Breaking New Grounds

EXPANDING REACH HERE AND ABROAD

THE 2012 GMA NETWORK, INC. ANNUAL REPORT

Built on strong foundations

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 the 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.

Contents

View from the top

Moving forward, we intend to keep our focus on developing better programs for our viewers across the different media platforms available.

CHAIRMAN'S MESSAGE

After establishing supremacy in Nationwide TV ratings in January 2011, we found out, albeit the hard way, that leading the pack is a lot more difficult than trying to become No. 1.

In the face of the constant pressure on our ability to sustain our TV ratings edge in 2012, we tenaciously kept our No. 1 position.

While our financial performance in 2012 recorded a slight increase in gross revenues, our net income was slightly lower than the previous year due to the significant rise in our OPEX, particularly the amortization of program rights and the bonuses we gave our employees as part of the Collective Bargaining Agreement.

In 2012, we celebrated our 5th year of listing at the Philippine Stock Exchange. As I rang the bell at the PSE trading floor to signal the start of trading during our listing anniversary in July, I could not help but become more acutely aware of how time can fly so fast. Even as we are humbled by our many accomplishments in only half a decade of being a publicly listed company, we remain passionate and upbeat with what the future holds for our company.

Indeed, the broadcast business is fast evolving, moving towards a wide array of possibilities, with advances in information technology as the primary driver. Amidst all these exciting developments, your Network remains committed to upholding the highest standards of broadcast excellence as we push the envelope of innovation further, across dynamic media platforms.

Our long-term goal to reach out to more viewers here and abroad is on track. We stepped up our regional expansion efforts in 2012 and will continue to do so in 2013. Last year, we launched three new originating stations in Ilocos, Bicol and Northern Mindanao. We also improved our signal and reach, pouring considerable resources in upgrading our transmitter facilities in key areas of the country.

These new originating stations are ready to contribute in delivering our promise of providing the most comprehensive, objective and credible coverage of the May 2013 national and local elections dubbed Eleksyon 2013. Once again, we have partnered with leading and highly respected institutions for our elections coverage. Our other business units, including Radio and Online, will also play crucial roles. Nonetheless, the credibility of our News organization and personalities remains our big advantage.

View from the top

CHAIRMAN'S MESSAGE

In the international arena, our channels GMA Pinoy TV, GMA Life TV and GMA News TV are being carried by more and more cable, direct-to-home TV companies and other media platforms worldwide; we do not see the pace of this upward trend slowing down in the near future. In fact, due to the constantly increasing number of subscribers to our channels, we look forward to the continuous growth in the contribution of our international business to our overall revenues in the coming years.

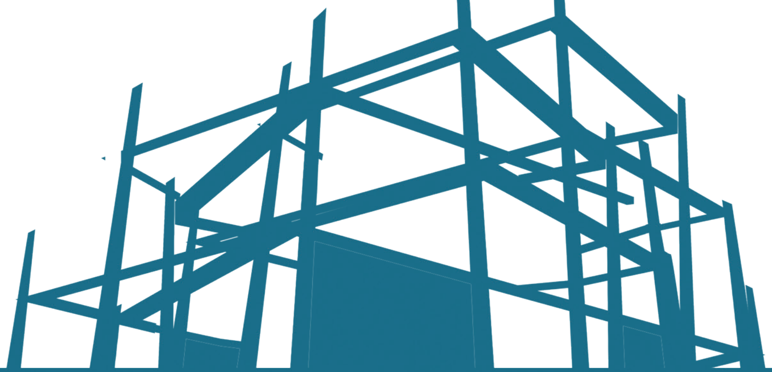
Moving forward, we intend to keep our focus on developing better programs for our viewers across the different media platforms available. Attuned to the different set of challenges brought about by convergence, you can rest assured that our Network will step up our game and up the ante, especially in the fields of innovative programming and program content delivery.

Overall, we see our Network exceeding expectations in 2013 as we anticipate another successful year for our TV, Radio, International, Digital and other business units. The road may get bumpier with each passing day as competition would not allow us to rest on our laurels. But we firmly believe that with hard work, determination and your unwavering support, our journey in 2013 will be an enjoyable and successful one.

To our shareholders, advertisers, officers and employees, business partners and most especially our viewers, my sincerest thanks for helping us get to where we are now. Needless to say, we will continue to need your support to get to where we want to be in the future.

Maraming salamat sa inyong lahat, mga Kapuso!

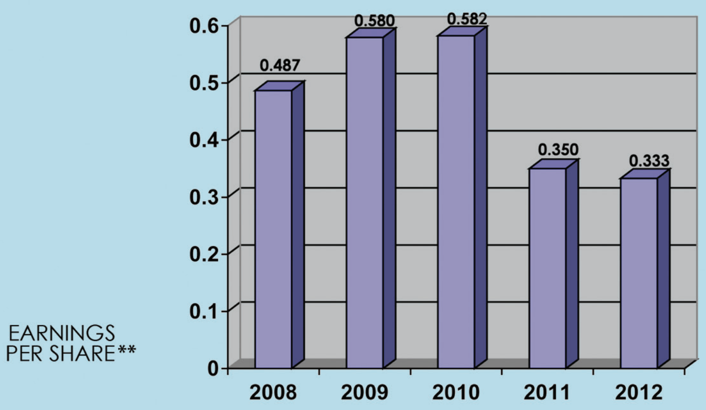
FELIPE L. GOZON
Chairman and CEO

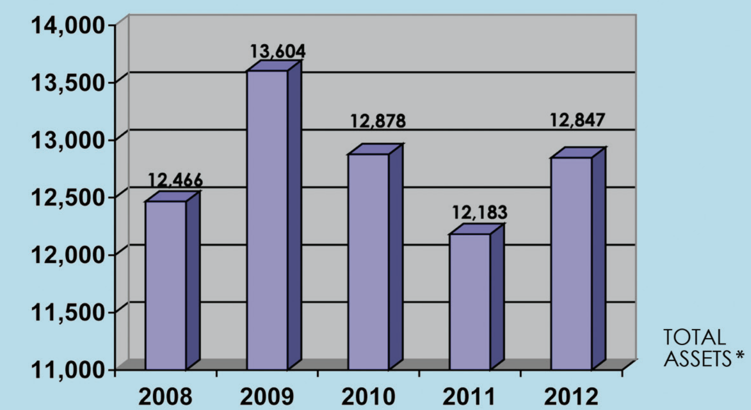


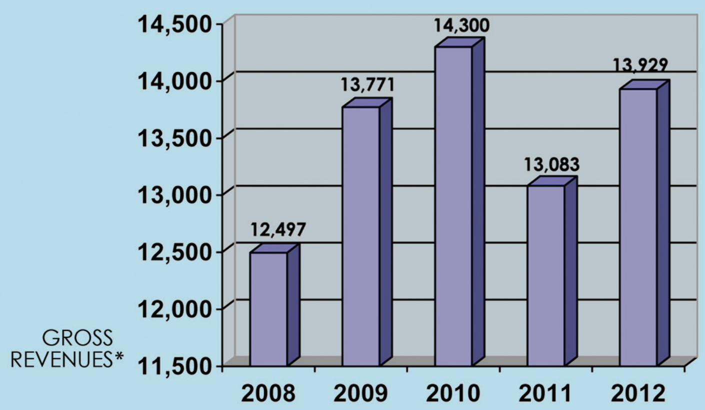
Putting up the numbers

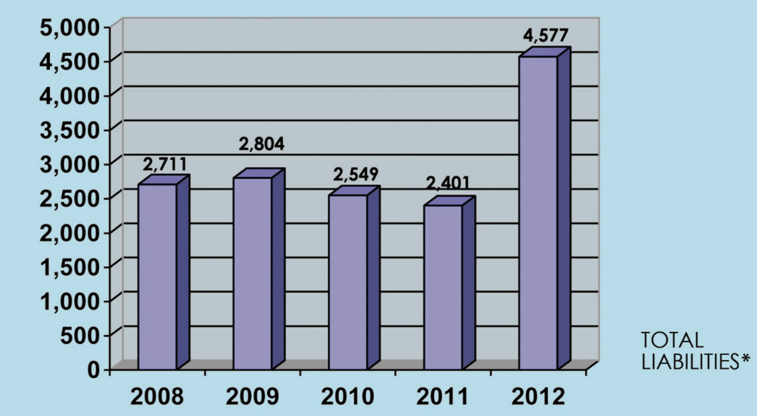
2012 FINANCIAL HIGHLIGHTS

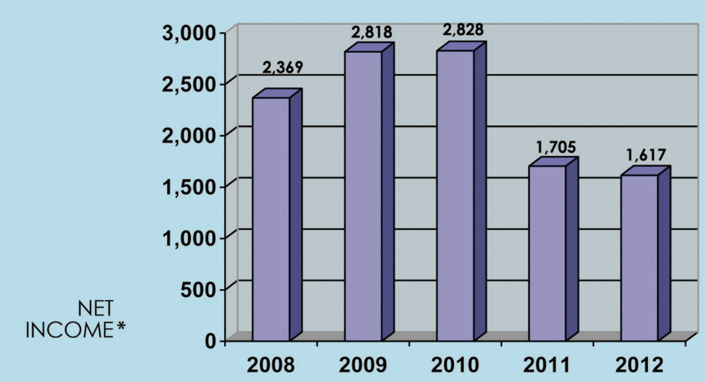
* Amounts in Million Pesos
** Amounts in Pesos

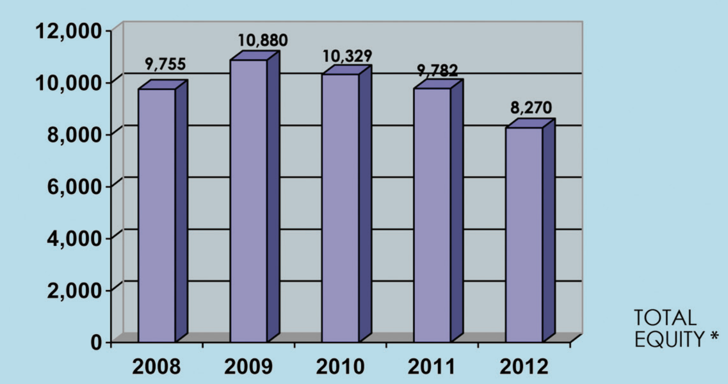












From the chief engineer

PRESIDENT'S MESSAGE

The past year has proven to be another challenging and eventful one for us in all aspects of our business.

While we retained our NUTAM ratings leadership, our main competitor initiated programming changes within the year that resulted in reducing our NUTAM ratings advantage by year end. Whereas NUTAM accounts for the National Urban TV audience, it was also within 2012 that the Rural TV household was introduced as part of the new, expanded national ratings measure PHINTAM, of which the Rural TV households comprise 48%.

Concerned by our dip in NUTAM ratings towards the end of the year, no efforts are being spared to regain lost ground. As of this writing, new programs are in various stages of production. Aimed at improving the competitiveness of our program line-up, these new programs will be launched within the near term as we incessantly work towards the continuous enhancement of our content value across all formats and genres. As the 2013 mid-term elections approach, plans have been made with preparations underway to ensure that our coverage is, once again, the most comprehensive and preferred.

Cognizant of the need to further expand our audience reach and appeal to both urban and rural households nationwide, we implemented transmitter upgrades in tertiary TV market areas throughout the year. By the close of 2012 we had also launched two (2) additional Originating Stations, the first in Ilocos Sur and the second, in Naga. Both equipped to enable localized content production, these new stations are linked to multiple transmitter sites within their respective areas, efficiently optimizing our reach in the Ilocos and Bicol Regions. A third, new originating station was also put into operation in the opening months of 2013. Located in Cagayan De Oro and linked to key transmitter sites within the area, our CDO station has significantly increased our reach in Northern Mindanao and now allows us to produce and air local programming to serve an additional, estimated 1 million TV households in the Southern Philippines.

Technical upgrades were also initiated throughout our product value chain in 2012. While we have long since migrated to fully digital image acquisition, pure data post production and content play-out, we started to implement process flow changes and equipment upgrades directed at the adoption of High-Definition content production when either adaptable or desired. This upgrade program will continue into the coming year and will involve both our field production and studio facilities.

Other areas of our operations continued to perform favorably in the past year. Our news channel, GMA News TV, maintained its position as the country's leading news channel, further increasing its margins over its counterparts and winning recognition for the quality of its programs in the

Cognizant of the need to further expand our audience reach and appeal to both urban and rural households nationwide, we implemented transmitter upgrades in tertiary TV market areas throughout the year.

PRESIDENT'S MESSAGE

process. Similarly, our international operations increased its subscriber numbers worldwide, a trend that we see will continue in the coming year, driven primarily by our increasing number of carrier partners as well as the fairly recent launch of our International News Channel.

