% of total revenues, grew by ₱1,038 million or 9% year-on-year, including ₱629 million in ads geared toward the coming elections. While Channel 7's airtime revenues, which grew 9% or ₱951 million, remained the Company's bread and butter with an 86% share in the total top line, other business segments provided the impetus for the future. QTV Channel 11, the Network's second VHF platform, posted a revenue increase of 10% or ₱41 million boosted by the robust sales of **American Idol**. Radio likewise grew its top line by 14% or ₱46 million. Revenues from international operations and other sources, on the other hand, grew to ₱1,079 million, an increase of 28% or ₱236 million versus last year, driven by the sustained growth in subscriber base for GMA Pinoy TV as well as GMA Life TV, the second international channel. At the close of 2009, GMA Pinoy TV's subscribers numbered 235,587, up from 207,876 one year ago, while GMA Life TV reached 107,496 subscribers, more than double the 45,892 it had in 2008.

Expenses

In anticipation of what had been projected to be a challenging year, the Company strived to keep a tight rein on cost. Total operating expenses, which include production cost and general and administrative expenses, increased by 9% or P680 million to ₱7,842 million in 2009 compared to last year's ₱7,162 million.

Production-related expenses went up by 7% or ₱287 million from last year's ₱4,103 million to ₱4,390 million in 2009. Cash production cost showed a 5% or ₱159 million increase as station-made programs featured upgraded production values to engage the audience, consequently incurring higher talent fees and rental charges for locations, special effects and others.

Non-cash production cost likewise increased, growing by 21% or ₱128 million. Depreciation of facilities and equipment used directly in program production and transmission, notably the GMA Network Studios inaugurated in late 2008, rose ₱90 million. Amortization of program rights increased by 8% or ₱38 million with the higher number and cost of adaptations of drama series and local versions of game/reality shows in 2009.

Production Costs	**2009** *(in millions Php)*	2008 *(in millions Php)*	Inc/(Dec) *(in millions Php)*	%
Talent fees	**2,101.1**	1,995.7	105.5	5%
Rentals and outside services	**613.1**	507.9	105.1	21%
Other program expenses	**944.3**	996.3	(52.0)	(5%)
Sub-total - cash production cost	**3,658.5**	3,500.0	158.6	5%
Program rights amortization	**524.4**	486.1	38.3	8%
Depreciation	**206.6**	116.8	89.8	77%
Sub-total - non-cash production cost	**731.0**	602.9	128.1	21%
Total production cost	**4,389.5**	4,102.9	286.7	7%

Meanwhile, consolidated general and administrative expenses (GAEX) amounted to ₱3,452 million, reflecting an increase of 13% or ₱393 million versus last year.

General & Administrative Expenses	**2009** *(in millions Php)*	2008 *(in millions Php)*	Inc/(Dec) *(in millions Php)*	%
Personnel costs	**1,612.1**	1,241.3	370.8	30%
Outside services	**512.2**	520.5	(8.3)	(2%)
Facilities costs	**349.0**	325.2	23.8	7%
Taxes and licenses	**191.4**	155.9	35.6	23%
Other cash GAEX	**419.6**	437.6	(18.1)	(4%)
Subtotal - Cash GAEX	**3,084.2**	2,680.5	403.8	15%
Depreciation and amortization	**367.7**	378.4	(10.7)	(3%)
Total GAEX	**3,452.0**	3,058.9	393.1	13%

Personnel costs amounted to ₱1,612 million, up by 30% from 2008. The spike resulted largely from the non-recurring signing bonus related to the three-year collective bargaining agreement approved this year, on top of necessary increases in manpower count and ensuing employee benefits.

Outside services, consisting of advertising and promotions, management and professional fees, and sales incentives, dipped by 2% or ₱8 million. The decline resulted primarily from the shift to a collection-based scheme for recognizing sales incentives.

With the GMA Network Studios in operation for a full twelve months in 2009 in contrast to only the last quarter in 2008, facilities cost – composed of utilities and repairs and maintenance – closed 7% or ₱24 million higher year-on-year.

Taxes and licenses increased by 23% from ₱156 million to ₱191 million due to the increase in royalty tax aligned with the improvement in GMA International's subscription revenue.

Other cash GAEX, on the other hand, declined to ₱420 million, 4% or ₱18 million lower than last year. A reduction in spending for transportation and travel, and representation expense, aligned with fiscal belt-tightening, mainly accounted for the decrease.

Non-cash GAEX was 3% or ₱11 million lower than last year with the full depreciation of some non-production-oriented facilities and equipment, such as vehicles and office furniture, that are still in use.

Interest and financing charges on short-term loans

Interest expense and financing charges this year reached ₱8.9 million, equivalent to a reduction of ₱0.2 million or 2% compared with last year's ₱9.1 million. The decrease was due to the Company's reduced short-term borrowings. Since the end of August 2009, the Company has no short-term loans.

Interest income from short-term investments

While the Company consistently maintained a solid net cash position, interest income from short-term investments decreased by 16% to ₱58 million from last year's ₱69 million on account of generally lower interest rates for money market placements in 2009.

Other Income

Other income ended at ₱32 million, down by 57% from ₱75 million in 2008 mainly reflective of the fewer asset sales/disposals this year. The decline in the US dollar-to-peso conversion rate also took a toll resulting in a ₱9.2 million net foreign exchange loss.

Provision for Income Tax

Despite the increase in pre-tax income, the provision for income tax dropped to ₱1,021 million in 2009, 12% or ₱133 million lower than last year due to the lowering of the corporate income tax rate from 35% to 30% starting January 1, 2009.

Net Income

With the upswing in revenues during the year coupled with the conscious effort to manage costs and the reduction in the statutory income tax rate, net income improved by 19% over last year. Thus, by December 31, 2009 the bottom line settled at ₱2,818 million, ₱449 million higher versus 2008's ₱2,369 million.

Balance Sheet Accounts

Consolidated assets totaled ₱13,763 million, representing an increase of 10% over last year. Cash and short-term investments rose by 32% to ₱2,224 million from end-2008 level driven mainly by solid cash flows generated from operations. As trade receivables grew by 19% or ₱850 million due to the surge in revenues particularly in the fourth quarter, trade days-sales-outstanding (DSO) likewise increased from 141 days at end-2008 to 149 days at the close of 2009.

The substantial growth in net income caused return on assets to improve to 20% from last year's 19%, while return on equity likewise improved to 26% versus last year's 24%.

Cash Flows	**2009** *(in millions Php)*	2008 *(in millions Php)*
Net cash provided by operating activities	**2,787.6**	2,930.5
Net cash used in investing activities	**(567.5)**	(791.9)
Net cash used in financing activities	**(1,700.7)**	(1,482.6)
Effect of exchange rate changes on cash and cash equivalents	**(7.2)**	12.4
Net increase (decrease) in cash and cash equivalents	**512.1**	668.4
Cash and cash equivalents, beginning of year	**1,688.1**	1,019.7
Cash and cash equivalents, end of year	**2,200.2**	1,688.1

Operating Activities

Net cash from operations registered at ₱2,788 million this year. This resulted from the pre-tax income of ₱3,839 million and income tax payments of ₱1,129 million, adjusted mainly by depreciation expense of ₱559 million and changes in working capital of ₱451 million. The primary components of the changes in working capital were the ₱849 million increase in trade and other receivables, the ₱202 million decrease in program rights as usage of licensed material exceeded acquisitions, and the ₱330 million increase in trade payables and other current liabilities.

Investing Activities

Net cash used in investing activities amounted to ₱568 million. The ₱609 million addition to property and equipment was the primary driver, aligned with the continuous expansion in the regions. These were offset by the ₱56 million interest earned from cash placements.

Financing Activities

Net cash used in financing activities amounted to ₱1,701 million, with the ₱1,699 million cash dividend payout as the foremost component.

Management's Responsibility for Financial Statements

March 25, 2010

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, 2009 and 2008. 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 authorizes 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 liability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

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

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

Signed under oath by the following:

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

FELIPE S. YALONG
Senior Vice President
Chief Financial Officer

AUDIT COMMITTEE REPORT

Report of the Audit Committee to the Board of Directors
For the Year Ended 31 December 2009

The Audit Committee's roles and responsibilities are defined in the Company's Manual of Corporate Governance approved by the Board of Directors. It assists the Board of Directors in fulfilling its oversight responsibility to the shareholders relating to the a) financial statements and financial reporting process; b) system of internal controls; c) risk management; d) performance of internal and independent auditors; and e) compliance with legal and regulatory matters.

In compliance with the Company's Manual of Corporate Governance, we confirm that:

- An independent director chairs the Audit Committee;
- We had six meetings during the year, all of which were in-person meetings and included an executive session with the internal auditors;
- We have reviewed and discussed the audited annual financial statements of GMA Network, Inc. and Subsidiaries (GMA Group), including Management's Discussion and Analysis of Financial Condition and Results of Operations, with the management, internal auditors, and SGV & Co., the independent auditor of the GMA Group. These activities were performed in the following context:
    - That management has the primary responsibility for the financial statements and financial reporting process; and
    - That SGV & Co. is responsible for expressing an opinion on the conformity of the GMA Group's consolidated audited financial statements with the Philippine Financial Reporting Standards;
- We have discussed and approved the overall scope and the respective audit plans of the internal auditors and SGV & Co. We have also discussed the results of their audits and their assessment of the GMA Group's internal controls and the overall quality of the financial reporting process;
- We have reviewed and approved all audit, audit-related services provided by SGV & Co. to the GMA Group and the related fees for such services. There are no non-audit related services provided by SGV;
- We have reviewed the reports of the internal auditors and regulatory agencies, where applicable, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues, and;
- We have reviewed and discussed the adequacy of the GMA Group's enterprise-wide risk management process, including the nature of significant risk exposures, the related risk mitigation efforts and initiatives. This activity was reviewed in the context that management is primarily responsible for the risk management process.

Based on the reviews and discussions undertaken, and subject to the limitations on roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors that the audited financial statements be included in the Annual Report of the year ended December 31, 2009 for filing with the Security and Exchange Commission. We are also recommending to the Board of Directors the re-appointment of SGV & Co. as the GMA Group's independent auditor for 2010 based on the review of the performance and qualifications.

March 25, 2010

JAIME GALLAYA
Audit Committee Chairman

ARTEMIO V. PANGANIBAN
Audit Committee Vice Chairman

ANNA TERESA M. GOZON-ABROGAR
Audit Committee Member

JUDITH R. DUAVIT-VAZQUEZ
Audit Committee Member

LAURA J. WESTFALL
Audit Committee Member

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of GMA Network, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2009 and 2008, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2009, 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, 2009 and 2008, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Ramon D. Dizon
Partner
CPA Certificate No. 46047
SEC Accreditation No. 0077-AR-2
Tax Identification No. 102-085-577
PTR No. 2087532, January 4, 2010, Makati City

March 25, 2010

GMA NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 29 and 30)	**₱2,200,193,818**	₱1,688,107,116
Short-term investments (Notes 29 and 30)	**23,460,312**	2,066,957
Trade and other receivables (Notes 7, 19, 29 and 30)	**5,310,223,152**	4,460,404,397
Program rights (Note 8)	**640,175,411**	842,748,126
Prepaid expenses and other current assets (Note 9)	**385,985,665**	290,064,076
Total Current Assets	**8,560,038,358**	7,283,390,672
Noncurrent Assets		
Available-for-sale financial assets (Notes 10, 29 and 30)	**104,906,848**	97,206,647
Investments and advances (Notes 11 and 19)	**394,327,610**	405,805,681
Property and equipment at cost (Note 12)	**3,024,036,141**	3,023,028,026
Land at revalued amounts (Note 13)	**1,403,122,465**	1,403,122,465
Investment properties (Note 14)	**59,716,748**	63,914,233
Deferred tax assets - net (Note 27)	**42,173,115**	35,971,633
Other noncurrent assets (Note 15)	**175,132,835**	153,848,427
Total Noncurrent Assets	**5,203,415,762**	5,182,897,112
	₱13,763,454,120	₱12,466,287,784

LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables and other current liabilities (Notes 16, 19, 29 and 30)	**₱1,961,301,659**	₱1,631,146,271
Income tax payable	**407,847,673**	509,903,736
Obligations for program rights (Notes 17, 29 and 30)	**61,475,710**	110,459,407
Dividends payable (Notes 29 and 30)	**3,367,963**	1,564,709
Total Current Liabilities	**2,433,993,005**	2,253,074,123
Noncurrent Liabilities		
Pension liability (Note 24)	**280,534,771**	288,834,807
Deferred tax liabilities - net (Note 27)	**168,806,513**	169,255,508
Total Noncurrent Liabilities	**449,341,284**	458,090,315
Total Liabilities	**2,883,334,289**	2,711,164,438
Equity		
Capital stock (Note 18)	**4,864,692,000**	4,864,692,000
Additional paid-in capital (Note 18)	**1,659,035,196**	1,651,547,885
Revaluation increment in land - net of tax (Note 13)	**744,158,022**	744,158,022
Unrealized gain on available-for-sale financial assets - net of tax (Note 10)	**2,171,187**	1,843,368
Retained earnings (Note 18)	**3,644,336,613**	2,527,155,258
Treasury stock (Notes 18 and 28)	**(28,483,171)**	(28,483,171)
Underlying shares of the acquired Philippine Deposit Receipts (Notes 18 and 28)	**(5,790,016)**	(5,790,016)
Total Equity	**10,880,119,831**	9,755,123,346
	₱13,763,454,120	₱12,466,287,784

