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.

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60 GMA years

Scaling Heights Beyond Television

The country's biggest story for 2010 was the May 10 national elections. It was very significant, not only because of the personalities that figured in the polls, but also due to the fact that it was the first fully automated elections in the Philippines.

The generally successful automated elections, which led to the peaceful transfer of power from the Arroyo administration to the new Aquino government, sent a positive signal to the business, financial, and diplomatic communities. For 2010, the government reported a GDP growth of 7.3 percent, which was stronger than expected. Exports and investments increased significantly. Overall, the economy experienced a robust growth, a trend that is expected to be sustained in 2011.

Amidst this environment, your Kapuso Network thrived and made greater strides towards attaining dominance in ratings. In summary, for the year 2010, GMA Network saw modest gains in its financial performance; paid its shareholders cash dividends twice; was elevated to the Quezon City Hall of Fame for Tax Payers; and won another Peabody Award for our **I-Witness** episode, *"Ambulansyang de Paa,"* among others.

As the nation savored the triumph of a new leadership, our bigger story was our celebration of our diamond year. Honoring six remarkable decades in the industry did not only provide an avenue for us to recall our glorious past and our numerous milestones; the celebration likewise served as our launch pad to a limitless future beyond television.

We are setting our sights on digitization and the internet. While at present, full digitization in the Philippines is occurring at a slow pace, it is inevitable. After all, many countries are now adapting to this modernization.

Harnessing digitization and the internet to support our role as a content producer will allow for better and more efficient business. On the one hand, our viewers get to enjoy the aesthetic benefits of technology; on the other hand, we grow our bottomlines at less cost.

The internet, as we know, has steadily seeped into the Filipino lifestyle. In fact, it has become increasingly pervasive, and currently is being used by more and more people as a source of news, information, and entertainment. We

We see 2011 as a very exciting year for the Company. Notwithstanding fiercer competition and the emergence of a new player, we expect to reach greater heights in both TV ratings and revenues. This, as we expect to carry on the momentum we have built towards the latter part of 2010.

don't see the internet as a foe but an ally. Soon, a great majority of Filipinos will have access to the internet – this is one opportunity a media company should seize. That's exactly what we are doing now, and so far, we have not failed in this endeavor. In fact, our news website (www.gmanews.tv) is one of the top websites visited daily by Filipinos across the globe with an average of one million page views per day. Our programs are also readily available online via our Video-on-Demand service in the internet. The internet carries a whole lot of potential, which if explored and tapped could bring promising returns. There is also a commercial possibility for non-mainstream delivery of our programs through mobile technology.

We see 2011 as a very exciting year for the Company. Notwithstanding fiercer competition and the emergence of a new player, we expect to reach greater heights in both TV ratings and revenues. This, as we expect to carry on the momentum we have built towards the latter part of 2010.

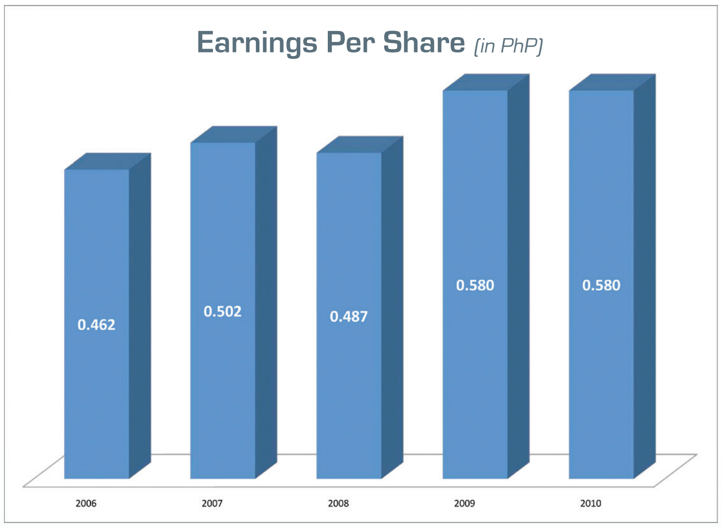
As always, our hardworking people and off-camera as well as on-camera talents – the best in the industry and whom we have always counted on to deliver everything we have set as our goals and objectives – will spell the difference.

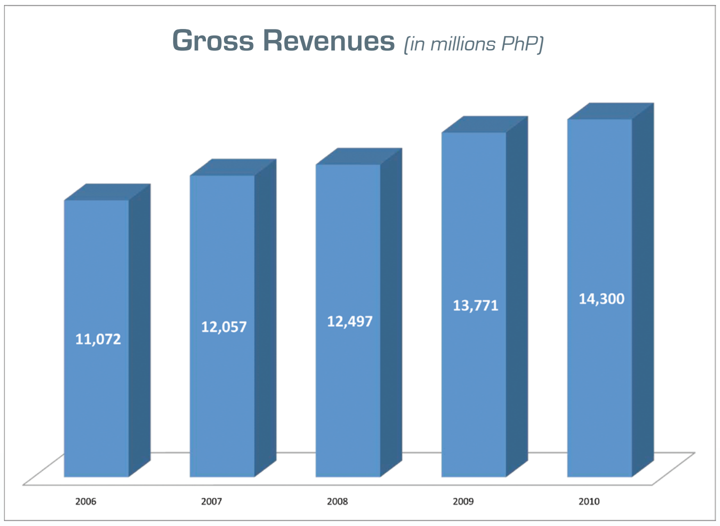
Our deep appreciation and gratitude to the Board of Directors for supporting our strategies and initiatives for growth. Credit, likewise, goes to our partners, advertisers, subscribers, and shareholders. Your Board of Directors and management are confident that we can all look forward to a successful 2011 as we harness the gains we have earned in 2010.

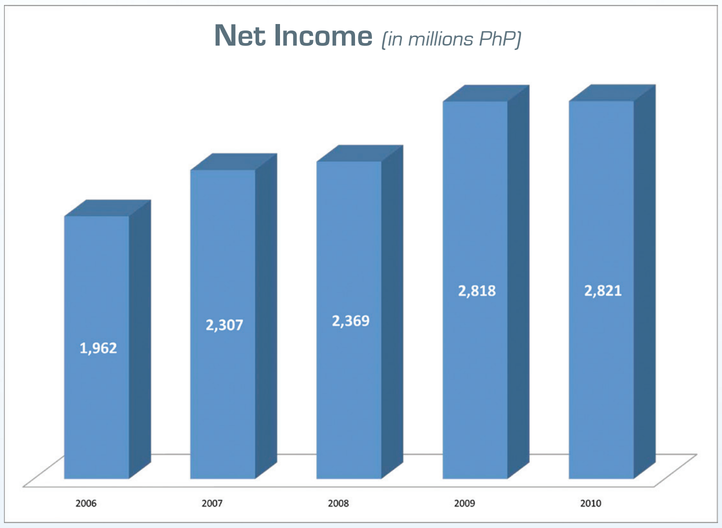
To the management, employees, talents, and consultants, thank you for making our 60th year a good one. May our diamond year be a harbinger of better and brighter years to come.

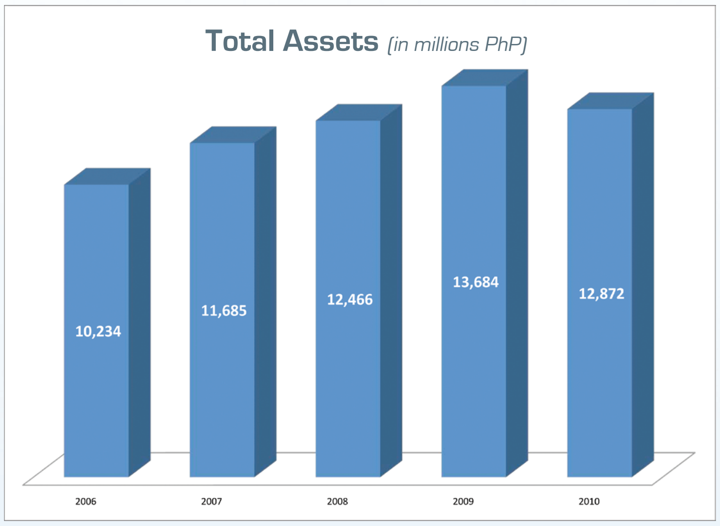
Felipe L. Gozon
Chairman and CEO

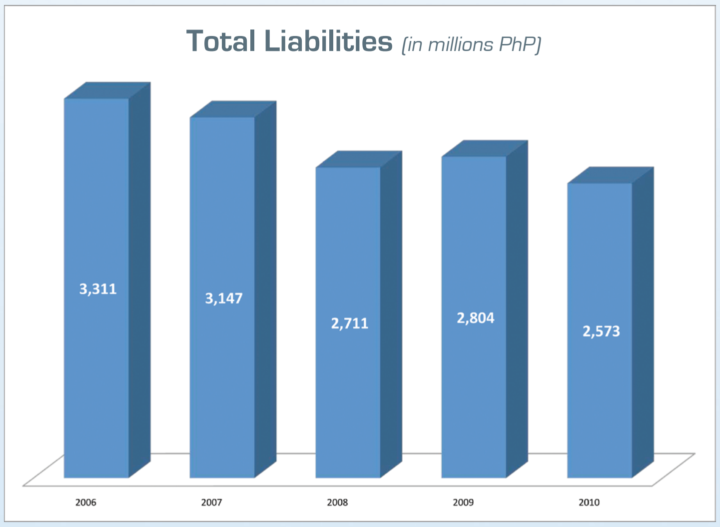
Financial Highlights

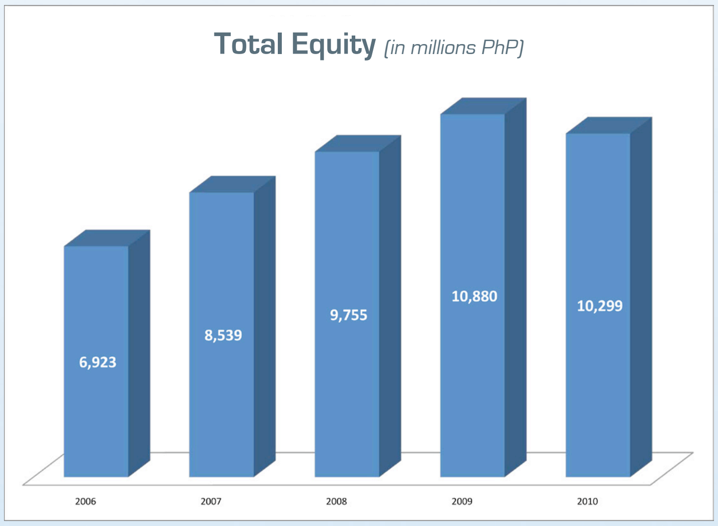












From January to December 2010, GMA Network registered an average household audience share of 35.4%, leading its biggest rival by 3.1% based on data from Nielsen TV Audience Measurement.

president's **message**

Pressing for Sustainable Growth

For GMA Network, 2010 was the year we had to expand the bases for growth in our core business and put the requisites in place for a big leap forward.

Having achieved consistent and commendable growth over the past years, our top and bottom lines had attained levels that demanded a breakthrough in our National ratings and a re-setting of our ad rates if we were to continue growing our business at near or double digit levels.

Being the consistent leader in Mega Manila and erratically in Total Luzon at the start of the year, the direction was to further strengthen our hold on the Mega Manila audience and consistently win Total Luzon while intensifying our ground presence in key TV markets in the Visayas and Mindanao with the end-in-view of breaking pro-competitor viewer habits in these areas.

Simultaneous with this, an aggressive, well studied effort to raise our ad rates was initiated in the early part of the year–intended in large part to manage our (ad airtime) utilization levels, thereby achieving headroom for future growth.

Unfortunately, the lackluster results of our programming changes in the early part of the year found us taking two steps back in the race for National ratings leadership; with the overall situation aggravated by our thinning lead in Mega Manila. There was clearly something basically wrong. We had gotten complacent on the product development and programming side. We had to buckle down and reverse the downhill slide.

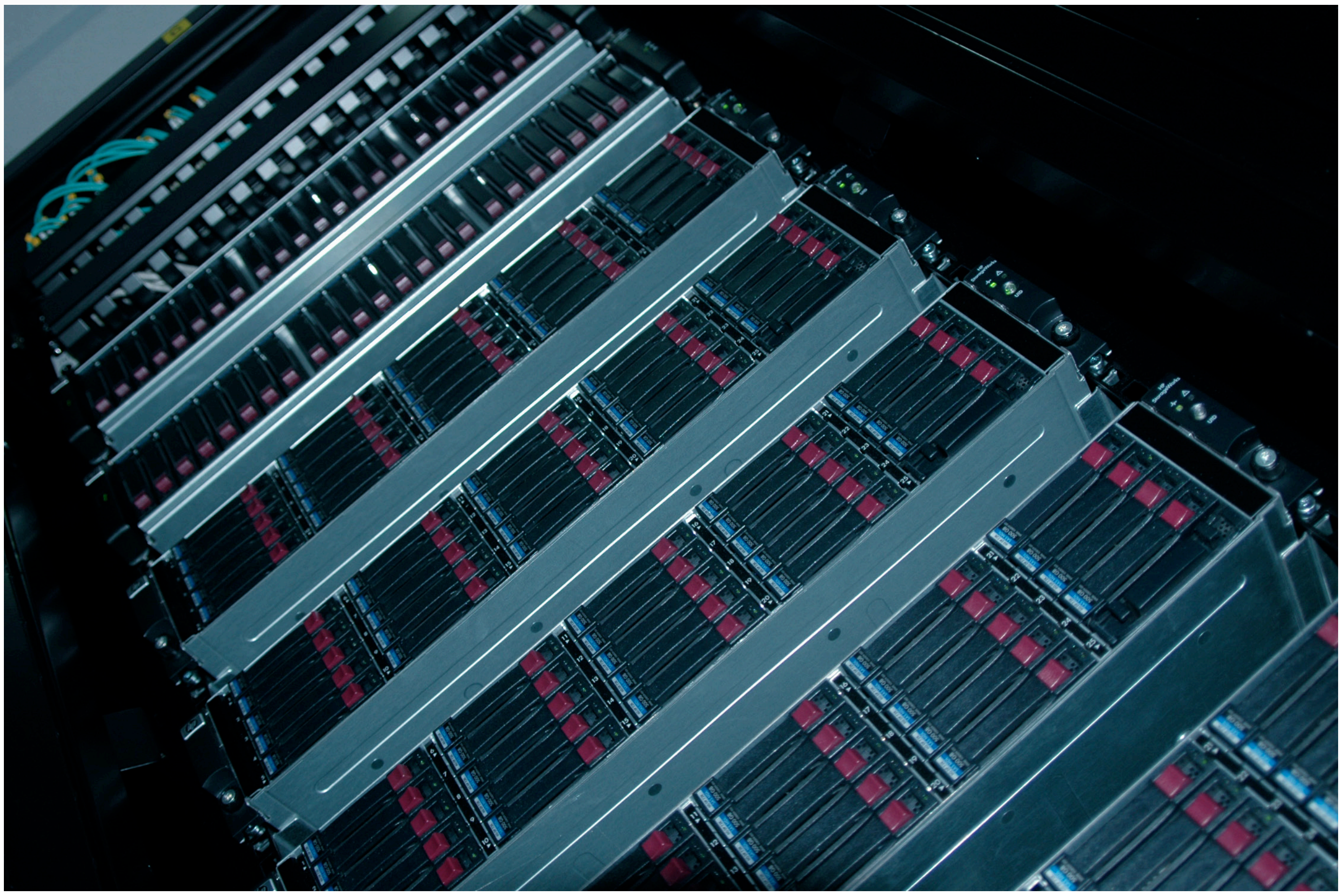
Driven by this realization, we resolved to confront a seemingly insurmountable challenge – that of recovering, if not even further increasing, our ratings margins at the very least in the traditional Kapuso bailiwicks within the year. Towards the end of 2010, we had regained lost ground and some, with momentum enough to pose the most serious threat to our key competitor's national ratings leadership to date. Surely a commendable feat when one considers the fact that we achieved in six months what our key competitor has been unable to over the last six years.

The year also saw the pronounced entry of TV5 in the broadcast media space; threatening not only disruption and audience fragmentation but as importantly, challenging our ability to maintain our cost structure and operating margins as we pushed towards national ratings dominance. Despite aggressive poaching, we closed the year with only inflationary increases in our production costs, with any incremental balance accounted for by actual increases in Network produced content hours and non-recurring items such as the 2010 Presidential Election coverage. A true testament not only to our ability to manage costs, but to the loyalty of our valued talents and employees.

While TV5 has gained audience shares within the year, the disruption caused has neither deterred nor negatively affected our drive towards key TV market and national ratings leadership. Having had the benefit of the wake-up call early in the year, we remain even more vigilant and driven. As of this writing, GMA now leads in household ratings and audience shares not only in Mega Manila and total Luzon, but nationally as well, starting the first half of January, 2011.

Consistent with further ensuring the growth of our core business going forward, we decided to re-program Channel 11 into the first News, Public Affairs and Infotainment channel on the Free-to-Air VHF band in the last quarter of the year. Leveraging on the strength and virtues of the GMA News and Public Affairs brand, GMA News TV was initially launched to the trade with encouraging results and subsequently went on-air on the 28th of February, 2011. While maintaining essentially the same programming cost profile as its predecessor QTV, GMA News TV's programming grid represents a significant increase in produced, proprietary content hours allowing us to launch a third international (News and Public Affairs) channel to complement our present international offerings within the year.

GMA invested in a multi-million dollar technology called the Media Asset Management System (MAMS), which will make the entire post-production process, playback and archiving of audio and video materials tapeless and digital.



Given the projected improvement over QTV's historical top line performance, the shift to GMA News TV is not only envisioned to reduce QTV's burn rate in its first year, but is also targeted to contribute positively to our bottom line in its second year of operations and help grow our international business going forward.

With an eye on our core and other future business opportunities, we continued to invest in both back and front-end infrastructure during the past year, and will continue to do so in the coming year. Transmitter facilities were vastly improved in secondary TV market areas, as we upgraded and expanded news gathering and studio facilities. Cognizant of the fast growing importance of the digital media space, we initiated the roll-out of our Media Asset Management System (MAMS) which will enable identified operating groups to access, share, and archive content in pure data form and allow us to deliver content to a multiplicity of distribution platforms in varying formats.

Soon to be implemented, the first phase of our multi—site satellite uplink project will allow us to more efficiently and regularly push and pull content between our originating stations. We have also started to map out the initial phase of our Rural Area signal upgrade program alongside the fine tuning of the terms of reference specific to our contemplated News Automation System (NAS); both of which we intend to initiate within 2011.

While earnings may have been flat in 2010, the year was nonetheless significant as it was within the period that the foundations for future growth were reinforced. We now lead in the National ratings aided by learnings and experiences in the earlier part of the year. Our utilization levels are now more realistic and manageable as a result of the ad rate increases and the prospect of Channel 11 turning a profit in the near future far more tenable with the shift to GMA News TV. Our costs have normalized and remain well managed despite the entry of TV5 – with key talent and programming partnerships locked in for years to come. As we look at optimizing the application of technologies such as Digital Terrestial TV (DTT) and other opportunities in digital media, it is great to know that we are both able and competitive – with no less than the best TEAM in town to back the plays.

In closing, I would like to extend our thanks and appreciation to our loyal talents, officers and employees, our business partners in the trade and programming and, last but definitely not the least, our shareholders and viewers for your continued trust and support.

Certainly, none of this would have been possible without you solidly behind us.

Maraming salamat po sa inyong lahat.

GILBERTO R. DUAVIT, JR.
President and COO

The World of GMA

The election season in May 2010 provided the needed cushion for GMA Network as it experienced temporary setbacks at the latter part of year resulting from advertising rate negotiations and temporary ratings challenges.

The Company took a risk, increasing its advertising rates. And while it was prepared for the expected impediments that resulted from this move, the risk started to pay off towards the end of the year.

Financials

The Network's consolidated net income settled at P2.821 billion, only a bit higher than the P2.818 billion recorded in 2009.

Consolidated gross revenues for the year closed at P14.300 billion, 4 percent or half a billion higher than 2009's P13.771 billion. EBITDA ended at P4.712 billion, down by 4% or P177 million compared to the previous year.

Total operating expenses went up by 8%, due mostly to the non-recurring cost incurred by the comprehensive election coverage; additional in-house produced programs; and the spike in advertising and promotions, particularly in the regions.