Complementing these were the performances of our digital assets - our GMA website, GMA News Online and PEP, our partnership with the Summit Media Group, all of which contributed positively to our presence on-line. Being fully aware of the growing significance of this space to our business, deliberate and well planned efforts will be undertaken in the coming year to enable the even greater and more relevant presence of our brand, programs and talents on the several digital platforms as well as the exponentially growing number of smart devices currently being used by our viewers.

While our growth expectations were not met in the past year, there are certainly bases for optimism in the year ahead. The growth in our revenues in the First Quarter of 2013 versus the same period 2012 were driven primarily by our regular trade accounts rather than political ad spending – consistent with the positive economic numbers and outlook our country now enjoys. Taken in tandem with our proven ability to produce competitive content and efficiently manage our recurring costs, better numbers and margins can be expected in 2013.

Our many thanks once again to all our partners, stakeholders and our loyal viewers for your continued trust and support. We look forward to delivering even greater value to you in the year ahead.

Maraming salamat, mga Kapuso!

GILBERTO R. DUAVIT, JR.
President and COO

OPERATIONAL HIGHLIGHTS

After successfully securing the lead in nationwide TV ratings in 2011, GMA Network's Channel 7 faced the greater task of maintaining its supremacy over its rival stations in 2012. In terms of financial performance, the Company faced the challenge of equaling, if not surpassing, its 2011 figures.

To sustain ratings and revenue dominance, the Company channeled its resources not only in strengthening its programming content but also in expanding its reach in both local and international fronts.

From mid-2012 up to the beginning of 2013, the Network inaugurated 3 originating stations – one each in Ilocos (Ilocos Sur), Bicol (Naga) and Northern Mindanao (Cagayan De Oro). These new stations, with their own local sales and programming capability, complemented the Network's existing originating stations in Dagupan, Iloilo, Cebu and Davao as well as its satellite TV stations in Bacolod and General Santos.

In the global arena, GMA's international channels, GMA Pinoy TV, GMA Life TV and GMA News TV International, continued to launch in more cable and direct-to-home carriers in different parts of the globe.

Financials

GMA Network's consolidated gross revenues settled at P13.929 billion, up by 6% over 2011. EBITDA (Earnings Before Interest, Taxes, Depreciation And Amortization) closed at P3.414 billion, a double digit increase of 11% over the previous year.

Total operating expenses inched up by 6% (P553 million) to P9.538 billion due to the amortization of program rights as well as the CBA-related salary increases and the bonuses given the employees.

GMA Network's consolidated net income in 2012 ended at P1.617 billion, down 5% (P88 million) versus 2011.

Ratings*

GMA's Channel 7 maintained its lead in nationwide (NUTAM) TV ratings over rival ABS-CBN in 2012, posting an average total day household audience share of 34.4% (up by 2.9 percentage points versus ABS-CBN's 31.5% average).

GMA also registered double digit leads in its bailiwick areas of Urban Luzon and Mega Manila, beating ABS-CBN by 10.8 percent in Urban Luzon and 13.4 percent in Mega Manila.

GMA News TV, on the other hand, remained the leading news and public affairs channel in the country, coming in fourth behind GMA, ABS and TV-5.

In the radio sphere, both DZBB (AM band) and DWLS (FM band) remained in the number 2 spot in their respective categories.

* *GMA subscribes to Nielsen TV Audience Measurement, the more dominant TV ratings provider in the country.*

Other Business Units

GMA News TV's gross revenues posted a modest gain of 2%. Radio, on the other hand, dropped 3%.

Revenues from Regional TV operations increased by 25%, mostly due to the expansion and improvement of facilities, etc., in various parts of the country.

GMA International continued to increase its subscriber base for its channels. In 2012, GMA Pinoy TV subscribers inched up by 13%, totaling 329,108 while GMA Life TV clients grew 9% to 124,884. However, the appreciation of the Peso against the US Dollar caused subscription and advertising revenues to decline by 0.9%.

Subsidiaries

Overall, the revenues of GMA's subsidiaries increased by 14% in 2012 versus 2011. The primary contributor to the growth in revenues was Digify, Inc., GMA New Media's techno-creative lab that creates technology based solutions for various companies.

The self-titled album of Julie Anne San Jose released by GMA Records received a Platinum Digital Award after selling almost 38,000 units from August 2012 to January 2013. In addition, the album's carrier single, "I'll Be There," garnered over 245,000 downloads during the said period, earning a Platinum Digital Single Award. According to PARI, Julie Anne is the first ever recording artist to be accorded such an honor.

Meanwhile, GMA Films fielded 2 entries to the 2012 Metro Manila Film Festival: Sosy Problems and Si Agimat, Si Enteng At Si Ako, co-produced with M-ZET and Imus Productions. The latter earned almost P98 million in gross receipts.

GMA's worldwide syndication arm, GMA Worldwide, ended 2012 with a total sales of US$1,006,849.45 as some 60 program and movie titles were sold to various companies in Brunei, Cambodia, Hong Kong, Indonesia, Korea, Macau, Malaysia, Myanmar, Singapore, Thailand, Vietnam, Italy, Kenya, Tanzania and USA.

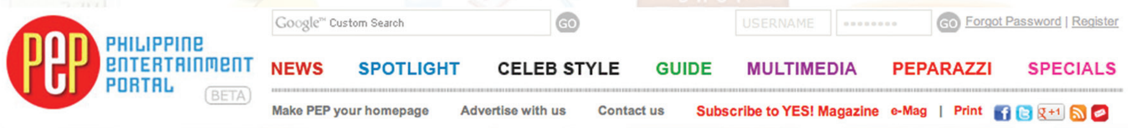
Cumulative 2012 revenues for ALTA Productions stood at P48.9 million, up by 6% versus 2011; audio dubbing services were the primary contributor to the revenues.

Gross revenues for Script2010 ended at P131.42 million with earnings from internal stage and set construction alone reaching P35.59 million.

As expected, 2012 was a challenging year for GMA Network. Nonetheless, your Company was able to achieve a modicum of success during the year. As it moves forward and looks to make greater strides in 2013 and beyond, your Network believes that continuously expanding its reach is a crucial strategy that must be astutely and selectively pursued.








Business builders

SUBSIDIARIES

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

GMA Network Films, Inc. - Film production.

GMA New Media, Inc. - Converging technology.

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

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

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

CityNet Network Marketing and Productions, Inc. - Television entertainment production.

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

Script2010, Inc.* (formerly Capitalex Holdings, Inc.) - Design, construction and maintenance of sets for TV, stage plays and concerts.

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

Digify, Inc.** - Crafting, planning and handling advertising and other forms of promotion including multi-media productions.

JOINT VENTURES

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

Philippine Entertainment Portal** - Handles the operation of PEP.ph, an entertainment portal.

Gamespan, Inc.*** - A partnership between IPVG Corp. and GMA New Media, Inc.

AFFILIATES

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

RGMA Network, Inc. - 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.
*** Indirectly owned through GMA New Media, Inc. Gamespan will be fully operational in 2013
**** On April 26, 2007, the Company's Board of Directors declared its shareholdings in Monte-Aire subject to sale to any interested buyer. In the event the Company does not find a willing buyer, the same shall be declared as dividends as property dividend to stockholders of record as of April 26, 2007.

Keeping our feet grounded

CORPORATE CITIZENSHIP

GMA: Fully Engaged In Doing The Right Thing

Over the years, the Filipino viewer has come to rely on GMA Network's *Serbisyong Totoo* – timely, accurate and relevant news and public affairs programs and innovative entertainment shows.

Another facet of the Kapuso Network's *Serbisyong Totoo* is its wide array of corporate social responsibility initiatives. From corporate philanthropy, scholarships and excellence awards to volunteerism and advocacy campaigns, GMA Network pours considerable resources in making sure that it does its fair share in building a stronger Filipino nation.

Corporate Philanthropy:

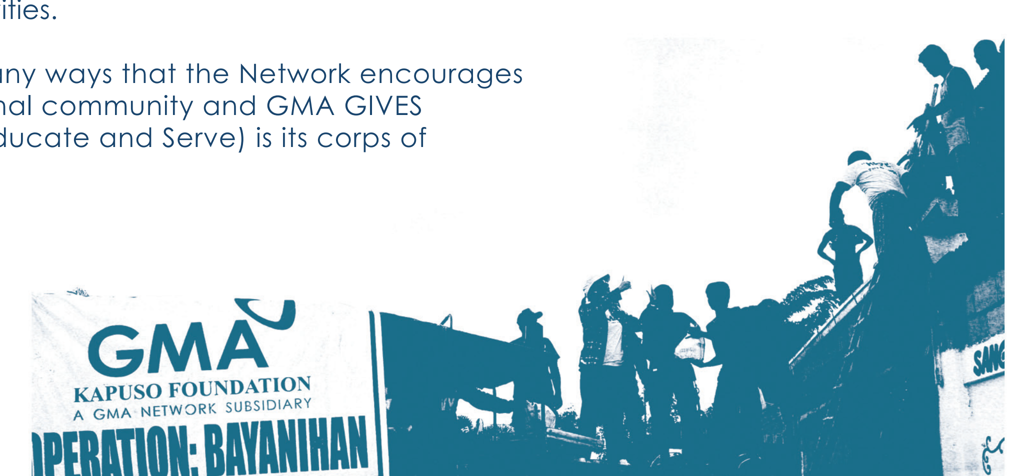
GMA has two socio-civic arms: Kapwa Ko, Mahal Ko and the GMA Kapuso Foundation.

Kapwa Ko, Mahal Ko, the longest running public service show, is given free airtime by the Network (Saturdays, early morning) while the Kapuso Foundation has a dedicated segment in 24 Oras and Unang Hirit.

24 Oras is GMA's evening primetime newscast while Unang Hirit is one of the longest-running morning programs on-air today.

Together with the Network's Corporate Affairs Division, the Kapuso Foundation spearheaded the Network's annual Kapuso Bloodletting Day in February. This activity encourages GMA employees and talents alike to donate blood as a way of institutionally celebrating the Kapuso Month. A total of 488,500 Ccs of blood were donated to the Philippine Red Cross as the Network's Metro Manila headquarters and its originating stations in Cebu, Davao, Pangasinan and Iloilo held simultaneous bloodletting activities.

Volunteerism is among the many ways that the Network encourages philanthropy among the internal community and GMA GIVES (Guide, Interact, Volunteer, Educate and Serve) is its corps of employee/talent-volunteers.



Throughout 2012, GMA GIVES conducted various volunteer activities, including:

- a computer learning session for students of the Cecilia Munoz Palma High School in Payatas, co-organized with the Justice Palma Foundation;
- participation in Habitat for Humanity Philippines' Youth Build 2012 in May;
- feeding activities in Urbiztondo, Pangasinan, under GMAKF's Give-A-Gift, Feed-A-Child Project;
- a telethon during the height of the Habagat in August, where Php1,143,200.00 worth of donations were pledged to the GMAKF; and,
- distribution of Noche Buena packages and toys to the children of the inmates of the Women's Correctional Institute

Education:

GMA seeks to sustain its tradition of excellence in mass media by molding the practitioners of the future with the GMA Network Excellence Award and the GMA Scholarship Program.

The GMA Network Excellence Award lauds select graduating Mass Communication, Electronics and Communications Engineering students who have accomplished consistent exemplary course work for the duration of their respective courses. The partner institutions are: University of the Philippines (Diliman and Cebu campuses), Don Bosco Technical School (Mandaluyong) and Angeles University Foundation (Angeles, Pampanga).

In 2012, a Special Edition of the GMA Network Excellence Award was given to a recipient of The Outstanding Students of the Philippines – National Capital Region (TOSP-NCR) and a Mass Communication student of Adamson University, in honor of its 80th Foundation Day. TOSP is an advocacy initiative of the RFM Foundation.

The 2012 GMA Network Excellence Awardees are:

1. Ranel Ram Cheng
   – UP (Diliman), Broadcast Communication
2. Princess Rocel Ubongen
   – UP (Diliman), Communication Research
3. Maria Jorica Pamintuan
   – UP (Diliman), Journalism
4. Marian Jaustine Sollano
   – UP (Cebu), Mass Communication
5. Ryan James Marimla
   – AUF, Mass Communication
6. Jhames Patrick M. Yabot
   – Don Bosco Technical School, ECE
7. Toby Emerson T. Pavon
   – Adamson University, Mass Communication
8. Angela Lou R. Manuel
   –TOSP awardee

The GMA Network Excellence Award will be expanded to Davao in 2013.

The GMA Scholarship Program extends complete financial aid to select 4th year Mass Communication students of UP Diliman and Angeles University Foundation. A similar scholarship is also given to a deserving student of ECE of Don Bosco Technical School.