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2009	2008	2007
GROSS REVENUES (Note 20)	**₱13,770,876,643**	₱12,496,701,664	₱12,056,924,402
LESS			
Agency and marketing commissions	**1,960,813,562**	1,784,690,688	1,748,344,331
Co-producers' share	**210,362,995**	162,272,741	121,781,011
	2,171,176,557	1,946,963,429	1,870,125,342
NET REVENUES	**11,599,700,086**	10,549,738,235	10,186,799,060
PRODUCTION COSTS (Note 21)	**4,389,547,633**	4,102,875,264	3,949,507,416
GROSS PROFIT	**7,210,152,453**	6,446,862,971	6,237,291,644
GENERAL AND ADMINISTRATIVE EXPENSES (Note 22)	**3,451,969,170**	3,058,911,870	2,921,865,664
OTHER INCOME (EXPENSES)			
Interest income from bank deposits and short-term investments (Note 6)	**57,755,029**	68,732,583	71,762,331
Equity in net losses of associates and joint ventures (Note 11)	**(11,478,071)**	(6,958,589)	(3,228,728)
Interest expense and financing charges on short-term loans	**(8,904,803)**	(9,092,572)	(23,130,092)
Others (Note 25)	**43,340,160**	82,113,023	90,901,501
	80,712,315	134,794,445	136,305,012
INCOME BEFORE INCOME TAX	**3,838,895,598**	3,522,745,546	3,451,730,992
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**1,026,777,448**	1,134,845,527	1,210,602,378
Deferred	**(6,132,658)**	18,972,357	(66,101,949)
	1,020,644,790	1,153,817,884	1,144,500,429
NET INCOME	**2,818,250,808**	2,368,927,662	2,307,230,563
OTHER COMPREHENSIVE INCOME			
Unrealized gain on available-for-sale financial assets - net of tax (Note 10)	**327,819**	101,955	2,287,448
Revaluation increment in land - net of tax (Notes 13 and 27)	**–**	10,547,572	–
	327,819	10,649,527	2,287,448
TOTAL COMPREHENSIVE INCOME	**₱2,818,578,627**	₱2,379,577,189	₱2,309,518,011
Basic Earnings Per Share (Note 28)	**₱0.580**	₱0.487	₱0.502
Diluted Earnings Per Share (Note 28)	**₱0.580**	₱0.487	₱0.502

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Revaluation Increment in Land - Net of Tax (Note 13)	Unrealized Gain (Loss) on Available-for-sale Financial Assets - Net of Tax (Note 10)	Retained Earnings (Note 18)	Treasury Stock (Notes 18 and 28)	Underlying Shares of the Acquired Philippine Deposit Receipts (Notes 18 and 28)	Total Equity
Balances at January 1, 2009	**₱4,864,692,000**	**₱1,651,547,885**	**₱744,158,022**	**₱1,843,368**	**₱2,527,155,258**	**(₱28,483,171)**	**(₱5,790,016)**	**₱9,755,123,346**
Total comprehensive income	**–**	**–**	**–**	**327,819**	**2,818,250,808**	**–**	**–**	**2,818,578,627**
Cash dividends - ₱0.35 a share	**–**	**–**	**–**	**–**	**(1,701,069,453)**	**–**	**–**	**(1,701,069,453)**
Collection of subscriptions receivable	**–**	**7,487,311**	**–**	**–**	**–**	**–**	**–**	**7,487,311**
Balances at December 31, 2009	**₱4,864,692,000**	**₱1,659,035,196**	**₱744,158,022**	**₱2,171,187**	**₱3,644,336,613**	**(₱28,483,171)**	**(₱5,790,016)**	**₱10,880,119,831**
Balances at January 1, 2008	₱4,864,692,000	₱1,592,615,799	₱733,610,450	₱1,741,413	₱1,372,390,597	(₱20,664,588)	(₱5,790,016)	₱8,538,595,655
Total comprehensive income	–	–	10,547,572	101,955	2,368,927,662	–	–	2,379,577,189
Cash dividends - ₱0.25 a share	–	–	–	–	(1,214,163,001)	–	–	(1,214,163,001)
Collection of subscriptions receivable	–	58,932,086	–	–	–	–	–	58,932,086
Acquisition of treasury stock	–	–	–	–	–	(7,818,583)	–	(7,818,583)
Balances at December 31, 2008	₱4,864,692,000	₱1,651,547,885	₱744,158,022	₱1,843,368	₱2,527,155,258	(₱28,483,171)	(₱5,790,016)	₱9,755,123,346
Balances at January 1, 2007	₱4,250,000,000	₱–	₱733,610,450	(₱546,035)	₱1,940,160,034	₱–	₱–	₱6,923,224,449
Total comprehensive income	–	–	–	2,287,448	2,307,230,563	–	–	2,309,518,011
Issuance of common stock - net of subscriptions receivable amounting to ₱70,093,655	239,692,000	1,727,596,345	–	–	–	–	–	1,967,288,345
Cash dividends - ₱0.54 a share	–	–	–	–	(2,500,000,000)	–	–	(2,500,000,000)
Stock dividends	375,000,000	–	–	–	(375,000,000)	–	–	–
Stock issuance costs	–	(134,980,546)	–	–	–	–	–	(134,980,546)
Acquisition of treasury stock	–	–	–	–	–	(20,664,588)	–	(20,664,588)
Acquisition of Philippine Deposit Receipts	–	–	–	–	–	–	(5,790,016)	(5,790,016)
Balances at December 31, 2007	₱4,864,692,000	₱1,592,615,799	₱733,610,450	₱1,741,413	₱1,372,390,597	(₱20,664,588)	(₱5,790,016)	₱8,538,595,655

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,838,895,598**	₱3,522,745,546	₱3,451,730,992
Adjustments for:			
Depreciation and amortization (Notes 21 and 22)	**558,686,905**	478,595,734	418,760,008
Interest income from bank deposits and short-term investments (Note 6)	**(57,755,029)**	(68,732,583)	(71,762,331)
Amortization of software costs (Note 22)	**15,661,449**	16,670,009	12,660,849
Other noncash expenses	**12,158,113**	18,757,505	12,141,144
Equity in net losses of associates and joint ventures (Note 11)	**11,478,071**	6,958,589	3,228,728
Loss (gain) on sale of property and equipment and investment properties (Note 25)	**(10,158,900)**	(30,632,485)	828,095
Interest expense and financing charges on short-term loans	**8,904,803**	9,092,572	23,130,092
Movements in pension liability	**(8,300,036)**	14,689,274	(12,343,442)
Discount on tax credit certificates (Note 25)	**(7,408,499)**	(5,223,668)	(12,130,583)
Unrealized foreign exchange loss (gain)	**4,945,923**	(7,805,559)	29,296,408
Dividend income (Note 25)	**(22,691)**	(58,082)	(2,618,418)
Reversal of allowance for impairment loss on investment properties (Note 25)	**–**	–	(4,353,538)
Operating income before working capital changes	**4,367,085,707**	3,955,056,852	3,848,568,004
Decreases in:			
Trade and other receivables	**–**	306,795,814	–
Prepaid expenses and other current assets	**–**	3,225,469	–
Program rights (Note 8)	**202,572,715**	–	213,927,510
Trade payables and other current liabilities	**–**	(77,918,755)	–
Obligations for program rights	**(47,250,815)**	–	(90,535,514)
Increases in:			
Trade and other receivables	**(848,589,975)**	–	(932,457,649)
Prepaid expenses and other current assets	**(87,581,462)**	–	(18,448,196)
Program rights	**–**	(23,056,139)	–
Trade payables and other current liabilities	**330,155,388**	–	206,570,426
Obligations for program rights	**–**	15,839,854	–
Net cash generated from operations	**3,916,391,558**	4,179,943,095	3,227,624,581
Income taxes paid	**(1,128,833,511)**	(1,249,464,065)	(1,155,230,429)
Net cash provided by operating activities	**2,787,558,047**	2,930,479,030	2,072,394,152

(Forward)

	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 12)	**(₱609,232,201)**	(₱852,955,607)	(₱628,218,477)
Short-term investments	**(21,393,355)**	–	–
Software costs (Note 15)	**(13,611,584)**	(14,777,046)	(25,549,318)
Available-for-sale financial assets	**(7,890,201)**	–	–
Investment properties (Note 14)	**(79,018)**	(21,497,788)	–
Interest in joint ventures (Note 11)	**–**	(50,000,000)	–
Land (Note 13)	**–**	(8,048,312)	(8,121,828)
Interest received	**56,294,921**	65,377,217	70,788,225
Proceeds from sale of property and equipment and investment properties	**37,309,465**	34,801,030	10,950,431
Increase in other noncurrent assets	**(9,760,895)**	–	–
Cash dividends received	**822,586**	58,082	118,418
Additions to advances to associates and joint ventures (Note 11)	**–**	(38,035)	(1,909,812)
Proceeds from disposal of short-term investments	**–**	840,404	223,445,609
Decrease in other noncurrent assets	**–**	54,338,684	5,046,560
Net cash used in investing activities	**(567,540,282)**	(791,901,371)	(353,450,192)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Note 18)	**(1,699,266,199)**	(1,212,598,292)	(2,500,000,000)
Notes payable	**(500,000,000)**	(310,700,000)	(566,400,000)
Proceeds from availments of notes payable	**500,000,000**	–	300,000,000
Interest and financing charges paid	**(8,904,803)**	(10,434,239)	(23,681,864)
Collection of subscriptions receivable	**7,487,311**	58,932,086	–
Acquisitions of:			
Treasury stock (Note 18)	**–**	(7,818,583)	(20,664,588)
Philippine Deposit Receipts (Note 18)	**–**	–	(5,790,016)
Net proceeds from issuance of common stock (Note 18)	**–**	–	1,832,307,799
Net cash used in financing activities	**(1,700,683,691)**	(1,482,619,028)	(984,228,669)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(7,247,372)**	12,438,063	(21,605,308)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**512,086,702**	668,396,694	713,109,983
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,688,107,116**	1,019,710,422	306,600,439
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱2,200,193,818**	₱1,688,107,116	₱1,019,710,422

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

GMA Network, Inc. (the Parent Company) and its subsidiaries (collectively referred to as "the Group") are incorporated in the Philippines. The Group is primarily involved in the business of radio and television broadcasting. The Group is also involved in film production and other information and entertainment-related businesses. The registered office address of the Parent Company is GMA Network Center, Timog Avenue corner EDSA, Quezon City.

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

The accompanying consolidated financial statements of the Group as of and for the years ended December 31, 2009, 2008 and 2007 were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 25, 2010.

2. Basis of Preparation

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

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with PFRS. PFRS consists of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) starting January 1, 2009, except when otherwise indicated:

New Standards and Interpretations

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, effective July 1, 2008
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*, effective October 1, 2008
- PFRS 8, *Operating Segments*, effective January 1, 2009
- Philippine Interpretation IFRIC 18, *Transfer of Assets from Customers*, effective July 1, 2009

Amendments to Standards

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, and PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investments in a Subsidiary, Jointly Controlled Entity or Associates*, effective January 1, 2009
- PFRS 2, *Share-based Payment: Vesting Conditions and Cancellations*, effective January 1, 2009
- PFRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*, effective January 1, 2009

- PAS 1, *Presentation of Financial Statements*, effective January 1, 2009
- PAS 23, *Borrowing Costs* (Revised), effective January 1, 2009
- PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*, effective January 1, 2009
- Improvements to PFRS (2009), with respect to the amendment on the Appendix to PAS 18, *Revenue*
- Improvements to PFRS (2008)

The standards that have been adopted and that are deemed to have an impact on the consolidated financial statements of the Group are described below:

- PAS 1, *Presentation of Financial Statements*, 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 statements of comprehensive income which presents all items of income and expense either in one single statement, or in two linked statements. The revision also includes changes in titles of some of the financial statements to reflect their function more clearly, although not mandatory for use in the financial statements. The Group opted to present one single statement.

- PAS 18, *Revenue*, adds guidance to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

  i. has primary responsibility for providing the goods or services
  ii. has inventory risk
  iii. has discretion in establishing prices
  iv. bears the credit risk

  The Group has assessed its revenue arrangements against these criteria. The Group's revenue recognition policy has been updated accordingly.

- PFRS 7, *Financial Instruments: Disclosures*, requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The fair value measurement disclosures are presented in Note 30. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 29.