Total assets slid by 6% to 12.872 billion as the record second dividend payout of P1.215 billion reduced year-end cash to P1.232 billion from P2.200 billion in 2009. The first dividend payout was in May amounting to P2.187 billion while the second dividend payment of P1.215 billion was in December.

Meanwhile, Radio Operations reported a 43% increase in revenues versus 2009. Radio increased its contribution to the Company's total revenues from less than 3% in 2009 to almost 4% in 2010.

Ratings and Programming

In terms of TV programming, GMA kept its overall lead in viewer-rich Mega Manila, which comprises 55% of the total urban TV household population in the country.

From January to December 2010, GMA Network registered an average household audience share of 35.4%, leading its biggest rival by 3.1% based on data from Nielsen TV Audience Measurement.

The planned and calibrated rate increase in 2010 caused a reduction in GMA's advertising minutes. However, the positive effects include reduced on-air clutter and more airtime to promote its programs, while ending the year with growth, albeit minimal, in both top and bottom lines.

In 2010, GMA invested in a multi-million dollar technology called the Media Asset Management System (MAMS), which will make the entire post-production process, playback and archiving of audio and video materials tapeless and digital. It is currently being integrated into GMA's systems and should be fully operational at the end of 2011. A detailed article about this project can be read in this Annual Report.

The Network likewise migrated to a Hong Kong based satellite provider (APT Satellite), for better connectivity and wider satellite footprint.

Total sales for Regional TV (RTV) reflected a remarkable 64% increase versus 2009. Towards the last quarter of 2010, RTV launched a magazine program called iSYU, with each originating and satellite station having its own localized version.

GMA's two international channels – GMA Pinoy TV and GMA Life TV already had 273,000 and 125,000 subscribers, respectively, at the end of 2010. The Company's international business contributed revenues of

P925 million, 8% higher than 2009 and which accounted for 6.5% of its total revenues.

Since July 2010, GMA has started efforts for the re-launch of QTV channel 11 into a VHF news channel called GMA News TV. By the time this Annual Report has been published, GMA News TV has already been airing for a few months. In addition to launching GMA News TV locally, in 2011, the Network is also set to launch the said news channel internationally.

Updates from Subsidiaries

The joint-venture online properties of GMA New Media, Inc. (NMI) such as GMANews.TV and PEP.ph have average monthly page views of 28 million and 23.3 million, respectively.

In 2010, GMANews.TV won the Best Television Website award in the 2010 Digital Filipino Web Awards, while PEP.ph emerged as the Best Entertainment Website.

In collaboration with the Office of the President and GMA Engineering, NMI initiated the development of GMA's Digital TV strategy. Come 2011, testing for the service will be conducted.

Towards the end of 2010, NMI teamed up with Summit Media to launch projects that use Augmented Reality (AR), a new technology that fuses real-world scenes and computer imagery.

NMI also inked an agreement with Violet Communications ("Viotel"), a Mobile Virtual Network Operator in Singapore for a mobile Video-On-Demand (VOD) service.

Turner Entertainment Networks Asia, Inc. also renewed its agreement with NMI to continue outsourcing all mobile promotions of its top children's channel, Cartoon Network, for 2011.

GMA Films continued to leverage on the shared strengths of partnerships in 2010. It co-produced Working Girls (with Viva, Unitel), You To Me Are Everything (with Regal), In Your Eyes (with Viva), and the 2010 Metro Manila Film Festival top grossing film Si Agimat at si Enteng Kabisote (with Octoarts, M-Zet, APT Entertainment, Imus).

On the other hand, GMA Records, apart from being able to sell new releases (DVDs and CDs) with English subtitles in Australia, US, Canada, and New Zealand, signed several deals in 2010 including the deal with Global Digital Networks for the digital distribution of music through Kodak photo kiosks in the Philippines; digital licensing agreement with Singapore-based content provider Andermedia in several territories; physical and digital licensing agreement for music and videos with Viva Entertainment in Dubai; digital distribution agreement with Access Mobile Corp.; renewal of worldwide distribution agreement with WIN (former Pocket Technology Limited); renewal of digital distribution agreement with Worldwide Venture Holdings in Japan; online digital music and video licensing agreement with KVZ Music, etc.

GMA's worldwide syndication sales arm GMA Worldwide, Inc. was able to hit 85.5% of its projected sales target for 2010. In addition, a number of broadcasters and program distributors in Japan, Turkey, Nigeria, Malaysia, Singapore, China, Hawaii, Africa, Vietnam, India, and the UAE have expressed interest in acquiring some of GMA's locally produced shows. Likewise, Philippine Airlines is interested in acquiring TV movies that can be made available two months from the date of TV airing for their fleet with AVOD.

The year 2010 was quite a rollercoaster ride for the Company. But more than the challenges the Network faced and the risks it took to meet its goals, GMA will remember 2010 as a year of triumph, as the Company successfully celebrated its 60th anniversary.

Moving forward, 2011 is shaping up to be another breakthrough year for the Network. With investments and key business strategies already in place, boosted by the momentum GMA has created in TV ratings, GMA expects bigger accomplishments in 2011.

60 Years of Excellence in Broadcasting

In 2010, GMA Network capped six colorful decades in multi-media broadcasting. GMA's current success in the industry is a far cry from its humble beginnings as a fledgling radio station at the Calvo Building in Escolta, and later, a TV station in a small building on EDSA.

Among GMA's major victories came in September 2003, when the Network took over the lead in Mega Manila total day TV ratings, based on data from the media research company, AGB Nielsen.

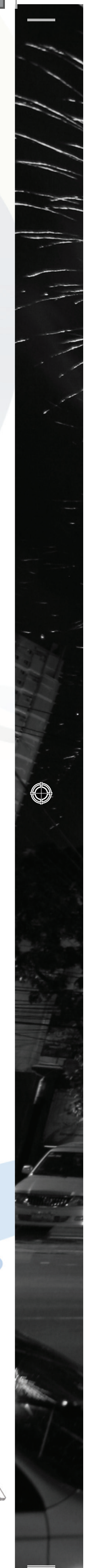
And when the Network reached the 1 billion-peso mark in consolidated net income in 2003, there was no turning back. With a strapping P14.3 billion consolidated revenues and a record P2.821 billion net income in 2010, GMA sealed its reputation as among the country's most financially viable media entities in the country.

Through the years, GMA's commitment to superior programming has been recognized by various award-giving bodies, not just in the country, but all over the world. It has received numerous awards both here and abroad, including the highly-coveted Peabody Award for investigative journalism (2000 and 2010) and the Terrestrial Channel of the Year award from the Asian TV Awards.

Tagumpay ng Kapuso

GMA held a year-long celebration to mark its diamond year. Among the highlights of GMA's 60th anniversary festivities was the launching of its special station ID dubbed, *"Tagumpay ng Kapuso."* The station ID showed the various processes each program had to go through before making it to the airwaves. One of scenes featured GMA officers, employees and on-cam talents dancing in total celebration along GMA Network Drive.

A coffee table book entitled "**Kapuso: The GMA Story**" was also launched in the latter part of the year, with no less than President Benigno Aquino III as Guest of Honor.




GMA
Panasonic
TALLY
AUDIO CH 1

GMA's recent victories came in September 2003, when the Network took over the lead in Mega Manila total day TV ratings. It also reached the 1 billion-peso mark in consolidated net income in the same year. With a strapping P14.300 billion consolidated revenues and a record P2.821 billion net income in 2010, GMA sealed its reputation as among the country's most financially viable media entities in the country.

It was a narration of the rags-to-riches story of GMA from the perspectives of the people who actually made the Network's history happen.

GMA also aired an anniversary special titled, "**GMA at 60, The Heart of Television.**" The TV special gathered GMA's brightest stars, homegrown talents, and industry pillars in several spectacular production numbers.

At the Network's General Assembly in June, employees who have served the company from 5 to 30 years were feted in a special ceremony. Talents who have been with the company for many years were also acknowledged. In addition, employees from GMA's originating stations in Dagupan, Cebu, Iloilo, and Davao were able to be part of the affair via live video streaming.

Future Without Boundaries

With 60 years of unquestionable credentials, GMA now moves forward to a future without boundaries. It continues to invest in world-class technology as it brings superior quality programming to the discriminating Filipino viewer across the archipelago and across continents, too.

In 2008, the GMA Network Studios were inaugurated – a P1-billion-worth showcase of the most expensive and technologically-advanced production facilities on par with the major broadcast studios in the global arena. In 2010, the Network began the process of migrating to a tapeless, file-based workflow with its acquisition of the Media Asset Management System or MAMS.
GMA is likewise zeroing in on digitization and the internet, keeping in pace with the global scenario in terms of modernization.

In terms of TV ratings, the Network showed a steady climb in household ratings till the end of 2010. With such a stellar upward trend, 2011 is indeed shaping up to be another historic year as GMA is poised to establish total dominance in nationwide TV ratings.

And by the time this Annual Report has been published, GMA's news and public affairs channel on VHF free TV channel 11, GMA News TV, would have been airing for a few months already.

GMA News TV will also be launched internationally in 2011, adding up to GMA Network's well established roster of international channels: GMA Pinoy TV and GMA Life TV.

As the Kapuso Network continues to take steady strides forward, the entire GMA community (top management, employees, subsidiaries and talents alike) never fails to look back and pay homage to its distinguished history. And as GMA navigates a broadcasting future that is beyond television, it will always remain grateful to the Filipino viewers worldwide, considered the Boss, who have faithfully made the Kapuso Network their viewing staple.

As the Kapuso Network continues to take steady strides forward, the entire GMA community never fails to look back and pay homage to its distinguished history.

GMA's Eleksyon 2010 Coverage

At a crucial time in the nation's history, more Filipinos tuned in to GMA Network to await the results of the country's very first automated elections. The Network's News and Public Affairs, with its most comprehensive media coverage of the May polls dubbed, Eleksyon 2010, delivered the freshest updates on the events that unfolded.

Eleksyon 2010 used the latest available technology in broadcast media such as the touch screen, virtual screen, immersive 3D graphics and the hologram effect, which was a first in Philippine TV. The viewing public was also able to contribute to the coverage by sending photos and videos via YouScoop, and by calling the Eleksyon 2010 Action Center to report incidents and seek assistance from election lawyers.

Prior to the elections, GMA Network launched an innovative voter-education campaign called, "*Bilog na Hugis Itlog,*" which was widely recognized by the public and even the Comelec to have created a big impact among voters unfamiliar with the new automation process.

The Network, likewise, engaged in other key advocacy projects that aimed to uphold clean and honest elections and to empower the electorate. In August, GMA News and Public Affairs held the run-for-a-cause event called, "*Tatakbo Ka Ba?,*" which was highlighted by the signing and formal oath-taking of presidential and vice-presidential bets to uphold clean and honest elections as well as practice good governance, if elected.

Bolstering GMA's Commitment to Efficiency and Environmental Sustainability

Media Asset Management System

GMA Network's prime asset is its rich media content. Corollary to this, the tape has been the center of the station's logistical make-up. This has been the primary tool for storing assets – be they in the form of audio, video, photos, diagrams, videos, technical drawings, layouts and presentations.

Time was when GMA had to expend a considerable amount of resources, both in time, personnel and capability, to access a specific content and re-format or re-produce it to become another media product that can be delivered to Kapuso audiences.

While an abundance of tapes meant GMA had practically unlimited content at its disposal, it was not without problems. For instance, having an adequate space to store all the tapes, and ensuring that they were kept at broadcast quality at all times and readily accessible when needed, were of prime consideration. Merely keeping track of thousands of tape titles necessitated a dedicated pool of employees.

Today, thanks to technological innovations, the tape has ceased to be the center of a modern broadcast station's logistical hub. And it is technology, too, that has provided the solution for accessing various content and re-formatting these with utmost ease and efficiency.

In 2010, in keeping with its forward looking stance, GMA Network jumpstarted a comprehensive plan to be on par with global standards of broadcast operations efficiency with its decision to migrate to a tapeless, file-based work flow.

Tape out, MAMS In.

In the fourth quarter of 2010, GMA announced the allocation of $ 4 million for the procurement of the Media Asset Management System, otherwise known as MAMS.

Indeed, the broadcasting business has been far from dormant. The industry has been fast shifting gears and constantly evolving. Program genres, for instance, have expanded. Delivery of public service programs have undergone many transitions, too. Always attuned to these developments, GMA has been strategically investing in cutting-edge technologies and capabilities that contribute to the improvement of the quality of the station's shows as well as enhance the cost efficient ratios of its operations.

Investing in MAMS highlights the Network's commitment to continuously upgrade its capabilities to maintain and optimize utilization of its media assets.

MAMS and The Modern Broadcast Operations

Once MAMS is fully in place, GMA Network moves up the value chain. Not only does the system empower GMA's staff complement; it also enhances its operations, from the production of programs all the way to the generation of a multi-platform playlist.

The system includes, among others, a hardware from Hewlett Packard (HP) and the Viz Ardome software from Vizrt/Ardendo, which will supplement the Network's initial order of Vizrt products like the array of real-time broadcast graphics products used in GMA's coverage of the 2010 National Elections in May.

The Viz Ardome boasts of a modular, open and scalable media asset management platform that integrates with Vizrt graphics products, broadcast automation systems and petabytes of media storage.

Further, MAMS will be an effective way to manage the Network's wide array of broadcast media assets, including syndicated programming, soap operas, primetime dramas, documentaries and archival content. Definitely, this system is a necessary investment as the station continues to conquer the world via its international channels, GMA Pinoy TV and GMA Life TV.

The first phase of the installation and implementation of Viz Ardome within the station's facilities began in the fourth quarter of 2010. MAMS is tentatively set to go live by the third quarter of 2011.

MAMS Is Pro-Enviroment, Too.

Successfully utilizing cutting edge technology as a means to ensure sustainability of operations is a clear-cut strategy of the Network to seamlessly combine business efficiency with corporate responsibility.

With MAMS poised to completely replace the tape in the foreseeable future, GMA moves towards significantly reducing its carbon footprint. While leading in the nationwide TV ratings race, GMA also strives to reduce the environmental impact of its operations. This constant endeavor proves true the Network's commitment to always be a *Kapuso ng Kalikasan* (One with the Environment).

GMA and Vizrt formalized the purchase agreement on October 12, 2010 via a simple contract signing ceremony.

Subsidiaries

GMA New Media, Inc. (NMI)	100%	Converging technology
Citynet Network Marketing and Productions Inc.	100%	Television entertainment production
GMA Network Films, Inc.	100%	Film production
GMA Worldwide (Philippines), Inc.	100%	International marketing, handling of foreign program acquisitions and international syndication of the Company's programs
RGMA Marketing and Productions, Inc. (GMA Records)	100%	Music recording, publishing and video distribution
Scenarios, Inc.	100%	Design, construction and maintenance of production sets for TV, stage plays and concerts
Script2010, Inc. (formerly Capitalex Holdings, Inc.)*	100%	Design, construction and maintenance of production sets for TV, stage plays and concerts
Alta Productions Group, Inc.	100%	Pre- and post-production services
GMA Marketing & Productions, Inc.	100%	Exclusive marketing and sales arm of GMA's airtime
Mediamerge Corporation**	100%	Business development and operations for the Company's online publishing/advertising initiatives

Affiliates

INQ7 Interactive, Inc.	50%	A joint multimedia news and information delivery company of the Philippine Daily Inquirer, Inc. and GMA
Philippine Entertainment Portal, Inc.**	50%	Operation of Pep.ph, an entertainment portal
X-Play Online Games, Inc. (X-Play)**	50%	A partnership between IPVG Corp. and GMA New Media, Inc. which focuses on designing, operating and maintaining casual online gaming and casual online gaming-related portals
Mont-Aire Realty and Development Corp.***	49%	A real estate holding company
RGMA Network, Inc.	49%	General management programming, research and event management services for the Company's radio stations

* Indirectly owned through Citynet Network Marketing and Productions, Inc.
** Indirectly owned through GMA New Media, Inc.
*** On April 26, 2007, the Company's Board of Directors declared its shareholdings in Mont-Aire as subject to sale to any interested buyer. In the event the Company does not find a willing buyer, the same shall be declared as dividends to the stockholders of record as of April 26, 2007.

CORPORATE SOCIAL RESPOSIBILITY

In the Heart of GMA

Social responsibility is a natural expression of GMA's Purpose, "To enrich the lives of Filipinos everywhere." For 60 years now, GMA's social responsibility has become a way of life, which is evidently manifested through its world-class TV programs, business operations, socio-civic arm groups, and corporate social responsibility projects.

As an industry leader, GMA not only focuses on the success of its business, it also understands and responds to the increasing needs of the less fortunate Filipinos.

Dedication to Education

For nine years now, GMA has awarded the President's Medal to outstanding students from the University of the Philippines' College of Mass Communication and the Don Bosco Technical College – Electronics and Communications Engineering.

The President's Medal is a distinction given to students who had shown excellence in their fields of study and in their areas of influence.

The GMA Scholarship Program, on the other hand, provides scholarship grants to underprivileged yet deserving students from the University of the Philippines, Don Bosco Technical College, and Angeles University Foundation.

As part of GMA's 60th anniversary celebration, in July 2010, employees and talents helped in the construction of Banaba Elementary School in San Mateo Rizal, which was damaged by Typhoon Ondoy. The school is among GMA Kapuso Foundation's beneficiaries under its Kapuso School Rehabilitation project.

Commitment to Environment

GMA initiated an environmental advocacy program dubbed, "*Kapuso ng Kalikasan"* to help mitigate the impact of climate change and to promote green practices to help save the environment.

In partnership with Haribon Foundation and in celebration of the International Year of Biodiversity, GMA carried out the Adopt-A-Seedling/Tree Planting Activity in December 2010. Employees of the Network and its subsidiaries donated cash to adopt native seedlings, which were planted by volunteers through the tree planting activity held in the watershed of Tanay, Rizal.

GMA also participated in World Wide Fund for Nature's (WWF) Earth Hour by switching off lights in most areas at the GMA headquarters in Quezon City, as well as in its originating stations in the regions.

Valuing Health

GMA held the Kapuso Day Bloodletting Activity in February 2010 where GMA officers, employees and talents, including security personnel, donated blood to the Philippine Red Cross.

The Network likewise helped create awareness of breast cancer by participating in Avon's Walk Against Breast Cancer held in Manila and other key cities of the country in October 2010.

In celebration of the World Breastfeeding Day, GMA, through QTV 11, showed its support to the cause by producing and airing an advocacy plug on the benefits of breastfeeding. The plug entitled "Breastfeeding Bonus", focused on the little known but significant benefits of breastfeeding such as rapid weight loss, among others, for mothers who choose to breastfeed.

Reaching Out

The GMA Kapuso Foundation has been the Network's staunch partner in its commitment to social responsibility. In 2010, the Foundation's *Bisig Bayan* project served a total of 2,321 patients in need of medical assistance. *Kalusugan Karavan*, a medical and dental mission, served over 4,000 indigents in the remotest areas. Under the *Linis-Lusog* Kids project, the Foundation turned over toilet and water facilities to the five recipient schools in Negros Oriental.

Through its Operation *Bayanihan*, the Foundation was able to deliver relief assistance and services to victims of disasters by distributing food, clothes, footwear, beddings, and hygiene packs. In order to carry out its mission more effectively, GMA Kapuso Foundation formed the Kapuso Calamity Brigade, a steady pool of volunteers from among the Network's employees and employees of its subsidiaries. The Brigade will be in the forefront of the Foundation's relief operations in times of extreme calamities.

Under the Kapuso School Rehabilitation project, 89 classrooms in 20 schools that were damaged by typhoons were completed and turned-over by the Foundation to the schools' faculty.

A total of 45,215 grade one pupils from 631 underserved public elementary schools nationwide received backpacks from the Foundation in 2010 as part of its *Unang Hakbang sa Kinabukasan* project.

Meanwhile, the Foundation's 120-day feeding project called Give A Gift: Feed A Child served 333 malnourished children, while its Give A Gift: *Alay sa Batang Pinoy* project gave away Noche Buena packages, toys, school supplies, and clothes to more than 30,000 children.

The *Kapwa Ko, Mahal Ko* Foundation, GMA's other socio-civic arm that undertakes development work through primary health care and community-based health programs, also provided medical and social assistance to marginalized Filipinos. One of its projects, *Batang K (Batang may Kanser)* helped 54 cancer-stricken indigent children with their chemotherapy in 2010.

Executives' Profiles

Atty. Felipe L. Gozon, Filipino, 71 years old, is the Chairman of the Board of Directors and the Network's Chief Executive Officer.