The 2012 GMA scholars are:

1. Darrell Mina Magat
   – BA Mass Communication, AUF
2. Elisha Randee Vargas
   – AB Journalism, UP (Diliman)
3. Igal Jada San Andres
   – AB Journalism, UP (Diliman)
4. Hannah Ruth Dolot
   – ECE, Don Bosco Technical College
5. Jessica Camille Mamaril
   – ECE, Don Bosco Technical College

The Network also goes the extra mile in providing TV audiences with relevant knowledge to become well-informed citizens. It harnesses the power of broadcasting by airing advocacies of select partners through ROS (run of station) plugs. In 2012, GMA 7 aired 242.4 minutes of advocacy plugs, equivalent to 447 spots, and worth Php 88,724,923 in airtime. In GMA News TV, 1,068 spots (411.93 minutes) of advocacy plugs aired, with a value of Php 66,961,450. One example of an advocacy that has been consistently supported by GMA through ROS is Avon's Kiss Goodbye To Breast Cancer.

Environment:

Kapuso ng Kalikasan is GMA's platform for its various environment-related CSR endeavors.

In 2012, GMA joined Honda's 1M Blue Campaign, signifying its commitment to help nurture clean air through green driving practices.

The Network also sustained its participation in the annual Earth Hour of the World Wide Fund for Nature (WWF). Aside from turning off the lights in the Network's headquarters during Earth Hour, Kapuso personalities Ogie Alcasid, Michael V, Sam Pinto, Jay Gonzaga and Protégé (season 1) contenders Lira, Lovely and Nomer, also appeared in WWF's special music video that aired on Discovery Channel.

Finally, the Network participated in the Adopt-A-Kilometer program of the Bases Conversion Development Authority (BCDA) where the GMA GIVES planted around 2,500 indigenous trees along a kilometer stretch of SCTEX.

The architects of growth

BOARD OF DIRECTORS

Felipe L. Gozon, Filipino, 73 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 Law Firm of Belo Gozon Elma Parel Asuncion & Lucila. Aside from GMA Network, Inc., he is also Chairman and CEO of GMA Marketing and Productions, Inc. and GMA New Media, Inc.; Chairman and President of FLG Management and Development Corp.; Chairman of Alta Productions Group, Inc., Citynet Network Marketing and Productions, Inc., Mont-Aire Realty and Development Corp., Philippine Entertainment Portal, Inc., and RGMA Network, Inc.; Vice Chairman of Malayan Savings and Mortgage Bank; Director of, among other companies, Gozon Development Corp., Justitia Realty and Management Corp., Antipolo Agri-Business and Land Development Corp., Sagittarius Condominium Corp. and President of Lex Realty, Inc. He serves as Chairman of the Board of Trustees of GMA Kapuso Foundation, Inc., Kapwa Ko Mahal Ko Foundation, Inc., and The Potter and Clay Christian School Foundation, Inc.; Chairman and President of Gozon Foundation; and Trustee of Bantayog ng mga Bayani Foundation.

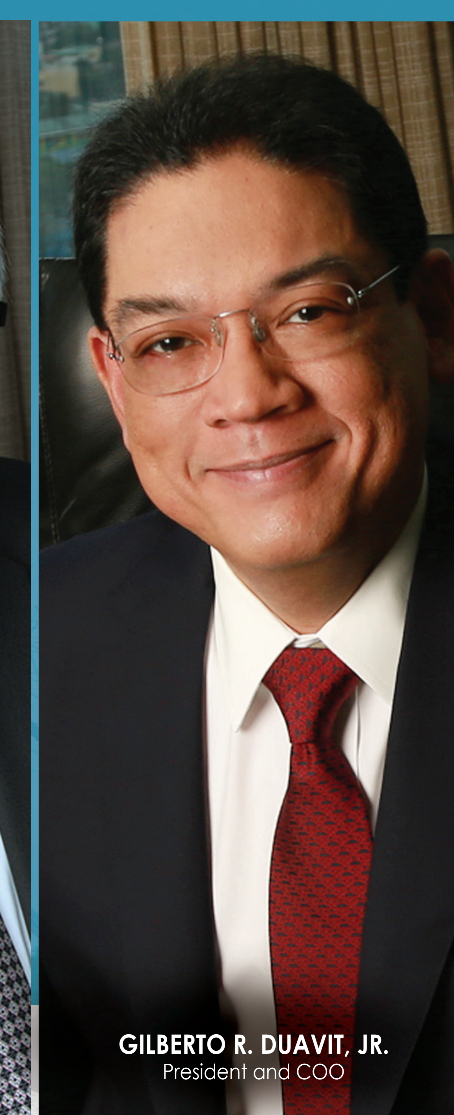
Atty. Gozon is a recipient of several awards for his achievement in law, media, public service, and business, including the prestigious Chief Justice Special Award given by the Chief Justice of the Philippines (1991), Presidential Award of Merit given by the Philippine Bar Association (1990 & 1993), CEO of the Year given by Uno Magazine (2004), Master Entrepreneur – Philippines (2004) by Ernst and Young, Outstanding Citizen of Malabon Award for Legal and Business Management by the Kalipunan ng Samahan sa Malabon (KASAMA) (2005), People of the Year by People Asia Magazine (2005) and Lifetime Achievement Award given by the UP Alumni Association (2012). 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 (among the first 10 of his class) and his Master of Laws degree from Yale University Law School. He was admitted to the Bar in 1962, placing 13th in the Bar examinations.

Gilberto R. Duavit, Jr., Filipino, 49 years old, is the President and Chief Operating Officer of the Network. He has been a Director of the Company since 1999 and is currently the Chairman of the Network's Executive Committee. Aside from GMA Network, Inc., he is the Chairman of the Board of GMA Network Films, Inc. and GMA Worldwide, Inc. and 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. He is the President and a Director of Group Management and Development, Inc.; President and Director of MediaMerge Corp., Citynet Network Marketing and Productions, Inc.; Director of RGMA Network, Inc., GMA New Media, Inc., Alta Productions Group, Inc., Optima Digital, Inc., and Monte-Aire Realty and Development Corp. He also serves as the President and a Trustee of GMA Kapuso Foundation, Inc., President of Guronasyon Foundation, Inc. (formerly LEAF) and is a Trustee of the HERO Foundation.

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

FELIPE L. GOZON
Chairman and CEO



GILBERTO R. DUAVIT, JR.
President and COO

Atty. Anna Teresa G. Abrogar, Filipino, 41 years old, has been a Director of the Company since 2000. Atty. Anna Teresa G. Abrogar graduated valedictorian from grade school and high school at Colegio San Agustin. She graduated cum laude, BS Management Engineering from Ateneo de Manila University and obtained her Bachelor of Laws degree from the University of the Philippines where she graduated valedictorian, cum laude. She later obtained her Master of Laws from Harvard University.

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

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

Joel Marcelo G. Jimenez, Filipino, 49 years old, has been a Director of the Company since 2002. He is currently the Chief Executive Officer of Alta Productions, Inc. He is a Director of RGMA Network, Inc., GMA New Media, Inc., Scenarios, Inc., and GMA Worldwide, Inc., besides also being a member of the Board of Directors of Malayan Savings and Mortgage Bank and Unicapital Securities, Inc. He is also a Director of Nuvoland Philippines, a real-estate development company. He is a Trustee of GMA Kapuso Foundation, Inc.

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

Dr. Jaime C. Laya, Filipino, 74 years old, has been an independent Director of GMA Network, Inc. since 2007. He is the Chairman and President of Philippine Trust Company (Philtrust Bank), Director of Ayala Land, Inc., Philippine AXA Life Insurance Company, Inc., Philippine Ratings Services Corporation, and Bankers Association of the Philippines. He also serves as Chairman of Don Norberto Ty Foundation, Inc.; Trustee of De La Salle University - Taft, St. Paul University-Quezon City, Cultural Center of the Philippines, Metropolitan Museum of Manila, Yuchengco Museum, Fundación Santiago, Inc., Ayala Foundation, Inc., and other foundations. He writes a weekly column for the Manila Bulletin.

He was Minister of Budget, 1975-1981; Minister of Education, Culture and Sports, 1984-1986; Chairman of the Monetary Board and Governor, Central Bank of the Philippines, 1981-1984; Chairman, National Commission for Culture and the Arts, 1996-2001. He was faculty member of the University of the Philippines, 1957-1978 and Dean of the College of Business Administration, 1969-1974. In 1986, he founded J.C. Laya & Co., Ltd. (Certified Public Accountants and Management Consultants) later the Philippine member firm of KPMG International; he served as the firm's Chairman until his retirement in 2004.

He earned his BSBA, magna cum laude, University of the Philippines, 1957; M.S. in Industrial Management, Georgia Institute of Technology, 1960; Ph.D. in Financial Management, Stanford University, 1966. He is a Certified Public Accountant.

Chief Justice Artemio V. Panganiban, Filipino, 76 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, Asian Terminals, and a regular Director of Jollibee Foods Corporation. 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.

Judith D. Vazquez, Filipino, 50 years old, has been a Director of the Company since 1988. She is a member of the following special committees: Audit & Risk Committee and Compensation & Remuneration Committee. Moreover, she sits on the boards of the following GMA7 subsidiaries: RGMA, Inc., GMA New Media, Inc., GMA Worldwide, Inc., and GMA Films,Inc. She is a member of the Board of Trustees of the GMA Kapuso Foundation, Inc.

Judith is an acknowledged visionary and industry mover in Philippine Information and Communication Technology space. In 1995, she laid the nation's first fiber in the Central Business District of Makati and developed the country's first ICT ready intelligent skyscraper - the 45-storey Peak Tower, which boasts the largest neutral telecommunications tower in the city.


ANNA TERESA M. GOZON-ABROGAR
Director


JOEL MARCELO G. JIMENEZ
Director


JAIME C. LAYA
Independent Director


CHIEF JUSTICE ARTEMIO V. PANGANIBAN
Independent Director


JUDITH D. VAZQUEZ
Director

Judith is the founder and chairman of PHCOLO, Inc. - the premier interconnection site of telecommunications and Internet Service Provider companies on four platforms: fixed-line fiber, cable, wireless and satellite.

Her successful and visionary efforts in the field of Information and Communications Technology, have earned her the moniker "Godmother of the Philippine Internet," a position in Computerworld's list of "Philippines' Most Powerful in ICT" and in 2011 "IT Executive of the Year" by the Philippine Cyber Press.

Her philanthropic endeavors include Asian Institute of Management's first Professorial Chair for Entrepreneurship and support to the University of the Philippines' School of Economics, among others. International organization memberships include the Asia Pacific Network Information Center, Pacific Telecommunications Council, IEEE, Clinton Global Initiatives Foundation, Young Presidents'/World Presidents' Organization and other local business organizations. She has served the Management Association of the Philippines as a member of the Board of Governors, and is a Senior Lecturer for Entrepreneurship at the College of Business Administration, University of the Philippines.

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

In October 2011, she was elected to the Board of Directors of ICANN – the Internet Corporation For Assigned Names and Numbers- governing body of the Global Internet. ICANN coordinates the 3 unique identifiers, which permit the Internet to function as a single infrastructure: Domain names, IP addresses and Port Assignments. Judith is the First Asian Female elected to this august and powerful international body. She is member of the following ICANN board committees: Audit, Risk, and Structural Improvements. Eligible to serve ICANN for 3 terms, Judith's first term as a voting board member ends in 2014.

Laura J. Westfall, Filipino, 45 years old, has been a Director of the Company since 2000. She held the following positions in the Company — Senior Vice President of Corporate and Strategic Planning and Senior Vice President for Finance. In addition, she has served as Chairperson and President of GMA New Media. Prior to joining the Company, she worked for BDO Seidman – Los Angeles, an international audit and management consulting firm. She currently holds various positions in the Majent Group of Companies and serves as Board Member of Coffee Bean and Tea Leaf Philippines, Bronzeoak Clean Energy, Inc., and Malayan Bank.

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

Felipe S. Yalong, Filipino, 56 years old, is the Executive Vice President and Head of the Corporate Services Group of GMA Network, Inc. He has been a Director of the Company since 2002. Aside from GMA Network, Inc., he also serves as Director and Corporate Treasurer of GMA Holdings, Inc., Scenarios, Inc., and GMA Network Films, Inc.; Director of Unicapital, Inc., Majalco Finance and Investments, Inc., and GMA Marketing and Productions, Inc.; Corporate Treasurer of RGMA Network, Inc., Mediamerge Corp.; Executive Vice President of RGMA Marketing and Productions, Inc.; and Corporate Treasurer of the Board of Trustees of GMA Kapuso Foundation, Inc.