- PFRS 8, *Operating Segments*, replaced PAS 14, *Segment Reporting*, upon its effective date. The Group concluded that the operating segments determined in accordance with PFRS 8 are the same as the business segments previously identified under PAS 14. PFRS 8 diclosures are shown in Note 5, including the related revised comparative information.

<u>Future Changes in Accounting Policies</u>
The Group did not early adopt the following revised PFRS, improvements to PFRS and Philippine Interpretations that have been approved but are not yet effective:

New Standard and Interpretation

- PFRS 3, *Business Combinations* (Revised) and PAS 27, *Consolidated and Separate Financial Statements* (Amended), become effective for annual periods beginning on or after July 1, 2009. PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. The Group does not expect these revision and amendment to have an impact on the consolidated financial statements as it has not entered into any business combination.

- Philippine Interpretation IFRIC 17, *Distribution of Noncash Assets to Owners*, becomes effective for annual periods beginning on or after July 1, 2009, with early application permitted. It provides guidance on how to account for noncash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The Group does not expect this interpretation to have an impact on its consolidated financial statements as it has not made noncash distributions to shareholders in the past.

Amendments to Standards

- PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items,* becomes effective for annual periods beginning on or after July 1, 2009. It addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group has concluded that the amendment will have no impact on its financial position or performance as it has not entered into any such hedges.

- PFRS 2, *Share-based Payment - Group Cash-settled Share-based Payment Transactions,* becomes effective for annual periods beginning on or after January 1, 2010. It clarifies the scope and the accounting for group cash-settled share-based payment transactions. The Group has concluded that the amendment will have no impact on its financial position or performance as it has not entered into such share-based payment set-up.

Improvements to PFRS (2009)
The omnibus amendments to PFRS issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wordings. The amendments are effective for annual periods beginning on or after January 1, 2010, except when otherwise stated. The Group has not adopted the following improvements and anticipates that the changes will have no material effect on its consolidated financial statements:

- PFRS 2, *Share-based Payment*, clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3, *Business Combinations* (Revised). The amendment is effective for annual periods on or after July 1, 2009.

- PAS 38, *Intangible Assets*, clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided that the individual assets have similar useful lives. It also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used. The amendment is effective for annual periods beginning on or after July 1, 2009.

- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*, clarifies that it does not apply to possible reassessment at the date of acquisition of embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture. The amendment is effective for annual periods beginning on or after July 1, 2009.

- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*, states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied. The amendment is effective for annual periods beginning on or after July 1, 2009.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, clarifies that the disclosures required in respect of noncurrent assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRS only apply if specifically required for such noncurrent assets or discontinued operations.

- PFRS 8, *Operating Segments*, clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

- PAS 1, *Presentation of Financial Statements*, clarifies that the terms that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- PAS 7, *Statement of Cash Flows*, explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*, removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

- PAS 36, *Impairment of Assets*, clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in PFRS 8, *Operating Segments*, before aggregation for reporting purposes.

- PAS 39, *Financial Instruments: Recognition and Measurement*, clarifies the following:

  i. that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.

  ii. that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.

  iii. that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

New Interpretation Effective in 2012

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, becomes effective for annual periods beginning on or after January 1, 2012 and covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The interpretation will not have an impact on the consolidated financial statements because the Group does not have such activity.

Basis of Consolidation

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

	Country of Incorporation	Percentage of Ownership	
		2009	2008
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. (GMA Records)	- do -	**100**	100
Scenarios, Inc. (Scenarios)	- do -	**100**	100
Advertising Business:			
Alta Productions Group, Inc. (Alta)	- do -	**100**	100
GMA Marketing & Productions, Inc. (GMPI)	- do -	**100**	100
Others:			
MediaMerge Corporation*	- do -	**100**	100
Ninja Graphics, Inc. (Ninja)**	- do -	**51**	51

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

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

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

The minority interest in Ninja as of December 31, 2009, 2008 and 2007 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.

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 regular way purchases or sales of financial assets are recognized on the trade date, which is the date the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established on regulation or convention in the market place.

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

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

Determination of Fair Value. The fair value of financial instruments traded in active markets at the reporting 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 comprehensive income unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

<u>Financial Assets</u>

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in the consolidated statements of comprehensive 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 which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

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

The Group has no financial assets at FVPL as of December 31, 2009 and 2008.

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 reporting date. Otherwise, these are classified as noncurrent assets.

Classified as loans and receivables are the Group's cash and cash equivalents, short-term investments, trade and other receivables and guarantee and other deposits. The carrying values of loans and receivables amounted to ₱7,438.72 million and ₱6,119.97 million as of December 31, 2009 and 2008, respectively (see Note 30).

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 comprehensive 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 reporting date and as noncurrent assets if maturity date is more than a year from the reporting date.

The Group has no HTM investments as of December 31, 2009 and 2008.

AFS Financial Assets. AFS financial assets are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. These are purchased and held indefinitely and may be sold in response to changes in market conditions. After initial recognition, AFS financial assets are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets are recognized as "Unrealized gain on available-for-sale financial assets" in the other comprehensive income until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously recognized as other comprehensive income is reclassified to other income or other expense in the profit or loss as a reclassification adjustment. Interest earned on holding AFS financial assets is recognized in the profit or loss using the effective interest rate. Assets under this category are classified as current assets if the expected realization of the investment is within 12 months from reporting date and as noncurrent assets if maturity is more than a year from reporting date.

AFS financial assets include unquoted shares of stock which are carried at cost, less any accumulated impairment in value. The fair value of these financial instruments is not reasonably determinable due to unpredictable nature of future cash flows and lack of other suitable methods for arriving at fair value.

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

The Group has investments in various quoted and unquoted shares of stocks classified as AFS financial assets. The carrying values of AFS financial assets amounted to ₱104.91 million and ₱97.21 million as of December 31, 2009 and 2008, respectively (see Note 10).

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 at FVPL as of December 31, 2009 and 2008.

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 trade payables and other current liabilities (excluding payable to government agencies), obligations for program rights and dividends payable. The carrying values of financial liabilities under this category amounted to ₱1,242.95 million and ₱1,112.59 million as of December 31, 2009 and 2008, respectively (see Note 30).

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.

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 right 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 right 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 right 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 an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

Impairment of Financial Assets
The Group assesses at each reporting date whether a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost. 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 there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future 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 comprehensive income.

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.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry and past due status.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in payment status or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

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

In the case of equity investments classified as AFS financial assets, evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit of loss - is removed from other comprehensive income and recognized in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in fair value after impairment are recognized directly as other comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss. Future interest income is based on the reduced carrying amount of the asset and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. If, in a subsequent year, the fair value of a debt instrument increase and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through 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.

Program Rights

Program rights with finite lives are stated at amortized cost less any impairment in value. The cost is amortized on accelerated method based on the manner and pattern of usage of the acquired program rights. Programs rights are fully amortized on the date of expiry. Amortization expense is shown as program usage in Note 8.

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 a straight-line basis over the number of years indicated in the contract.

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

Prepaid Production Costs

Prepaid production costs, included under "Prepaid expenses and other current assets" account in the consolidated balance sheets, represent costs incurred prior to the airing of the programs or episodes. These costs include talent fees of artists and production staff and other costs directly attributable to production of programs. These are charged to expense upon airing of the related program or episodes. Costs related to previously taped episodes determined not to be aired are charged to expense.

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

Investment and Advances

Investments in Associates. This account consists of investments in associates and permanent advances.

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 comprehensive income include the Group's share in the results of operations of the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statements of changes in equity.

The reporting dates of the associates and the Parent Company are identical and the associates' accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances. 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.

Interests in Joint Ventures. This account consists of interests in joint ventures and permanent advances.

A joint venture is a contractual arrangement whereby two or more parties (venturers) undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers. A jointly controlled entity is a joint venture that involves the establishment of a company, partnership or other entity to engage in economic activity that the Group jointly controls with its fellow venturer.

The Group has interests in joint ventures which are jointly controlled entities. The Group's interests in joint ventures are accounted for using the equity method based on the percentage share of capitalization of the Group in accordance with the joint venture agreements. Under the equity method, the interests in joint ventures are carried in the consolidated balance sheets at cost plus the Group's share in post-acquisition changes in the net assets of the joint ventures, less any impairment in value. The consolidated statements of comprehensive income include the Group's share in the results of operations of the joint ventures.

When the Group's share of losses in joint ventures equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Where there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statements of changes in equity.

The reporting dates of the joint ventures and the Parent Company are identical and the joint ventures' accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances. Unrealized gains arising from transactions with the joint ventures are eliminated to the extent of the Group's interests in the joint ventures against the related investments. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment in the asset transferred.

The Group ceases to use the equity method of accounting on the date from which it no longer has joint control over, or significantly influence in the joint venture or when the interest becomes held for sale.

Property and Equipment

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

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

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

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

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

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

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

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

Land

Following initial recognition at cost, land used in operations is carried at revalued amount, which is the fair value at the date of the revaluation, less any subsequent accumulated impairment losses. Fair value was determined by an independent firm of appraisers on December 23, 2008 and January 5, 2009. Valuations are performed every 3 to 5 years 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 - net of tax" account included in the equity section of the consolidated balance sheets and other comprehensive income.

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 profit or loss 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 amortization and any impairment in value. Land is stated at cost less any impairment in value.

Depreciation and amortization 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 profit or loss 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 to five years.

Tax Credits
Tax credits from government airtime sales availed under Presidential Decree (PD) No. 1362 are recognized in the books upon actual airing of government commercials and advertisements. Pursuant to PD No. 1362, these will be collected in the form of tax credits which the Group can use in paying for import duties and taxes on imported capital equipment. The tax credits cannot be used to pay for any other tax obligation to the government. These are included under "Other noncurrent assets" account in the consolidated balance sheets.

Impairment of Nonfinancial Assets
The carrying values of prepaid production costs, program rights, investments and advances, property and equipment, software costs, tax credits, land and investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets are considered impaired and is written down to their recoverable amount. The recoverable amount of prepaid production costs, program rights, investments and advances, property and equipment, software costs, tax credits, land and investment properties is the greater of an asset's or cash-generating unit's fair value less cost to sell or value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific nonfinancial assets:

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

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

<u>Provisions</u>
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.

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

<u>Treasury Stock and Underlying Shares of Acquired Philippine Deposit Receipts (PDRs)</u>
Own equity instruments which are reacquired are deducted from equity. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

<u>Revenues</u>
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. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

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

Payments received before broadcast (pay before broadcast) are recognized as income on the dates the advertisements are aired. Prior to liquidation, these are presented net of accounts receivables since a right of offset exists between the pay before broadcast balance and the regular accounts receivables with credit terms.

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

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

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

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

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

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

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

Agency and Marketing Commissions and Co-producers' Share

These represent adjustments from gross revenues in the consolidated statement of comprehensive income.

Agency commissions are recognized at a rate of 15% of revenue recognized.

Marketing commissions to subsidiaries and affiliates for TV or radio sales are recognized at pre-determined rates based on revenue amount.

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

Research Costs

Research costs are expensed as incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of the respective assets. 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. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Expense

Expenses are recognized in the consolidated statements of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in the consolidated statements of comprehensive income on the basis of a direct association between the costs incurred and the earnings of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the consolidated balance sheets as an asset.

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

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

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

a. there is a change in contractual terms, other than a renewal or extension of the agreement;

b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether the fulfillment is dependent on a specified asset; or

d. there is a substantial change to the asset.

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

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

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

Group as Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases are recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing exchange rate at financial reporting date. All differences are taken to profit or loss in the consolidated statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. For income tax purposes, foreign exchange gains and losses are treated as taxable income or deductible expenses when realized.

Taxes

Current 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 reporting date.

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting 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 reporting 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 liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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 "Prepaid expenses and other current assets" or "Trade payables and other current liabilities" in the consolidated balance sheets.

<u>Dividends on Common Shares of the Parent Company</u>
Dividends on common shares are recognized as liability and deducted from equity when approved by the shareholders of the Parent Company. Dividends for the year that are approved after reporting date are dealt with as an event after reporting date.

<u>Earnings Per Share (EPS)</u>
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.

<u>Contingencies</u>
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.

<u>Segment Reporting</u>
For management purposes, the Group's operating businesses are organized and managed separately into three business activities. Such business segments are the basis upon which the Group reports its primary segment

information. The Group considers television and radio operations as the major business segment. The Group operates in two geographical areas where it derives its revenue. Financial information on segment reporting is presented in Note 5.

Events after Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting 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.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions 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.

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.

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

Rent expense charged to operations amounted to ₱693.40 million, ₱573.39 million and ₱533.32 million in 2009, 2008 and 2007, respectively (see Notes 21 and 22).