Atty. Gozon 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.

Atty. Gozon is a recipient of several awards for his achievement in law, media, public service, and business, including the prestigious Chief Justice Special Award given by the Chief Justice of the Philippines (1991), Presidential Award of Merit given by the Philippine Bar Association (1990 & 1993), CEO of the Year given by Uno Magazine (2004), Master Entrepreneur – Philippines (2004) by Ernst and Young, Outstanding Citizen of Malabon Award for Legal and Business Management by the Kalipunan ng Samahan sa Malabon (KASAMA) (2005), and People of the Year by People Asia Magazine (2005). He is also listed among Biz News Asia's Power 100 (2003 to 2010). Gozon was also selected as a member of the Advisory Board for the 2010 Asian Television Awards (ATA).

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

Gilberto R. Duavit, Jr., Filipino, 47 years old, is the President and Chief Operating Officer of the Network. He has been a Director since 1999.

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, Inc., Scenarios, Inc., RGMA Marketing and Productions, Inc., 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 and a Trustee of GMA Kapuso Foundation, Inc. and as President 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, 46 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, Inc. He is a Director of RGMA Network, Inc., GMA New Media, Inc., Scenarios, Inc., and GMA Worldwide, Inc., besides also being a member of the Board of Directors of Malayan Savings and Mortgage Bank, and Unicapital Securities, Inc. He is also a Director of Nuvoland Philippines, a real-estate development company. He is a Trustee of GMA Kapuso Foundation, Inc.

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

Felipe S. Yalong, Filipino, 54 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.

BOARD OF DIRECTORS

(Left to right)

Felipe S. Yalong
Judith Duavit Vazquez
Atty. Felipe L. Gozon
Gilberto R. Duavit, Jr.
Atty. Anna Teresa M. Gozon-Abrogar
Joel Marcelo G. Jimenez

BOARD OF DIRECTORS

(Left to right)
Dr. Jaime C. Laya
Laura J. Westfall
Chief Justice Artemio V. Panganiban
Atty. Roberto O. Parel

Atty. Anna Teresa M. Gozon-Abrogar, graduated valedictorian from grade school and high school at Colegio San Agustin. She graduated cum laude, BS Management Engineering from Ateneo de Manila University and obtained her Bachelor of Laws degree from the University of the Philippines where she graduated valedictorian, cum laude. She later obtained her Master of Laws from Harvard University.

Atty. Abrogar is a junior partner in Belo Gozon Elma Parel Asuncion & Lucila and was an Associate Professor in the University of the Philippines, College of Law where she taught taxation.

She is currently Programming Consultant to the Chairman/CEO of GMA Network, Inc. and the President of GMA Films, Inc. and GMA Worldwide, Inc. She is also a trustee of the GMA Kapuso Foundation.

Judith Duavit-Vazquez, Filipino, 48 years old, has been a Director of the Company since 1988. She is a member of the following Special Committees: Audit Committee and Compensation & Remuneration Committee. Moreover, she sits on the boards of the following GMA7 subsidiaries: RGMA, Inc., GMA New Media, Inc., GMA Worldwide, Inc., and GMA Films, Inc. She is a member of the Board of Trustees of the GMA Kapuso Foundation, Inc.

Ms. Vazquez is an acknowledged visionary and industry mover in Philippine Information and Communication Technology space. In 1995, she developed the country's first ICT intelligent building – a 45-storey skyscraper in the Central Business District (CBD) called The Peak Tower. She also financed the laying of the nation's first fixed-line fiber and constructed what is today the largest telecommunications tower in the CBD.

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

Ms. Vazquez is the Founder and Chairman 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 of Vigil Investments Inc., The Peak Tower Condominium Corporation and SupraSOC Limited. 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. She is a donor of the Asian Institute of Management's first Professorial Chair for Entrepreneurship and the University of the Philippines' Professional Chair for Development Economics, among others. She is a member of several international organizations including the Asia Pacific Network Information Center, Pacific Telecommunications Council, Clinton Global Initiatives Foundation, Young Presidents' Organization/World Presidents' Organization and other local organizations.

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

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

Chief Justice Artemio V. Panganiban, Filipino, 74 years old, has been an Independent Director of the Company since 2007. In 1995, he was named a Justice of the Supreme Court and in 2005, he was appointed Chief Justice of the Philippines a position he held until December 2006. At present, he is also an Independent Director of these listed firms: First Philippine Holdings Corp., Metro Pacific Investments Corp., Manila Electric Company, Robinsons Land Corp., GMA Holdings, Inc., Metro Pacific Tollways Corp., Petron Corporation, Bank of the Philippine Islands, and Asian Terminals. He is also a Senior Adviser of Metropolitan Bank, Independent Adviser of Philippine Long Distance Telephone Co., 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 Governance Council. He also is a column writer of The Philippine Daily Inquirer.

Upon his retirement, he was unanimously conferred a Plaque of Acclamation by the Associate Justices of the Supreme Court as the "Renaissance Jurist of the 21st Century;" and an Award of Honor by the Philippine Bar Association. In recognition of his role as a jurist, lawyer, civic leader, Catholic lay worker, business entrepreneur and youth leader, he had been the recipient of over 250 other awards from various governments, civic clubs, consumer associations, bar groups, religious movements and other non-government organizations, both local and international.

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

Dr. Jaime C. Laya, Filipino, 72 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 Philippine Ratings Services Corporation, Victorias Milling Company, Inc., Philippine AXA Life Insurance Company, Inc., Ayala Land, Inc., and Manila Polo Club, Inc. 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 Fundación 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. In 1986, he founded J.C. Laya & Co., Ltd. (Certified Public Accountants and Management Consultants) later the Philippine member firm of KPMG International; he served as the firm's Chairman until his retirement in 2004.

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

Atty. Roberto O. Parel, Filipino, 55 years old, has been the Corporate Secretary of the Company since 1993. He is a Partner at the law firm of Belo Gozon Elma Parel Asuncion & Lucila. His practice areas include labor relations, natural resources and intellectual property. He is a Director of Time-Life International Philippines, Capitalex Holdings Philippines, Ipilan Nickel Corporation, Nickel Laterite Resources, Inc., Berong Nickel Corporation, Ulugan Nickel Corporation, Ulugan Resources Holdings, Inc., Nickeline Resources Holdings, Inc., TMM Management Inc., 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., Citynet Network Marketing and Productions, Inc., GMA Kapuso Foundation, Inc., Hinoba Holdings (Philippines), Inc. and Hinoba-an & Sipalay Holdings, Inc.

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

SENIOR VICE PRESIDENTS

MIGUEL C. ENRIQUEZ
Radio Operations Group

FELIPE S. YALONG
Corporate Services Group

WILMA V. GALVANTE
Entertainment TV Group

MARISSA L. FLORES
News and Public Affairs Group

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 Corp.

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 MediaMegre Corporation

LIZELLE G. MARALAG, President and COO, GMA Marketing and Productions, Inc.

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

EDILBERTO L. GALLARES, Pesident and COO, GMA New Media, Inc.

VICE PRESIDENTS

Carmencita G. Arce
Head, Corporate Affairs

Alfonso S. Raquel, Jr.
Corporate Communications

Horacio G. Severino
Multi Media Journalism

Luis Ma. F. Villena
HRD Department

Marivin T. Arayata
Entertainment TV
Head, Comedy/Game Division

Jose Mari R. Abacan
Program Management

Lilybeth G. Rasonable
Business Development Department I -
Drama Productions

Regie C. Bautista
Program Support Department

Jessica A. Soho
News Programs

Ronaldo P. Mastrili
Finance

Joseph Jerome T. Francia
GMA International

Edwin J. Uy
Supply and Asset
Management Department

Sheila A. Tan
Research

VICE PRESIDENTS

Roehl Rodelio V. Jullian
Administration

Ianessa S. Valdellon
News and Public Affairs

Eduardo P. Santos
Internal Audit

Luz Annalee O. Escudero
Regional TV and Concurrent Head
of the Expansion and Production Services

Edward D. Achacoso
Post Production

Ayahl Ari Augusto P. Chio
Investor Relations

Ida Lucilla R. Henares
Talent Development
and Management Department

Joselito B. Remulla
Head, ICT Department
[not in photo]

Dick B. Perez
Legal
[not in photo]

ASSISTANT VICE PRESIDENTS

Janine P. Nacar
Talk/Game/Reality

Girly S. Lara
Alternative Productions

Corazon P. De Jesus
Talk/Musicals/Specials Division

Jose Severino V. Fuentes
Master Control and
On-Air Operations

Javier B. Laxina
Asset Management

Jose S. Toledo, Jr.
Budget and Payroll

John Oliver T. Manalastas
News Productions

Rachel Vitaliana B. Vergel de Dios
Administration Division,
News and Public Affairs

Michelle S. Seva
News Programs and Specials

Mary Grace D. Reyes
News Operations

Ruth D. Lejarde
Channel Performance and
Regional TV Research

Arlene U. Carnay
Public Affairs

Clyde Rolando A. Mercado
Public Affairs

Maria Leogarda S. Matias
Public Affairs

Rossette Marie T. Hernandez
Viewer-Directed Marketing Division

Lourdes A. Topacio
AVP/Creative Director,
Program Support Department

Venus E. Bartolabac
Mega Manila TV
Programming Research

ASSISTANT VICE PRESIDENTS

Abraham B. Viray
Consultant, HRDD

Gerrome Y. Apolona
Employee Relations
Management Division

Jose Ma. F. Bartolome
Program Analysis Divicsion

Paul Hendrik P. Ticzon
Post Production Operations

Thomas M. Sales
Metro Manila Transmissions
Operations

Rolando G. Sanico, Jr.
Subsidiary Operations
and Monitoring

Odilon M. De Guzman
OIC, Corporate Strategic Planning

Virgilio L. Muzones
Consultant to the President/COO
for Network Engineering

Elvis B. Ancheta
Regional Network Engineering

Angela H. Javier Cruz
Corporate Communications

Victoria T. Arradaza
Supply Management

Teresa L. Pacis
Acting AVP,
Corporate Affairs

Ma. Lucille U. Dela Cruz
Treasury Division

Ma. Nenita E. Cruz
AVP, Information Systems

Oliver Victor B. Amoroso
Integrated Marketing Services
Division, Regional TV

Celerina Asuncion R. Amores
Regional News and
Public Affairs Programs

Lauro M. Penullar
Controllership
(not in photo)

AWARDS


THE UNIVERSITY OF GEORGIA
GEORGE FOSTER PEABODY
PEABODY AWARD
"I-WITNESS: AMBULANSIYANG DE PAA"
GMA NETWORK, INC.
QUEZON CITY, PHILIPPINES
COLLEGE OF JOURNALISM & MASS COMMUNICATION
THE UNIVERSITY OF GEORGIA
THE NEW YORK FESTIVALS
WORLDMEDAL
BEST ADULT EDUCATIONAL / CULTURAL TV PROGRAM
I-WITNESS: THE GMA DOCUMENTARIES
Public Service
WISH KO LANG

2010 Awards

George Foster Peabody Awards
I-WITNESS: "Ambulansiyang de Paa" — George Peabody Award

2010 New York Festivals International Television and Film Awards
Planet Philippines — Bronze Medal

Finalist certificates:
News on Q — Best News Analysis/ Commentary
Case Unclosed — Best Docudrama

2010 U.S. International Film and Video Festival Certificates for Creative Excellence:
I-Witness' "Tasaday"
Reporter's Notebook's "Labor of Death

Asian Television Awards
24 Oras — Highly Commended

The Philippine Psychiatric Association's SiSa Awards (Sikiyatrikong Samahan Awards)

Outstanding Public Service Program
Wish Ko Lang!
Imbestigador
Reunions

Outstanding News/Documentary Program
24 Oras
I-Witness
Reporter's Notebook
Kapuso Mo, Jessica Soho

6th USTv Students' Choice Awards (2010)
I-Witness	Best Documentary Program
Wish Ko Lang	Best Public Service Program
Kapuso Mo, Jessica Soho	Best Magazine Show
Survivor Philippines	Best Reality Show

Gandingan 2010: UPLB Isko't Iska's Broadcast Choice Awards
Kapuso Mo, Jessica Soho	Best Magazine Program
Jessica Soho	Best Magazine Program Host
I-Witness	Best Documentary Program
Howie Severino	Best Documentarist
Wish Ko Lang	Best Public Service Program
Vicky Morales	Best Public Service Program Host

45th Anvil Awards
GMA Kapuso Foundation Annual Report — Anvil Award of Excellence

Ani ng Dangal Awards
24 Oras - Special Citation by the National Commission for Culture and the Arts for the twin awards the newscast received from the prestigious New York Festivals in 2009

CEO Excel Awards
Carmela "Mel" Tiangco — CEO Excel Award for Excellence in Corporate Foundation

8th Gawad Tanglaw
Sweet Life	Best Lifestyle Show
Vicky Morales	Best News Anchor
Richard Gomez	Best Game Show Host
Wish Ko Lang!	Best Public Service Program

1st Northwest Samar State University Students' Choice Award for Radio & Television
Kapuso Mo, Jessica Soho — Best Magazine Program

Reader's Digest Survey
Jessica Soho	3rd Most Trusted Pinoy
Howie Severino (A tie with Paeng Nepomuceno)	6th Most Trusted Pinoy
Mel Tiangco	9th Most Trusted Pinoy
Mike Enriquez	13th Most Trusted Pinoy

Climate Change Commission
Born to be Wild — Fr. Neri Satur Award for Environmental Heroism

1st MTRCB Film Awards Night
Panday — Best Picture

Aliw Awards
La Diva (La Diva)	Best Performance in a Concert (Group)
Ogie Alcasid (Ogie Live With the Idols)	Best Major Concert (Male)
Musical Director (Concert)	Danny Tan (La Diva) Best
Louie Ignacio (La Diva)	Best Concert Stage Director

Catholic Mass Media Awards (CMMA)
Pepito Manaloto	Special Citation (Comedy)
Mel & Joey	Special Citation (Talk Show)
The Sweet Life	Best Entertainment Program
Unang Hirit	Best Public Service Program
Kapuso Mo, Jessica Soho	Special Citation, Best News Magazine, Best Adult Educational/ Cultural Program
Saksi	Best News TV Program (tie with TV Patrol World)
24 Oras	Special Citation, Best News TV Program (tie with Balitang Bisdak)
Planet Philippines	Special Citation, Best Adult Educational/Cultural Program
Art Angel	Special Citation, Best Children and Youth Program
Reporter's Notebook	Special Citation, Best Special Event Coverage
Kandidato	Best Talk Show
The Sweet Life	Best Entertainment Program

PMPC Star Awards for TV
Pinoy Records	Best Reality Program
Carla Abellana (Rosalinda)	Best New Female TV Personality
Show Me Da Manny	Best Comedy Show
Ogie Alcasid (Bubble Gang)	Best Comedy Actor

Dingdong Dantes (Stairway to Heaven)	Best Drama Actor
The Sweet Life	Best Talk Show
Kapuso Mo, Jessica Soho	Best Magazine Show
Jessica Soho	Best Magazine Show Host
Planet Philippines	Best Documentary Special
I-Witness	Best Documentary Program
I-Witness Hosts (Kara David, Jay Taruc, Sandra Aguinaldo, Howie Severino)	Best Documentary Program Hosts
Vicky Morales (Wish Ko Lang)	Best Public Service Program Host
Happy Land	Best Children Show
Happy Land Hosts	Best Children Show Hosts
Balikbayan (Q11)	Best Travel Show
Drew Arellano (Balikbayan, Q11)	Best Travel Show Host

1st Gat Apolinario Mabini Awards

Kara David & Howie Severino	Gat Apolinario Mabini Awards for Mass Media

Anak TV Awards

Included in the Top 15 Most Admired Male TV Personalities
Arnold Clavio & Mike Enriquez

Included in the Top 15 Most Admired Female TV Personalities
Jessica Soho, Mel Tiangco and Vicky Morales

Included in the Top 20 Programs - Household Favorites
24 Oras, Art Angel, Imbestigador, Kapuso Mo, Jessica Soho, Unang Hirit, Wish Ko Lang!

Metro Manila Film Festival

Si Agimat at si Enteng Kabisote	Best Make-up and Best Special Effects

(The movie is a joint production of GMA Films, Octoarts, M-Zet, APT Entertainment and Imus Productions)

National Council for Children's Television Awards

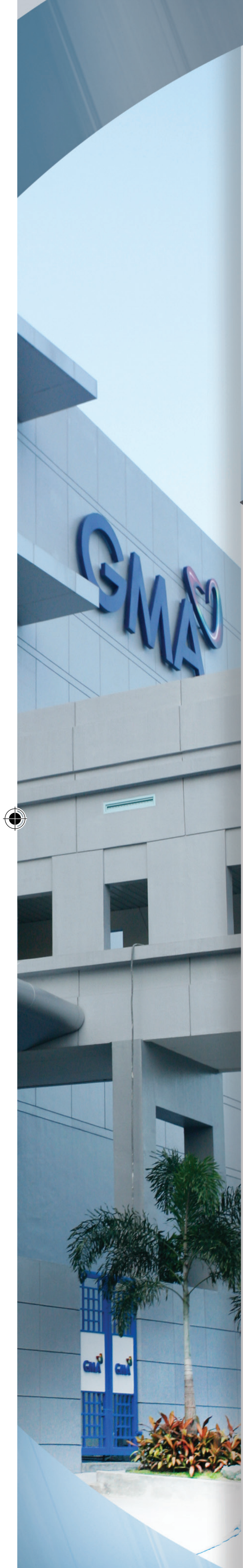
Jillian Ward	Favorite Child Personality
Chris Tiu	Favorite Male Personality

People Asia Magazine People of the Year 2010

Dingdong Dantes and Mike Enriquez	People of the Year 2010

1st Media Newser Philippines Awards 2010

Kapuso Mo, Jessica Soho	Best Magazine Show
Jessica Soho	Best Magazine Show Host
Maki Pulido, Rhea Santos, Jiggy Manicad (Reporter's Notebook)	Best Investigative Program Hosts
Connie Sison (Pinoy MD)	Best Public Service Program Host
Art Angel	Best Children's Program
Love Anover (Happy Land)	Best Children's Program Host
Chika Minute	Best Showbiz Segment in an Evening Newscast
Luanne Dy (Chika Minute-24 Oras Sunday)	Best Showbiz News Presenter in an Evening Newscast
GMANews.tv	Best Network News Website



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.

The Board of Directors, led by the Chairman, Atty. Felipe L. Gozon, strongly advocates accountability, transparency and integrity in all aspects of the business and commits themselves 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 the Vice President for Internal Audit, 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 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.

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 (5) times in 2010. The attendance of the individual directors at these meetings is duly recorded as follows:

Director's Name	Regular and 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 M. Gozon- Abrogar	4	1
Judith D. Vazquez	5	0
Laura J. Westfall	5	0
Artemio V. Panganiban	5	0
Jaime C. Laya	5	0

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

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.

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 and CEO Felipe L. Gozon, President and COO Gilberto R. Duavit, Jr. and Director Joel G. Jimenez. Mr. Gilberto R. Duavit, Jr. serves as Chairman of the Committee. It acts on matters delegated to it by the Board of Directors. 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 Felipe L. Gozon and composed of four members that include an independent director in the person of former Chief Justice Artemio V. Panganiban as Vice Chairman, Gilberto R. Duavit, Jr. and Joel Marcelo G. Jimenez, as 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 Felipe L. Gozon who serves as Chairman, Former Chief Justice Artemio V. Panganiban as Vice Chairman, Judith D. Vazquez and Laura J. Westfall, 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 M. Gozon-Abrogar, Judith R. Duavit-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 in the continuous improvement of risk management systems, business operations and proper safeguarding and use of the Corporation's resources and assets. The Audit Committee provides a general evaluation and gives assistance in the 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 five (5) meetings in 2010 wherein the Committee reviewed and approved, among others, the Company's 2009 Consolidated Audited Financial Statements as prepared by the external auditors.

Management

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

Employee Relations

Employees are provided an employee handbook which contains the policies, guidelines for 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 of the Corporate Communications Department, 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 our stations located in that market.

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

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

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.