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

Atty. Roberto O. Parel, Filipino, 57 years old, has been the Corporate Secretary of the Company since 1993. He is a Partner at the Law Firm of Belo Gozon Elma Parel Asuncion & Lucila. His practice areas include labor relations, natural resources and intellectual property. He is a Director of Time-Life International Philippines, Capitalex Holdings Philippines, Ipilan Nickel Corporation, Nickel Laterite Resources, Inc., Berong Nickel Corporation, Ulugan Nickel Corporation, Ulugan Resources Holdings, Inc., Nickeline Resources Holdings, Inc., TMM Management Inc., and Assetvalues Holding Company, Inc.; Director and Corporate Treasurer of Selenga Mining Corporation; Corporate Secretary of Alta Productions Group, Inc., Scenarios, Inc., Citynet Network Marketing and Productions, Inc., GMA Kapuso Foundation, Inc., Hinoba Holdings (Philippines), Inc.

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

SENIOR EXECUTIVES

1. **FELIPE S. YALONG**
EXECUTIVE VICE PRESIDENT
Group Head, CSG
& Chief Financial Officer

2. **MARISSA L. FLORES**
SENIOR VICE PRESIDENT
News and Public Affairs Group

3. **MIGUEL C. ENRIQUEZ**
Consultant for Radio Operations Group

HEADS OF SUBSIDIARIES

1. **FELIPE L. GOZON**
Chairman and CEO of GMA Marketing and Productions, Inc. and GMA New Media, Inc.; Chairman of Alta Productions, Inc., Citynet Network Marketing and Productions, Inc., RGMA Marketing and Productions, Inc., Scenarios, Inc., Script2010, Inc., Digify, Inc. and MediaMerge Corp.

2. **GILBERTO R. DUAVIT, JR.**
Chairman of GMA Network Films, Inc. and GMA Worldwide, Inc.; President/CEO of Scenarios, Inc., Script2010, Inc., RGMA Marketing and Productions, Inc.; President of Citynet Network Marketing and Productions, Inc. and MediaMerge Corp.

3. **ANNA TERESA G. ABROGAR**
President of GMA Worldwide, Inc. and GMA Network Films, Inc.

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

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

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

VICE PRESIDENTS

1. **JOSE MARI R. ABACAN**
   Program Management
2. **EDWARD D. ACHACOSO**
   Post Production
3. **ELVIS B. ANCHETA**
   Transmission and Regional Engineering
4. **GERROME Y. APOLONA**
   HRD
5. **MARIVIN T. ARAYATA**
   Entertainment TV/Head, Comedy/Game
6. **VICTORIA T. ARRADAZA**
   Supply and Asset Management
7. **REGIE C. BAUTISTA**
   Program Support
8. **AYAHL ARI AUGUSTO P. CHIO**
   Acting Vice President for Administration Department and Concurrent Vice President for Investor Relations
9. **MA. NENITA E. CRUZ**
   Information and Communications Technology
10. **MA. LUZ P. DELFIN**
    Legal Affairs
11. **LUZ ANNALEE O. ESCUDERO**
    Regional TV and Concurrent Head of Expansion and Production Services
12. **JOSEPH JEROME T. FRANCIA**
    GMA International
13. **JOSE SEVERINO V. FUENTES**
    Content Management and On-Air Systems
14. **RONALDO P. MASTRILI**
    Finance
15. **ALFONSO S. RAQUEL, JR.**
    Consultant, Corporate Communications
16. **LILYBETH G. RASONABLE**
    OIC, Entertainment TV and Concurrent VP, Business Development Department 1–Drama Productions
17. **MARY GRACE D. REYES**
    News Operations
18. **EDUARDO P. SANTOS**
    Internal Audit
19. **HORACIO G. SEVERINO**
    Multimedia Journalism
20. **JESSICA A. SOHO**
    News Programs
21. **SHEILA A. TAN**
    Research
22. **IANESSA S. VALDELLON**
    News and Public Affairs

ASSISTANT VICE PRESIDENTS

NEWS AND PUBLIC AFFAIRS

Celerina Asuncion R. Amores
Regional News and Public Affairs Programs

Arlene U. Carnay
Public Affairs

Odilon M. De Guzman
Multimedia Journalism

Neil B. Gumban
Public Affairs

John Oliver T. Manalastas
News Production

Maria Leogarda S. Matias
OIC, Public Affairs

Clyde Rolando A. Mercado
Public Affairs

Michelle Rita S. Recto
News Programs and Specials

Rachel Vitaliana B. Vergel De Dios
Administration

ENTERTAINMENT TV

Corazon P. De Jesus
Talk/Musicals/Specials

Janine P. Nacar
Talk/Game/Reality

Ma. Regina A. Magno
Business Development 1 – Drama Productions

Girly S. Lara
Alternative Productions

REGIONAL OPERATIONS

Oliver Victor B. Amoroso
Integrated Marketing Services

PROGRAM SUPPORT

Lourdes A. Topacio
Creative Director

Leo P. Mata
Media and On-Air Continuity

SUPPLY AND ASSET MANAGEMENT

Javier B. Laxina
Asset Management

CORPORATE COMMUNICATIONS

Angela Carmela J. Cruz
Corporate Communications

Ma. Teresa L. Pacis
Corporate Affairs

HUMAN RESOURCES DEVELOPMENT

Marianita M. Torres
Acting AVP, Human Resources Management

Allan Dale V. Mariazeta
Employee Relations

PROGRAM ANALYSIS

Jose Maria F. Bartolome
Program Analysis

POST PRODUCTION

Paul Hendrik P. Ticzon
Post Production Operations

RESEARCH

Ruth D. Lejarde
Channel Performance & Regional TV Research

Venus E. Bartolabac
Mega Manila TV Programming Research

TALENT DEVELOPMENT AND MANAGEMENT

Joseph Simoun S. Ferrer
Talent Imaging and Marketing

VIEWER DIRECTED MARKETING

Rossette Marie T. Hernandez
Viewer Directed Marketing

ENGINEERING

Virgilio L. Muzones
Consultant for Network Engineering

Thomas M. Sales
Metro Manila Transmission Operations

Reynaldo B. Reyes
Regional Engineering Operations

Amerigo L. Santos
Broadcast Engineering Services

Roberto B. Nacar
Technical Operations Center Support

FINANCE

Ma. Lucille U. Dela Cruz
Treasury

Jose S. Toledo, Jr.
Budget and Payroll

Rolando G. Sanico, Jr.
Subsidiary Operations and Monitoring

Mercedes Macy T. Sueña
Financial Management Systems

Farley D. Areola
Controllership

USTv Student Choice awards

LIST OF AWARDS FOR 2012

Reader's Digest Trusted Brand 2012

- **Jessica Soho –** Most Trusted News Presenter

2012 New York Festivals

GMA
- **I-Witness (Lapnos)** – Silver Medalist for the Social Issues/Current Issues category
- **Born Expeditions Finale The Monster of Mae Klong and The Great White Shark** – Finalist for the Nature and Wildlife category
- **Report Card** – Finalist for the Community Portraits category
- **I-Witness (Gintong Putik)** – Finalist for the Social Issues/Current Issues category

GMA News TV
- **Front Row (Bente Dos)** – Silver World Medals (Biography/Profiles)
- **Front Row (Yaman sa Basura)** – Silver World Medals (Social Issues/Current Events)
- **Pluma** – Finalist (History and Society)
- **Reel Time (Lusong)** – Finalist (Social Issues)
- **Reel Time (Tira)** – Finalist (Social Issues)

4th National Statistics Month Media Awards
- **Special Assignments** (team's two-part report on the government's Conditional Cash Transfer program and for the 3rd season of Biyaheng Totoo) - top prize (Broadcast Category)
- **GMA News Research** (pork barrel series) - special citation

Asia Pacific Child Rights Award
- **I- Witness** (Alkansya) - Asia Pacific Child Rights Award

2012 Anak TV Awards
- **Eat Bulaga, 24 Oras, Wish Ko Lang, Kapuso Mo Jessica Soho** - Well liked TV Programs
- **Arnold Clavio, Vic Sotto, Kara David, Vicky Morales Jessica Soho** - Makabata Stars
- **AHA, Kapuso Mo Jessica Soho, Pinoy MD, Wish Ko Lang** - Anak TV Seal Winning Program (GMA)
- **Adyenda, Ang Pinaka, Born To Be Wild, Brigada, Day Off, Diyos At Bayan, Good News, Ijuander, Jesus, The Healer, Pop Talk Sarap Pinoy, I-Bilib, Tropang Potchi, Idol sa Kusina, Kusina Master Daldalita, Kap's Amazing Stories** - Anak TV Seal Winning Program (GNTV)

VACC Awards
- Outstanding TV Station - **GMA - 7**
- Outstanding Radio Station - **DZBB**
- Oustanding Radio Host - **Mike Enriquez**
- Oustanding Radio Reporter - **Carlo Mateo**
- Outstanding TV News Program - **Balitanghali**
- Outstanding TV News Reporters - **Raffy Tima and Pia Arcangel**
- Outstanding TV Reporter - **Quick Response Team anchor Jiggy Manicad**

2012 UNICEF Asia-Pacific Child Rights Award
- **I - Witness** - Unicef Asia-Pacific Child Rights Award

2012 Yahoo! OMG Awards
- **Barangay LS 97.1** - Best FM Radio Station

2012 IABC CEO Excel Awards
- **SVP for News and Public Affairs Marissa L. Flores** - CEO Excel Award

2012 NAMIC Excellence in Multicultural Marketing Awards
- **Kapuso International Magazine: Kapuso Abroad** - 1st Place Grassroots Category
- **"Support Manny Pacquiao" Online Campaign** - 1st Place Digital Category
- **Bulaga Live in San Francisco** - 2nd Place Marketing Tactics, Experiential Marketing Category
- **Environment Friendly non woven bags** - 3rd Place Marketing Tactics, Premium Category
- **Pinoy Inbox** - 3rd Place Marketing Tactics, Television
- **The Outstanding Filipino-American (TOFA)** - 3rd Place Marketing Tactics, Diversity Awareness Category

2nd Adamson University Media Award
- **Jessica Soho**

2012 US and International Film and Video Festival

GMA
- **24 Oras (Lola Aurelia Story)** – Certificate of Creative Excellence
- **I-Witness (Gintong Putik)** – Certificate of Creative Excellence

GMA News TV
- **State of the Nation with Jessica Soho (Trahedya ni Sendong)** – Certificate of Excellence for TV News: Continuing News Stories
- **Front Row (Yaman sa Basura)** – Certificate of Excellence for TV Documentary Program on Social Issues
- **Reel Time (Lusong)** – Certificate of Excellence for TV Documentary Program on Social Issues

2012 Migration Advocacy and Media Awards

- **GNTV's Reel Time** (Batang Halau) - Best TV Show

26th PMPC Star Awards for Television

- **Wish Ko Lang** - Best Public Service Program
- **Kapuso Mo, Jessica Soho** - Best Magazine Show
- **Jessica Soho** - Best Magazine Show Host
- **Vicky Morales** - Best Female Newscaster
- **Richard Gutierrez (Pinoy Adventures)** - Best Lifestyle/Travel Show Host
- **I-Witness** - Best Documentary Program
- **Kara David, Howie Severino, Jay Taruc, Sandra Aguinaldo** - Best Documentary Program Host

34th Catholic Mass Media Awards

- **24 Oras, Best News Program** - Hall of Fame Awardee

31st International Grand Prix for Author's Documentaries (URTI Awards)

- **Oras Na –** Martin Philippe Award for Discovery

2012 AD Stars Festival

- **Television mini-sine 'Hating Kapatid'** - Bronze Award in Products and Services (Food Category)

9th Lasallian Scholarum Awards

- Outstanding Televised Feature Story on Youth and Education - **I-Witness (Kara David)** - Alkansya

2012 Comguild Awards

- **Ms Jessica Soho (GMA NEWSTV11)** - 2012 Most Oustanding Female News Presenter
- **Ms. Kara Patria David (GMA7)** - 2012 Best Female Field Reporter of the Year
- **Ms. Mel Tiangco (GMA NEWSTV11)** - 2012 Best Entertainment Talk Show Host
- **24 Oras (GMA 7)** - 2012 Best News Program

10th Gawad Tanglaw Awards

- **24 Oras** - Best News Program
- **Ms. Vicky Morales** - Best News Program Anchor
- **Imbestigador** - Best Investigative Program
- **Kapuso Mo, Jessica Soho** - Best Magazine Show

6th Hildergarde Awards for Women in Media and Communication

- **The Good News with Vicky Morales & Kapuso Mo, Jessica Soho** - Special Citation for Outstanding Achievement in Broadcast Journalism
- **Think Before You Click** - voted as a recipient of a Special Citation in the field of Development Communication

8th USTv Students' Choice Awards

- **Pepito Manaloto** - Students' Choice of Situational Comedy
- **Bubble Gang** - Students' Choice of Gag Show
- **Eat Bulaga** - Students' Choice of Variety Show
- **Kapuso Mo, Jessica Soho** - Students' Choice of Magazine Program
- **I-Witness** - Students' Choice of Documentary Program
- **Wish Ko Lang** - Students' Choice of Public Service Program
- **24 Oras** - Students' Choice of Local News and Current Affairs Program
- **Ms. Jessica Soho** - Students' Choice of Female News and Current Affairs Host

Gandingan: The UPLB Isko't Iska's Broadcast Choice Awards

- **Kapuso Mo, Jessica Soho** - Best Magazine Program
- **Jessica Soho** - Best Magazine Program Host
- **Reporter's Notebook** - Best Magazine Program
- **Jiggy Manicad** - Best Investigative Program Host
- Best News Program - **24 Oras**
- Best Public Service Program - **Wish Ko Lang**
- Highly Commended TV Station - **GMA News TV**
- Best Magzine Program /Hall of Famer - **Jessica Soho**
- Best AM Station - **DZBB 594 Super Radyo**

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 the management within the over-all governance framework.