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

Estimating Allowance for Doubtful Accounts. Provisions are made for specific and groups of billed and unbilled accounts where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances that affect the collectibility of the accounts. The review is accomplished using a combination of specific and collective assessment approaches. The factors considered in specific and collective impairment assessments include, but not limited to, the length of the Group's relationship with customers, customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in allowance for doubtful accounts would increase the recorded general and administrative expenses and decrease current assets.

Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱5,310.22 million and ₱4,460.40 million as of December 31, 2009 and 2008, respectively (see Note 7).

Amortization of Program Rights. The Group estimates the amortization of program rights with finite lives based on the manner and pattern of usage of the acquired program rights. The Group estimates that programs are more marketable in their initial airing as compared to the succeeding airings. In addition, estimation of the amortization of program rights is based on industry practice and experience with such rights. 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 ₱640.18 million and ₱842.75 million as of December 31, 2009 and 2008, respectively (see Note 8).

Impairment of AFS Financial Assets. The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is ‘significant’ or ‘prolonged’ requires judgment. The Group treats ‘significant’ generally as 20% or more of the original cost of investment, and ‘prolonged’ as greater than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

The carrying value of AFS financial assets amounted to ₱104.91 million and ₱97.21 million as of December 31, 2009 and 2008, respectively (see Note 10). There were no impairment of AFS financial assets in 2009 and 2008.

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

The carrying value of materials and supplies inventory amounted to ₱117.24 million and ₱88.95 million as of December 31, 2009 and 2008, respectively (see Note 9). There were no provisions for inventory losses in 2009 and 2008.

Estimating Useful Lives of Property and Equipment, Software Costs and Investment Properties. The Group estimates the useful lives of property and equipment, software costs and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, software costs and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment, software costs and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment, software costs and investment properties would increase recorded general and administrative expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation and amortization, amounted to ₱3,024.04 million and ₱3,023.03 million as of December 31, 2009 and 2008, respectively (see Note 12). Investment properties, net of accumulated depreciation and accumulated impairment in value, amounted to ₱59.72 million and ₱63.91 million as of December 31, 2009 and 2008, respectively (see Note 14). Software costs, net of accumulated amortization, amounted to ₱28.91 million and ₱30.96 million as of December 31, 2009 and 2008, respectively (see Note 15).

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, 2009 and 2008.

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

The revalued amount of land amounted to ₱1,403.12 million as of December 31, 2009 and 2008 (see Note 13).

Impairment of Nonfinancial Assets. For prepaid production costs, program rights, investments and advances, property and equipment, software costs, tax credits, land and investment properties, impairment testing is performed whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The aggregate amount of prepaid production costs (included under "Prepaid expenses and other current assets" account in the consolidated balance sheets), program rights, investments and advances, property and equipment, software costs, tax credits, land and investment properties amounted to ₱5,786.03 million and ₱5,901.08 million as of December 31, 2009 and 2008, respectively (see Notes 8, 9, 11, 12, 13, 14 and 15).

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

Deferred tax assets amounted to ₱225.77 million and ₱225.64 million as of December 31, 2009 and 2008, respectively (see Note 27).

Pension Benefits. The determination of the Group's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24 and include, among others, discount rate, expected rate of return on plan assets and expected rate of salary increase. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in such future periods.

Pension liability amounted to ₱280.53 million and ₱288.83 million as of December 31, 2009 and 2008, respectively. Unrecognized actuarial gain amounted to ₱45.98 million as of December 31, 2009 and unrecognized actuarial losses amounted to ₱307.84 million and ₱248.08 million as of December 31, 2008 and 2007, respectively (see Note 24).

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

The fair value of financial assets and liabilities are enumerated in Note 30.

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 legal counsels 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 31).

5. **Segment Reporting**

Segment information is prepared on the following basis:

Business Segments

For management purposes, the Group has determined three reportable segments that are organized and managed separately according to nature of business - the television and radio operation, international subscriptions and other businesses. These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

The television and radio segment is principally the Group's television and radio broadcasting activities which generates revenue from sale of national and regional advertising time. International subscription primarily involves subscription arrangements with international cable companies. Other businesses include movie production, consumer products and other services.

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

Geographical Segments

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

Inter-segment Transactions

Segment revenue, segment expenses and segment results include transfers among business segments and among geographical segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

Business Segment Data

The following table presents revenue and expense information and certain asset and liability information regarding business segments for each of the three years in the period ended December 31, 2009:

	Television and radio airtime			International Subscriptions			Other Businesses			Eliminations			Consolidated		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Revenues															
External sales	**₱12,691,612,973**	₱11,653,548,484	₱11,367,275,348	**₱855,182,975**	₱588,498,836	₱414,298,902	**₱224,080,695**	₱254,654,344	₱275,350,152	**₱–**	₱–	₱–	**₱13,770,876,643**	₱12,496,701,664	₱12,056,924,402
Inter-segment sales	**–**	–	–	**–**	–	–	**513,641,503**	462,986,944	404,265,599	**(513,641,503)**	(462,986,944)	(404,265,599)	**–**	–	–
Total revenues	**₱12,691,612,973**	₱11,653,548,484	₱11,367,275,348	**₱855,182,975**	₱588,498,836	₱414,298,902	**₱737,722,198**	₱717,641,288	₱679,615,751	**(₱513,641,503)**	(₱462,986,944)	(₱404,265,599)	**₱13,770,876,643**	₱12,496,701,664	₱12,056,924,402
Results															
Segment results	**₱3,271,883,435**	₱3,078,680,238	₱2,987,316,531	**₱448,520,330**	₱263,411,227	₱258,676,845	**₱37,779,518**	₱45,859,636	₱69,432,604	**₱–**	₱–	₱–	**₱3,758,183,283**	₱3,387,951,101	₱3,315,425,980
Interest expenses and financing charges on short-term loans	**(8,820,393)**	(9,040,922)	(23,130,092)	**–**	–	–	**(84,410)**	(51,650)	–	**–**	–	–	**(8,904,803)**	(9,092,572)	(23,130,092)
Foreign exchange gains (losses)	**(10,075,874)**	(6,802,175)	(14,530,333)	**1,072,360**	5,519,952	(2,380,248)	**(172,871)**	1,629,661	(2,127,805)	**–**	–	–	**(9,176,385)**	347,438	(19,038,386)
Interest income from bank deposits and short-term investments	**56,438,486**	65,917,123	69,147,060	**–**	–	–	**1,316,543**	2,815,460	2,615,271	**–**	–	–	**57,755,029**	68,732,583	71,762,331
Equity in net losses of associates and joint ventures	**–**	–	–	**–**	–	–	**(11,478,071)**	(6,958,589)	(3,228,728)	**–**	–	–	**(11,478,071)**	(6,958,589)	(3,228,728)
Other income	**90,328,374**	74,884,565	127,933,603	**7,843**	(4,464)	–	**3,180,328**	9,885,484	7,006,284	**(41,000,000)**	(3,000,000)	(25,000,000)	**52,516,545**	81,765,585	109,939,887
Income tax	**(1,007,537,449)**	(1,129,976,716)	(1,117,235,303)	**–**	–	–	**(13,107,341)**	(23,841,168)	(27,265,126)	**–**	–	–	**(1,020,644,790)**	(1,153,817,884)	(1,144,500,429)
Net income	**₱2,392,216,579**	₱2,073,662,113	₱2,029,501,466	**₱449,600,533**	₱268,926,715	₱256,296,597	**₱17,433,696**	₱29,338,834	₱46,432,500	**(₱41,000,000)**	(₱3,000,000)	(₱25,000,000)	**₱2,818,250,808**	₱2,368,927,662	₱2,307,230,563
Assets and Liabilities															
Segment assets	**₱12,919,203,676**	₱11,346,881,913	₱11,132,812,985	**₱555,401,291**	₱822,818,263	₱307,261,008	**₱640,837,088**	₱559,006,469	₱486,713,102	**(₱642,121,472)**	(₱557,828,987)	(₱480,304,557)	**₱13,473,320,583**	₱12,170,877,658	₱11,446,482,538
Investments in associates and interests in joint ventures - at equity	**213,825,504**	209,145,169	198,883,675	**–**	–	–	**34,134,918**	50,293,324	8,579,694	**–**	–	–	**247,960,422**	259,438,493	207,463,369
Deferred tax assets	**–**	–	–	**–**	–	–	**42,173,115**	35,971,633	31,274,686	**–**	–	–	**42,173,115**	35,971,633	31,274,686
Total assets	**₱13,133,029,180**	₱11,556,027,082	₱11,331,696,660	**₱555,401,291**	₱822,818,263	₱307,261,008	**₱717,145,121**	₱645,271,426	₱526,567,482	**(₱642,121,472)**	(₱557,828,987)	(₱480,304,557)	**₱13,763,454,120**	₱12,466,287,784	₱11,685,220,593
Segment liabilities	**₱2,636,863,408**	₱2,485,075,562	₱2,944,420,472	**₱16,839,952**	₱7,261,468	₱26,235,440	**₱769,439,449**	₱669,412,872	₱573,937,269	**(₱708,615,033)**	(₱619,840,972)	(₱539,211,049)	**₱2,714,527,776**	₱2,541,908,930	₱3,005,382,132
Deferred tax liabilities	**168,806,513**	169,255,508	141,242,806	**–**	–	–	**–**	–	–	**–**	–	–	**168,806,513**	169,255,508	141,242,806
Total liabilities	**₱2,805,669,921**	₱2,654,331,070	₱3,085,663,278	**₱16,839,952**	₱7,261,468	₱26,235,440	**₱769,439,449**	₱669,412,872	₱573,937,269	**(₱708,615,033)**	(₱619,840,972)	(₱539,211,049)	**₱2,883,334,289**	₱2,711,164,438	₱3,146,624,938
Other Segment Information															
Capital expenditures:															
Property and equipment	**₱598,655,409**	₱809,432,969	₱585,553,421	**₱1,551,406**	₱22,501,975	₱–	**₱9,025,386**	₱21,020,663	₱42,665,056	**₱–**	₱–	₱–	**₱609,232,201**	₱852,955,607	₱628,218,477
Land and revalued amount	**–**	8,048,312	8,121,828	**–**	–	–	**–**	–	–	**–**	–	–	**–**	8,048,312	8,121,828
Investment properties	**79,018**	20,758,728	–	**–**	–	–	**–**	739,060	–	**–**	–	–	**79,018**	21,497,788	–
Interests in joint ventures	**–**	–	–	**–**	–	–	**–**	50,000,000	–		–	–	**–**	50,000,000	–
Intangible assets	**335,815,089**	511,185,037	423,432,436	**–**	–	–	**12,214,773**	12,755,952	12,733,034	**(12,554,423)**	–	–	**335,475,439**	523,940,989	436,165,470
Depreciation and amortization	**1,068,724,517**	936,155,102	991,838,714	**13,843,643**	6,005,733	36,725,196	**16,216,764**	39,212,712	27,560,914	**–**	–	–	**1,098,784,924**	981,373,547	1,056,124,824
Noncash expenses other than depreciation and amortization	**–**	–	–	**10,508,849**	17,000,526	8,989,862	**–**	–	–	**(10,508,849)**	(17,000,526)	(8,989,862)	**–**	–	–

Geographical Segment Data

The following table presents revenue information regarding geographical segments for each of the three years in the period ended December 31, 2009:

	Local														
	Television and radio airtime			Other Businesses			International Subscriptions			Eliminations			Consolidated		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Revenues															
External sales	**₱12,691,612,973**	₱11,653,548,484	₱11,367,275,348	**₱224,080,695**	₱254,654,344	₱275,350,152	**₱855,182,975**	₱588,498,836	₱414,298,902	**₱–**	₱–	₱–	**₱13,770,876,643**	₱12,496,701,664	₱12,056,924,402
Inter-segment sales	**–**	–	–	**513,641,503**	462,986,944	404,265,599	**–**	–	–	**(513,641,503)**	(462,986,944)	(404,265,599)	**–**	–	–
Total revenues	**₱12,691,612,973**	₱11,653,548,484	₱11,367,275,348	**₱737,722,198**	₱717,641,288	₱679,615,751	**₱855,182,975**	₱588,498,836	₱414,298,902	**(₱513,641,503)**	(₱462,986,944)	(₱404,265,599)	**₱13,770,876,643**	₱12,496,701,664	₱12,056,924,402

6. **Cash and Cash Equivalents**

This account consists of:

	2009	2008
Cash on hand and in banks	**₱776,056,127**	₱403,803,438
Short-term placements	**1,424,137,691**	1,284,303,678
	₱2,200,193,818	₱1,688,107,116

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.

Short-term investments with original maturities of more than three months to one year are shown separately in the consolidated balance sheets.

Interest income, net of final tax, earned from bank deposits amounted to ₱57.44 million, ₱68.63 million and ₱71.64 million in 2009, 2008 and 2007, respectively, and ₱0.32 million, ₱0.10 million and ₱0.12 million in 2009, 2008 and 2007, respectively, earned from short-term investments.