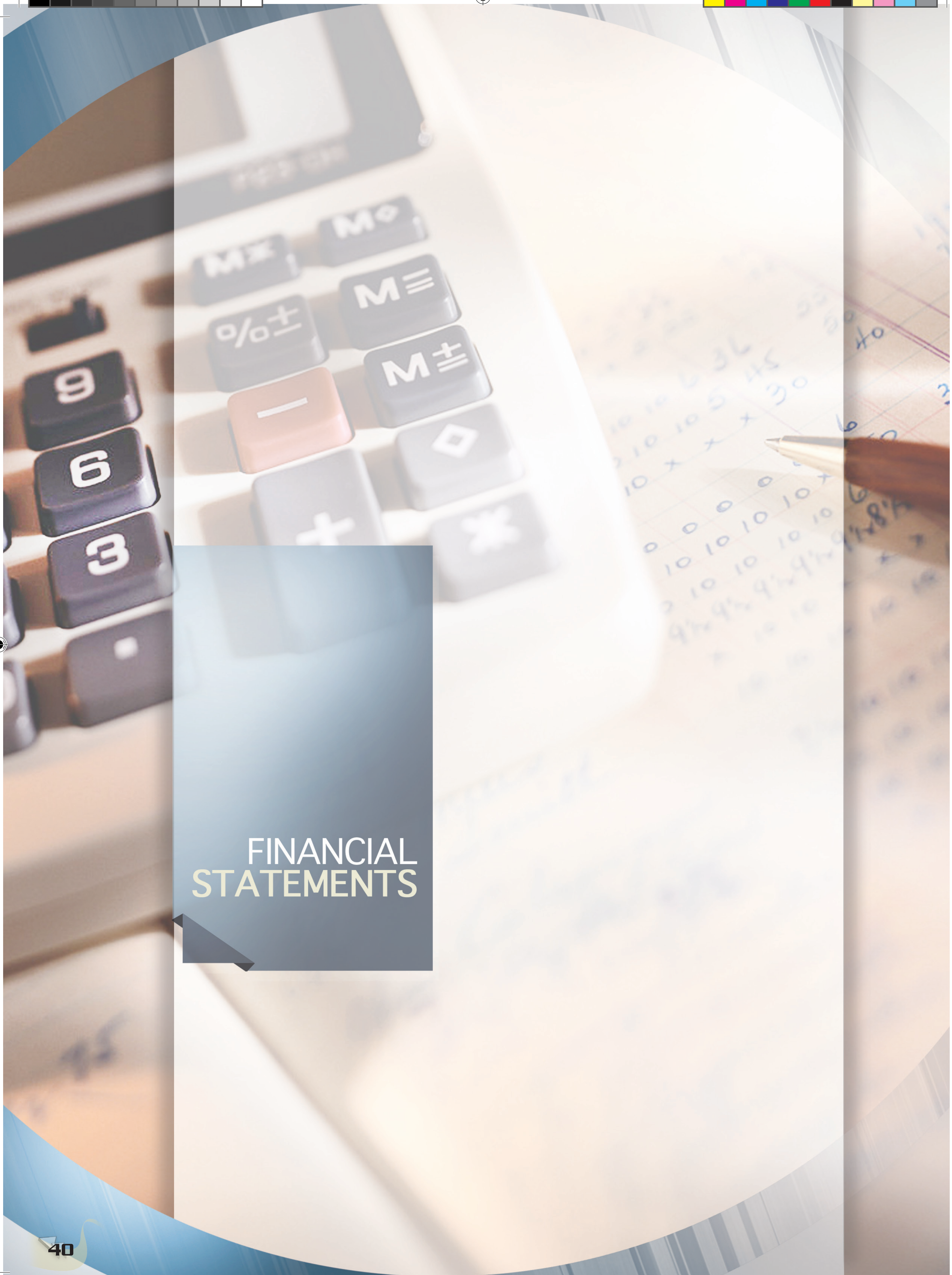
The Board is responsible for presenting a clear, balanced and comprehensive assessment of the Company's financial position, performance and prospects each time it makes available its quarterly and annual financial statements to the public.

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.



FINANCIAL STATEMENTS

Management Discussion and Analysis of Financial Condition and Results of Operations for the Year Ended December 31, 2010 and 2009

Marking 60 years in broadcasting, GMA Network, Inc. has emerged to become one if not the most profitable company in the industry. For the last ten years the compounded annual growth rate in terms of net income stood at a remarkable 28%. The Company remained resolute all these years even in the face of economic difficulties here and abroad and stiff competition from its most formidable rival and most recently with the aggressive entry of a third big channel.

It was yet another challenging year for the Company this 2010, with financial results soaring during the election season and later on experiencing setbacks in the face of advertising rate negotiations and ratings challenges. While the Company steadily regained its foothold towards the end of the year, obstacles encountered during the third quarter took its toll as year-to-date consolidated net income settled only a tad higher than last year's performance.

Income Data	2010 *(in millions PhP)*	2009 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Gross Revenues				
Television and radio airtime	**13,192.7**	12,691.6	501.1	4%
Production and others	**1,106.8**	1,079.3	27.5	3%
	14,299.5	13,770.9	528.6	4%
Less: Revenue Deductions				
Agency and marketing commissions	**2,069.5**	1,960.8	108.7	6%
Co-producers' share	**80.0**	210.4	(130.4)	-62%
	2,149.5	2,171.2	(21.7)	-1%
Net Revenue	**12,150.0**	11,599.7	550.3	5%
Production Costs	**4,728.1**	4,389.5	338.6	8%
Gross Profit	**7,421.9**	7,210.2	211.8	3%
General and Administrative Expenses	**(3,732.6)**	(3,452.0)	(280.6)	8%
Interest Expense and Financing Charges	**(3.8)**	(8.9)	5.1	-57%
Interest Income	**77.2**	57.8	19.5	34%
Other Income	**31.4**	31.9	(0.4)	-1%
Income Before Income Tax	**3,794.2**	3,838.9	(44.7)	-1%
Provision for Income Tax	**973.4**	1,020.6	(47.3)	-5%
Net Income	**2,820.8**	2,818.3	2.6	0.1%
Earnings Per Share				
Basic	**0.580**	0.580		
Diluted	**0.580**	0.580		

Revenues

Consolidated gross revenues for the year, comprised of airtime revenues from television and radio, subscription revenues from international operations, and other revenues from subsidiaries, wrapped up at PhP14,300 million, more than half a billion or 4% higher than the PhP13,771 million recorded a year ago.

Airtime revenues drove the increase buoyed by political advertisements during election period which totaled PhP2,054 million across all platforms in contrast to PhP636 million in political advocacies booked in 2009. Channel 7 remained the lifeblood of the Company, contributing 85% of total revenues. Airtime contribution from this platform slightly improved by 3% year-on-year. Radio's airtime revenues on the other hand jumped 43% driven by political ad placements and sustained revenue growth even towards the end of the year. International operation's top line which has steadily provided an additional source of revenues grew by 8%, backed by the continuing build up of subscriber base. The revenue growth would have been higher at 14% stripping the impact of the appreciation of the peso during the year. GMA's international channels – GMA Pinoy TV (GPTV) and GMA Life TV (GLTV) – both recorded double-digit growth in subscriber base by end-2010. GPTV's subscribers were over 273,000 as of the mentioned period, up 16 percent year-on-year. Of this number, 125,000 are also subscribers of GLTV, increasing subscriber take-up by 17 percent from 2009.

Expenses

Total operating expenses grew by PhP619 million or 8% year-on-year, ending at PhP8,461 million vs. PhP7,842 million in 2009. The climb was mainly propelled by the increase in production costs and advertising and promotions particularly in the regions.

Gross Revenues	2010 (in millions PhP)	2009 (in millions PhP)	Inc/(Dec) (in millions PhP)	%
Television and radio airtime	**13,192.7**	12,691.6	501.1	4%
Production and others	**1,106.8**	1,079.3	27.5	3%
	14,299.5	13,770.9	528.6	4%

Production-related expenses hiked 8% or PhP339 million with cash production costs increasing by PhP395 million or 11%. Non-cash production costs partly mitigated the rise by ending 8% or PhP57 million lower. The growth in cash production costs was mainly on account of the non-recurring election coverage expenses. Apart from this, additional programs were produced, particularly in the weekday late afternoon grid, replacing canned materials and the long-running co-produced program Daisy Siete by mid-year. Moreover, the Network took a big leap in refurbishing its weekend flagship entertainment variety program, Party Pilipinas replacing S.O.P., which eventually clinched higher ratings against its rival program. The weekday telebabad block likewise carried higher costing programs vis-à-vis their counterparts last year. This year's season of Survivor Philippines featured celebrity castaways with an equally new host in the person of Richard Gutierrez, entailing higher cost than 2009's Survivor edition.

The escalation in cash production costs was partly offset by the reduction in program rights usage arising from the aforementioned changes in the programming mix, wherein slots previously occupied by Koreanovelas were replaced by in-house produced programs.

Meanwhile, consolidated general and administrative expenses (GAEX) sealed the year at PhP3,733 million, PhP281 million or 8% more than a year ago. The spike in advertising and promotions due to the continued promotional blitz in the regions accounted for more than one third of the escalation in GAEX. The hike in sales incentives owing to this year's election revenues likewise added to the increase in general and administrative expenses.

Production Costs	2010 (in millions PhP)	2009 (in millions PhP)	Inc/(Dec) (in millions PhP)	%
Talent fees	**2,330.5**	2,101.1	229.3	11%
Rentals	**658.9**	613.1	45.8	7%
Other program expenses	**1,064.4**	944.3	120.1	13%
Sub-total - cash production costs	**4,053.8**	3,658.5	395.3	11%
Program rights amortization	**463.9**	524.4	(60.6)	-12%
Depreciation and amortization	**210.5**	206.6	3.9	2%
Sub-total - cash production costs	**674.3**	731.0	(56.7)	-8%
Total production costs	**4,728.1**	4,389.5	338.6	8%

Personnel costs amounted to PhP1,626 million, almost at par with prior year's spending. Despite growth in manpower base and salary adjustments, the negligible movement in personnel costs this year was due to the presence of a non-recurring signing bonus in 2009 resulting from the three-year collective bargaining agreement and higher bonus rate last year.

Outside services, consisting of advertising and promotions, management and professional fees, and sales incentives, soared by PhP155 million or 30% compared to prior year. Extensive promotional efforts particularly in the regions in the pursuit of gaining nationwide leadership in ratings drove advertising and promotions to grow by 39% or PhP112 million more than a year ago. Sales incentive likewise shot up attuned to the influx of political ad placements earlier on during the year.

General and Administrative Expenses	2010 *(in millions PhP)*	2009 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Personnel costs	**1,626.1**	1,612.1	14.1	1%
Outside services	**667.3**	512.2	155.1	30%
Facilities costs	**443.0**	349.0	94.0	27%
Taxes and licenses	**191.3**	191.4	(0.1)	-0.1%
Others	**457.5**	411.4	46.1	11%
Subtotal - Cash GAEX	**3,385.2**	3,076.1	309.2	10%
Depreciation and amortization	**296.5**	352.1	(55.6)	-16%
Provision for doubtful accounts	**30.6**	8.2	22.4	275%
Amortization of software costs	**20.2**	15.7	4.6	29%
Subtotal - Non-cash GAEX	**347.3**	375.9	(28.6)	-8%
Total GAEX	**3,732.6**	3,452.0	280.6	8%

Utilities and repairs and maintenance which comprised Facilities costs rose 27% or PhP94 million this year. The jump in utilities consumption mainly resulted from the power rate hike not only in Metro Manila but in the regions as well. The signal-strengthening enhancements in regional infrastructure likewise necessitated additional power consumption.

Taxes and licenses ended flat at PhP191 million year-on-year. The growth in franchise tax and increase in royalty tax aligned with the improvement in GMA International's subscription revenues were offset by the reduction in real property tax payments and one-time adjustment in annual NTC supervision fee.

Other cash GAEX was likewise up by PhP46 million or 11% compared to 2009, ending at PhP458 million vs. PhP411 million. The growth was influenced by higher fees incurred in research and survey services and increases in security and janitorial fees.

Meanwhile, non-cash GAEX for the year dropped 8% or PhP29 million wrapping up at PhP347 million on the back of lower depreciation. Major broadcast equipment were fully amortized this year causing the reduction. This was partly negated by booking additional provision for doubtful accounts this year.

Interest and financing charges on short-term loans

Interest expense and financing charges dipped by 57% to a mere PhP4 million this year from last year's PhP9 million. Short-term borrowings during the year was significantly trimmed down as the Company was awash with cash from political advertisements especially during the earlier part of the year and was able to sustain its operations with internally generated funds.

Interest income from short-term investments

While interest and financing charges dropped, interest income from short-term investments grew to PhP77 million, up PhP19 million or 34% from last year. Short-term placements were relatively higher boosted by higher collections due to pay-before broadcast policy for election-related placements.

Net Income

The impact of total operating costs outpacing the growth in revenues was mitigated by additional contributions coming from non-operating income this year. Thus, bottom line settled ahead of last year, albeit by barely 0.1% at PhP2,821 million compared to PhP2,818 million in 2009.

Balance Sheet Accounts

Consolidated assets totaled PhP12,872 million, equivalent to a 6% reduction from last year's PhP13,684 million. Cash and short-term investments were down 44%, declining from PhP2,200 million by end-2009 to PhP1,232 million as of year-end. The significant drop resulted from a second tranche of cash dividend payout of PhP0.25 per share to all shareholders amounting to PhP1,215 million in December 2010, apart from the regular dividend distributed in May of the same year – another milestone for the Company.

Trade days-sales-outstanding (DSO) stood at 145 days at end-2010 vs. 149 days at the close of 2009.

Despite a slowdown in net income, financial indicators for the Network remained robust. Return on assets improved to 22% from prior year's 21%, while return on equity ended at 27% vs. 26% in 2009.

Equity settled at PhP10,299 million as of December this year, 5% lower than last year's PhP10,880 million caused by the aforementioned higher dividend payout during the year.

Operating Activities

Net cash from operations registered at PhP2,704 million this year. This resulted from the income before income tax of PhP3,794 million adjusted by depreciation expense of PhP507 million, pension expense of PhP94 million and interest income from bank deposits and short-term investments of PhP77 million apart from the changes in working capital. The primary components of the changes in working capital include the PhP255 million increase in trade and other receivables and PhP218 million climb in prepaid expenses which were partly offset by the net movement resulting in a drop of PhP82 million in program rights as the Company's program rights usage for the year was higher compared to the level of acquisitions made.

Cash Flows	**2010** *(in millions PhP)*	2009 *(in millions PhP)*
Net cash provided by operating activities	**2,703.7**	2,822.5
Net cash used in investing activities	**(259.8)**	(602.4)
Net cash used in financing activities	**(3,403.8)**	(1,700.7)
Effect of exchange rate changes on cash and cash equivalents	**(7.9)**	(7.2)
Net increase (decrease) in cash and cash equivalents	**(967.8)**	512.1
Cash and cash equivalents at beginning of year	**2,200.2**	1,688.1
Cash and cash equivalents at end of year	**1,232.4**	2,200.2

Investing Activities

Net cash used in investing activities amounted to PhP260 million, arising mainly from the PhP428 million additions to property and equipment followed by PhP31 million worth of software costs. These were offset by the PhP97 million decrease in other noncurrent assets as well as the PhP59 million representing collection of advances to associates and joint ventures and PhP50 million proceeds from sale of property and equipment and investment properties.

Financing Activities

Net cash used in financing activities amounted to PhP3,404 million basically for the record-high cash dividend payout amounting to PhP3,400 million during the year.

Statement of Management's Responsibility for Financial Statements

March 11, 2011

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 audited financial statements as of and for the years ended December 31, 2010 and 2009. The financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

Sycip, Gorres, Velayo & Co., CPA's, the independent auditors appointed by the board of directors, have examined the financial statements of the Company in accordance with auditing standards generally accepted in the Philippines and have expressed their opinion on the fairness of presentation upon completion of such examination, in the attached report to the stockholders.

FELIPE L. GOZON
Chairman of the Board
Chief Executive Officer

GILBERTO R. DUAVIT, JR.
President
Chief Operating 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 2010

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 five 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 for the year ended December 31, 2010 for filing with the Securities 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 2011 based on the review of the performance and qualifications.

March 11, 2011

JAIME C. LAYA
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 its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2010 and 2009, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GMA Network, Inc. and its subsidiaries as at December 31, 2010 and 2009, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2010 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Ramon D. Dizon

Ramon D. Dizon
Partner
CPA Certificate No. 46047
SEC Accreditation No. 0077-AR-2
Tax Identification No. 102-085-577
BIR Accreditation No. 08-001998-17-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641521, January 3, 2011, Makati City

March 11, 2011

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

	December 31	
	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 29 and 30)	**₱1,232,351,840**	₱2,200,193,818
Short-term investments (Notes 6, 29 and 30)	–	23,460,312
Trade and other receivables (Notes 7, 19, 29 and 30)	**5,531,971,950**	5,230,887,805
Program rights (Note 8)	**558,072,593**	640,175,411
Prepaid expenses and other current assets (Note 9)	**605,301,733**	385,985,665
Total Current Assets	**7,927,698,116**	8,480,703,011
Noncurrent Assets		
Available-for-sale financial assets (Notes 10, 29 and 30)	**104,966,848**	104,906,848
Investments and advances (Notes 11 and 19)	**341,913,803**	394,327,610
Property and equipment at cost (Note 12)	**2,872,001,158**	3,024,036,141
Land at revalued amounts (Note 13)	**1,403,122,465**	1,403,122,465
Investment properties (Note 14)	**63,343,706**	59,716,748
Deferred tax assets - net (Note 27)	**45,451,022**	42,173,115
Other noncurrent assets (Note 15)	**113,380,042**	175,132,835
Total Noncurrent Assets	**4,944,179,044**	5,203,415,762
	₱12,871,877,160	₱13,684,118,773
LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables and other current liabilities (Notes 16, 19, 29 and 30)	**₱1,819,281,172**	₱1,881,966,312
Income tax payable	**241,184,421**	407,847,673
Obligations for program rights (Notes 17, 29 and 30)	**75,594,128**	61,475,710
Dividends payable (Notes 29 and 30)	**5,493,035**	3,367,963
Total Current Liabilities	**2,141,552,756**	2,354,657,658
Noncurrent Liabilities		
Pension liability (Note 25)	**252,641,013**	280,534,771
Deferred tax liabilities - net (Note 27)	**179,050,913**	168,806,513
Total Noncurrent Liabilities	**431,691,926**	449,341,284
Total Liabilities	**2,573,244,682**	2,803,998,942
Equity		
Capital stock (Note 18)	**4,864,692,000**	4,864,692,000
Additional paid-in capital (Note 18)	**1,659,035,196**	1,659,035,196
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)	**1,995,687**	2,171,187
Retained earnings (Note 18)	**3,063,024,760**	3,644,336,613
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	**10,298,632,478**	10,880,119,831
	₱12,871,877,160	₱13,684,118,773

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2010	2009	2008
GROSS REVENUES (Note 20)	**₱14,299,516,859**	₱13,770,876,643	₱12,496,701,664
LESS			
Agency and marketing commissions	**2,069,505,389**	1,960,813,562	1,784,690,688
Co-producers' share	**79,964,172**	210,362,995	162,272,741
	2,149,469,561	2,171,176,557	1,946,963,429
NET REVENUES	**12,150,047,298**	11,599,700,086	10,549,738,235
PRODUCTION COSTS (Note 21)	**4,728,131,583**	4,389,547,633	4,102,875,264
GROSS PROFIT	**7,421,915,715**	7,210,152,453	6,446,862,971
GENERAL AND ADMINISTRATIVE EXPENSES (Note 22)	**3,732,554,234**	3,451,969,170	3,058,911,870
OTHER INCOME			
Interest income from bank deposits and short-term investments (Note 6)	**77,221,603**	57,755,029	68,732,583
Equity in net earnings (losses) of associates and joint ventures (Note 11)	**6,867,724**	(11,478,071)	(6,958,589)
Interest expense and financing charges on short-term loans	**(3,785,282)**	(8,904,803)	(9,092,572)
Others (Note 24)	**24,545,162**	43,340,160	82,113,023
	104,849,207	80,712,315	134,794,445
INCOME BEFORE INCOME TAX	**3,794,210,688**	3,838,895,598	3,522,745,546
PROVISION FOR INCOME TAX (Note 27)			
Current	**966,402,642**	1,026,777,448	1,134,845,527
Deferred	**6,980,993**	(6,132,658)	18,972,357
	973,383,635	1,020,644,790	1,153,817,884
NET INCOME	**2,820,827,053**	2,818,250,808	2,368,927,662
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) on available-for-sale financial assets - net of tax (Note 10)	**(175,500)**	327,819	101,955
Revaluation increment in land - net of tax (Notes 13 and 27)	–	–	10,547,572
	(175,500)	327,819	10,649,527
TOTAL COMPREHENSIVE INCOME	**₱2,820,651,553**	₱2,818,578,627	₱2,379,577,189
Basic/Diluted Earnings Per Share (Note 28)	**₱0.580**	₱0.580	₱0.487