The Manual conforms to the requirements of the Philippine Securities and Exchange Commission and covers policies, among others:

(a) independent directors, (b) key board committees (e.g. Executive Committee, Nomination Committee, Audit and Risk Management Committee, Compensation and Remuneration Committee); (c) independent auditors, (d) internal audit, (e) disclosure system of company's governance policies, (f) stockholder rights, (g) monitoring and assessment, and (h) penalties for non-compliance.

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 Company's Corporate Secretary and Vice-President, Roberto O. Parel. The Compliance Officer is responsible for monitoring compliance by the Company with the provisions and requirements of good corporate governance.

Based on the certification of compliance with the Company's Manual filed with the Commission on January 8, 2013, there have been no deviations from the Company's Manual as of date.

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 are observed. The Board of Directors ensures a high standard of governance, and promotes and protects the interests of the Company, its stockholders and other stakeholders.

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

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

The Board comprises the following members:

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

Board Performance

Directors attend regular meetings of the Board, which are held every quarter and other times as necessary, and the Annual Stockholders' Meeting (ASM). In its meetings, the Board reviews the performance of the Company and its subsidiaries, approves plans, budgets and financial statements, sets policies and guidelines for management, and discusses matters requiring Board attention and approval. The Board met six (6) times in 2012. 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	6	0
Gilberto R. Duavit,Jr.	6	0
Joel Marcelo G. Jimenez	6	0
Felipe S. Yalong	6	0
Anna Teresa G. Abrogar	6	0
Judith D. Vazquez	5	1
Laura J. Westfall	6	0
Artemio V. Panganiban	6	0
Jaime C. Laya	6	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.

Board Remuneration

The amended by-laws of the Company provides that the Board of Directors shall be entitled to an amount of not more than two and a half percent (2.5%) of the net income after income tax of the corporation during the preceding year and per diems for every board meeting attended. Of the said 2.5%, one percent (1%) shall be distributed equally among the members of the Board of Directors, while the remaining one and a half percent (1.5%) shall be distributed equally among the members of the Executive Committee.

Committees and Meetings of the Board of Directors

Four (4) 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 for ratification at the meeting immediately following such action.

Nomination Committee

The Nomination Committee is chaired by Felipe L. Gozon and composed of four (4) members that include an independent director in the person of former Chief Justice Artemio V. Panganiban as Vice Chairman, with 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 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 members of the Compensation and Remuneration Committee are Felipe L. Gozon (Chairman), Former Chief Justice Artemio V. Panganiban (Vice Chairman), with Judith D. Vazquez and Laura J. Westfall as 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 and Risk Management Committee

Audit

The Audit and Risk Management Committee is currently composed of five members: Dr. Jaime C. Laya, (Chairman), former Chief Justice Artemio V. Panganiban (Vice Chairman), Anna Teresa G. Abrogar, Judith D. Vazquez and Ms. Laura J. Westfall. The Audit and Risk Management 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 and Risk Management Committee provides a general evaluation and gives assistance in the over-all improvement of the risk management, control, and governance process of the Corporation as designed by Management and provides assurance that these are properly functioning.

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

The Audit and Risk Management 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 and Risk Management Committee held five (5) meetings in 2012 wherein the Committee reviewed and approved, among others, the Company's 2011 Consolidated Audited Financial Statements as prepared by the external auditors.

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

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 and 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 the International Financial Reporting Standards. The financial statements are audited by external auditors and reviewed by the Audit and Risk Management 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.

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, while the COO is responsible for the day-to-day management of the Company and the implementation of the directives provided by the CEO and the

Board's policies and decisions. Both the CEO and COO are guided by the Company's Mission, Vision, and Core Values.

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

Employee Relations

Employees are provided an Employee Handbook which contains the policies and 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 external newsletter and the intranet facilitated by the Corporate Affairs Division, employees are updated on material developments in 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.

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/corporate/ir.

The Company, through the IRCD, 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.

Scaling upwards

FINANCIAL STATEMENTS

Management Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 31, 2012 and 2011

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

As discussed below, the Company's financial statements do not show any losses from operation and hence the Company has not taken any measures to address the same.

KEY PERFORMANCE INDICATORS

The Company uses the following measures to assess its performance from period to period.

Ratings

The performance of a program and/or network as a whole with respect to household ratings is the primary consideration for an advertiser in the Philippines to determine whether to advertise on a given program and/or network. AGB Nielsen, a media research firm, provides ratings to the Company on a subscription basis.

Load Factor

Load factor refers to the amount of advertising minutes aired during the breaks in a program as a percentage of the total minutes available for advertisement. The load factor is an indication of a program or a timeblock's ability to sell advertising minutes. Load factor statistics are internally generated, although certain third parties monitor such statistics.

Signal reach/coverage

The ability to reach a greater number of viewers is a part of the Company's strategy to provide its advertisers with more value for their advertising expenditures. The Company frequently assesses its signal strength and coverage by conducting in-house field intensity surveys and tests.

Subscriber count

Subscriber count is the key performance indicator for some of the Company's initiatives to diversify its revenue base beyond advertising revenues. The number of subscribers to GMA Pinoy TV and GMA Life TV and to the Company's ancillary media services, such as those provided by GMA New Media, form the benchmark for measuring the success of these services. The Company makes internal assessments to determine the market potential for each new initiative and sets a subscriber count target accordingly.

Cost control

The Company is continuously searching for ways to control costs and to improve efficiency. The Company has established systems and procedures to monitor costs and measure efficiency and has launched various initiatives and activities in relation to these efforts.

FINANCIAL AND OPERATIONAL RESULTS

For the Year Ended December 31, 2012

GMA Network, Inc. (the Company) reported consolidated gross revenues of P13,929 million for the full year of 2012, up by 6% versus 2011. At the end of the period, the Network managed a 7% growth in airtime sales to P12,703 million that comprised 91% of its gross revenues. Revenues from other businesses inched up 2% year-on-year.

The Company saw a 6% increase in its total operating expenses (OPEX) for the year to P9,538 million owing primarily to the hike in non-cash OPEX in order to further diversify and strengthen its programming and establish its presence nationwide. Although without the impact of one-time personnel related expenses, total OPEX grew by only 4%.

GMA thus ended 2012 with earnings before interest, taxes, depreciation and amortization (EBITDA) of P3,414 million, reaching a double-digit gain of 11% year on year.

However, due to the rise in non-cash OPEX, net income after tax settled at P1,617 million, a decline of 5% versus a year ago. The Company opted to do an early adoption of the PAS 19(R) on Employee Benefits which resulted in a reported total comprehensive income of P1,697 million for the year 2012, higher by 3% than the P1,641 million in 2011, as restated.

Income Data	2012 (in millions PhP)	2011 - *As restated* (in millions PhP)	Inc/(Dec) (in millions PhP)	%
Gross Revenues				
Television and radio airtime	**12,703.4**	11,881.2	822.2	7%
Production and others	**1,226.0**	1,201.6	24.4	2%
	13,929.4	13,082.8	846.6	6%
Total operating expenses	**9,537.7**	8,984.9	552.8	6%
EBITDA	**3,413.6**	3,070.0	343.6	11%
Net Income	**1,616.9**	1,704.6	(87.8)	-5%

Revenues

Consolidated gross revenues for the year of P13,929 million, comprised of airtime revenues from television and radio, subscription revenues from international operations, and other revenues from subsidiaries, recorded an P847 million or 6% increase from the P13,083 million top line pegged a year ago.

Gross Revenues	2012 (in millions PhP)	2011 - *As restated* (in millions PhP)	Inc/(Dec) (in millions PhP)	%
Television and radio airtime	**12,703.4**	11,881.2	822.2	7%
Production and others	**1,226.0**	1,201.6	24.4	2%
	13,929.4	13,082.8	846.6	6%

Flagship channel – Ch 7's revenue of P11,814 million drove this year's increase by posting P788 million in incremental sales or an equivalent of 7% growth year-on-year, due to its consistent nationwide leadership across the year.

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

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

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

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

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

Meanwhile, revenues from other sources contributed an additional P1,226 million to the total top line, recording a net improvement of P24 million or 2% from last year. GMA International, which manages the operations and distribution of the Network's international channels, recorded an upswing in subscriber base of its primary channel GMA Pinoy (GPTV) and its lifestyle channel GMA Life TV (GLTV) of 13% to 329,108 and 9% to 124,884, respectively, at the period's closing. However, subscription and advertising revenues from GMA International fell a tad short by 0.9% partly dragged by the appreciation of the Peso against the US dollar by an average of 3%. Discounting the impact of the forex fluctuation, international sales slightly grew by 2%.

Subsidiaries' operations pitched in a 14% escalation in revenues from 2011. The growth mainly came from the newly launched Digify, Inc., GMA New Media's new techno-creative lab that provides technology-based solutions to other companies, which generated bulk of the net increase in this category.

GMA Films' co-produced entry to the 2012 Metro Manila Film Festival Si Agimat, Si Enteng, at si Ako raked in almost P98 million in gross receipts, while Julie Anne San Jose's self-titled album by GMA Records clinched a Double Platinum Record Award from its combined physical and digital sales of almost 38,000 units for the period August 15, 2012 to December 15, 2012. San Jose's carrier single titled "I'll Be There" gained over 245,000 downloads for the same period, which earned for it a Platinum Digital Single Award. According to PARI, San Jose is the very first recipient of this award.

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

Expenses

The Company's total OPEX for the year reached P9,538 million, up 6% or P553 million from a year ago. Total direct costs (cash and non-cash production costs) inched up by only 2% while general and administrative expenses (GAEX) grew by 11%. Excluding the one-time signing bonus arising from the recent Collective Bargaining Agreement (CBA) of it employees, GAEX rose by a manageable 7% year-on-year.

Total direct cost for 2012 reached P5,220 million, higher by only P115 million or 2% year-on-year. Comprising 86% of total direct cost, cash production cost of P4,505 million even dropped by P58 million or 1% year-on-year. The spike in total production cost came from the 45% rise in amortization of program rights. Higher costing movies were shown (i.e. James Bond series, etc) which were also Tagalized to cater to viewer preference, thus incurring dubbing costs. Likewise, there was a build up of inventory of film rights amortized systematically over the period of the broadcast license agreement. Depreciation charges likewise increased due to the commissioning of the state-of-the-art Media Asset Management System (MAMS) that allows the Network to migrate to a tapeless, file-based workflow in the last quarter of 2011, along with massive investments for the launch of multi-million peso originating stations in Ilocos Norte (GMA Ilocos) and Naga City (GMA Bicol) in 2012.

Production Costs	2012 (in millions PhP)	2011 - *As restated* (*in millions PhP*)	Inc/(Dec) (*in millions PhP*)	%
Talent fees	**2,753.5**	2,776.4	(22.9)	-1%
Rentals and outside services	**690.3**	763.3	(73.0)	-10%
Other program expenses	**1,061.5**	1,023.6	37.9	4%
Sub-total - Cash Production Costs	**4,505.2**	4,563.2	(58.0)	-1%
Program rights amortization	**460.9**	317.5	143.4	45%
Depreciation and amortization	**253.6**	224.2	29.4	13%
Sub-total - Non-cash Production Costs	**714.5**	541.7	172.8	32%
Total production costs	**5,219.8**	5,105.0	114.8	2%

The Company's total GAEX climbed by 11% to P4,318 million by the end of 2012. Personnel cost which comprised nearly 50% of total GAEX contributed the bulk of this year's increase owing primarily to the payment of the non-recurring employee bonuses as mentioned earlier compounded by the growth in the Network's manpower headcount. Minus the impact of this one-time bonus, total GAEX rose by only 7%.