7. **Trade and Other Receivables**

This account consists of:

	2009	2008
Trade:		
Television and radio airtime	**₱4,955,512,742**	₱4,140,731,771
Subscriptions	**206,094,669**	195,647,065
Others (see Note 19)	**145,360,381**	179,270,387
Nontrade:		
Advances to suppliers	**110,469,230**	44,601,844
Advances to officers and employees	**88,395,660**	50,222,868
Others	**12,843,132**	50,214,921
	5,518,675,814	4,660,688,856
Less allowance for doubtful accounts	**208,452,662**	200,284,459
	₱5,310,223,152	₱4,460,404,397

The terms and conditions of the above receivables are as follows:

Trade Receivables

Television and Radio Airtime. Television and radio airtime receivables are noninterest-bearing and are generally on a 60-90 days credit term upon receipt of invoice by the customer. Invoicing normally takes around 30 days from airing.

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

Television and radio airtime receivables are presented net of pay before broadcast amounting to ₱367.83 million and ₱436.89 million as of December 31, 2009 and 2008, respectively, since a right of offset exist between the pay before broadcast balance and the regular trade receivables with credit terms.

Subscriptions Receivable. Subscriptions receivable include receivables pertaining to revenue generated from international channel subscriptions and advertisements. These are noninterest-bearing and normally collected within 30-60 days.

Subscriptions receivable, include unbilled subscriptions, where revenue has been accrued based on the rates in the subscription agreements multiplied by the estimated number of subscribers based on the latest report from the cable providers. Billing has been delayed due to 30-60 days lag in the submission of actual subscribers report from cable providers.

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

Advances to Suppliers

Advances to suppliers are non-interest bearing and are generally applied to acquisition of fixed assets within the next financial year.

Advances to Officers and Employees and Other Nontrade Receivables

Advances to officers and employees and other nontrade receivables are noninterest-bearing and are normally collected within the next financial year.

Allowance for Doubtful Accounts

As of December 31, 2009 and 2008, television and radio airtime receivables amounting to ₱208.45 million and ₱200.28 million, respectively, are impaired. The movement in the allowance for doubtful accounts is as follows:

	2009	2008
Balance at beginning of year	**₱200,284,459**	₱178,113,371
Provision for the year (see Note 22)	**8,168,203**	22,171,088
Balance at end of year	**₱208,452,662**	₱200,284,459

Provision for doubtful accounts in 2009 and 2008 are presented net of reversal of long-outstanding television and radio airtime receivables, previously covered by allowance for doubtful accounts, which were subsequently collected in 2009 and 2008 amounting to ₱56.91 million and ₱0.72 million, respectively.

The allowance for doubtful accounts for television and radio airtime in 2009 and 2008 are results of specific and collective impairment assessments performed by the Group as follows:

	2009	2008
Individually impaired	**₱188,160,194**	₱147,688,578
Collectively impaired	**20,292,468**	52,595,881
	₱208,452,662	₱200,284,459

As of December 31, 2009 and 2008, the aging analysis of receivables that were not impaired follows:

	2009				
	Trade				
	Television and Radio Airtime	**Subscriptions**	**Others**	**Nontrade**	**Total**
Neither past due nor impaired	**₱3,065,136,691**	**₱113,683,756**	**₱31,846,106**	**₱4,752,822**	**₱3,215,419,375**
Past due but not impaired:					
< 30 days	**303,079,930**	**49,663,615**	**11,158,079**	**7,143,155**	**371,044,779**
31–60 days	**254,651,205**	**24,617,114**	**2,123,459**	**9,716,882**	**291,108,660**
61–90 days	**167,595,573**	**6,313,950**	**7,881,915**	**8,146,571**	**189,938,009**
91–180 days	**346,019,150**	**482,849**	**4,549,072**	**3,738,557**	**354,789,628**
181–365 days	**376,711,823**	**6,648,607**	**4,086,392**	**54,897,673**	**442,344,495**
Over one year	**235,962,710**	**4,684,778**	**81,618,356**	**12,843,132**	**335,108,976**
	₱4,749,157,082	**₱206,094,669**	**₱143,263,379**	**₱101,238,792**	**₱5,199,753,922**

	2008				
	Trade				
	Television and Radio Airtime	Subscriptions	Others	Nontrade	Total
Neither past due nor impaired	₱2,546,531,250	₱122,127,561	₱17,238,060	₱–	₱2,685,896,871
Past due but not impaired:					
< 30 days	415,900,647	70,164,049	609,596	4,476,062	491,150,354
31–60 days	226,808,972	3,355,455	–	6,333,852	236,498,279
61–90 days	187,414,284	–	7,241,477	12,332,012	206,987,773
91–180 days	209,142,847	–	10,144,011	9,395,437	228,682,295
181–365 days	51,796,606	–	23,565,588	17,685,505	93,047,699
Over one year	305,145,461	–	118,178,900	50,214,921	473,539,282
	₱3,942,740,067	₱195,647,065	₱176,977,632	₱100,437,789	₱4,415,802,553

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

The Group's unbilled receivables amounted to ₱123.25 million and ₱257.31 million as of December 31, 2009 and 2008, respectively. These are included in trade receivables as "neither past due nor impaired" but with age of 31-60 days from date of airing.

Restructured Airtime Receivables

In 2009, about ₱89.90 million of the Parent Company's 2009 and 2008 television and radio airtime receivables, which were already due, were restructured. Pursuant to the new terms, the customer will pay the receivables until 2010 with interest rate of 15% per annum.

8. Program Rights

The movements in program rights are as follows:

	2009			
	Program Rights	**Story Format Rights**	**Film Rights**	**Total**
Cost:				
Balance at beginning of year	**₱710,021,245**	**₱125,869,617**	**₱9,559,524**	**₱845,450,386**
Additions	**264,094,458**	**47,269,397**	**10,500,000**	**321,863,855**
Program usage (see Note 21)	**(428,744,845)**	**(95,691,725)**	**–**	**(524,436,570)**
Balance at end of year	**545,370,858**	**77,447,289**	**20,059,524**	**642,877,671**
Accumulated impairment in value -				
Balance at beginning and end of year	**2,702,260**	**–**	**–**	**2,702,260**
	₱542,668,598	**₱77,447,289**	**₱20,059,524**	**₱640,175,411**

	2008			
	Program Rights	Story Format Rights	Film Rights	Total
Cost:				
Balance at beginning of year	₱785,779,445	₱34,055,278	₱2,559,524	₱822,394,247
Additions	353,889,237	148,274,706	7,000,000	509,163,943
Program usage (see Note 21)	(429,647,437)	(56,460,367)	–	(486,107,804)
Balance at end of year	710,021,245	125,869,617	9,559,524	845,450,386
Accumulated impairment in value -				
Balance at beginning and end of year	2,702,260	–	–	2,702,260
	₱707,318,985	₱125,869,617	₱9,559,524	₱842,748,126

No impairment loss on program rights was recognized in 2009 and 2008.

9. Prepaid Expenses and Other Current Assets

This account consists of:

	2009	2008
Prepaid production costs	**₱166,239,697**	₱85,290,285
Materials and supplies inventory at cost	**117,243,036**	88,948,023
Prepaid expenses	**48,770,272**	78,770,987
Input VAT	**34,031,260**	22,805,796
Creditable withholding taxes	**19,487,540**	14,188,985
Others	**213,860**	60,000
	₱385,985,665	₱290,064,076

10. Available-for-Sale Financial Assets

This account consists of:

	2009	2008
Investments in shares of stock:		
Quoted	**₱21,649,592**	₱13,949,391
Unquoted	**83,257,256**	83,257,256
	₱104,906,848	₱97,206,647

There is currently no market for investments in unquoted shares and the Group has no intention to dispose these investments in the near future.

AFS financial assets include unrealized gain amounting to ₱2.40 million and ₱2.63 million, net of deferred tax liabilities amounting to ₱0.23 million and ₱0.79 million as of December 31, 2009 and 2008, respectively, which are deferred under the equity section of the consolidated balance sheets.

11. Investments and Advances

This account consists of:

	2009	2008
Investments in associates and interests in joint ventures accounted for under the equity method	**₱247,960,422**	₱259,438,493
Advances to associates and joint ventures (see Note 19)	**146,367,188**	146,367,188
	₱394,327,610	₱405,805,681

The movements in the above amounts follow:

	2009	2008
Investments in associates and interests in joint ventures accounted for under the equity method		
Acquisition cost:		
Balance at beginning of year	**₱327,722,056**	₱268,788,343
Additional investments during the year	**–**	50,000,000
Reclassifications during the year	**–**	8,933,713
Balance at end of year	**₱327,722,056**	₱327,722,056
Accumulated equity in net losses:		
Balance at beginning of year	**(68,283,563)**	(61,324,974)
Equity in net losses during the year	**(11,478,071)**	(6,958,589)
Balance at end of year	**(79,761,634)**	(68,283,563)
	247,960,422	259,438,493
Advances to associates and joint ventures:		
Balance at beginning of year	**146,367,188**	155,262,866
Reclassifications during the year	–	(8,933,713)
Additional advances during the year	–	38,035
Balance at end of year	**146,367,188**	146,367,188
Total investments and advances	**₱394,327,610**	₱405,805,681

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

	Percentage of Ownership		Country of
	2009	2008	Incorporation
Associates:			
Advertising Business -			
RGMA Network, Inc. (RGMA)	**49.0**	49.0	Philippines
Real Estate -			
Mont-Aire Realty and Development Corporation (Mont-Aire)	**49.0**	49.0	- do -
Joint ventures:			
Casual Online Interactive Games -			
X-Play Online Games Incorporated (X-Play)	**50.0**	50.0	- do -
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:

	2009		
	Investments	**Advances** (see Note 19)	**Total**
Associates:			
RGMA	**₱175,474,885**	**₱59,281,531**	**₱234,756,416**
Mont-Aire	**38,350,619**	**84,475,370**	**122,825,989**
Joint ventures:			
X-Play	**34,134,918**	**–**	**34,134,918**
INQ7	**–**	**2,610,287**	**2,610,287**
	₱247,960,422	**₱146,367,188**	**₱394,327,610**

	2008		
	Investments	Advances (see Note 19)	Total
Associates:			
RGMA	₱170,794,550	₱59,281,531	₱230,076,081
Mont-Aire	38,350,619	84,475,370	122,825,989
Joint ventures:			
X-Play	47,683,654	–	47,683,654
INQ7	–	2,610,287	2,610,287
PEP	2,609,670	–	2,609,670
	₱259,438,493	₱146,367,188	₱405,805,681

As of December 31, 2009, accumulated equity in net losses of PEP exceeds the Group's interest in joint venture; thus, carrying value of interest in joint venture of PEP has been reduced to zero. Losses of INQ7 recognized under the equity method in excess of the Group's interest were applied to its advances. INQ7 ceased operation in 2007.

Following are the condensed financial information of the associates:

		Total Assets	Total Liabilities	Revenues	Net Income
RGMA	**2009**	**₱109,881,047**	**₱98,929,013**	**₱124,766,694**	**₱9,551,705**
	2008	122,844,618	121,444,289	107,567,161	2,670,981
Mont-Aire	**2009**	**160,136,147**	**94,460,607**	**–**	**–**
	2008	160,136,147	94,460,607	1,412,799	38,779

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

	INQ7		PEP		X-Play	
	2009	2008	**2009**	2008	**2009**	2008
Current assets	**₱7,699,079**	₱7,699,079	**₱9,424,355**	₱15,377,868	**₱31,179,069**	₱29,198,860
Noncurrent assets	**2,182,230**	2,182,230	**1,657,121**	2,611,406	**33,582,293**	24,756,276
Current liabilities	**29,032,924**	29,032,924	**14,351,876**	15,379,603	**29,513,206**	6,449,273
Revenues	**–**	–	**9,015,345**	7,090,681	**12,723,203**	6,434,852
Expenses	**–**	–	**14,895,416**	13,060,705	**26,271,939**	8,751,199
Net losses	**–**	–	**5,880,071**	5,970,024	**13,548,736**	2,316,347

12. **Property and Equipment at Cost**

The rollforward analysis of property and equipment at cost follows:

	2009				
	January 1	**Additions/ Depreciation**	**Disposals**	**Reclassifications**	**December 31**
Cost					
Buildings, towers and improvements	**₱2,425,929,482**	**₱208,919,643**	**(₱865,262)**	**₱6,126,674**	**₱2,640,110,537**
Antenna and transmitter systems and broadcast equipment	**3,790,144,485**	**268,776,093**	**(27,845,281)**	**21,693,827**	**4,052,769,124**
Communication and mechanical equipment	**530,553,709**	**53,455,243**	**(15,566,410)**	**7,929,659**	**576,372,201**
Transportation equipment	**322,302,097**	**30,863,705**	**(19,109,676)**	**2,488,338**	**336,544,464**
Furniture, fixtures and equipment	**204,013,027**	**4,452,203**	**(55,707,127)**	**962,009**	**153,720,112**
	7,272,942,800	**566,466,887**	**(119,093,756)**	**39,200,507**	**7,759,516,438**
Accumulated Depreciation and Amortization					
Buildings, towers and improvements	**725,589,164**	**131,134,737**	**(616,806)**	**(17,701)**	**856,089,394**
Antenna and transmitter systems and broadcast equipment	**2,928,195,612**	**271,730,202**	**(27,099,913)**	**2,187,920**	**3,175,013,821**
Communication and mechanical equipment	**356,462,953**	**75,941,301**	**(15,212,975)**	**–**	**417,191,279**
Transportation equipment	**158,002,509**	**64,439,696**	**(18,056,579)**	**–**	**204,385,626**
Furniture, fixtures and equipment	**138,018,049**	**12,657,533**	**(32,449,985)**	**17,702**	**118,243,299**
	4,306,268,287	**555,903,469**	**(93,436,258)**	**2,187,921**	**4,770,923,419**
Construction in progress and equipment for installation	**56,353,513**	**42,765,314**	**–**	**(63,675,705)**	**35,443,122**
	₱3,023,028,026	**₱53,328,732**	**(₱25,657,498)**	**(₱26,663,119)**	**₱3,024,036,141**

	2008				
	January 1	Additions/ Depreciation	Disposals	Reclassifications	December 31
Cost					
Buildings, towers and improvements	₱1,638,209,318	₱347,920,316	(₱1,739,669)	₱441,539,517	₱2,425,929,482
Antenna and transmitter systems and broadcast equipment	3,400,780,176	273,744,713	(5,401,307)	121,020,903	3,790,144,485
Communication and mechanical equipment	399,108,279	106,021,489	(326,483)	25,750,424	530,553,709
Transportation equipment	331,279,983	56,990,080	(68,155,064)	2,187,098	322,302,097
Furniture, fixtures and equipment	178,518,391	18,921,288	(5,079,487)	11,652,835	204,013,027
	5,947,896,147	803,597,886	(80,702,010)	602,150,777	7,272,942,800
Accumulated Depreciation and Amortization					
Buildings, towers and improvements	654,126,577	84,494,790	(1,658,036)	(11,374,167)	725,589,164
Antenna and transmitter systems and broadcast equipment	2,685,412,598	248,462,343	(5,177,785)	(501,544)	2,928,195,612
Communication and mechanical equipment	302,726,808	53,156,239	(326,483)	906,389	356,462,953
Transportation equipment	162,252,107	61,108,763	(64,962,528)	(395,833)	158,002,509
Furniture, fixtures and equipment	113,466,216	29,583,792	(5,013,433)	(18,526)	138,018,049
	3,917,984,306	476,805,927	(77,138,265)	(11,383,681)	4,306,268,287
Construction in progress and equipment for installation	650,678,431	49,357,721	–	(643,682,639)	56,353,513
	₱2,680,590,272	₱376,149,680	(₱3,563,745)	(₱30,148,181)	₱3,023,028,026

No borrowing cost was capitalized in 2009 and 2008.

Depreciation and amortization on property and equipment charged to operations amounted to ₱555.90 million, ₱476.81 million and ₱417.33 million in 2009, 2008 and 2007, respectively. These amounts include amortization of previously capitalized borrowing costs amounting to ₱10.08 million each year.

Construction in progress pertains to the costs incurred for architectural and engineering design and other services for the development of GMA Network Studios.

13. Land at Revalued Amounts

This account consists of:

	2009	2008
Cost:		
Balance at beginning of year	**₱340,039,576**	₱331,991,264
Additions	**–**	8,048,312
Balance at end of year	**340,039,576**	340,039,576
Revaluation increment:		
Balance at beginning of year	**1,063,082,889**	1,048,014,928
Additions	**–**	15,067,961
Balance at end of year	**1,063,082,889**	1,063,082,889
	₱1,403,122,465	₱1,403,122,465

As mentioned in Note 3, land used in operations were appraised by an independent firm of appraisers on December 23, 2008 and January 5, 2009.

While fair values of the land were not determined as of December 31, 2009, the Group's management believes that there were no conditions present in 2009 that would significantly reduce the fair value of the land from that determined as of December 31, 2008.

14. **Investment Properties**

The rollforward analysis of investment properties follows:

	2009		
	Land and Improvements	**Buildings and Improvements**	**Total**
Cost:			
Balance at beginning of year	**₱33,399,381**	**₱70,428,486**	**₱103,827,867**
Additions	**–**	**79,018**	**79,018**
Disposals	**–**	**(5,370,019)**	**(5,370,019)**
Balance at end of year	**33,399,381**	**65,137,485**	**98,536,866**
Accumulated depreciation:			
Balance at beginning of year	**–**	**32,878,242**	**32,878,242**
Depreciation during the year	**–**	**2,783,436**	**2,783,436**
Disposals	**–**	**(3,876,952)**	**(3,876,952)**
Balance at end of year	**–**	**31,784,726**	**31,784,726**
Accumulated impairment in value -			
Balance at beginning and end of year	**–**	**7,035,392**	**7,035,392**
	₱33,399,381	**₱26,317,367**	**₱59,716,748**

	2008		
	Land and Improvements	Buildings and Improvements	Total
Cost:			
Balance at beginning of year	₱36,626,199	₱31,595,721	₱68,221,920
Additions	–	21,497,788	21,497,788
Disposals	(604,800)	–	(604,800)
Reclassifications	(2,622,018)	17,334,977	14,712,959
Balance at end of year	33,399,381	70,428,486	103,827,867
Accumulated depreciation:			
Balance at beginning of year	–	19,721,648	19,721,648
Depreciation during the year	–	1,789,807	1,789,807
Reclassifications		11,366,787	11,366,787
Balance at end of year	–	32,878,242	32,878,242
Accumulated impairment in value -			
Balance at beginning and end of year	–	7,035,392	7,035,392
	₱33,399,381	₱30,514,852	₱63,914,233

The fair value of certain investment properties with carrying values of ₱65.33 million as of December 31, 2005 amounted to ₱124.45 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, 2009 and 2008, the Group's management believes that there were no conditions present in 2009 and 2008 that would significantly reduce the fair value of the investment properties from that determined in 2005.

The Parent Company also owns several vacant lots in various remote areas in the Philippines with an aggregate area of 5,028 square meters and a carrying value of ₱5.00 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 costs of these lots.

15. Other Noncurrent Assets

This account consists of:

	2009	2008
Tax credits	**₱69,509,397**	₱46,209,219
Guarantee and other deposits (see Notes 29 and 30)	**34,069,096**	31,584,299
Software costs	**28,908,216**	30,958,081
Deferred input VAT	**28,727,087**	30,411,556
Investment in artworks	**10,406,254**	11,886,410
Others	**3,512,785**	2,798,862
	₱175,132,835	₱153,848,427

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:

	2009	2008
Cost:		
Balance at beginning of year	**₱107,467,346**	₱92,690,300
Additions	**13,611,584**	14,777,046
Balance at end of year	**121,078,930**	107,467,346
Accumulated amortization:		
Balance at beginning of year	**76,509,265**	59,839,256
Amortization during the year (see Note 22)	**15,661,449**	16,670,009
Balance at end of year	**92,170,714**	76,509,265
	₱28,908,216	₱30,958,081

16. Trade Payables and Other Current Liabilities

This account consists of:

	2009	2008
Trade (see Note 19)	**₱503,325,775**	₱429,940,000
Payable to government agencies	**783,191,451**	630,576,248
Accrued expenses	**391,398,892**	298,453,558
Accrued sick and vacation leaves	**185,064,662**	179,024,098
Others	**98,320,879**	93,152,367
	₱1,961,301,659	₱1,631,146,271

The terms and conditions of the above liabilities are as follows:

- Trade payables are noninterest-bearing and are normally settled on terms ranging from 7-30 days.
- Payable to government agencies is remitted within 30 days after reporting date.
- Accrued expenses, accrued sick and vacation leaves and others are noninterest-bearing and are generally settled within the next 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. The amounts presented in the consolidated balance sheets as of December 31, 2009 and 2008 represent the face amounts of the obligations which are expected to be settled within the next 12 months.

18. **Equity**

a. Capital Stock

The composition of capital stock as of December 31, 2009 and 2008 follows:

	Number of Preferred Shares		Number of Common Shares	
	2009	2008	**2009**	2008
Authorized - ₱0.20 par value per preferred share/ ₱1.00 par value per common share	**7,500,000,000**	7,500,000,000	**5,000,000,000**	5,000,000,000
Subscribed and issued at beginning and end of year	**7,500,000,000**	7,500,000,000	**3,364,692,000**	3,364,692,000

On April 26, 2007, the BOD and stockholders approved the increase in the Parent Company's authorized capital stock from ₱5,000 million to ₱6,500 million, divided into 5,000 million common shares with ₱1.00 par value and 7,500 million preferred shares with ₱0.20 par value. On the same date, the BOD and stockholders approved the declaration of stock dividends amounting to ₱375 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 (1/5) of the dividend paid to common shares, the rate of which is adjusted proportionately by the Parent Company's BOD consequent to any stock split or stock dividend declaration affecting the common shares and preferred shares. Preferred shares are convertible at the option of the shareholders at the ratio of five (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.

Initial Public Offering (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 ₱8.50 a share, from its authorized and unissued capital stock by way of a primary offer (the Domestic Share Offer). In addition, 822,115,000 PDRs, at an issue price of ₱8.50 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 ₱1,552.88 million while the total gross proceeds from the Secondary PDR Offer amounted to ₱6,211.54 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 ₱135.00 million were charged against the corresponding additional paid-in capital arising therefrom.

Employee Stock Ownership Plan (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 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 of ₱11.16 million as of December 31, 2008 have been fully closed as of December 31, 2009. The increase in additional paid-in capital was due to collection of subscriptions receivable amounting to ₱7.49 million and ₱58.93 million in 2009 and 2008, respectively.

Treasury Stock and Underlying Shares of Acquired PDRs
In 2008, the Parent Company reacquired common shares and preferred shares totaling 1,000,000 and 492,816, respectively, at acquisition cost of ₱7.82 million.

In 2007, the Parent Company reacquired 2,645,000 common shares at acquisition cost of ₱20.66 million and likewise acquired 750,000 PDRs at acquisition cost of ₱5.79 million.

b. Retained Earnings

The retained earnings account is restricted for the payment of dividends to the extent of ₱34.27 million as of December 31, 2009 and 2008, representing the cost of shares held in treasury amounting to ₱28.48 million in 2009 and 2008 and underlying shares of the acquired PDRs amounting to ₱5.79 million in 2009 and 2008.

On April 2, 2009, the BOD approved the Parent Company's declaration and distribution of ₱0.35 per share cash dividends totaling ₱1,701.07 million to all stockholders of record as of April 21, 2009.

On May 21, 2008, the BOD approved the Parent Company's declaration and distribution of ₱0.25 per share cash dividends totaling to ₱1,214.16 million to all stockholders of record as of June 11, 2008.

On July 2, 2007 and March 19, 2007, the BOD approved the Parent Company's declaration and distribution of ₱0.54 per share cash dividends totaling to ₱2,500.00 million to all stockholders of record as of declaration dates.

Events after Reporting Date

On March 25, 2010, the BOD approved the Parent Company's declaration and distribution of ₱0.45 per share cash dividends totaling ₱2,187.09 million to all stockholders of record as of April 14, 2010.