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, 2010	**₱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**
Net income	–	–	–	–	**2,820,827,053**	–	–	**2,820,827,053**
Other comprehensive income	–	–	–	**(175,500)**	–	–	–	**(175,500)**
Total comprehensive income	–	–	–	**(175,500)**	**2,820,827,053**	–	–	**2,820,651,553**
Cash dividends - ₱0.45 a share	–	–	–	–	**(2,187,089,297)**	–	–	**(2,187,089,297)**
Cash dividends - ₱0.25 a share	–	–	–	–	**(1,215,049,609)**	–	–	**(1,215,049,609)**
	–	–	–	–	**(3,402,138,906)**	–	–	**(3,402,138,906)**
Balances at December 31, 2010	**₱4,864,692,000**	**₱1,659,035,196**	**₱744,158,022**	**₱1,995,687**	**₱3,063,024,760**	**(₱28,483,171)**	**(₱5,790,016)**	**₱10,298,632,478**
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
Net income	–	–	–	–	2,818,250,808	–	–	2,818,250,808
Other comprehensive income	–	–	–	327,819	–	–	–	327,819
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
	–	7,487,311	–	–	(1,701,069,453)	–	–	(1,693,582,142)
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
Net income	–	–	–	–	2,368,927,662	–	–	2,368,927,662
Other comprehensive income	–	–	10,547,572	101,955	–	–	–	10,649,527
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)
	–	58,932,086	–	–	(1,214,163,001)	(7,818,583)	–	(1,163,049,498)
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

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,794,210,688**	₱3,838,895,598	₱3,522,745,546
Adjustments for:			
Depreciation and amortization (Notes 12 and 14)	**506,969,581**	558,686,905	478,595,734
Pension expense (Note 25)	**94,321,384**	115,170,174	116,186,298
Interest income from bank deposits and short-term investments (Note 6)	**(77,221,603)**	(57,755,029)	(68,732,583)
Amortization of software costs (Note 15)	**20,213,004**	15,661,449	16,670,009
Other noncash expenses	**16,538,765**	12,158,113	18,757,505
Gain on sale of property and equipment and investment properties (Note 24)	**(13,853,541)**	(10,158,900)	(30,632,485)
Unrealized foreign currency exchange loss (gain)	**7,688,256**	4,945,923	(7,805,559)
Equity in net losses (earnings) of associates and joint ventures (Note 11)	**(6,867,724)**	11,478,071	6,958,589
Interest expense and financing charges on short-term loans	**3,785,282**	8,904,803	9,092,572
Discount on tax credit certificates (Note 24)	**(2,670,692)**	(7,408,499)	(5,223,668)
Dividend income (Note 24)	**(58,957)**	(22,691)	(58,082)
Operating income before working capital changes	**4,343,054,443**	4,490,555,917	4,056,553,876
Program rights usage (Note 8)	**463,861,354**	524,436,570	486,107,804
Provision for doubtful accounts, net of reversal (Note 7)	**30,599,355**	8,168,203	22,171,088
Decreases (increases) in:			
Short-term investments	**23,460,312**	(21,393,355)	840,404
Trade and other receivables	**(255,339,925)**	(777,422,831)	284,624,726
Program rights	**(381,758,536)**	(321,863,855)	(509,163,943)
Prepaid expenses and other current assets	**(217,511,262)**	(87,581,462)	3,225,469
Increases (decreases) in:			
Trade payables and other current liabilities	**(142,020,487)**	250,820,041	(77,918,755)
Obligations for program rights	**14,360,475**	(47,250,815)	15,839,854
Pension liability	**(122,215,142)**	(123,470,210)	(101,497,024)
Cash generated from operations	**3,756,490,587**	3,894,998,203	4,180,783,499
Interest received	**80,260,737**	56,294,921	65,377,217
Income taxes paid	**(1,133,065,894)**	(1,128,833,511)	(1,249,464,065)
Net cash provided by operating activities	**2,703,685,430**	2,822,459,613	2,996,696,651
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 12)	**(428,438,349)**	(609,232,201)	(852,955,607)
Software costs (Note 15)	**(30,761,933)**	(13,611,584)	(14,777,046)
Investment properties (Note 14)	**(6,188,853)**	(79,018)	(21,497,788)
Available-for-sale financial assets	**(250,000)**	(7,890,201)	–
Interest in joint ventures	**–**	–	(50,000,000)
Land	**–**	–	(8,048,312)
Decrease (increase) in other noncurrent assets	**96,989,471**	(9,760,895)	54,338,684
Collection of (addition to) advances to associates and joint ventures (Note 11)	**59,281,531**	–	(38,035)
Proceeds from sale of property and equipment and investment properties	**49,558,559**	37,309,465	34,801,030
Cash dividends received	**11,595**	822,586	58,082
Net cash used in investing activities	**(259,797,979)**	(602,441,848)	(858,118,992)

(Forward)

	Years Ended December 31		
	2010	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Note 18)	**(₱3,400,013,834)**	(₱1,699,266,199)	(₱1,212,598,292)
Notes payable	**(300,000,000)**	(500,000,000)	(310,700,000)
Proceeds from availments of notes payable	**300,000,000**	500,000,000	–
Interest and financing charges paid	**(3,785,282)**	(8,904,803)	(10,434,239)
Collection of subscriptions receivable	–	7,487,311	58,932,086
Acquisition of treasury stock (Note 18)	–	–	(7,818,583)
Net cash used in financing activities	**(3,403,799,116)**	(1,700,683,691)	(1,482,619,028)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(7,930,313)**	(7,247,372)	12,438,063
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(967,841,978)**	512,086,702	668,396,694
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,200,193,818**	1,688,107,116	1,019,710,422
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱1,232,351,840**	₱2,200,193,818	₱1,688,107,116

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

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

The accompanying consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 11, 2011.

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 also includes Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Changes in Accounting Policies and Disclosures
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 starting January 1, 2010, except when otherwise indicated:

New Interpretation

- Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners*, effective for annual periods beginning on or after July 1, 2009

Amendments to Standards

- PFRS 2, *Share-based Payment* (Amendment) - *Group Cash-settled Share-based Payment Transactions*, effective for annual periods beginning on or after January 1, 2010

- PFRS 3 (Revised), *Business Combinations*, and PAS 27 (Amended), *Consolidated and Separate Financial Statements*, effective for annual periods beginning on or after July 1, 2009

- PAS 39, *Financial Instruments: Recognition and Measurement* (Amendment) - *Eligible Hedged Items*, effective for annual periods beginning on or after July 1, 2009

- Improvements to PFRS (2009), effective 2010

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

- PFRS 3 (Revised), *Business Combinations*, and PAS 27 (Amended), *Consolidated and Separate Financial Statements*, became 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 accounting for 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 and accounted for as equity transaction. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The PFRS 3 (Revised) was applied prospectively while PAS 27 (Amended) was applied retrospectively with few exceptions.

  The revised and amended standards have no impact on the consolidated financial statements, except for the revision of term minority interest to non-controlling interest. The Group assessed that these revised and amended standards will have an impact on its future business acquisitions, disposals and transactions with non-controlling interests.

<u>Future Changes in Accounting Policies</u>
The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on the consolidated financial statements.

New Standards and Interpretations Effective 2011

- PAS 24, *Related Party Disclosures* (Amendment), becomes effective for annual periods beginning on or after January 1, 2011. The amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.

- PAS 32, *Financial Instruments: Presentation* (Amendment) - *Classification of Rights Issues*, becomes effective for annual periods beginning on or after February 1, 2010. It amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro-rata to all existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*, becomes effective for annual periods beginning on or after January 1, 2011, with retrospective application. It provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, becomes effective for annual periods beginning on or after July 1, 2010. This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRS (2010). The omnibus amendments to PFRS issued in 2010 were issued primarily with a view to remove inconsistencies and clarify wordings. The amendments are effective for annual periods beginning January 1, 2011, except when otherwise stated. The Group has not yet adopted the following improvements and anticipates that these changes will have no material effect on its consolidated financial statements.

- PFRS 3 (Revised), *Business Combinations*, clarifies the following:

  a. the amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32, *Financial Instruments: Presentation*, and PAS 39, *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008). The amendment is applicable to annual periods beginning on or after July 1, 2010. The amendment is to be applied retrospectively.

  b. the amendment limits the scope of the measurement choices that only the components of non-controlling interests that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either:

     i. at fair value; or

     ii. at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS.

  The amendment is applicable for annual periods beginning on or after July 1, 2010. The amendment is applied prospectively from the date the entity applies PFRS 3.

  c. the amendment requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., to split share-based between consideration and post combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. The amendment also specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of non-controlling interests and measured at their market-based measure; if unvested - they are measured at market based value as if granted at acquisition date, and allocated between non-controlling interests and post-combination expense. The amendment is applicable for annual periods beginning on or after July 1, 2010 and is to be applied prospectively.

- PFRS 7, *Financial Instruments: Disclosures*, clarifies the following:

  a. the amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

  b. amendments to quantitative and credit risk disclosures are as follows:

     i. clarify that only financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk;

     ii. require, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk);

iii. remove the disclosure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired;

iv. remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired; and,

v. clarify that the additional disclosure required for financial assets obtained by taking possession of collateral.

c. the amendment is to be applied retrospectively.

- PAS 1, *Presentation of Financial Statements*, clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is applied retrospectively.

- PAS 27, *Consolidated and Separate Financial Statements*, clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates*, and PAS 31, *Interests in Joint Ventures*, apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier. The amendment is applicable for annual periods beginning on or after July 1, 2010. The amendment is to be applied retrospectively.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

New Standards and Interpretation Effective 2012

- PFRS 7, *Financial Instruments: Disclosures* (Amendments) - *Transfers of Financial Assets*, will become effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- PAS 12, *Income Taxes* (Amendment) - *Deferred Tax: Recovery of Underlying Assets*, will become effective for annual periods beginning on or after January 1, 2012. It provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, will become effective for annual periods beginning on or after January 1, 2012. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

New Standard Effective 2013

- PFRS 9, *Financial Instruments: Classification and Measurement*, will become effective for annual periods beginning on or after January 1, 2013. PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

<u>Basis of Consolidation from January 1, 2010</u>
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

<u>Basis of Consolidation Prior to January 1, 2010</u>
Some of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

Acquisitions of non-controlling interests, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized as goodwill.

Losses applicable to the non-controlling interest in a consolidated subsidiary may exceed the non-controlling interest in the subsidiary's equity. The excess, and any further losses applicable to the non-controlling interest, are allocated against the controlling interest except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the controlling interest until the non-controlling interest's share of losses previously absorbed by the controlling interest has been recovered. Losses prior to January 1, 2010 were not reallocated between non-controlling interests and equity holders of the Parent.

The income and expenses of a subsidiary are included in the consolidated financial statements until the date on which the Group ceases to control the subsidiary. The difference between the proceeds from the disposal of the subsidiary and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary recognized in equity, is recognized in the consolidated statements of comprehensive income as the gain or loss on the disposal of the subsidiary.

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

	Country of Incorporation	Percentage of Ownership	
		2010	2009
Entertainment Business:			
Alta Productions Group, Inc. (Alta)	Philippines	**100**	100
Citynet Network Marketing and Productions, Inc. (Citynet)	- do -	**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
Script2010, Inc. (Script2010)*	- do -	**100**	–
Advertising business -			
GMA Marketing & Productions, Inc. (GMPI)	- do -	**100**	100
Others:			
MediaMerge Corporation**	- do -	**100**	100
Ninja Graphics, Inc. (Ninja)***	- do -	**51**	51

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

Acquisition of a New Subsidiary
On January 1, 2010, the Group, through Citynet, a wholly owned subsidiary, acquired 100% of the issued and outstanding shares of Script2010 (formerly Capitalex Holdings, Inc.) for a total consideration of ₱1.07 million which is equal to the fair value of net asset acquired at acquisition date.

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 statements of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place are recognized on the trade date, which is the date the Group commits to purchase the asset.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains or losses relating to financial instruments or a component that is financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

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 at fair value through profit or loss (FVPL), includes transaction cost. 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 asking 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 Difference. 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 difference) in the profit or loss 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 profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 difference amount.

Financial Assets

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 profit or loss.

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, 2010 and 2009.

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. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method. Gains and losses are recognized in profit or loss when the loans are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

This category includes the Group's cash and cash equivalents, short-term investments, trade and other receivables and guarantee and other deposits, included under "Other noncurrent assets" account in the consolidated statements of financial position (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. 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 method. Gains and losses are recognized in the profit or loss 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 date 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, 2010 and 2009.

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 subsequently measured at fair value in the consolidated statements of financial position. Changes in the fair value of such assets are recognized as unrealized gain or loss on available-for-sale financial assets in the other comprehensive income (losses) 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 consolidated statements of comprehensive income as a reclassification adjustment. Interest earned on holding AFS financial assets is recognized in the consolidated statements of comprehensive income 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.

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 intention to do so significantly changes 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 meet the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

The Group has investments in various quoted and unquoted shares of stocks classified as AFS financial assets (see Note 10).

<u>Financial Liabilities</u>

Financial Liabilities at FVPL. Financial liabilities are classified in this category if these result from trading activities or derivatives transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category. Gains or losses on liabilities held for trading are recognized in profit or loss.

The Group has no financial liabilities at FVPL as of December 31, 2010 and 2009.

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 loans and 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. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

This category includes trade payables and other current liabilities (excluding payable to government agencies), obligations for program rights and dividends payable (see Note 30).

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay the received cash flows 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 or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred the control of 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 has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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 there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that 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, 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. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to contractual terms of the asset being evaluated. 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.

The carrying value of the assets is reduced through the use of allowance account and the amount of loss is charged to the consolidated statement of comprehensive income. 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. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. 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. 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, an objective 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 consolidated statements of comprehensive income, is removed from other comprehensive income and recognized in the consolidated statements of comprehensive income. Impairment losses on equity investments are not reversed through consolidated statements of comprehensive income; increases in fair value after impairment are recognized directly as other comprehensive income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the 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 statements of financial position.

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.

For series of program rights acquired, the cost is charged to income as each series is aired on a per episode basis.

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

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

Prepaid Production Costs
Prepaid production costs, included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position, 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 statements of financial position, is stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the current replacement cost.

Tax Credits
Tax credits represent claims from the government arising from airing of government commercials and advertisements availed under Presidential Decree (PD) No. 1362. Pursuant to PD No. 1362, these will be collected in the form of tax credits which the Group can use in paying for import duties and taxes on imported capital equipment. The tax credits cannot be used to pay for any other tax obligation to the government. Tax credits are classified as current assets if these are expected to be utilized within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

Investment and Advances

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

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statements of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share in profit (loss) of an associate is shown on the face of the consolidated statements of comprehensive income. This is the profit (loss) attributable to equity holders of the associate and therefore profit (loss) after tax and non-controlling interests in the subsidiaries of the associate.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate and accounts for the investment in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, from that date, provided the associate does not become a subsidiary or a joint venture as defined in PAS 31, *Interests in Joint Ventures*. When the Group's interest in an investment in associate is reduced to zero, additional losses are provided only to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the investee that the Group has guaranteed or otherwise committed. If the associate subsequently reports profits, the Group resumes recognizing its share of the profits if it equals the share of net losses not recognized.

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

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

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 statements of financial position 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.

Upon loss of joint control the Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

Property and Equipment

Property and equipment are stated at cost 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. 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. This includes cost of construction, property and equipment, and other direct costs. 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 at Revalued Amounts

Following initial recognition at cost, land used in operations is carried at revalued amount, which is the fair value at the date of the revaluation, less any subsequent accumulated impairment losses. Fair value was determined by an independent firm of appraisers on December 23, 2008 and January 5, 2009. Valuations are performed frequently 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 statements of financial position 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 are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties, except land, are measured at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

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

The remaining useful lives and depreciation and amortization method are reviewed and adjusted, if appropriate, at each financial year-end.

Investment properties are derecognized when either they have been disposed of or when the investment 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 or commencement of an operating lease to another party. 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 statements of financial position, is stated at cost less any impairment in value.

Software Costs
Costs incurred in the acquisition and customization of new software, included under "Other noncurrent assets" account in the consolidated statements of financial position, are capitalized and amortized on a straight-line basis over three to five years.

Impairment of Nonfinancial Assets
The carrying values of program rights, prepaid production costs, investments and advances, property and equipment, investment properties, software costs and tax credits 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 program rights, prepaid production costs, investments and advances, property and equipment, investment properties, software costs and tax credits 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, except for land at revalued amount where the revaluation is taken to other comprehensive income, is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. For land at revalued amounts, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

In the case of investments in associates and interests in joint ventures, after application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's investment in associate and interests in joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investments in associates and interests in joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of investment in associate 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>
The Parent Company's 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 net out against 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 broadcasting related equipment.

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

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

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

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

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

<u>Agency and Marketing Commissions and Co-producers' Share</u>
These are deducted from gross revenues in the consolidated statements of comprehensive income.

Agency commissions are recognized at a standard 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.

<u>Borrowing Costs</u>
Borrowing costs which are directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of the respective assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. 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.

<u>Expenses</u>
Expenses presented as "Production costs" and "General and administrative expenses" in the statements of comprehensive income are recognized as incurred.

<u>Pension Costs</u>
The Parent Company and its major 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, even if that is not explicitly specified in an arrangement.

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

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

Foreign Currency-denominated Transactions

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

Taxes

Current 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 substantially 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 substantially 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 statements of financial position.

Dividends on Common Shares of the Parent Company
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.

Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income, net of income attributable to preferred shares, by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared.

Diluted EPS is calculated by dividing the net income (inclusive of income attributable to preferred shares) by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued upon conversion of all dilutive potential common shares.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Segment Reporting
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.

Events after Reporting Period
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 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 consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. The Philippine peso is also the functional currency of the subsidiaries. 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 ₱737.50 million, ₱693.40 million and ₱573.39 million in 2010, 2009 and 2008, respectively (see Note 26).

<u>Estimates and Assumptions</u>
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 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.

Provision for doubtful accounts amounted to ₱30.60 million, ₱8.17 million and ₱22.17 million in 2010, 2009 and 2008, respectively. Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱5,531.97 million and ₱5,230.89 million as of December 31, 2010 and 2009, 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 the Group's experience with such rights. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Program rights, net of accumulated impairment loss, amounted to ₱558.07 million and ₱640.18 million as of December 31, 2010 and 2009, 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 ₱104.97 million and ₱104.91 million as of December 31, 2010 and 2009, respectively (see Note 10). There were no impairment losses recognized on AFS financial assets in 2010 and 2009.

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

The carrying value of materials and supplies inventory amounted to ₱108.99 million and ₱117.24 million as of December 31, 2010 and 2009, respectively (see Note 9). There were no provisions for inventory losses in 2010 and 2009.

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.

There has been no change in the Group's estimate of useful lives of its property and equipment, software costs and investment properties in 2010 and 2009.

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 fair value amount would differ if the Group made different judgments and estimates or utilized a different basis for determining fair value.

Valuations from an independent appraiser are performed every 3 to 5 years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The revalued amount of land amounted to ₱1,403.12 million as of December 31, 2010 and 2009 (see Note 13).

Impairment of Nonfinancial Assets. For prepaid production costs, program rights, investments and advances, property and equipment, software costs, tax credits 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 program rights, prepaid production costs (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position), investments and advances, property and equipment, investment properties, software costs and tax credits (included under "Prepaid expenses and other current assets" account in 2010 consolidated statement of financial position and under "Other noncurrent assets" account in 2009 consolidated statement of financial position), amounted to ₱4,182.14 million and ₱4,382.91 million as of December 31, 2010 and 2009, respectively (see Notes 8, 9, 11, 12, 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 ₱215.77 million and ₱225.77 million as of December 31, 2010 and 2009, 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 25 and include, among others, discount rate, expected rate of return on plan assets and expected rate of salary increase. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in such future periods.

Pension liability amounted to ₱252.64 million and ₱280.53 million as of December 31, 2010 and 2009, respectively. Unrecognized actuarial gain amounted to ₱39.35 million and ₱45.98 million as of December 31, 2010 and 2009, respectively (see Note 25).