General and Administrative Expenses	2012 (in millions PhP)	2011 - *As restated* (*in millions PhP*)	Inc/(Dec) (*in millions PhP*)	%
Personnel costs	**2,091.7**	1,729.6	362.1	21%
Outside services	**654.1**	667.0	(12.9)	-2%
Facilities costs	**473.5**	458.0	15.5	3%
Taxes and licenses	**141.8**	211.4	(69.6)	-33%
Others	**537.4**	469.6	67.9	14%
Subtotal - Cash GAEX	**3,898.5**	3,535.6	362.9	10%
Depreciation and amortization	**356.0**	294.2	61.8	21%
Provision for doubtful accounts	**35.8**	24.5	11.2	46%
Amortization of software costs	**27.7**	25.7	2.0	8%
Subtotal - Non-cash GAEX	**419.5**	344.4	75.1	22%
Total GAEX	**4,317.9**	3,880.0	438.0	11%

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

EBITDA

With the increase in top line outpacing the absolute growth in cash OPEX, EBITDA sealed the year at P3,414 million, reaching a double digit growth of 11% or P344 million year on year.

Net Income

Due to the rise in non-cash OPEX of P248 million, the EBITDA advantage was heavily weighed down – thus, net income before tax (NIBT) settled at P2,307 million, only P82 million or 4% ahead of last year. Moreover, a higher effective corporate income tax rate ensued with the conclusion of the Income Tax Holiday grant from BOI resulting in a net increase in the provison for income tax by P169 million or 33%. This further drove the Company's bottom line for 2012 to end at P1,617 million, P88 million or 5% lower than a year ago.

As the Company decided to do an early adoption of the Revised PAS 19, adjustments to other comprehensive income were made resulting in a total comprehensive income of P1,697 million, 3% more than the restated total comprehensive income of 2011.

Balance Sheet Accounts

Consolidated assets totaled P12,847 million, equivalent to a 5% rise from last year's P12,183 million. The increase came primarily from property and equipment which rose by P367 million or 11% closing at P3,620 million by the end of the year (mainly from the newly operated originating stations in Ilocos and Naga).

Trade days-sales-outstanding (DSO) improved by 11 days to 109 days at end-2012 vs. 120 days at the close of 2011.
On the other hand, total liabilities of P4,577 million spiked by 91% or P2,176 million driven by the presence of P1,700 million in notes payable mainly in relation to the special cash dividend paid out last September.

Equity of P8,270 million ended lower this year by 15% or P1,512 million resulting from lower net income realized during the year and from the cash dividend payouts.

Cash Flows	2012 (in millions PhP)	2011 - *as restated* (*in millions PhP*)
Net cash provided by operating activities	**2,605.0**	3,094.1
Net cash used in investing activities	**(995.6)**	(924.2)
Net cash used in financing activities	**(1,548.0)**	(2,199.1)
Effect of exchange rate changes on cash and cash equivalents	**(3.2)**	4.8
Net increase (decrease) in cash and cash equivalents	**58.2**	(24.4)
Cash and cash equivalents at beginning of period	**1,208.0**	1,232.4
Cash and cash equivalents at end of period	**1,266.2**	1,208.0

Operating Activities

Net cash from operations registered at P2,605 million this year. This resulted from income before income tax of P2,307 million adjusted mainly by depreciation expense of P610 million, movement of pension liability before interest cost of P74 million, interest expense and financing charges on short-term loans of P43 million, interest income of P35 million and gain on sale of property and equipment of P29 million apart from the changes in working capital. The primary components of the changes in working capital include the P289 million reduction in trade and other receivables owing to more aggressive collection efforts, partly offset by the P459 million rise in program and other rights from higher acquisition vis-à-vis usage and P16 million hike in prepaid expenses.

Investing Activities

Net cash used in investing activities amounted to P996 million, coming primarily from the P975 million additions to property and equipment and P36 million worth of software costs. Also contributing to the cash used in investing activities was the P10 million joint venture with Manila Jockey Club. These were partly offset by the P31 million proceeds from sale of property and equipment and investment properties.

Financing Activities

Net cash used in financing activities amounted to P1,548 million basically for the cash dividend payout amounting to P3,206 million during the year plus some P42 million in interest expense netted by P1,700 million remaining proceeds from short-terms loans. The Company availed total loans of P3,200 million in year 2012 of which P1,500 million were already paid before the year end.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

March 21, 2013
Securities and Exchange Commission
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

The management of GMA Network, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financialstatements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of GMA Network, Inc. and Subsidiaries in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

FELIPE L. GOZON
Chairman of the Board
Chief Executive Officer

GILBERTO R. DUAVIT, JR.
President
Chief Operating Officer

FELIPE S. YALONG
Executive Vice President
Chief Financial Officer

Audit Committee Report

Report of the Audit Committee to the Board of Directors For the Year Ended 31 December 2012

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 (5) 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-audited 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, 2012 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 2013 based on the review of the performance and qualifications.

March 21, 2013

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

Countersigned by:

FELIPE L. GOZON
Chairman of the Board and CEO

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, 2012 and 2011, 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, 2012, 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, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Ramon D. Dizon
Partner
CPA Certificate No. 46047
SEC Accreditation No. 0077-AR-3 (Group A),
February 21, 2013, valid until February 20, 2016
Tax Identification No. 102-085-577
BIR Accreditation No. 08-001998-17-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669677, January 2, 2013, Makati City

March 21, 2013

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

	December 31		January 1
	2012	2011 (As restated - Note 2)	2011 (As restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 6, 30 and 31)	**₱1,266,209,138**	₱1,207,976,123	₱1,232,351,840
Short-term investments (Notes 6, 30 and 31)	**8,538,142**	–	–
Trade and other receivables (Notes 7, 20, 30 and 31)	**3,902,013,892**	4,191,137,923	5,531,971,950
Program and other rights (Note 8)	**1,189,140,670**	729,998,151	558,072,593
Prepaid expenses and other current assets (Note 9)	**710,795,722**	695,040,559	605,301,732
Asset classified as held for sale (Note 11)	**26,432,472**	26,432,472	–
Total Current Assets	**7,103,130,036**	6,850,585,228	7,927,698,115
Noncurrent Assets			
Available-for-sale financial assets (Notes 10, 30 and 31)	**106,343,598**	105,796,848	104,966,848
Investments and advances (Notes 11 and 20)	**331,622,315**	320,500,720	341,913,803
Property and equipment at cost (Note 12)	**3,619,943,152**	3,252,582,543	2,872,001,158
Land at revalued amounts (Note 13)	**1,409,585,706**	1,409,585,706	1,403,122,465
Investment properties (Note 14)	**64,751,405**	68,029,711	63,343,706
Deferred tax assets (Note 28)	**69,788,536**	47,644,005	47,671,646
Other noncurrent assets (Note 15)	**141,745,997**	128,339,387	117,516,509
Total Noncurrent Assets	**5,743,780,709**	5,332,478,920	4,950,536,135
	₱12,846,910,745	₱12,183,064,148	₱12,878,234,250
LIABILITIES AND EQUITY			
Current Liabilities			
Trade payables and other current liabilities (Notes 16, 20, 30 and 31)	**₱1,674,512,107**	₱1,507,601,256	₱1,638,481,752
Short-term loans (Notes 17, 30 and 31)	**1,700,000,000**	–	–
Income tax payable	**196,608,438**	93,651,733	241,184,421
Current portion of obligations for program and other rights (Notes 18, 30 and 31)	**184,585,619**	39,843,815	75,594,128
Dividends payable (Notes 30 and 31)	**7,648,097**	4,942,280	5,493,035
Total Current Liabilities	**3,763,354,261**	1,646,039,084	1,960,753,336
Noncurrent Liabilities			
Pension liability (Notes 2 and 26)	**368,915,383**	379,604,775	211,266,987
Other long-term employee benefits (Notes 2 and 26)	**236,378,696**	242,448,647	180,543,456
Deferred tax liabilities (Note 28)	**144,250,390**	132,605,086	196,869,863
Noncurrent portion of obligations for program and other rights (Notes 18, 30 and 31)	**63,955,130**	–	–
Total Noncurrent Liabilities	**813,499,599**	754,658,508	588,680,306
Total Liabilities	**4,576,853,860**	2,400,697,592	2,549,433,642

(Forward)

	December 31		January 1
	2012	2011 (As restated - Note 2)	2011 (As restated - Note 2)
Equity			
Capital stock (Note 19)	**₱4,864,692,000**	₱4,864,692,000	₱4,864,692,000
Additional paid-in capital (Note 19)	**1,659,035,196**	1,659,035,196	1,659,035,196
Revaluation increment in land - net of tax (Note 13)	**744,158,022**	744,158,022	744,158,022
Remeasurements gain (loss) on retirement plans - net of tax (Note 2)	**36,532,251**	(41,829,871)	22,913,721
Net unrealized gain on available-for-sale financial assets - net of tax (Note 10)	**4,065,927**	2,752,687	1,995,687
Retained earnings (Note 19)	**995,846,676**	2,587,831,709	3,070,279,169
Treasury stocks (Notes 19 and 29)	**(28,483,171)**	(28,483,171)	(28,483,171)
Underlying shares of the acquired Philippine Deposit Receipts (Notes 19 and 29)	**(5,790,016)**	(5,790,016)	(5,790,016)
Total Equity	**8,270,056,885**	9,782,366,556	10,328,800,608
	₱12,846,910,745	₱12,183,064,148	₱12,878,234,250

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2012	2011 (As restated - Note 2)	2010 (As restated - Note 2)
NET REVENUES (Note 21)	**₱11,834,064,182**	₱11,157,043,539	₱12,015,137,416
PRODUCTION COSTS (Note 22)	**5,219,768,541**	5,104,966,899	4,593,221,701
GROSS PROFIT	**6,614,295,641**	6,052,076,640	7,421,915,715
GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	**4,317,928,365**	3,879,975,809	3,699,154,322
OTHER INCOME			
Interest expense and financing charges on short-term loans (Note 17)	**(42,904,186)**	(11,479,294)	(3,785,282)
Interest income (Note 6)	**34,726,258**	28,567,427	77,221,603
Net interest cost on retirement plan (Notes 2 and 26)	**(28,250,809)**	(19,772,681)	(20,880,435)
Equity in net earnings of associates and joint ventures (Note 11)	**3,731,882**	5,019,389	6,867,724
Others - net (Note 25)	**43,537,403**	51,083,876	24,545,162
	10,840,548	53,418,717	83,968,772
INCOME BEFORE INCOME TAX	**2,307,207,824**	2,225,519,548	3,806,730,165
PROVISION FOR INCOME TAX (Note 28)			
Current	**734,689,243**	557,440,593	966,402,642
Deferred	**(44,370,054)**	(36,562,882)	12,246,061
	690,319,189	520,877,711	978,648,703
NET INCOME	**1,616,888,635**	1,704,641,837	2,828,081,462
OTHER COMPREHENSIVE INCOME (LOSS) - net of tax			
Remeasurements gain (loss) on retirement plans (Note 2)	**78,362,122**	(64,743,592)	(10,335,868)
Unrealized gain (loss) on available-for-sale financial assets (Note 10)	**1,313,240**	757,000	(175,500)
	79,675,362	(63,986,592)	(10,511,368)
TOTAL COMPREHENSIVE INCOME	**₱1,696,563,997**	₱1,640,655,245	₱2,817,570,094
Basic / Diluted Earnings Per Share (Note 29)	**₱0.333**	₱0.350	₱0.582