19. Related Party Disclosures

Transactions with related parties are as follows:

Related Party	Nature of Transaction	Year	Transactions During the Year	Advances to Associates and Joint Ventures (see Note 11)	Trade Receivables (see Note 7)	Trade Payables (see Note 16)
INQ7 and GMA Kapuso Foundation, Inc. (GMA Foundation)	Grant of noninterest-bearing advances	**2009**	**₱1,037,200**	**₱2,610,287**	**₱–**	**₱–**
		2008	14,081,026	2,610,287	–	2,631,968
RGMA	Grant of noninterest-bearing advances	**2009**	**149,855,878**	**59,281,531**	**40,176,666**	**(11,750,147)**
		2008	111,977,320	59,281,531	–	(14,538,295)
Mont-Aire	Grant of noninterest-bearing advances	**2009**	**–**	**84,475,370**	**–**	**–**
		2008	–	84,475,370	–	–
Image One	Collection remittance	**2009**	**4,541,168**	**–**	**–**	**(987,028)**
		2008	4,300,103	–	–	(1,023,381)
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	**2009**	**24,572,116**	**–**	**–**	**(336,000)**
		2008	152,823,088	–	–	–
		2009	**₱180,006,362**	**₱146,367,188**	**₱40,176,666**	**(₱13,073,175)**
		2008	283,181,537	146,367,188	–	(12,929,708)

GMA Foundation

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

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

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:

	2009	2008	2007
Salaries and other short-term benefits	**₱283,394,894**	₱245,296,528	₱231,880,504
Pension benefits	**37,451,095**	38,413,229	37,551,733
	₱320,845,989	₱283,709,757	₱269,432,237

20. Revenues

This account consists of:

	2009	2008	2007
Television and radio airtime	**₱12,691,612,973**	₱11,653,548,484	₱11,367,275,348
Subscription income	**855,182,975**	588,498,836	414,298,902
Production and others	**224,080,695**	254,654,344	275,350,152
	₱13,770,876,643	₱12,496,701,664	₱12,056,924,402

21. Production Costs

This account consists of:

	2009	2008	2007
Talent fees	**₱2,101,146,857**	₱1,995,666,900	₱1,894,648,497
Rental (see Note 26)	**613,057,118**	507,935,577	469,517,457
Program rights usage (see Note 8)	**524,436,570**	486,107,804	624,703,967
Tapes, sets and productions supplies	**488,161,380**	493,135,713	363,593,707
Depreciation (see Notes 12 and 14)	**206,608,697**	116,816,903	98,227,278
Transportation and communication	**100,798,448**	145,873,439	150,913,647
Facilities and others	**355,338,563**	357,338,928	347,902,863
	₱4,389,547,633	₱4,102,875,264	₱3,949,507,416

22. **General and Administrative Expenses**

This account consists of:

	2009	2008	2007
Personnel costs (see Note 23)	**₱1,612,077,169**	₱1,241,295,607	₱1,254,722,559
Depreciation and amortization (see Notes 12 and 14)	**352,078,208**	361,778,831	320,532,730
Advertising	**289,620,121**	284,600,142	224,245,664
Communication, light and water	**203,915,007**	198,564,316	195,963,540
Taxes and licenses	**191,409,221**	155,859,059	132,846,190
Professional fees	**145,306,859**	140,752,713	128,745,715
Repairs and maintenance	**145,085,737**	126,620,972	134,065,265
Research and surveys	**96,084,168**	95,243,033	57,724,636
Rental (see Note 26)	**80,347,252**	65,457,504	63,802,482
Sales incentives	**77,240,586**	95,142,200	82,424,027
Transportation and travel	**68,937,835**	87,751,787	45,759,067
Materials and supplies	**20,032,851**	21,212,500	25,646,309
Amortization of software costs (see Note 15)	**15,661,449**	16,670,009	12,660,849
Insurance	**15,263,455**	19,357,297	18,269,974
Dues and subscriptions	**11,345,758**	11,840,330	16,051,276
Entertainment, amusement and recreation	**11,318,261**	16,085,695	10,751,876
Provision for doubtful accounts (see Note 7)	**8,168,203**	22,171,088	122,003,748
Others	**108,077,030**	98,508,787	75,649,757
	₱3,451,969,170	₱3,058,911,870	₱2,921,865,664

23. **Personnel Costs**

This account consists of:

	2009	2008	2007
Salaries and wages	**₱917,980,386**	₱754,598,181	₱733,943,720
Employee benefits and allowances	**547,773,450**	321,677,771	339,829,011
Net pension expense (see Note 24)	**115,170,174**	116,186,298	131,400,335
Sick and vacation leaves expense	**31,153,159**	48,833,357	49,549,493
	₱1,612,077,169	₱1,241,295,607	₱1,254,722,559

24. **Pension Benefits**

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

Net pension expense consists of:

	2009	2008	2007
Current service cost	**₱61,736,161**	₱69,579,899	₱64,218,882
Interest cost	**62,345,036**	54,574,690	55,619,314
Expected return on plan assets	**(18,018,493)**	(14,990,315)	(163,631)
Actuarial losses recognized	**9,107,470**	7,022,024	11,725,770
Net pension expense (see Note 23)	**₱115,170,174**	₱116,186,298	₱131,400,335

The details of pension liability are as follows:

	2009	2008	2007
Fair value of plan assets	**₱487,231,208**	₱149,767,773	₱131,559,055
Present value of defined benefit obligation	**(721,781,243)**	(746,444,672)	(653,787,108)
	(234,550,035)	(596,676,899)	(522,228,053)
Unrecognized actuarial losses (gains)	**(45,984,736)**	307,842,092	248,082,520
Pension liability	**(₱280,534,771)**	(₱288,834,807)	(₱274,145,533)

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

	2009	2008	2007
Balance at beginning of year	**₱149,767,773**	₱131,559,055	₱1,487,557
Contribution during the year	**123,470,210**	101,497,024	143,743,777
Benefits paid	**(22,594,803)**	(31,497,025)	(13,743,777)
Expected return on plan assets	**18,018,493**	14,990,315	163,631
Actuarial gains (losses)	**218,569,535**	(66,781,596)	(92,133)
Balance at end of year	**₱487,231,208**	₱149,767,773	₱131,559,055
Actual return on plan assets	**₱236,588,028**	(₱51,791,281)	₱71,498

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

	2009	2008	2007
Balance at beginning of year	**₱746,444,672**	₱653,787,108	₱672,369,032
Current service cost	**61,736,161**	69,579,899	64,218,882
Interest cost	**62,345,036**	54,574,690	55,619,314
Benefits paid	**(22,594,803)**	(31,497,025)	(13,743,777)
Actuarial gains	**(126,149,823)**	–	(124,676,343)
Balance at end of year	**₱721,781,243**	₱746,444,672	₱653,787,108

The Group expects to contribute ₱110.00 million to its defined benefit pension plans in 2010.

The plan assets are composed mainly of cash and cash equivalents, equity securities, investments in government securities and other similar debt instruments. The major categories of plan assets as percentage of fair value of total plan assets are as follows:

	2009	2008	2007
Equity securities	**83%**	46%	–
Investments in government securities	**12%**	43%	1%
Cash and cash equivalents	**1%**	3%	99%
Others	**4%**	8%	–
	100%	100%	100%

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

	January 1, 2009	January 1, 2008	January 1, 2007
Discount rate	**8%**	8%	8%
Expected rate of return on plan assets	**9%**	9%	11%
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, 2009 are 11%, 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 four years are as follows:

	2009	2008	2007	2006	2005
Defined benefit obligation	**₱721,781,243**	₱746,444,672	₱653,787,108	₱672,369,032	₱335,731,657
Plan assets	**487,231,208**	149,767,773	131,559,055	1,487,557	1,340,378
Deficit	**234,550,035**	596,676,899	522,228,053	670,881,475	334,391,279
Experience adjustments on plan liabilities	**126,149,823**	–	124,676,343	291,336,144	65,413,949
Experience adjustments on plan assets	**218,569,535**	(66,781,596)	(92,133)	(39,948)	(67,586)

25. Other Income

This account consists of the following income (expenses):

	2009	2008	2007
Tax refund of GMA Pinoy TV	**₱13,336,397**	₱8,644,667	₱–
Gain (loss) on sale of property and equipment and investment properties - net	**10,158,900**	30,632,485	(828,095)
Foreign exchange gain (loss) - net	**(9,176,385)**	347,438	(19,038,386)
Discount on tax credit certificates	**7,408,499**	5,223,668	12,130,583
Income from mall shows	**5,741,334**	1,307,979	–
Rental (see Note 26)	**4,525,381**	4,508,623	3,150,959
Commissions	**4,036,479**	12,805,388	9,016,508
Sales of DVDs and integrated receiver-decoders	**3,889,832**	1,873,601	744,557
Income from unreturned video tapes	**1,241,144**	1,749,880	1,192,131
Proceeds from insurance claims	**412,555**	788,544	12,676,131
Reversal of long-outstanding payables and reimbursement of IPO charges by selling shareholders	**81,636**	4,401,967	62,512,546
Dividends	**22,691**	58,082	2,618,418
Reversal of allowance for impairment loss on investment properties	**–**	–	4,353,538
Merchandising license fees and others	**1,661,697**	9,770,701	2,372,611
	₱43,340,160	₱82,113,023	₱90,901,501

26. 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 cancellable at the Group's option.

Total rental expense amounted to ₱693.40 million, ₱573.39 million and ₱533.32 million in 2009, 2008 and 2007, respectively (see Notes 21 and 22).

The Group also leases out certain properties. Total rental income amounted to ₱4.53 million, ₱4.51 million and ₱3.15 million in 2009, 2008 and 2007, respectively (see Note 25).

The Parent Company entered into a non-cancellable 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-cancellable operating lease follow:

	2009	2008
	(In Millions)	
Within one year	**₱107.61**	₱97.83
After one year but not more than five years	**180.38**	287.99
	₱287.99	₱385.82

27. **Income Taxes**

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

	2009	2008
Deferred tax assets:		
Allowance for doubtful accounts	**₱61,906,698**	₱59,397,511
Pension liability	**55,074,744**	63,208,154
Accrued sick and vacation leaves	**49,334,995**	49,334,995
Accrued rent	**14,492,759**	15,079,796
Unrealized foreign exchange loss	**1,346,967**	–
Unamortized past service costs	**658,961**	1,300,461
Discounting of long-term obligation for program rights	**635,659**	635,659
Others	**131,086**	234,031
	183,581,869	189,190,607
Deferred tax liabilities:		
Revaluation increment in land	**(318,924,867)**	(318,924,867)
Unamortized capitalized borrowing costs	**(33,254,605)**	(36,781,608)
Revaluation of AFS financial assets	**(208,910)**	(641,729)
Unrealized foreign exchange gain	**–**	(2,097,911)
	(352,388,382)	(358,446,115)
	(₱168,806,513)	(₱169,255,508)

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

	2009	2008
Deferred tax assets:		
Pension liability	**₱27,821,611**	₱22,534,974
Accrued sick and vacation leaves	**7,695,271**	6,202,476
Allowance for doubtful accounts	**2,232,261**	2,341,447
Allowance for impairment loss on investment properties	**1,923,146**	1,923,146
NOLCO	**1,441,707**	2,635,513
MCIT	**934,448**	805,979
Unrealized foreign exchange loss	**143,671**	2,910
	42,192,115	36,446,445
Deferred tax liabilities:		
Revaluation of AFS financial assets	**(19,000)**	(104,000)
Unrealized foreign exchange gain	–	(370,812)
	(19,000)	(474,812)
	₱42,173,115	₱35,971,633

The deferred tax assets of GMA Records and Scenarios amounted to ₱0.53 million and ₱2.38 million as of December 31, 2009, respectively, and ₱3.40 million and ₱2.05 million as of December 31, 2008, respectively. These were not recognized as management believes that future taxable income against which the deferred tax assets can be used may not be available.

Effective January 1, 2009, regular corporate income tax rate was reduced to 30% from 35% in accordance with Republic Act No. 9337. The change in enacted tax rate effective January 1, 2009 was included in the computation of deferred tax assets and liabilities.

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

	2009	2008	2007
Statutory income tax rate	**30.00%**	35.00%	35.00%
Additions (deductions) in income tax rate resulting from:			
Income tax holiday	**(3.51)**	(2.84)	(1.65)
Interest income already subjected to final tax	**(0.45)**	(0.68)	(0.73)
Nonclaimable foreign tax credit	**0.52**	0.41	0.32
Equity in net losses of associates and joint ventures	**0.09**	0.07	0.03
Others - net	**(0.06)**	(0.17)	0.19
Effect of change in tax rate	**–**	0.96	–
Effective income tax rates	**26.59%**	32.75%	33.16%

28. EPS Computation

The computation of basic EPS follows:

	2009	2008	2007
Net income (a)	**₱2,818,250,808**	₱2,368,927,662	₱2,307,230,563
Less attributable to preferred shareholders	**869,737,829**	731,072,620	752,934,496
Net income attributable to common shareholders (b)	**₱1,948,512,979**	₱1,637,855,042	₱1,554,296,067
Common shares issued at the beginning of year	**3,364,692,000**	3,364,692,000	2,750,000,000
Treasury shares (see Note 18)	**(3,645,000)**	(3,645,000)	(2,645,000)
Underlying shares on acquired PDRs (see Note 18)	**(750,000)**	(750,000)	(750,000)
Effect of stock dividends	**–**	–	250,000,000
Issuance through IPO	**–**	–	76,121,667
Issuance through ESOP (see Note 18)	**–**	–	23,750,000
Weighted average number of common shares for basic EPS (c)	**3,360,297,000**	3,360,297,000	3,096,476,667
Basic EPS (b/c)	**₱0.580**	₱0.487	₱0.502

The computation of diluted EPS follows:

	2009	2008	2007
Net income (a)	**₱2,818,250,808**	₱2,368,927,662	₱2,307,230,563
Weighted average number of common shares	**3,360,297,000**	3,360,297,000	3,096,476,667
Effect of dilution - assumed conversion of preferred shares	**1,500,000,000**	1,500,000,000	1,500,000,000
Reacquired preferred shares	**(98,563)**	(98,563)	–
Weighted average number of common shares adjusted for the effect of dilution (d)	**4,860,198,437**	4,860,198,437	4,596,476,667
Diluted EPS (a/d)	**₱0.580**	₱0.487	₱0.502

As mentioned in Note 18, the SEC approved the increase in the Parent Company's authorized capital stock from ₱5,000 million to ₱6,500 million on May 10, 2007.