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.

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), the Group ties up with cable providers to bring television programming outside the Philippines.

The Group's revenues were mostly generated from the Philippines, which is the Group's country of domicile. Revenues from external customers attributed to foreign countries from which the Group derives revenue were immaterial to the consolidated financial statements.

Noncurrent assets consist of property and equipment, land at revalued amounts, investment properties and intangible assets which are all located in the Philippines.

The Group does not have a single external customer which revenue amounts to 10% or more of the Group's revenue.

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.

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Business Segment Data

The following table shows 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, 2010:

	Television and radio airtime			International Subscriptions			Other Businesses			Eliminations			Consolidated		
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Revenues															
External sales	**₱13,192,728,856**	₱12,691,612,973	₱11,653,548,484	**₱925,370,205**	₱855,182,975	₱588,498,836	**₱181,417,798**	₱224,080,695	₱254,654,344	**₱–**	₱–	₱–	**₱14,299,516,859**	₱13,770,876,643	₱12,496,701,664
Inter-segment sales	**–**	–	–	**–**	–	–	**617,238,858**	513,641,503	462,986,944	**(617,238,858)**	(513,641,503)	(462,986,944)	**–**	–	–
Total revenues	**₱13,192,728,856**	₱12,691,612,973	₱11,653,548,484	**₱925,370,205**	₱855,182,975	₱588,498,836	**₱798,656,656**	₱737,722,198	₱717,641,288	**(₱617,238,858)**	(₱513,641,503)	(₱462,986,944)	**₱14,299,516,859**	₱13,770,876,643	₱12,496,701,664
Results															
Segment results	**₱3,121,639,310**	₱3,271,883,435	₱3,078,680,238	**₱532,898,732**	₱448,520,330	₱263,411,227	**₱45,352,866**	₱37,779,518	₱45,859,636	**(₱10,529,427)**	₱–	₱–	**₱3,689,361,481**	₱3,758,183,283	₱3,387,951,101
Interest expenses and financing charges on short-term loans	**(3,649,397)**	(8,820,393)	(9,040,922)	**–**	–	–	**(135,885)**	(84,410)	(51,650)	**–**	–	–	**(3,785,282)**	(8,904,803)	(9,092,572)
Foreign exchange gains (losses) - net	**(24,897,530)**	(10,075,874)	(6,802,175)	**2,049**	1,072,360	5,519,952	**(616,180)**	(172,871)	1,629,661	**–**	–	–	**(25,511,661)**	(9,176,385)	347,438
Interest income from bank deposits and short-term investments	**76,230,704**	56,438,486	65,917,123	**–**	–	–	**990,899**	1,316,543	2,815,460	**–**	–	–	**77,221,603**	57,755,029	68,732,583
Equity in net losses of associates and joint ventures	**–**	–	–	**–**	–	–	**6,867,724**	(11,478,071)	(6,958,589)	**–**	–	–	**6,867,724**	(11,478,071)	(6,958,589)
Other income	**52,862,653**	90,328,374	74,884,565	**–**	7,843	(4,464)	**1,194,170**	3,180,328	9,885,484	**(4,000,000)**	(41,000,000)	(3,000,000)	**50,056,823**	52,516,545	81,765,585
Income tax	**(958,515,150)**	(1,007,537,449)	(1,129,976,716)	**–**	–	–	**(14,868,485)**	(13,107,341)	(23,841,168)	**–**	–	–	**(973,383,635)**	(1,020,644,790)	(1,153,817,884)
Net income	**₱2,263,670,590**	₱2,392,216,579	₱2,073,662,113	**₱532,900,781**	₱449,600,533	₱268,926,715	**₱38,785,109**	₱17,433,696	₱29,338,834	**(₱14,529,427)**	(₱41,000,000)	(₱3,000,000)	**₱2,820,827,053**	₱2,818,250,808	₱2,368,927,662
Assets and Liabilities															
Segment assets	**₱11,759,280,302**	₱12,839,868,329	₱11,346,881,913	**₱829,061,722**	₱555,401,291	₱822,818,263	**₱714,526,464**	₱640,837,088	₱559,006,469	**(₱731,270,496)**	(₱642,121,472)	(₱557,828,987)	**₱12,571,597,992**	₱13,393,985,236	₱12,170,877,658
Investments in associates and interests in joint ventures - at equity	**228,395,675**	213,825,504	209,145,169	**–**	–	–	**26,432,471**	34,134,918	50,293,324	**–**	–	–	**254,828,146**	247,960,422	259,438,493
Deferred tax assets	**–**	–	–	**–**	–	–	**45,451,022**	42,173,115	35,971,633	**–**	–	–	**45,451,022**	42,173,115	35,971,633
Total assets	**₱11,987,675,977**	₱13,053,693,833	₱11,556,027,082	**₱829,061,722**	₱555,401,291	₱822,818,263	**₱786,409,957**	₱717,145,121	₱645,271,426	**(₱731,270,496)**	(₱642,121,472)	(₱557,828,987)	**₱12,871,877,160**	₱13,684,118,773	₱12,466,287,784
Segment liabilities	**₱2,370,237,159**	₱2,557,528,061	₱2,485,075,562	**₱7,096,567**	₱16,839,952	₱7,261,468	**₱812,686,252**	₱769,439,449	₱669,412,872	**(₱795,826,209)**	(₱708,615,033)	(₱619,840,972)	**₱2,394,193,769**	₱2,635,192,429	₱2,541,908,930
Deferred tax liabilities	**179,050,913**	168,806,513	169,255,508	**–**	–	–	**–**	–	–	**–**	–	–	**179,050,913**	168,806,513	169,255,508
Total liabilities	**₱2,549,288,072**	₱2,726,334,574	₱2,654,331,070	**₱7,096,567**	₱16,839,952	₱7,261,468	**₱812,686,252**	₱769,439,449	₱669,412,872	**(₱795,826,209)**	(₱708,615,033)	(₱619,840,972)	**₱2,573,244,682**	₱2,803,998,942	₱2,711,164,438
Other Segment Information															
Capital expenditures:															
Property and equipment	**₱403,866,267**	₱598,655,409	₱809,432,969	**₱6,904,559**	₱1,551,406	₱22,501,975	**₱17,667,523**	₱9,025,386	₱21,020,663	**₱–**	₱–	₱–	**₱428,438,349**	₱609,232,201	₱852,955,607
Land at revalued amount	**–**	–	8,048,312	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	8,048,312
Investment properties	**6,188,853**	79,018	20,758,728	**–**	–	–	**–**	–	739,060	**–**	–	–	**6,188,853**	79,018	21,497,788
Intangible assets	**402,624,186**	335,815,089	511,185,037	**–**	–	–	**9,896,283**	12,214,773	12,755,952	**–**	(12,554,423)	–	**412,520,469**	335,475,439	523,940,989
Depreciation and amortization	**951,449,174**	1,068,724,517	936,155,102	**23,715,018**	13,843,643	6,005,733	**15,879,747**	16,216,764	39,212,712	**–**	–	–	**991,043,939**	1,098,784,924	981,373,547
Noncash expenses other than depreciation and amortization	**–**	–	–	**9,606,610**	10,508,849	17,000,526	**–**	–	–	**(9,606,610)**	(10,508,849)	**(17,000,526)**	**–**	–	–

Geographical Segment Data

The following table shows revenue information regarding geographical segments for each of the three years in the period ended December 31, 2010:

	Local														
	Television and radio airtime			Other Businesses			International Subscriptions			Eliminations			Consolidated		
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Revenues															
External sales	**₱13,192,728,856**	₱12,691,612,973	₱11,653,548,484	**₱181,417,798**	₱224,080,695	₱254,654,344	**₱925,370,205**	₱855,182,975	₱588,498,836	**₱–**	₱–	₱–	**₱14,299,516,859**	₱13,770,876,643	₱12,496,701,664
Inter-segment sales	**–**	–	–	**617,238,858**	513,641,503	462,986,944	**–**	–	–	**(617,238,858)**	(513,641,503)	(462,986,944)	**–**	–	–
Total revenues	**₱13,192,728,856**	₱12,691,612,973	₱11,653,548,484	**₱798,656,656**	₱737,722,198	₱717,641,288	**₱925,370,205**	₱855,182,975	₱588,498,836	**(₱617,238,858)**	(₱513,641,503)	(₱462,986,944)	**₱14,299,516,859**	₱13,770,876,643	₱12,496,701,664
Assets and Liabilities															
Segment Assets	**₱11,759,280,302**	₱12,839,868,329	₱11,346,881,913	**₱714,526,464**	₱640,837,088	₱559,006,469	**₱829,061,722**	₱555,401,291	₱822,818,263	**(₱731,270,496)**	(₱642,121,472)	(₱557,828,987)	**₱12,571,597,992**	₱13,393,985,236	₱12,170,877,658
Segment Liabilities	**2,370,237,159**	2,557,528,061	2,485,075,562	**812,686,252**	769,439,449	669,412,872	**7,096,567**	16,839,952	7,261,468	**(795,826,209)**	(708,615,033)	(619,840,972)	**2,394,193,769**	2,635,192,429	2,541,908,930
Other Segment Information															
Capital expenditures:															
Property and equipment	**₱403,866,267**	₱598,655,409	₱809,432,969	**₱17,667,523**	₱9,025,386	₱21,020,663	**₱6,904,559**	₱1,551,406	₱22,501,975	**₱–**	₱–	₱–	**₱428,438,349**	₱609,232,201	₱852,955,607
Land at revalued amount	**–**	–	8,048,312	**–**	–	–	**–**	–	–	**–**	–	–	**-**	-	8,048,312
Investment properties	**6,188,853**	79,018	20,758,728	**–**	–	739,060	**–**	–	–	**–**	–	–	**6,188,853**	79,018	21,497,788
Intangible assets	**402,624,186**	335,815,089	511,185,037	**9,896,283**	12,214,773	12,755,952	**–**	–	–	**–**	(12,554,423)	–	**412,520,469**	335,475,439	523,940,989

6. Cash and Cash Equivalents

This account consists of:

	2010	2009
Cash on hand and in banks	**₱708,365,390**	₱776,056,127
Short-term placements	**523,986,450**	1,424,137,691
	₱1,232,351,840	₱2,200,193,818

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 2009 consolidated statement of financial position.

Interest income, net of final tax, earned from bank deposits and short-term investments amounted to ₱77.22 million, ₱57.76 million and ₱68.73 million in 2010, 2009 and 2008, respectively.

7. Trade and Other Receivables

This account consists of:

	2010	2009
Trade:		
Television and radio airtime	**₱4,974,423,522**	₱4,955,512,742
Subscriptions	**267,676,284**	206,094,669
Others (see Note 19)	**177,187,965**	145,360,381
Nontrade:		
Advances to suppliers	**198,301,803**	110,469,230
Advances to officers and employees	**9,625,412**	9,060,313
Others	**118,145,159**	12,843,132
	5,745,360,145	5,439,340,467
Less allowance for doubtful accounts	**213,388,195**	208,452,662
	₱5,531,971,950	₱5,230,887,805

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 when 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 payments received before broadcast amounting to ₱145.87 million and ₱367.83 million as of December 31, 2010 and 2009, respectively, since a right of offset exists between the advance payments 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. This includes advances to a related party amounting to ₱59.90 million and ₱40.18 million as of December 31, 2010 and 2009, respectively (see Note 19).

Advances to Suppliers

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

Advances to Officers and Employees and Other Nontrade Receivables

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

Allowance for Doubtful Accounts

As of December 31, 2010 and 2009, television and radio airtime and other receivables amounting to ₱213.39 million and ₱208.45 million, respectively, are impaired. The movements in the allowance for doubtful accounts are as follows:

	2010		
	Television and radio airtime	**Others**	**Total**
Balance at beginning of year	**₱206,355,660**	**₱2,097,002**	**₱208,452,662**
Provision for the year (see Note 22)	**30,000,000**	**599,355**	**30,599,355**
Write-off	**(25,514,764)**	**(149,058)**	**(25,663,822)**
Balance at end of year	**₱210,840,896**	**₱2,547,299**	**₱213,388,195**

	2009		
	Television and radio airtime	Others	Total
Balance at beginning of year	₱198,187,457	₱2,097,002	₱200,284,459
Provision for the year - net (see Note 22)	8,168,203	–	8,168,203
Balance at end of year	₱206,355,660	₱2,097,002	₱208,452,662

Provision for doubtful accounts in 2009 is 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 amounting to ₱56.91 million.

The allowance for doubtful accounts for television and radio airtime and other receivables in 2010 and 2009 are results of specific and collective impairment assessments performed by the Group as follows:

	2010	2009
Individually impaired	**₱197,664,882**	₱188,160,194
Collectively impaired	**15,723,313**	20,292,468
	₱213,388,195	₱208,452,662

As of December 31, 2010 and 2009, the aging analysis of receivables that were not impaired follows:

	2010				
	Trade				
	Television and Radio Airtime	**Subscriptions**	**Others**	**Nontrade***	**Total**
Neither past due nor impaired	**₱3,046,277,536**	**₱174,784,481**	**₱29,716,962**	**₱16,537,655**	**₱3,267,316,634**
Past due but not impaired:					
< 30 days	**419,457,061**	**15,303,212**	**34,480,644**	**9,135,181**	**478,376,098**
31–60 days	**246,448,895**	**13,149,773**	**17,616,326**	**12,520,799**	**289,735,793**
61–90 days	**162,794,526**	**16,940,704**	**9,772,600**	**10,508,168**	**200,015,998**
91–180 days	**175,050,274**	**17,449,907**	**7,140,366**	**5,212,865**	**204,853,412**
181–365 days	**239,660,518**	**14,590,070**	**48,702,694**	**42,587,376**	**345,540,658**
Over one year	**473,893,816**	**15,458,137**	**27,211,074**	**31,268,527**	**547,831,554**
	₱4,763,582,626	**₱267,676,284**	**₱174,640,666**	**₱127,770,571**	**₱5,333,670,147**

** Excluding advances to suppliers amounting to ₱198.30 million as of December 31, 2010.*

	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	₱487,151	₱3,211,153,704
Past due but not impaired:					
< 30 days	303,079,930	49,663,615	11,158,079	732,154	364,633,778
31–60 days	254,651,205	24,617,114	2,123,459	995,954	282,387,732
61–90 days	167,595,573	6,313,950	7,881,915	835,001	182,626,439
91–180 days	346,019,150	482,849	4,549,072	383,192	351,434,263
181–365 days	376,711,823	6,648,607	4,086,392	5,626,861	393,073,683
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	₱21,903,445	₱5,120,418,575

** Excluding advances to suppliers amounting to ₱110.47 million as of December 31, 2009.*

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 ₱136.76 million and ₱123.25 million as of December 31, 2010 and 2009, respectively. These are included in trade receivables as "neither past due nor impaired" but with age of 31–60 days from date of airing.

<u>Restructured Airtime Receivables</u>

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. The Company collected the receivables in 2010.

8. Program Rights

The movements in program rights are as follows:

	2010			
	Program Rights	**Story Format Rights**	**Film Rights**	**Total**
Cost:				
Balance at beginning of year	**₱545,370,858**	**₱77,447,289**	**₱20,059,524**	**₱642,877,671**
Additions	**313,352,327**	**59,406,209**	**9,000,000**	**381,758,536**
Program usage (see Note 21)	**(406,707,413)**	**(47,290,369)**	**(9,863,572)**	**(463,861,354)**
Balance at end of year	**452,015,772**	**89,563,129**	**19,195,952**	**560,774,853**
Accumulated impairment in value -				
Balance at beginning and end of year	**2,702,260**	**–**	**–**	**2,702,260**
	₱449,313,512	**₱89,563,129**	**₱19,195,952**	**₱558,072,593**

	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

No impairment loss on program rights was recognized in 2010 and 2009.

9. Prepaid Expenses and Other Current Assets

This account consists of:

	2010	2009
Prepaid production costs	**₱198,300,805**	₱166,239,697
Tax credits	**109,054,955**	–
Materials and supplies inventory at cost	**108,989,821**	117,243,036
Prepaid expenses	**59,192,186**	48,770,272
Input VAT	**81,793,312**	34,031,260
Creditable withholding taxes	**47,780,854**	19,487,540
Others	**189,800**	213,860
	₱605,301,733	₱385,985,665

Tax credits represent claims of the Parent Company from the government arising from airing of government commercials and advertisements. The Parent Company expects to utilize these tax credits within the next financial year.

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

This account consists of:

	2010	2009
Investments in shares of stock:		
Quoted	**₱21,709,592**	₱21,649,592
Unquoted	**83,257,256**	83,257,256
	₱104,966,848	₱104,906,848

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

AFS financial assets include unrealized gain amounting to ₱2.00 million and ₱2.17 million, net of deferred tax liabilities amounting to ₱0.21 million and ₱0.23 million as of December 31, 2010 and 2009, respectively (see Note 27), which are deferred and presented separately under the equity section of the consolidated statements of financial position.

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.

11. **Investments and Advances**

This account consists of:

	2010	2009
Investments in associates and interests in joint ventures accounted for under the equity method	**₱254,828,146**	₱247,960,422
Advances to associates and joint ventures (see Note 19)	**87,085,657**	146,367,188
	₱341,913,803	₱394,327,610

The movements in the above amounts are as follows:

	2010	2009
Investments in associates and interests in joint ventures accounted for under the equity method		
Acquisition cost:		
Balance at beginning and end of year	**₱327,722,056**	₱327,722,056
Accumulated equity in net losses:		
Balance at beginning of year	**(79,761,634)**	(68,283,563)
Equity in net earnings (losses) during the year	**6,867,724**	(11,478,071)
Balance at end of year	**(72,893,910)**	(79,761,634)
	254,828,146	247,960,422
Advances to associates and joint ventures:		
Balance at beginning of year	**146,367,188**	146,367,188
Collection of advances during the year	**(59,281,531)**	–
Balance at end of year	**87,085,657**	146,367,188
Total investments and advances	**₱341,913,803**	₱394,327,610

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

	Percentage of Ownership		Country of
	2010	2009	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:

	2010		
	Investments	**Advances (see Note 19)**	**Total**
Associates:			
RGMA	**₱190,045,055**	**₱–**	**₱190,045,055**
Mont-Aire	**38,350,619**	**84,475,370**	**122,825,989**
Joint ventures:			
X-Play	**26,432,472**	**–**	**26,432,472**
INQ7	**–**	**2,610,287**	**2,610,287**
	₱254,828,146	**₱87,085,657**	**₱341,913,803**

	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

As of December 31, 2010 and 2009, accumulated equity in net losses of PEP exceeded the Group's interest in joint venture; thus, carrying value of interest in joint venture with PEP has been reduced to zero. Unrecognized share of losses in PEP amounted to ₱0.03 million, ₱3.27 million and none for the year ended December 31, 2010, 2009 and 2008, respectively. The accumulated unrecognized share of losses in PEP amounted to ₱3.30 million and ₱3.27 million as of December 31, 2010 and 2009, respectively.

Losses of INQ7 recognized under the equity method in excess of the Group's interest were applied against its advances to the Parent Company. INQ7 ceased operation in 2007.