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Revaluation Increment in Land - Net of Tax (Note 13)	Remeasurements on Retirement Plans - Net of Tax (Note 2)	Net Unrealized Gain on Available-for-sale Financial Assets - Net of Tax (Note 10)	Retained Earnings (Note 19)	Treasury Stock (Notes 19 and 29)	Underlying Shares of the Acquired Philippine Deposit Receipts (Notes 19 and 29)	Total Equity
Balances at January 1, 2012, as previously stated	**₱4,864,692,000**	**₱1,659,035,196**	**₱744,158,022**	**₱–**	**₱2,752,687**	**₱2,591,073,835**	**(₱28,483,171)**	**(₱5,790,016)**	**₱9,827,438,553**
Effect of adoption of the Revised PAS 19 (Note 2)	–	–	–	**(41,829,871)**	–	**(3,242,126)**	–	–	**(45,071,997)**
Balances at January 1, 2012, as restated	**4,864,692,000**	**1,659,035,196**	**744,158,022**	**(41,829,871)**	**2,752,687**	**2,587,831,709**	**(28,483,171)**	**(5,790,016)**	**9,782,366,556**
Net income	–	–	–	–	–	**1,616,888,635**	–	–	**1,616,888,635**
Other comprehensive income	–	–	–	**78,362,122**	**1,313,240**	–	–	–	**79,675,362**
Total comprehensive income	–	–	–	**78,362,122**	**1,313,240**	**1,616,888,635**	–	–	**1,696,563,997**
Cash dividends - ₱0.40 a share	–	–	–	–	–	**(1,944,079,375)**	–	–	**(1,944,079,375)**
Cash dividends - ₱0.26 a share	–	–	–	–	–	**(1,264,794,293)**	–	–	**(1,264,794,293)**
Total cash dividends						**(3,208,873,668)**			**(3,208,873,668)**
Balances at December 31, 2012	**₱4,864,692,000**	**₱1,659,035,196**	**₱744,158,022**	**₱36,532,251**	**₱4,065,927**	**₱995,846,676**	**(₱28,483,171)**	**(₱5,790,016)**	**₱8,270,056,885**
Balances at January 1, 2011, as previously stated	₱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
Effect of adoption of the Revised PAS 19 (Note 2)	–	–	–	22,913,721	–	7,254,409	–	–	30,168,130
Balances at January 1, 2011, as restated	4,864,692,000	1,659,035,196	744,158,022	22,913,721	1,995,687	3,070,279,169	(28,483,171)	(5,790,016)	10,328,800,608
Net income, as previously stated	–	–	–	–	–	1,715,138,372	–	–	1,715,138,372
Effect of adoption of the Revised PAS 19 (Note 2)	–	–	–	–	–	(10,496,535)	–	–	(10,496,535)
Net income, as restated	–	–	–	–	–	1,704,641,837	–	–	1,704,641,837
Other comprehensive income, as previously stated	–	–	–		757,000	–	–	–	757,000
Effect of adoption of the Revised PAS 19 (Note 2)	–	–	–	(64,743,592)	–	–	–	–	(64,743,592)
Other comprehensive income (loss), as restated	–	–	–	(64,743,592)	757,000	–	–	–	(63,986,592)
Total comprehensive income (loss), as restated	–	–	–	(64,743,592)	757,000	1,704,641,837	–	–	1,640,655,245
Cash dividends - ₱0.45 a share	–	–	–		–	(2,187,089,297)	–	–	(2,187,089,297)
Balances at December 31, 2011	₱4,864,692,000	₱1,659,035,196	₱744,158,022	(₱41,829,871)	₱2,752,687	₱2,587,831,709	(₱28,483,171)	(₱5,790,016)	₱9,782,366,556

	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Revaluation Increment in Land - Net of Tax (Note 13)	Remeasurements on Retirement Plans - Net of Tax (Note 2)	Net Unrealized Gain on Available-for-sale Financial Assets - Net of Tax (Note 10)	Retained Earnings (Note 19)	Treasury Stock (Notes 19 and 29)	Underlying Shares of the Acquired Philippine Deposit Receipts (Notes 19 and 29)	Total Equity
Balances at January 1, 2010, as previously stated	₱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
Effect of adoption of the Revised PAS 19 (Note 2)	–	–	–	33,249,589	–	–	–	–	33,249,589
Balances as at January 1, 2010, as restated	4,864,692,000	1,659,035,196	744,158,022	33,249,589	2,171,187	3,644,336,613	(28,483,171)	(5,790,016)	10,913,369,420
Net income, as previously stated	–	–	–	–	–	2,820,827,053	–	–	2,820,827,053
Effect of adoption of the Revised PAS 19 (Note 2)	–	–	–	–	–	7,254,409	–	–	7,254,409
Net income, as restated	–	–	–	–	–	2,828,081,462	–	–	2,828,081,462
Other comprehensive loss, as previously stated	–	–	–	–	(175,500)	–	–	–	(175,500)
Effect of adoption of the Revised PAS 19 (Note 2)	–	–	–	(10,335,868)		–	–	–	(10,335,868)
Other comprehensive loss, as restated				(10,335,868)	(175,500)	–	–	–	(10,511,368)
Total comprehensive income (loss), as restated	–	–	–	(10,335,868)	(175,500)	2,828,081,462	–	–	2,817,570,094
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, as restated	₱4,864,692,000	₱1,659,035,196	₱744,158,022	₱22,913,721	₱1,995,687	₱3,070,279,169	(₱28,483,171)	(₱5,790,016)	₱10,328,800,608

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2012	2011 (As restated - Note 2)	2010 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,307,207,824**	₱2,225,519,548	₱3,806,730,165
Non-cash adjustments to reconcile income before income tax to net cash flows:			
Depreciation and amortization (Notes 12 and 14)	**609,555,032**	518,357,818	506,969,581
Net movement in pension liability before interest cost (Notes 2 and 26)	**73,005,688**	56,074,259	(57,414,332)
Interest expense and financing charges on short-term loans	**42,904,186**	11,479,294	3,785,282
Interest income (Note 6)	**(34,726,258)**	(28,567,427)	(77,221,603)
Gain on sale of property and equipment (Note 25)	**(29,045,447)**	(16,040,347)	(13,853,541)
Net interest cost on defined benefit plans (Notes 2 and 26)	**28,250,809**	19,772,681	20,880,435
Amortization of software costs (Note 15)	**27,733,938**	25,711,619	20,213,004
Equity in net earnings of associates and joint ventures (Note 11)	**(3,731,882)**	(5,019,389)	(6,867,724)
Reversal of impairment loss in buildings and improvements (Notes 14 and 25)	**–**	(4,990,219)	–
Impairment loss on advances to joint venture and AFS financial assets (Note 23)	**3,663,837**	–	–
Net unrealized foreign currency exchange loss (gain)	**2,507,337**	(3,312,399)	7,688,256
Dividend income (Note 25)	**(1,394,334)**	(41,529)	(58,957)
Other noncash expenses	**–**	–	16,538,765
Working capital adjustments:			
Decreases (increases) in:			
Short-term investments	**(8,538,142)**	–	23,460,312
Trade and other receivables	**289,236,456**	1,339,249,381	(224,740,570)
Program and other rights	**(459,142,519)**	(171,925,558)	82,102,818
Prepaid expenses and other current assets	**(15,755,163)**	(89,738,827)	(217,511,261)
Increases (decreases) in:			
Trade payables and other current liabilities	**165,844,184**	(130,880,494)	(137,242,153)
Obligations for program and other rights	**209,399,888**	(37,221,513)	14,360,475
Other long-term employee benefits	**(6,069,951)**	61,905,191	(4,521,206)
Cash generated from operations	**3,200,905,483**	3,770,332,089	3,763,297,746
Interest received	**35,863,780**	28,754,764	80,260,737
Income taxes paid	**(631,732,538)**	(704,973,281)	(1,133,065,894)
Net cash provided by operating activities	**2,605,036,725**	3,094,113,572	2,710,492,589
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 12)	**(975,476,581)**	(903,454,640)	(428,438,349)
Software costs (Note 15)	**(35,652,462)**	(34,675,997)	(30,761,933)
Investment in joint venture (Note 11)	**(10,000,000)**	–	–
Land at revalued amounts (Note 13)	**–**	(6,463,241)	–
Investment properties (Note 14)	**–**	(2,815,163)	(6,188,853)
Available-for-sale financial assets	**–**	–	(250,000)

(Forward)

	Years Ended December 31		
	2012	2011 (As restated - Note 2)	2010 (As restated - Note 2)
Proceeds from sale of property and equipment	**₱30,884,693**	₱23,675,161	₱49,558,559
Decrease (increase) in other noncurrent assets	**(5,488,086)**	(1,858,500)	90,182,312
Cash dividends received	**144,387**	1,438,838	11,595
Collections of advances to associates and joint ventures (Note 11)	**–**	–	59,281,531
Net cash used in investing activities	**(995,588,049)**	(924,153,542)	(266,605,138)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Note 19)	**(3,206,167,851)**	(2,187,640,052)	(3,400,013,834)
Short-term loans (Note 17)	**(1,500,000,000)**	(950,000,000)	(300,000,000)
Interest and financing charges	**(41,837,519)**	(11,479,294)	(3,785,282)
Proceeds from short-term loans (Note 17)	**3,200,000,000**	950,000,000	300,000,000
Net cash used in financing activities	**(1,548,005,370)**	(2,199,119,346)	(3,403,799,116)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**61,443,306**	(29,159,316)	(959,911,665)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(3,210,291)**	4,783,599	(7,930,313)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,207,976,123**	1,232,351,840	2,200,193,818
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱1,266,209,138**	₱1,207,976,123	₱1,232,351,840

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

GMA Network, Inc. (the Parent Company) and its subsidiaries (collectively referred to as "the Group") are incorporated in the Philippines. The Group is primarily involved in the business of radio and television broadcasting. The Group is also involved in film production and other information and entertainment-related businesses. The registered office address of the Parent Company is GMA Network Center, Timog Avenue corner EDSA, Quezon City. The Parent Company was registered with the Securities and Exchange Commission (SEC) on June 14, 1950.

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

On July 20, 1995, the Board of Directors (BOD) approved the extension of the corporate term of the Parent Company for another 50 years from June 14, 2000. In 1997, the SEC approved the said extension.

The accompanying consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution of the BOD on March 21, 2013.

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

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

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

Changes in Accounting Policies and Disclosures

The Group's accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to existing PFRS and Philippine Auditing Standards (PAS) which became effective on January 1, 2012 except for PAS 19, *Employee Benefits (Revised)*, which will be effective on January 1, 2013 but was early adopted by the Group starting January 1, 2012:

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Transfer of Financial Assets*
- Amendments to PAS 12, *Income Taxes - Deferred Income Tax: Recovery of Underlying Assets*
- Revised PAS 19, *Employee Benefits (Revised PAS 19)*

The adoption of PFRS 7 and PAS 12 did not have a significant impact on the Group's consolidated financial statements, while adoption of Revised PAS 19 has the following impact on the Group's consolidated financial statements.

Early Adoption of Revised PAS 19
For defined benefit plans, the Revised PAS 19 requires all remeasurements (including actuarial gains and losses) to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all remeasurements in other comprehensive income, which will not be reclassified to profit or loss in subsequent periods, and all past service costs in profit or loss in the period they occur. Moving forward, the Group will retain the remeasurements in other comprehensive income and will not transfer this to other items of equity.

Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

The Group reclassified its employee leave entitlement previously presented under "Trade and other current liabilities" to "Other Long-term Employee Benefits" in the consolidated statements of financial position.

The changes in accounting policies have been applied retrospectively. The effects of first time adoption of PAS 19 Revised on the consolidated financial statements are as follows:

Increase (decrease) in:	As at December 31, 2011	As at January 1, 2011	As at January 1, 2010
Consolidated statements of financial position			
Pension liability and other long-term benefits	₱64,388,567	(₱43,097,329)	(₱47,499,413)
Deferred tax assets	35,892,300	(28,553,395)	(31,234,334)
Deferred tax liabilities	(16,575,730)	15,624,197	16,984,510
Remeasurements gain (loss) on retirement benefit plans - net of tax	(41,829,871)	22,913,721	33,249,589
Retained earnings	(3,242,126)	7,254,409	–

	2011	2010
Consolidated statements of comprehensive income		
Pension and other long-term benefit expense	(₱4,777,631)	(₱31,243,876)
Net interest cost	19,772,681	20,880,435
Provision for deferred tax	(4,498,515)	3,109,032
Net income	(10,496,535)	7,254,409
Remeasurements loss on retirement plans - net of tax	64,743,592	10,335,868

The effect on basic and diluted earnings per share related to the restatement was less than ₱0.001 and ₱0.002 in 2011 and 2012, respectively.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2012
The Group will adopt the following revised standards, interpretations and amendments to existing standards when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these revised standards, interpretations and amendments to PFRS to have a significant impact on its consolidated financial statements.

Effective in 2013

The new and amended PFRS are effective and to be applied for annual periods beginning on or after January 1, 2013.

Amendments to PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

PFRS 10, *Consolidated Financial Statements*
This standard replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC)-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

A reassessment of control was performed by the Parent Company on all its interests in other entities and has preliminarily determined that RGMA Network, Inc. (RGMA) needs to be consolidated starting January 1, 2013. The impact of the adoption of PFRS 10 is not significant to the consolidated financial statements.

PFRS 11, *Joint Arrangements*
This standard replaces PAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly-controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

PFRS 12, *Disclosure of Interest in Other Entities*
This standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

The Group expects a more comprehensive disclosure about interests in subsidiaries, joint arrangements and associates upon adoption.

PFRS 13, *Fair Value Measurement*
This standard establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

The Group is currently assessing the impact of this standard on its financial statements, but based on its preliminary assessment, the impact is expected to be immaterial.

Revised PAS 27, *Separate Financial Statements*
As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

Revised PAS 28, *Investments in Associates and Joint Ventures*
As a consequence of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

PAS 1, *Financial Statements Presentation - Presentation of Items of Other Comprehensive Income*
The amendments to PAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.

Improvements to Standards

The Annual Improvements to PFRS (2009-2011 cycle) contain non-urgent but necessary amendments to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively.