29. **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, obligations for program rights and dividends payable. The main purposes of these financial instruments include raising financing for the Group's operations and managing identified financial risks. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the use of financial instruments are liquidity risk, foreign exchange risk, interest rate risk and credit risk.

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

Liquidity Risk. The Group is exposed to the possibility that adverse changes in the business environment and/or its operations would result to substantially higher working capital requirements and subsequently pose difficulty in financing the 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 assets used for liquidity risk management purposes and financial liabilities based on contractual undiscounted payments as of December 31:

	2009			
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Total**
Cash and cash equivalents	**₱776,056,127**	**₱1,424,137,691**	**₱–**	**₱2,200,193,818**
Short-term investments	**–**	**–**	**23,460,312**	**23,460,312**
Trade receivables:				
Television and radio airtime	**1,441,879,755**	**3,065,136,691**	**242,140,636**	**4,749,157,082**
Subscriptions	**92,410,913**	**113,683,756**	**–**	**206,094,669**
Others	**111,417,273**	**31,846,106**	**–**	**143,263,379**
Nontrade receivables:				
Advances to officers and employees	**83,642,838**	**4,752,822**	**–**	**88,395,660**
Others	**12,843,132**	**–**	**–**	**12,843,132**
	₱2,518,250,038	**₱4,639,557,066**	**₱265,600,948**	**₱7,423,408,052**
Trade payables and other current liabilities*	**₱428,881,271**	**₱391,398,892**	**₱357,830,045**	**₱1,178,110,208**
Obligations for program rights	**–**	**45,977,685**	**15,498,025**	**61,475,710**
Dividends payable	**3,367,963**	**–**	**–**	**3,367,963**
	₱432,249,234	**₱437,376,577**	**₱373,328,070**	**₱1,242,953,881**

** Excluding payable to government agencies amounting to ₱783.19 million, which is not considered as financial liability.*

	2008			
	On Demand	Less than 3 Months	3 to 12 Months	Total
Cash and cash equivalents	₱403,803,438	₱1,284,303,678	₱–	₱1,688,107,116
Short-term investments	–	–	2,066,957	2,066,957
Trade receivables:				
Television and radio airtime	1,396,208,817	2,546,531,250	–	3,942,740,067
Subscriptions	73,519,504	122,127,561	–	195,647,065
Others	159,739,572	17,238,060	–	176,977,632
Nontrade receivables:				
Advances to officers and employees	33,575,170	16,647,698	–	50,222,868
Others	50,214,921	–	–	50,214,921
	₱2,117,061,422	₱3,986,848,247	₱2,066,957	₱6,105,976,626

	2008			
	On Demand	Less than 3 Months	3 to 12 Months	Total
Trade payables and other current liabilities*	₱205,653,895	₱387,067,164	₱407,848,964	₱1,000,570,023
Obligations for program rights	–	–	110,459,407	110,459,407
Dividends payable	1,564,709	–	–	1,564,709
	₱207,218,604	₱387,067,164	₱518,308,371	₱1,112,594,139

** Excluding payable to government agencies amounting to ₱630.58 million, which is not considered as 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 ₱502.61 million (US$10.88 million) and ₱74.27 million (US$1.61 million), respectively, as of December 31, 2009, and ₱213.39 million (US$4.49 million) and ₱122.66 million (US$2.58 million), respectively, as of December 31, 2008.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱46.20 to US$1.00 and ₱47.52 to US$1.00, the Philippine peso to U.S. dollar exchange rates as of December 31, 2009 and 2008, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in US$ exchange rate, with all other variables held constant, of the Group's income before income tax from reporting 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.

	Appreciation (Depreciation) of ₱	Effect on Income before Income Tax
2009	**₱0.50**	**(₱4,635,734)**
	(0.50)	**4,635,734**
2008	0.50	(954,707)
	(0.50)	954,707

Interest Rate Risk. The Group's exposure to changes in interest rates is minimal and is attributed to cash and cash equivalents and short-term investments.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax from reporting 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
2009	**50**	**₱11,081,008**
	(50)	**(11,081,008)**
2008	50	8,345,399
	(50)	(8,345,399)

Credit Risk. Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products and services are made to customers with appropriate credit history. The Group has an internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of the instruments. There is no concentration of credit risk.

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

High Grade. Pertains to a counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes prime financial institutions and companies and top 20 advertisers in terms of volume of sales, who consistently pay on or before the maturity date and related parties.

Standard Grade. Pertains to a counterparty with tolerable delays (normally from 1 to 30 days) in settling its obligations to the Group. The delays may be due to cut-off differences. This includes customers outside the top 20 advertisers in terms of volume of sales, who consistently pay on maturity date, advances to officers and employees and other receivables.

As of December 31, 2009 and 2008, the credit quality of the Group's financial assets is as follows:

	2009			
	Neither Past Due Nor Impaired		**Past Due**	
	High Grade	**Standard Grade**	**but not Impaired**	**Total**
Cash and cash equivalents*	**₱2,192,741,346**	**₱–**	**₱–**	**₱2,192,741,346**
Short-term investments	**23,460,312**	**–**	**–**	**23,460,312**
Trade receivables:				
Television and radio airtime	**1,499,214,471**	**1,565,922,220**	**1,684,020,391**	**4,749,157,082**
Subscriptions	**113,683,756**	**–**	**92,410,913**	**206,094,669**
Others	**–**	**31,846,106**	**111,417,273**	**143,263,379**
Nontrade receivables:				
Advances to officers and employees	**–**	**4,752,822**	**83,642,838**	**88,395,660**
Others	**–**	**–**	**12,843,132**	**12,843,132**
Guarantee and other deposits	**15,311,853**	**–**	**–**	**15,311,853**
AFS financial assets	**104,906,848**	**–**	**–**	**104,906,848**
	₱3,949,318,586	**₱1,602,521,148**	**₱1,984,334,547**	**₱7,536,174,281**

** Excluding cash on hand amounting to ₱7.46 million as of December 31, 2009.*

	2008			
	Neither Past Due Nor Impaired		Past Due	
	High Grade	Standard Grade	but not Impaired	Total
Cash and cash equivalents*	₱1,667,012,941	₱–	₱–	₱1,667,012,941
Short-term investments	2,066,957	–	–	2,066,957
Trade receivables:				
Television and radio airtime	1,417,793,327	1,128,737,923	1,396,208,817	3,942,740,067
Subscriptions	122,127,561	–	73,519,504	195,647,065
Others	17,238,060	–	159,739,572	176,977,632
Nontrade receivables:				
Advances to officers and employees	–	–	50,222,868	50,222,868
Others	–	–	50,214,921	50,214,921
Guarantee and other deposits	13,995,285	–	–	13,995,285
AFS financial assets	97,206,647	–	–	97,206,647
	₱3,337,440,778	₱1,128,737,923	₱1,729,905,682	₱6,196,084,383

** Excluding cash on hand amounting to ₱21.09 million as of December 31, 2008.*

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, payoff existing debts, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for the three years ended December 31, 2009.

The Group monitors its capital gearing by measuring the ratio of interest-bearing debt to total equity. Interest-bearing debt includes all short-term and long-term debt. The Group's total equity as of December 31, 2009 and 2008 amounted to ₱10,880.12 million and ₱9,755.12 million, respectively.

30. 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:

	2009		2008	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱2,200,193,818**	**₱2,200,193,818**	₱1,688,107,116	₱1,688,107,116
Short-term investments	**23,460,312**	**23,460,312**	2,066,957	2,066,957
Trade receivables:				
Television and radio airtime	**4,749,157,082**	**4,749,157,082**	3,942,740,067	3,942,740,067
Subscriptions	**206,094,669**	**206,094,669**	195,647,065	195,647,065
Others	**143,263,379**	**143,263,379**	176,977,632	176,977,632
Nontrade receivables:				
Advances to officers and employees	**88,395,660**	**88,395,660**	50,222,868	50,222,868
Others	**12,843,132**	**12,843,132**	50,214,921	50,214,921
Guarantee and other deposits (included under "Other noncurrent assets" account in the consolidated balance sheets)	**15,311,853**	**14,833,451**	13,995,285	13,447,654
	7,438,719,905	**7,438,241,503**	6,119,971,911	6,119,424,280
AFS financial assets	**104,906,848**	**104,906,848**	97,206,647	97,206,647
	₱7,543,626,753	**₱7,543,148,351**	₱6,217,178,558	₱6,216,630,927
Financial Liabilities				
Other financial liablities:				
Trade payables and other current liabilities*	**₱1,178,110,208**	**₱1,178,110,208**	₱1,000,570,023	₱1,000,570,023
Obligations for program rights	**61,475,710**	**61,475,710**	110,459,407	110,459,407
Dividends payable	**3,367,963**	**3,367,963**	1,564,709	1,564,709
	₱1,242,953,881	**₱1,242,953,881**	₱1,112,594,139	₱1,112,594,139

** Excluding payable to government agencies amounting to ₱783.19 million and ₱630.58 million as of December 31, 2009 and 2008, respectively, the amounts of which are not considered as financial liabilities.*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and Cash Equivalents, Short-term Investments and Trade and Nontrade Receivables. The carrying values of cash and cash equivalents, short-term investments and trade and nontrade receivables 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 4.42% to 4.81% in 2009 and 6.10% to 6.21% in 2008.

AFS Financial Assets. These are investments in quoted and unquoted shares of stock. The fair value of quoted shares is based on quoted market prices. For unquoted shares, the carrying amounts (cost less allowance for impairment losses) approximate fair values due to unpredictable nature of future cash flows and lack of other suitable methods for arriving at reliable fair value.

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

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

b. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and

c. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The financial instruments carried at fair value only pertain to the Group's AFS financial assets, which consist of quoted equity securities. As of December 31, 2009 and 2008, these securities are categorized under Level 1 of the fair value hierarchy. The Group has no financial instruments categorized under Level 2 and Level 3. There were no transfers between Level 1 and Level 2 fair value measurements and no transfer into and out of Level 3 fair value measurements.

31. Other Matters

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

   The total tax incentives availed of in 2009 and 2008 amounted to ₱134.88 million and ₱100.16 million, respectively.

b. The Parent Company is a defendant in certain legal cases for copyright infringement, injunctions and damages, which are still pending resolution in the Regional Trial Court (RTC). As of March 25, 2010, no resolution has been issued by the RTC. Complaints for recovery of retirement and other benefits and illegal dismissal of employees have also been filed against the Parent Company.

   The Parent Company's management and legal counsel believe that the outcome of these cases will not have a material adverse effect on the consolidated financial statements.

32. Reclassifications

In 2009, the Group changed the presentation of its consolidated statement of comprehensive income to present part of its depreciation expenses related to production from general and administrative expenses to production costs amounting to ₱206.61 million, ₱116.82 million and ₱98.23 million in 2009, 2008 and 2007, respectively. The 2008 and 2007 consolidated statements of comprehensive income were revised to conform to the 2009 presentation and classification.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TV-5 Mt. Amuyao, Mt. Province
Brgy. Macalana, Barlig, Mt. Province
0916-4325659

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

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

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

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

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Bonbon, Cebu City
0921-2002690

TV-6 Iloilo
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0906-5208426 / 0906-4847112

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

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

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

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

TV-5 Roxas City
Brgy. Milibili, Roxas City
0919-6925448 / 0921-9978181 / 0920-2628783

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

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

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

TV-8 Kalibo
New Busuanga, Numancia, Aklan
0919-6542806 / 0929-4356922
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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
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0916-5326950 / 0920-3537395

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

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

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

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

TV-12 Jolo, Sulu
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0928-5930547

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Fax: 928-2044
Chairman & CEO: **Felipe L. Gozon**
President & COO: **Manuel P. Quiogue**

MediaMerge Corporation (1)
6/F GMA Network Center
EDSA corner Timog Avenue
Diliman, Quezon City
Tel. No.: 982-7777 loc. 1308 / 927-6268
Fax: 927-6210
Chairman: **Felipe L. Gozon**
President: **Gilberto R. Duavit, Jr.**

AFFILIATES

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

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

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

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

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

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

SOCIO-CIVIC ORGANIZATIONS

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

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

AUDITOR

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

LEGAL COUNSEL

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

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

BANK REFERENCES

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

Asia United Bank
Parc Royale Condominium
Doña 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

Citibank, N.A.
Citibank Tower
8741 Paseo de Roxas, Makati City

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

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

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

Export Bank
Export Bank Plaza
Chino Roces Avenue, Makati City

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

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

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

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

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

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

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

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

SHAREHOLDER SERVICES

Stock Transfer Service, Inc.
34/F Rufino Tower
6784 Ayala Ave. Makati City
Tel. No.: 403-2410 to 14
Fax No.: 403-2414

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

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

United Coconut Planters Bank
UCPB Building
Makati Avenue, Makati City

GMA

GMA NETWORK