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

The table below shows the condensed financial information of the associates:

		Total Assets	Total Liabilities	Revenues	Net Income
RGMA	**2010**	**₱105,255,491**	**₱64,568,415**	**₱167,385,748**	**₱29,735,040**
	2009	109,881,047	98,929,013	124,766,694	9,551,705
Mont-Aire	**2010**	**160,136,147**	**94,460,607**	**–**	**–**
	2009	160,136,147	94,460,607	–	–

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

	INQ7		PEP		X-Play	
	2010	2009	**2010**	2009	**2010**	2009
Current assets	**₱7,699,079**	₱7,699,079	**₱18,448,755**	₱9,424,355	**₱10,484,469**	₱31,179,069
Noncurrent assets	**2,182,230**	2,182,230	**963,823**	1,657,121	**38,680,114**	33,582,293
Current liabilities	**29,032,924**	29,032,924	**22,713,585**	14,351,876	**22,732,111**	29,513,206
Revenues	**–**	–	**11,045,981**	9,015,345	**18,431,805**	12,723,203
Expenses	**–**	–	**11,076,587**	14,895,416	**26,134,251**	26,271,939
Net losses	**–**	–	**30,606**	5,880,071	**7,702,446**	13,548,736

12. Property and Equipment at Cost

The rollforward analysis of property and equipment at cost follows:

	2010				
	January 1	**Additions/ Depreciation**	**Disposals**	**Reclassifications**	**December 31**
Cost					
Buildings, towers and improvements	**₱2,640,110,537**	**₱20,870,175**	**(₱4,800,342)**	**(₱195,747,664)**	**₱2,460,432,706**
Antenna and transmitter systems and broadcast equipment	**4,052,769,124**	**186,016,131**	**(52,760,835)**	**70,865,482**	**4,256,889,902**
Communication and mechanical equipment	**576,372,201**	**47,523,060**	**(13,293,958)**	**25,604,324**	**636,205,627**
Transportation equipment	**336,544,464**	**62,386,026**	**(77,715,320)**	**25,702,043**	**346,917,213**
Furniture, fixtures and equipment	**153,720,112**	**5,942,323**	**(945,980)**	**2,756,763**	**161,473,218**
	7,759,516,438	**322,737,715**	**(149,516,435)**	**(70,819,052)**	**7,861,918,666**
Accumulated Depreciation and Amortization					
Buildings, towers and improvements	**856,089,394**	**110,615,311**	**(896,394)**	**1,116,067**	**966,924,378**
Antenna and transmitter systems and broadcast equipment	**3,175,013,821**	**244,043,554**	**(34,564,080)**	**(19,565,653)**	**3,364,927,642**
Communication and mechanical equipment	**417,191,279**	**70,114,291**	**(9,959,835)**	**478,256**	**477,823,991**
Transportation equipment	**204,385,626**	**67,733,582**	**(67,853,301)**	**(2,894)**	**204,263,013**
Furniture, fixtures and equipment	**118,243,299**	**11,900,948**	**(537,807)**	**(25,776)**	**129,580,664**
	4,770,923,419	**504,407,686**	**(113,811,417)**	**(18,000,000)**	**5,143,519,688**
Construction in progress and equipment for installation	**35,443,122**	**105,700,634**	**–**	**12,458,424**	**153,602,180**
	₱3,024,036,141	**(₱75,969,337)**	**(₱35,705,018)**	**(₱40,360,628)**	**₱2,872,001,158**

	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

Depreciation and amortization on property and equipment charged to operations amounted to ₱504.41 million, ₱555.90 million and ₱476.81 million in 2010, 2009 and 2008, respectively. These amounts include amortization of previously capitalized borrowing costs amounting to ₱10.08 million each year. No borrowing cost was capitalized in 2010 and 2009.

Construction in progress pertains to the costs incurred for signals strengthening and upgrade of studios of Regional Stations and for the constructions of Tandang Sora warehouse.

13. Land at Revalued Amounts

This account consists of the following as of December 31, 2010 and 2009:

Cost -	
Balance at beginning and end of year	₱340,039,576
Revaluation increment -	
Balance at beginning and end of year	1,063,082,889
	₱1,403,122,465

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, 2010 and 2009, the Group's management believes that there were no conditions present in 2010 and 2009 that would significantly reduce the fair value of the land from that was determined as of January 5, 2009.

14. **Investment Properties**

The rollforward analysis of investment properties follows:

	2010		
	Land and Improvements	**Buildings and Improvements**	**Total**
Cost:			
Balance at beginning of year	**₱33,399,381**	**₱65,137,485**	**₱98,536,866**
Additions	**–**	**6,188,853**	**6,188,853**
Balance at end of year	**33,399,381**	**71,326,338**	**104,725,719**
Accumulated depreciation:			
Balance at beginning of year	**–**	**31,784,726**	**31,784,726**
Depreciation during the year	**–**	**2,561,895**	**2,561,895**
Balance at end of year	**–**	**34,346,621**	**34,346,621**
Accumulated impairment in value -			
Balance at beginning and end of year	**–**	**7,035,392**	**7,035,392**
	₱33,399,381	**₱29,944,325**	**₱63,343,706**

	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

The fair values of investment properties were determined by independent appraisers based on appraisal reports made in 2005, which amounted to ₱124.45 million as at December 31, 2005. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's-length transaction at the date of valuation in accordance with International Valuation Standards.

While fair values of the investment properties were not determined as of December 31, 2010 and 2009, the Group's management believes that there were no conditions present in 2010 and 2009 that would significantly reduce the fair value of the investment properties from that determined in 2005.

Rent income from investment properties amounted to ₱3.25 million, ₱2.25 million and ₱1.91 million in 2010, 2009 and 2008, respectively (see Notes 24 and 26). Consolidated direct operating expenses from investment properties which generate and do not generate rental income amounted to ₱2.56 million, ₱2.78 million and ₱1.79 million in 2010, 2009 and 2008, respectively.

15. **Other Noncurrent Assets**

This account consists of:

	2010	2009
Software costs	**₱39,457,145**	₱28,908,216
Guarantee and other deposits (see Notes 29 and 30)	**33,091,518**	34,069,096
Deferred input VAT	**26,346,896**	28,727,087
Investment in artworks	**10,406,254**	10,406,254
Tax credits	–	69,509,397
Others	**4,078,229**	3,512,785
	₱113,380,042	₱175,132,835

The movements in software costs follow:

	2010	2009
Cost:		
Balance at beginning of year	**₱121,078,930**	₱107,467,346
Additions	**30,761,933**	13,611,584
Balance at end of year	**151,840,863**	121,078,930
Accumulated amortization:		
Balance at beginning of year	**92,170,714**	76,509,265
Amortization during the year (see Note 22)	**20,213,004**	15,661,449
Balance at end of year	**112,383,718**	92,170,714
	₱39,457,145	₱28,908,216

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

This account consists of:

	2010	2009
Trade (see Note 19)	**₱335,931,196**	₱503,325,775
Payable to government agencies	**853,989,103**	783,191,451
Accrued:		
Production costs	**197,203,867**	166,146,869
Sick and vacation leaves	**187,859,299**	185,064,662
Payroll and talent fees	**125,505,014**	100,049,019
Commission	**28,688,244**	48,634,661
Other general and administrative expenses	**69,068,856**	76,568,342
Others	**21,035,593**	18,985,533
	₱1,819,281,172	₱1,881,966,312

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 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 statements of financial position as of December 31, 2010 and 2009 represent the face amounts of the obligations which are expected to be settled within the next 12 months.

18. **Equity**

a. Capital Stock

There were no movements in capital stock as of December 31, 2010 and 2009 with composition as follows:

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

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.

Employee Stock Ownership Plan (ESOP)
The ESOP was fully subscribed in 2007. 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 in 2009.

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, 2010 and 2009, representing the cost of shares held in treasury amounting to ₱28.48 million in 2010 and 2009 and underlying shares of the acquired PDRs amounting to ₱5.79 million in 2010 and 2009.

On October 28, 2010, the BOD approved the Parent Company's declaration and distribution of ₱0.25 per share special cash dividends totaling ₱1,215.05 million to all stockholders of record as of November 17, 2010.

On March 5, 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.

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.

Events after Reporting Period

On March 11, 2011, the BOD approved the Parent Company's declaration and distribution of a special cash dividend of ₱0.45 per share totaling ₱2,187.09 million to all stockholders of record as of April 8, 2011.

19. Related Party Disclosures

Terms and Conditions of Transactions with Related Parties

Transactions with related parties are made at normal market prices. For the years ended December 31, 2010, 2009 and 2008, the Group did not make any provision for doubtful accounts relating to amounts owed by related parties. An assessment is undertaken at each financial year-end by examining the financial position of the related party and the market in which the related party operates.

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

Transactions with related parties 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	**2010**	**₱11,567,888**	**₱2,610,287**	**₱–**	**₱–**
		2009	1,037,200	2,610,287	–	–
RGMA	Airtime sales, commissions and grant of noninterest-bearing advances	**2010**	**190,104,206**	**–**	**59,898,039**	**(6,178,754)**
		2009	149,855,878	59,281,531	40,176,666	(11,750,147)
Mont-Aire	Grant of noninterest-bearing advances	**2010**	**–**	**84,475,370**	**–**	**–**
		2009	–	84,475,370	–	–
Image One	Marketing fee	**2010**	**–**	**–**	**–**	**(1,023,382)**
		2009	4,541,168	–	–	(987,028)
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)	Legal and retainers' fees and others	**2010**	**7,938,250**	**–**	**–**	**(560,000)**
		2009	24,572,116	–	–	(336,000)
		2010	**₱209,610,344**	**₱87,085,657**	**₱59,898,039**	**(₱7,762,136)**
		2009	180,006,362	146,367,188	40,176,666	(13,073,175)

GMA Foundation
Some of the trustees of GMA Foundation are also the stockholders of the Parent Company.

RGMA
Cash advances made by the Parent Company to RGMA were intended for future capital subscription. Cash advances amounting to ₱59.28 million were collected by the Parent Company in 2010.

Mont-Aire
The advances made by the Parent Company to Mont-Aire in previous years are 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:

	2010	2009	2008
Salaries and other short-term benefits	**₱252,212,804**	₱283,394,894	₱245,296,528
Pension benefits	**37,374,611**	37,451,095	38,413,229
	₱289,587,415	₱320,845,989	₱283,709,757

20. **Revenues**

This account consists of:

	2010	2009	2008
Television and radio airtime	**₱13,192,728,856**	₱12,691,612,973	₱11,653,548,484
Subscription income	**925,370,205**	855,182,975	588,498,836
Production and others	**181,417,798**	224,080,695	254,654,344
	₱14,299,516,859	₱13,770,876,643	₱12,496,701,664

21. Production Costs

This account consists of:

	2010	2009	2008
Talent fees and production personnel costs	**₱2,330,496,360**	₱2,101,146,857	₱1,995,666,900
Rental (see Note 26)	**658,905,787**	613,057,118	507,935,577
Tapes, sets and productions supplies	**534,769,220**	488,161,380	493,135,713
Program rights usage (see Note 8)	**463,861,354**	524,436,570	486,107,804
Facilities and production services	**332,343,837**	355,338,563	357,338,928
Depreciation (see Notes 12 and 14)	**210,468,361**	206,608,697	116,816,903
Transportation and communication	**197,286,664**	100,798,448	145,873,439
	₱4,728,131,583	₱4,389,547,633	₱4,102,875,264

22. General and Administrative Expenses

This account consists of:

	2010	2009	2008
Personnel costs (see Note 23)	**₱1,626,148,105**	₱1,612,077,169	₱1,241,295,607
Advertising	**401,373,131**	289,620,121	284,600,142
Depreciation and amortization (see Notes 12 and 14)	**296,501,220**	352,078,208	361,778,831
Communication, light and water	**240,967,848**	203,915,007	198,564,316
Repairs and maintenance	**202,020,277**	145,085,737	126,620,972
Taxes and licenses	**191,293,163**	191,409,221	155,859,059
Professional fees	**136,879,522**	145,306,859	140,752,713
Sales incentives	**129,027,683**	77,240,586	95,142,200
Research and surveys	**105,380,684**	96,084,168	95,243,033
Rental (see Note 26)	**78,591,408**	80,347,252	65,457,504
Transportation and travel	**68,532,979**	68,937,835	87,751,787
Provision for doubtful accounts, net of reversal (see Note 7)	**30,599,355**	8,168,203	22,171,088
Materials and supplies	**20,890,902**	20,032,851	21,212,500
Amortization of software costs (see Note 15)	**20,213,004**	15,661,449	16,670,009
Insurance	**18,631,682**	15,263,455	19,357,297
Entertainment, amusement and recreation	**13,996,511**	11,318,261	16,085,695
Dues and subscriptions	**11,391,554**	11,345,758	11,840,330
Others	**140,115,206**	108,077,030	98,508,787
	₱3,732,554,234	₱3,451,969,170	₱3,058,911,870

23. Personnel Costs

This account consists of:

	2010	2009	2008
Salaries and wages	**₱1,055,975,742**	₱917,980,386	₱754,598,181
Employee benefits and allowances	**442,216,143**	547,773,450	321,677,771
Net pension expense (see Note 25)	**94,321,384**	115,170,174	116,186,298
Sick and vacation leaves expense	**33,634,836**	31,153,159	48,833,357
	₱1,626,148,105	₱1,612,077,169	₱1,241,295,607

24. **Others**

This account consists of the following income (expenses):

	2010	2009	2008
Foreign currency exchange gain (loss) - net	**(₱25,511,661)**	(₱9,176,385)	₱347,438
Tax refund of GMA Pinoy TV	**17,845,874**	13,336,397	8,644,667
Gain on sale of property and equipment and investment properties - net	**13,853,541**	10,158,900	30,632,485
Rental (see Note 26)	**4,947,469**	4,525,381	4,508,623
Commissions	**3,515,842**	4,036,479	12,805,388
Discount on tax credit certificates	**2,670,692**	7,408,499	5,223,668
Sales of DVDs and integrated receiver-decoders	**2,516,687**	3,889,832	1,873,601
Income from mall shows	**1,873,000**	5,741,334	1,307,979
Merchandising license fees and others	**1,076,674**	1,661,697	9,770,701
Income from unreturned video tapes	**508,106**	1,241,144	1,749,880
Dividends	**58,957**	22,691	58,082
Reversal of long-outstanding payables and reimbursement of IPO charges by selling shareholders	**–**	81,636	4,401,967
Proceeds from insurance claims	**–**	412,555	788,544
Others	**1,189,981**	–	–
	₱24,545,162	₱43,340,160	₱82,113,023

25. **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 statements of financial position for the plans:

Net pension expense consists of (see Note 23):

	2010	2009	2008
Current service cost	**₱64,975,622**	₱61,736,161	₱69,579,899
Interest cost	**79,841,216**	62,345,036	54,574,690
Expected return on plan assets	**(43,864,915)**	(18,018,493)	(14,990,315)
Actuarial (gains) losses recognized	**(6,630,539)**	9,107,470	7,022,024
	₱94,321,384	₱115,170,174	₱116,186,298

The details of pension liability are as follows:

	2010	2009	2008
Fair value of plan assets	**₱615,649,657**	₱487,231,208	₱149,767,773
Present value of defined benefit obligation	**(828,936,473)**	(721,781,243)	(746,444,672)
	(213,286,816)	(234,550,035)	(596,676,899)
Unrecognized actuarial losses (gains)	**(39,354,197)**	(45,984,736)	307,842,092
	(₱252,641,013)	(₱280,534,771)	(₱288,834,807)

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

	2010	2009	2008
Balance at beginning of year	**₱487,231,208**	₱149,767,773	₱131,559,055
Contribution during the year	**122,215,142**	123,470,210	101,497,024
Benefits paid	**(37,661,608)**	(22,594,803)	(31,497,025)
Expected return on plan assets	**43,864,915**	18,018,493	14,990,315
Actuarial gains (losses)	**–**	218,569,535	(66,781,596)
Balance at end of year	**₱615,649,657**	₱487,231,208	₱149,767,773
Actual return on plan assets	**₱43,850,809**	₱236,588,028	(₱51,791,281)

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

	2010	2009	2008
Balance at beginning of year	**₱721,781,243**	₱746,444,672	₱653,787,108
Current service cost	**64,975,622**	61,736,161	69,579,899
Interest cost	**79,841,216**	62,345,036	54,574,690
Benefits paid	**(37,661,608)**	(22,594,803)	(31,497,025)
Actuarial gains	**–**	(126,149,823)	–
Balance at end of year	**₱828,936,473**	₱721,781,243	₱746,444,672

The Group expects to contribute ₱110.00 million to its defined benefit pension plans in 2011.

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:

	2010	2009	2008
Equity securities	**82%**	83%	46%
Investments in government securities	**8%**	12%	43%
Cash and cash equivalents	**8%**	1%	3%
Others	**2%**	4%	8%
	100%	100%	100%

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

	January 1, 2010	January 1, 2009	January 1, 2008
Discount rate	**10-11%**	7-8%	8%
Expected rate of return on plan assets	**9-10%**	9%	9%
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, 2010 are 8%, 9% and 6%, respectively.

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

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

	2010	2009	2008	2007	2006
Defined benefit obligation	**₱828,936,473**	₱721,781,243	₱746,444,672	₱653,787,108	₱672,369,032
Plan assets	**615,649,657**	487,231,208	149,767,773	131,559,055	1,487,557
Deficit	**213,286,816**	234,550,035	596,676,899	522,228,053	670,881,475
Experience adjustments on plan liabilities	–	126,149,823	–	124,676,343	291,336,144
Experience adjustments on plan assets	–	218,569,535	(66,781,596)	(92,133)	(39,948)

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 ₱737.50 million, ₱693.40 million and ₱573.39 million in 2010, 2009 and 2008, respectively (see Notes 21 and 22).

The Parent Company also 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:

	2010	2009
	(In Millions)	
Within one year	**₱118.38**	₱107.61
After one year but not more than five years	**62.00**	180.38
	₱180.38	₱287.99

The Group also leases out certain properties. Total rental income amounted to ₱4.95 million, ₱4.53 million and ₱4.51 million in 2010, 2009 and 2008, respectively (see Note 24).

27. Income Taxes

The components of the Group's provision for income tax are as follows:

	2010	2009	2008
Current income tax:			
RCIT	**₱966,162,662**	₱1,026,567,363	₱1,132,870,023
MCIT	**239,980**	210,085	1,975,504
Deferred tax expense (income) relating to the origination and reversal of temporary difference	**6,980,993**	(6,132,658)	18,972,357
	₱973,383,635	₱1,020,644,790	₱1,153,817,884

Income tax relating to the component of other comprehensive income follows:

	2010	2009	2008
Revaluation of AFS financial asset	**(₱14,500)**	(₱517,819)	(₱176,991)
Revaluation increment in land	**–**	–	4,520,389
	(₱14,500)	(₱517,819)	₱4,343,398

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

	2010	2009
Deferred tax assets:		
Allowance for doubtful accounts	**₱63,252,269**	₱61,906,698
Accrued sick and vacation leaves	**49,334,995**	49,334,995
Pension liability	**43,731,897**	55,074,744
Accrued rent	**10,970,867**	14,492,759
Unrealized foreign currency exchange loss	**2,126,433**	1,346,967
Discounting of long-term obligation for program rights	**635,659**	635,659
Unamortized past service costs	**262,203**	658,961
Others	**–**	131,086
	170,314,323	183,581,869
Deferred tax liabilities:		
Revaluation increment in land	**(318,924,867)**	(318,924,867)
Unamortized capitalized borrowing costs	**(30,231,459)**	(33,254,605)
Revaluation of AFS financial assets	**(208,910)**	(208,910)
	(349,365,236)	(352,388,382)
	(₱179,050,913)	(₱168,806,513)

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

	2010	2009
Deferred tax assets:		
Pension liability	**₱30,780,038**	₱27,821,611
Accrued sick and vacation leaves	**8,967,413**	7,695,271
Allowance for doubtful accounts	**2,313,611**	2,232,261
Allowance for impairment loss on investment properties	**1,923,146**	1,923,146
MCIT	**821,828**	934,448
NOLCO	**524,416**	1,441,707
Unrealized foreign currency exchange loss	**125,070**	143,671
	45,455,522	42,192,115
Deferred tax liability -		
Revaluation of AFS financial assets	**(4,500)**	(19,000)
	₱45,451,022	₱42,173,115

The unrecognized deferred tax assets of GMA Records and Scenarios amounted to ₱0.63 million and ₱2.33 million as of December 31, 2010, respectively, and ₱0.53 million and ₱2.38 million as of December 31, 2009, 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.

As of December 31, 2010, the Group's MCIT and NOLCO are as follows:

Date Paid/Incurred	Carryforward Benefit Up To	MCIT	NOLCO
December 31, 2008	December 31, 2011	₱371,763	₱–
December 31, 2009	December 31, 2012	210,085	–
December 31, 2010	December 31, 2013	239,980	1,748,054
		₱821,828	₱1,748,054

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

	2010	2009	2008
Statutory income tax rate	**30.00%**	30.00%	35.00%
Additions (deductions) in income tax rate resulting from:			
Income tax holiday	**(4.21)**	(3.51)	(2.84)
Interest income already subjected to final tax	**(0.61)**	(0.45)	(0.68)
Nonclaimable foreign tax credit	**0.54**	0.52	0.41
Equity in net losses of associates and joint ventures	**(0.05)**	0.09	0.07
Others - net	**(0.02)**	(0.06)	(0.17)
Effect of change in tax rate	–	–	0.96
Effective income tax rates	**25.65%**	26.59%	32.75%

Under Republic Act No. 9337, regular corporate income tax rate for domestic corporations and resident and nonresident foreign corporations was reduced from 35% to 30% beginning January 1, 2009. The deferred income taxes and the provision for current income tax include the effect of the change in tax rates.

28. EPS Computation

The computation of basic EPS follows:

	2010	2009	2008
Net income (a)	**₱2,820,827,053**	₱2,818,250,808	₱2,368,927,662
Less attributable to preferred shareholders	**870,532,881**	869,737,829	731,072,620
Net income attributable to common shareholders (b)	**₱1,950,294,172**	₱1,948,512,979	₱1,637,855,042
Common shares issued at the beginning of year	**3,364,692,000**	3,364,692,000	3,364,692,000
Treasury shares (see Note 18)	**(3,645,000)**	(3,645,000)	(3,645,000)
Underlying shares on acquired PDRs (see Note 18)	**(750,000)**	(750,000)	(750,000)
Weighted average number of common shares for basic EPS (c)	**3,360,297,000**	3,360,297,000	3,360,297,000
Basic EPS (b/c)	**₱0.580**	₱0.580	₱0.487

The computation of diluted EPS follows:

	2010	2009	2008
Net income (a)	**₱2,820,827,053**	₱2,818,250,808	₱2,368,927,662
Weighted average number of common shares	**3,360,297,000**	3,360,297,000	3,360,297,000
Effect of dilution - assumed conversion of preferred shares	**1,500,000,000**	1,500,000,000	1,500,000,000
Reacquired preferred shares	**(98,563)**	(98,563)	(98,563)
Weighted average number of common shares adjusted for the effect of dilution (d)	**4,860,198,437**	4,860,198,437	4,860,198,437
Diluted EPS (a/d)	**₱0.580**	₱0.580	₱0.487

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

The Group's principal financial instruments include cash and cash equivalents and short-term investments. The main purposes of these financial instruments include raising financing for the Group's operations and managing identified financial risks. The Group has other financial assets and liabilities such as trade receivables, guarantee and other deposits, obligations for program rights, dividends payable and trade payables, which arise directly from its operations. The main risks arising from the use of financial instruments are liquidity risk, foreign currency exchange risk, interest rate risk and credit risk.

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

Liquidity Risk. The Group is exposed to the possibility that adverse changes in the business environment and/or its operations would result 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 tables below summarize the maturity profile of the Group's financial assets used for liquidity risk management purposes and financial liabilities based on contractual undiscounted payments as of December 31:

	2010			
	On Demand	Less than 3 Months	3 to 12 Months	Total
Cash and cash equivalents	₱708,365,390	₱523,986,450	₱–	₱1,232,351,840
Trade receivables:				
Television and radio airtime	1,659,287,010	3,046,277,536	58,018,080	4,763,582,626
Subscriptions	149,515,901	118,160,383	–	267,676,284
Others	144,923,704	29,716,962	–	174,640,666
Nontrade receivables:				
Advances to officers and employees	8,167,850	1,457,562	–	9,625,412
Others	103,065,066	15,080,093	–	118,145,159
	₱2,773,324,921	₱3,734,678,986	₱58,018,080	₱6,566,021,987
Trade payables and other current liabilities*	₱364,235,021	₱424,465,983	₱176,591,065	₱965,292,069
Obligations for program rights	–	56,536,850	19,057,278	75,594,128
Dividends payable	5,493,035	–	–	5,493,035
	₱369,728,056	₱481,002,833	₱195,648,343	₱1,046,379,232

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

	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	8,573,162	487,151	–	9,060,313
Others	12,843,132	–	–	12,843,132
	₱2,443,180,362	₱4,635,291,395	₱265,600,948	₱7,344,072,705
Trade payables and other current liabilities*	₱428,881,271	₱391,398,892	₱278,494,698	₱1,098,774,861
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	₱293,992,723	₱1,163,618,534

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

Foreign Currency Exchange Risk. The Group's exposure to foreign currency exchange risk results from its business transactions denominated in foreign currencies. It is the Group's policy to ensure that capabilities exist for active but conservative management of its foreign exchange risk.

The Group's foreign-currency-denominated monetary assets and liabilities amounted to US$14.18 million (₱621.65 million) and US$2.01 million (₱87.91 million), respectively, as of December 31, 2010, and US$10.88 million (₱502.61 million) and US$1.61 million (₱74.27 million), respectively, as of December 31, 2009.

In translating the foreign-currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱43.84 to US$1.00 and ₱46.20 to US$1.00, the Philippine peso to U.S. dollar exchange rates as of December 31, 2010 and 2009, 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
2010	**0.50**	(₱6.09 million)
	(0.50)	6.09 million
2009	0.50	(₱4.64 million)
	(0.50)	4.64 million

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
2010	**50**	₱6.05 million
	(50)	(6.05 million)
2009	50	11.08 million
	(50)	(11.08 million)

Credit Risk. Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products and services are made to customers with appropriate credit history. The Group has an internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of the instruments. 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 and officers and employees.

As of December 31, 2010 and 2009, the credit quality of the Group's financial assets is as follows:

	2010				
	Neither Past Due Nor Impaired		**Past Due**		
	High Grade	**Standard Grade**	**but not Impaired**	**Impaired**	**Total**
Cash and cash equivalents*	**₱1,209,617,365**	**₱–**	**₱–**	**₱–**	**₱1,209,617,365**
Trade receivables:					
Television and radio airtime	**1,489,990,113**	**1,556,287,423**	**1,717,305,090**	**210,840,896**	**4,974,423,522**
Subscriptions	**174,784,481**	**–**	**92,891,803**	**–**	**267,676,284**
Others	**–**	**29,716,962**	**144,923,704**	**2,547,299**	**177,187,965**
Nontrade receivables:					
Advances to officers and employees	**–**	**1,457,562**	**8,167,850**	**–**	**9,625,412**
Others	**3,523,807**	**11,556,286**	**103,065,066**	**–**	**118,145,159**
Guarantee and other deposits	**14,132,084**	**–**	**–**	**–**	**14,132,084**
AFS financial assets	**104,966,848**	**–**	**–**	**–**	**104,966,848**
	₱2,997,014,698	**₱1,599,018,233**	**₱2,066,353,513**	**₱213,388,195**	**₱6,875,774,639**

** Excluding cash on hand amounting to ₱22.73 million as of December 31, 2010.*

	2009				
	Neither Past Due Nor Impaired		Past Due		
	High Grade	Standard Grade	but not Impaired	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	206,355,660	4,955,512,742
Subscriptions	113,683,756	–	92,410,913	–	206,094,669
Others	–	31,846,106	111,417,273	2,097,002	145,360,381
Nontrade receivables:					
Advances to officers and employees	–	487,151	8,573,162	–	9,060,313
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	₱1,598,255,477	₱1,909,264,871	₱208,452,662	₱7,665,291,596

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

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, 2010.

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, 2010 and 2009 amounted to ₱10,298.63 million and ₱10,880.12 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:

	2010		2009	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱1,232,351,840**	**₱1,232,351,840**	₱2,200,193,818	₱2,200,193,818
Short-term investments	**–**	**–**	23,460,312	23,460,312
Trade receivables:				
Television and radio airtime	**4,763,582,626**	**4,763,582,626**	4,749,157,082	4,749,157,082
Subscriptions	**267,676,284**	**267,676,284**	206,094,669	206,094,669
Others	**174,640,666**	**174,640,666**	143,263,379	143,263,379
Nontrade receivables:				
Advances to officers and employees	**9,625,412**	**9,625,412**	9,060,313	9,060,313
Others	**118,145,159**	**118,145,159**	12,843,132	12,843,132
Guarantee and other deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**14,132,084**	**13,868,027**	15,311,853	14,833,451
	6,580,154,071	**6,579,890,014**	7,359,384,558	7,358,906,156
AFS financial assets	**104,966,848**	**104,966,848**	104,906,848	104,906,848
	₱6,685,120,919	**₱6,684,856,862**	₱7,464,291,406	₱7,463,813,004
Financial Liabilities				
Other financial liabilities:				
Trade payables and other current liabilities*	**₱965,292,069**	**₱965,292,069**	₱1,098,774,861	₱1,098,774,861
Obligations for program rights	**75,594,128**	**75,594,128**	61,475,710	61,475,710
Dividends payable	**5,493,035**	**5,493,035**	3,367,963	3,367,963
	₱1,046,379,232	**₱1,046,379,232**	₱1,163,618,534	₱1,163,618,534

** Excluding payable to government agencies 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:

<u>Cash and Cash Equivalents, Short-term Investments and Trade and Nontrade Receivables</u>
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.

<u>Guarantee and Other Deposits</u>
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 1.78% to 2.49% in 2010 and 4.42% to 4.81% in 2009.

<u>AFS Financial Assets</u>
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.

<u>Trade Payables and Other Current Liabilities, Obligations for Program Rights and Dividends Payable</u>
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, 2010 and 2009, 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

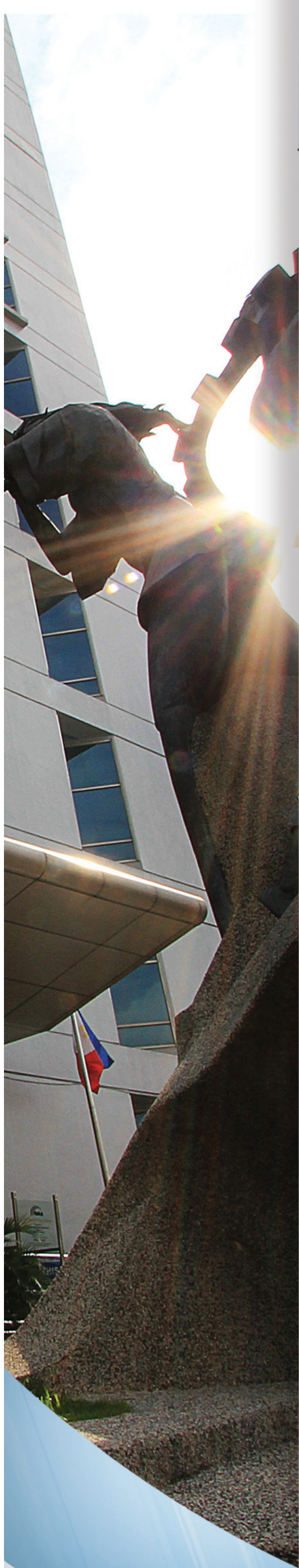
a. On February 19, 2007, the Parent Company was registered with the Board of Investments as a new export producer of television and motion picture on a non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order No. 226). As a registered enterprise the Parent Company is entitled to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

   The total tax incentives availed of in 2010, 2009 and 2008 amounted to ₱159.87 million, ₱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 11, 2011, 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.

DIRECTORIES CONTACT INFORMATION



Main Office:

GMA Network, Inc.
GMA Network Center,
EDSA cor. Timog Avenue
Diliman, Quezon City
Trunkline: (02) 982 7777

Websites:

www.gmanetwork.com/ir
www.iGMA.tv
www.GMANews.tv
www.GMAPinoyTV.com
www.GMARecords.com.ph

LUZON

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

TV-11 Metro Manila
Brgy. Culiat, Tandang Sora, Quezon City
(02) 931-9183 / (02) 924-2497

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

TV-5 Ilocos Norte
Brgy. San Lorenzo, San Nicolas,
Ilocos Norte
0918-5328580

TV-10 Benguet
Mt. Sto. Tomas, Tuba, Benguet
0917-4273214

TV-22 Benguet (UHF)
Mt. Sto. Tomas, Tuba, Benguet
0917-4273214

TV-10 Olongapo
Upper Mabayuhan, Olongapo City
0927-2570496

TV-26 Olongapo (UHF)
Upper Mabayuhan, Olongapo City
0927-2570496

TV-12 Batangas
Mt. Banoy, Bo. Talumpok East, Batangas City
0921-4937234

TV-26 Batangas (UHF)
Mt. Banoy, Bo. Talumpok East, Batangas City
0921-4937234

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

TV-28 Naga (UHF)
Brgy. Concepcion Pequeña, Naga City
0919-4480290

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

TV-27 Legaspi (UHF)
Mt. Bariw, Estanza, Legaspi City
0919-8566463

TV-12 Puerto Princesa,Palawan
Mitra Rd., Brgy. Sta. Monica,
Puerto Princesa, Palawan
0939-2755280

TV-6 Brooke's Point, Palawan
Poblacion, Brooke's Point, Palawan
0939-2755280

TV-7 Masbate
Brgy. Pinamurbuhan, Mobo, Masbate
0909-2405510

TV-13 Catanduanes
Brgy. Sto. Niño, Virac, Catanduanes
0906-7524547

TV-13 Occ. Mindoro
Bonifacio St., San Jose,
Occidental Mindoro
0921-3524271

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

TV-7 Abra
Brgy. Lusuac, Peñarrubia, Abra
0999-4473166

TV-13 Aparri, Cagayan
Hi-Class Bldg., De Rivera St., Poblacion,
Aparri, Cagayan
0908-3846771

TV-7 Tuguegarao, Cagayan
Phil. Lumber Bldg., Washington St.,
Tuguegarao, Cagayan
0929-5603195

TV-8 Coron, Palawan
Tapias Hill, Coron, Palawan
0929-6982107

TV-7 Batanes
Brgy. Kayvaluganan, Basco, Batanes
0928-7433472 / 09292804278

TV-7 Romblon
Triple Peak, Sta. Maria, Tablas, Romblon
0929-4812061

TV-7 Quirino
Brgy. San Marcos, Capitol Hills,
Cabarroguis, Quirino
0921-7449353

TV-5 Mountain Province
Mt Amuyao, Barlig. Mt. Province
0920-8232899

VISAYAS

TV-7 Cebu
Bonbon, Cebu City
0915-9119676

TV-27 Cebu (UHF)
Bonbon, Cebu City
0915-9119676

TV-6 Iloilo
Bo. Tamburong, Jordan, Guimaras
0916-5508126

TV-28 Iloilo (UHF)
Alta Tierra Subdivision, Jaro, Iloilo
0916-5508126

TV-11 Bohol
Banat-I Hills, Brgy. Bool, Tagbilaran City
0918-2502675

TV-10 Tacloban
Basper, Tigbao, Tacloban City
0919-3899212

TV-12 Ormoc, Leyte
Barrio Patag, Brgy. Alta Vista, Ormoc City 0912-8660646

TV-8 Borongan
Poblacion, Borongan, Eastern Samar
0921-2602154

TV-5 Roxas City
Brgy. Lawa-an, Roxas City, Capiz
0921-9978181 / 0949-4912879

TV-5 Dumaguete
Barrio Looc, Sibulan, Negros Oriental
0906-5229490

TV-10 Sipalay
Sipalay Municipal Building, Sipalay,
Negros Occidental
0999-6932317

TV-5 Calbayog City
Purok 2 San Mateo St. Brgy. Matobato,
Calbayog City, Western Samar
0948-7095868

TV-2 Kalibo
New Busuanga, Numancia, Aklan
0929-4356922

TV-13 Bacolod
Security Bank Bldg., Rizal St.
cor. Locsin St., Bacolod City
0916-5504655

MINDANAO

TV-5 Davao
Shrine Hills, Matina, Davao City
0916-2141849 / 0929-3292480

TV-27 Davao (UHF)
Shrine Hills, Matina, Davao City
0916-2141849 / 0929-3292480

TV-12 Mt. Kitanglad
Mt. Kitanglad, Bukidnon
0921-3121533

TV-12 Cagayan De Oro
Malasag Heights, Brgy. Cugman,
Cagayan de Oro City
0921-2045939

TV-35 Cagayan de Oro (UHF)
Malasag Heights, Brgy. Cugman,
Cagayan de Oro City
0921-2045939

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

TV-26 Gen. Santos (UHF)
Nuñez St., Brgy. San Isidro,
General Santos City
0919-5788292

TV-12 Cotabato
Regional Government Center,
Cotabato City
0920-3537395

TV-27 Cotabato (UHF)
Regional Government Center,
Cotabato City
0920-3537395

TV-9 Zamboanga
Brgy. Cabatangan, Zamboanga City
0921-8795244

TV-21 Zamboanga (UHF)
Brgy. Cabatangan, Zamboanga City
0921-8795244

TV-5 Ozamis
Bo. Malaubang, Ozamis City,
Misamis Occidental
0928-6278996

TV-4 Dipolog
Linabo Peak, Brgy. Owaon, Dapitan City,
Zamboanga Del Norte
0921-4406867

TV-10 Surigao
Lipata Hills, Surigao City
0919-8095052

TV-12 Jolo, Sulu
Ynawat Bldg., Hadji Butu St., Jolo, Sulu
0918-7923420 / 0926-7629292

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

TV-3 Pagadian
Mt. Palpalan, Pagadian City
0908-6888017

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

SUBSIDIARIES

GMA New Media, Inc.
12/F GMA Network Center, EDSA cor. Timog
Avenue, Diliman, Quezon City
Tel. Nos.: 857-4664 • 857-4627
Fax.: 857-4665 • 857-4633
Website: www.gmanmi.com
Chairman and CEO: Felipe L. Gozon
President and COO: Edilberto I. Gallares

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

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

GMA Worldwide (Philippines), Inc.
10/F GMA Network Center, EDSA corner Timog
Avenue, Diliman, Quezon City
Tel. Nos.: 928-5072
982-7777 local 9381
Fax.: 928-5065
Chairman: Gilberto R. Duavit, Jr.
President: Anna Teresa G. Abrogar

RGMA Marketing and Productions, Inc. (GMA Records)
Unit 1405 Future Point Plaza, 112 Panay Avenue,
Brgy. South Triangle Quezon City
Website: www.gmarecords.com.ph
Tel. No.: 411-7521
Telefax: 376-3395
Chairman: Felipe L. Gozon
President and CEO: Gilberto R. Duavit, Jr.

Script2010, Inc. (formerly Capitalex Holdings, Inc.)*
GMA Complex, EDSA corner Timog Avenue
Diliman, Quezon City
Tel. No.: 982-7777 local 9921
928-5507
Telefax: 928-7482
Chairman: Felipe L. Gozon
President and CEO: Gilberto R. Duavit, Jr.

Scenarios, Inc.
GMA Complex, EDSA cor. Timog Avenue
Diliman, Quezon City
Tel. Nos.: 982-7777 local 9921
928-5507
Telefax: 928-7482
Chairman: Felipe L. Gozon
President and CEO: Gilberto R. Duavit, Jr.

Alta Productions, Inc.
10/F Sagittarius Building, H.V. Dela Costa St.
Salcedo Village, Makati City
Tel. Nos.: 816-3881
Fax.: 813-3982
Chairman: Felipe L. Gozon
President and COO: Edmund A. Alcaraz

GMA Marketing and Productions, Inc.
15/F GMA Network Center
EDSA cor. Timog Avenue
Diliman, Quezon City
Tel. No.: 982-7777
Fax.: 928-2044
Chairman and CEO: Felipe L. Gozon
President and COO: Lizelle G. Maralag

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

AFFILIATES

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

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

Philippine Entertainment Portal, Inc.**
Level 2, Robinsons Galleria
EDSA cor. Ortigas Avenue, Quezon City
Tel. Nos.: 633-1368
Telefax: 634-6140
Website: www.pep.ph

X-Play Online Game, Inc.**
Podium 4, RCBC Plaza, Yuchengco Tower
Ayala Avenue, Makati City
Tel. No.: 976-4784
Fax. No.: 886-6510

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

* Indirectly owned through Citynet Network Marketing and Productions, Inc.
** Indirectly owned through GMA New Media, Inc.
*** On April 26, 2007, the Company's Board of Directors declared its shareholdings in Mont-Aire as subject to sale to any interested buyer. In the event the Company does not find a willing buyer, the same shall be declared as dividends to the stockholders of record as of April 26, 2007.

SOCIO-CIVIC ORGANIZATIONS

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

Kapwa Ko, Mahal Ko
2/F Kapuso Center
GMA Network Drive cor. 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. Dela Costa St.
Salcedo Village, Makati City
Tel. No.: 816-3716
Fax: 817-0696 • 812-0008

Terriela Tagao Ona & Associates
8/F Strata 2000
Emerald Avenue, 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

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. Tarsierra St.
Legaspi Village, Makati City

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

United Coconut Planters' Bank
UCPB Building
Makati Avenue, Makati City

SHAREHOLDER SERVICES

Stock Transfer Service, Inc.
34/F Rufino Tower
6784 Ayala Avenue, Makati City
Tel. Nos.: 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 local 8042
Email: Investor_Relations@gmanetwork.com
Website: www.gmanetwork.com/ir

Stock Trading Information
GMA Network, Inc. is listed in the Philippine
Stock Exchange.
Ticket symbol: GMA7 - Common Shares
GMAP-PDRs

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GMA