PFRS 1, *First-time Adoption of PFRS*
The amendments clarify that an entity that has stopped applying PFRS may choose to either: (a) re-apply PFRS 1, even if the entity applied PFRS 1 in a previous reporting period; or (b) apply PFRS retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, in order to resume reporting under PFRS. The amendments also clarify that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*.

PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*
The amendment requires an entity to present a: (a) comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period; and (b) opening statement of financial position when an entity changes its accounting policies, makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. The opening statement will be at the beginning of the preceding period.

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

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

PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
The amendment clarifies the requirements in PAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirement in PFRS 8, *Operating Segments*.

Effective in 2014

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

Amendments to PFRS 10, *Consolidated Financial Statements - Investment Entities*
The amendments require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss instead of consolidating them. New disclosure requirements relating to investment entities were added in PFRS 12 and PAS 27.

Amendments to PFRS 12, *Disclosure of Interests in Other Entities - Investment Entities*
The amendments require a parent that is an investment entity to disclose information about significant judgments and assumptions made in determining that it is an investment entity, as well as and any changes thereto. A parent that is an investment entity is also required to disclose certain information on unconsolidated subsidiaries, which are accounted for at fair value through profit or loss.

Amendments to PAS 27, *Separate Financial Statements - Investment Entities*
The amendments require a parent that is an investment entity and does not consolidate its subsidiaries in accordance with the exceptions of PFRS 10, to present separate financial statements as its only financial statements.

Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the Group's net assets, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements.

Effective in 2015

PFRS 9, *Financial Instruments: Classification and Measurement*
PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project.

The Group has made an evaluation of the impact of the adoption of this standard and decided not to early adopt PFRS 9 in 2012, ahead of its effectivity date on January 1, 2015, therefore, the consolidated financial statements as of and for the year ended December 31, 2012 do not reflect the impact of the said standard.

Only financial assets and liabilities will be affected by the standard and based on this evaluation, those classified under receivables and other financial liabilities, which are carried at amortized cost, and AFS equity financial assets carried at fair value, will not be significantly affected. Upon adoption, these financial instruments shall continue to be carried at their amortized cost for loans and receivables and other financial liabilities and at fair value through other comprehensive income for AFS equity financial assets.

The Group shall conduct another impact evaluation in 2013 using the financial statements as at and for the year ended December 31, 2012.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2012.

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 losses 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

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries, which are all incorporated in the Philippines, as at December 31, 2012 and 2011:

	Principal Activities	Percentage of Ownership
Entertainment Business:		
Alta Productions Group, Inc.	Pre- and post-production services	100
Citynet Network Marketing and Productions, Inc.	Television entertainment production	100
GMA Network Films, Inc.	Film production	100
GMA New Media, Inc. (GNMI)	Converging Technology	100
GMA Worldwide (Philippines), Inc.	International marketing, handling foreign program acquisitions and international syndication of the Parent Company's programs	100
RGMA Marketing and Productions, Inc.	Music recording, publishing and video distribution	100
Scenarios, Inc.*	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation services	100
Script2010, Inc.**	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation and manpower services	100
Advertising Business:		
GMA Marketing & Productions, Inc. (GMPI)	Exclusive marketing and sales arm of GMA's airtime; events management; sales implementation, monitoring and services	100

	Principal Activities	Percentage of Ownership
Digify, Inc. (Digify)***	Crafting, planning and handling advertising and other forms of promotion including multi-media productions	100
Others:		
Media Merge Corporation***	Business development and operations for the Parent Company's online publishing/advertising initiatives	100
Ninja Graphics, Inc.****	Ceased commercial operations in 2001	51

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

Additional Investments in Joint Venture and Subsidiary
In March 2012, the Group through GNMI, invested ₱10.00 million for its joint venture with Manila Jockey Club (MJC), Inc. called "Gamespan, Inc." (Gamespan). Gamespan has not yet started commercial operations as at December 31, 2012 and is expected to operate in 2013 (see Note 11).

In October 2011, the Group, through GNMI, paid in cash a total of ₱3.13 million for the 100% capital subscription of Digify issued and outstanding shares. Digify was registered with the SEC on December 26, 2011.

3. Summary of Significant Accounting 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 acquisition date and that are subject to an insignificant risk of change in value.

Financial Assets

Initial Recognition and Measurement. Financial assets within the scope of PAS 39 are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and where appropriate, re-evaluates such designation at every reporting period.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at FVPL.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, short-term investments, trade and nontrade receivables (excluding advances to suppliers), refundable deposits, included under "Other noncurrent assets" account in the consolidated statements of financial positions, and AFS financial assets.

As at December 31, 2012 and 2011, the Group does not have any financial asset at FVPL, HTM investments or derivatives designated as hedging instruments.

"Day 1 Difference". Where the transaction price is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value of the financial instruments (a "Day 1 Difference") in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data which is not observable is used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

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

- Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using 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 rate. The effective interest amortization is included in interest income in profit or loss. The losses arising from impairment are recognized under "General and administrative expenses" account in the statements of comprehensive income.

  Loans and receivables are classified as current assets when the Group expects to realize the asset within twelve (12) months from reporting period. Otherwise, these are classified as noncurrent assets.

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

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

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

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

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

Financial assets under this category are classified as current if expected to be realized within twelve (12) months from reporting period and as noncurrent assets if maturity date is more than a year from reporting period.

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

- Financial assets carried at amortized cost. For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

  The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The accrued interest is shown under interest income in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to interest expense in profit or loss.

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

<u>Financial Liabilities</u>

Initial Recognition and Measurement. Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL and loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

Financial liabilities under this category are classified as current if expected to be settled within twelve (12) months from reporting period and as noncurrent if maturity date is more than a year from reporting period and other long-term employee benefits.

The Group's financial liabilities include trade payables and other current liabilities (excluding payable to government agencies), short-term loans, current and noncurrent obligations for program and other rights, dividends payable and other long-term employee benefit.

As at December 31, 2012 and 2011, the Group does not have financial liabilities at FVPL.

Subsequent Measurement. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as interest expense in profit or loss.

Derecognition of Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented at gross in the consolidated statements of financial position.

Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting period is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask 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 financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same; or
- A discounted cash flow analysis or other valuation models.

Program and Other Rights

Program and other rights with finite and infinite lives are stated at amortized cost less any impairment in value. The cost of programs and other rights with finite lives is amortized based on the manner and pattern of usage of the acquired rights and are fully amortized on the date of expiry. The cost of program and other rights with infinite lives is amortized on accelerated method based on the sum of the year's digit of ten (10) years with salvage value of 10% of the total cost. Amortization expense is shown as "Program and other rights usage".

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

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

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

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 or net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the current replacement cost.

Tax Credits

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

As at December 31, 2012 and 2011, the Group does not have tax credits classified as noncurrent.

Asset Classified as Held for Sale

Asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

Investments and Advances

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

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

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

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

The Group's share in profit (loss) of the associates is shown on the face of the consolidated statements of comprehensive income as "Equity in net earnings of associates and joint ventures", which is the profit (loss) attributable to equity holders of the associates.

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

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

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

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

The Group has interests in joint ventures, which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognizes its interests in the joint ventures using the equity method. The financial statements of the joint ventures are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealized gains and losses on such transactions between the Group and its joint ventures. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss. The Group ceases to use the equity method of accounting on the date from which it no longer has joint control over, or significantly influence in the joint ventures or when the interests become held for sale.

Upon loss of joint control, the Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former joint 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, net of accumulated depreciation and amortization and impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is measured at fair value less accumulated impairment losses, if any, recognized after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the "Revaluation increment in land" account under equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case, the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the "Revaluation increment in land" account.

Depreciation and amortization are computed on a straight-line basis over the following estimated useful lives of the assets:

Buildings, towers and improvements	11-20 years
Antenna and transmitter systems and broadcast equipment	5-10 years
Communication and mechanical equipment	3-5 years
Transportation equipment	5 years
Furniture, fixtures and equipment	5 years

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed at each financial year-end and adjusted prospectively, if appropriate.

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

Investment Properties
Investment properties consist of real estate held for capital appreciation and rental.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties, except land, are measured at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

Depreciation and amortization are computed using the straight-line method over 11-20 years.

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

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment in Artworks
Investment in artworks, included under "Other noncurrent assets" account in the consolidated statements of financial position, is stated at cost less any impairment in value.

Software Costs
Costs incurred in the acquisition and customization of new software, included under "Other noncurrent assets" account in the consolidated statements of financial position, are capitalized and amortized on a straight-line basis over three (3) to five (5) years.

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

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

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

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

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

Dividends on Common Shares of the Parent Company
Dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after reporting period are dealt with as an event after reporting period.

Revenues
Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured, regardless of when the payment is being made. Revenues are measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

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

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

Production and Others. Production revenue is recognized when project-related services are rendered. Others pertain to revenue from sponsorship and licensing income. Revenue from sponsorship and licensing is recognized on an accrual basis in accordance with the terms of the agreement.

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

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

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

Agency and Marketing Commissions and Co-producers' Share

These are deducted from gross revenues in profit or loss in the period the advertisements are aired.

Agency commissions are recognized based on a certain percentage of revenue.

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Expenses

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

Pension and Other Long-term Employee Benefits

The Parent Company and one (1) of its subsidiaries have funded, noncontributory defined benefit retirement plans covering permanent employees. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method.

Below are the changes in accounting policies on pension benefits upon early adoption of the Revised PAS 19:

Defined Benefit Plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of production costs and general and administrative expenses in the consolidated statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit obligation or asset is recognized under "Other expense or income" in the consolidated statements of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

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

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

Employee Leave Entitlements. Employee entitlements to annual leave are recognized as a liability when they accrue to the employees. The liability relating to employee leave entitlement is recognized for services rendered equivalent to the maximum credit leaves earned by the employee, which is expected to be settled upon the employee's resignation or retirement. The present value of the liability is determined by applying the discount rate based on government bonds.

The Group classifies employee leave entitlements as current liabilities if the obligation is expected to be settled within the next financial year, otherwise, the Group classifies it as noncurrent liabilities.

Leases

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

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

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

Foreign Currency-denominated Transactions

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

Taxes

Current Income Tax. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of excess minimum corporate income tax (MCIT) 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 period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

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

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

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

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

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

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade payables and other current liabilities" accounts in the consolidated statements of financial position.

Earnings Per Share (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.

Segment Reporting
For management purposes, the Group's operating businesses are organized and managed separately into three business activities (see Note 5). Such business segments are the basis upon which the Group reports its primary segment information. The Group considers television and radio operations as the major business segment. The Group operates in two geographical areas where it derives its revenue.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

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

Events after Reporting Period
Post year-end events that provide additional information about the Group's position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Functional Currency. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. The Philippine peso is also the functional currency of all the subsidiaries. It is the currency of the primary economic environment in which the Group operates.

Asset Classified as Held for Sale. In January 2011, the Group, through GNMI's BOD, announced its decision to dispose of its shareholdings in X-Play Online Games Incorporated (X-Play), a jointly controlled entity (see Note 11). The Group assessed that the interest in X-Play met the criteria to be classified as held for sale at that date for the following reasons:

- X-Play is available for immediate sale and can be sold to a potential buyer in its current condition.
- GNMI's BOD had entered into preliminary negotiations with a potential buyer.
- IP E-Games Ventures, Inc. (IPE) and GNMI subsequently executed an option agreement whereby GNMI was granted an option to sell its shareholdings in X-Play to IPE, which can be exercised within a period of one (1) year from execution date on October 19, 2011.

  As at December 31, 2012, the Company is in the process of finalizing the terms of the agreement in disposing its shareholdings in X-Play and expects to consummate the transaction by June 2013.

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

Asset classified as held for sale amounted to ₱26.43 million as at December 31, 2012 and 2011 (see Note 11).

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

Rental expense charged to operations amounted to ₱787.75 million, ₱851.93 million and ₱737.50 million in 2012, 2011 and 2010, respectively (see Note 27).

Tax Credits. The Parent Company has determined that tax credits earned from airing of government commercials and advertisements are recognized based on the Parent Company's forecast of importation for the next twelve (12) months from reporting period in which the tax credits will be applied and when the application is reasonably certain.

Revenue from tax credits recognized in profit or loss amounted to ₱40.00 million, ₱67.20 million and ₱84.00 million in 2012, 2011 and 2010, respectively.

Classification of Leave Entitlements as Current or Noncurrent. The Group assesses the classification of its leave entitlements as either current or noncurrent based on the historical experience of the outstanding leave availed. As at December 31, 2012, Management assessed that no outstanding annual leave is expected to be settled in the next 12 months resulting in the leave entitlements to be classified as noncurrent under "Other long-term employee benefits" account in the consolidated statements of financial position.

Other long-term employee benefits amounted to ₱236.38 million and ₱242.45 million as at December 31, 2012 and 2011, respectively (see Note 26).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

Provision for doubtful accounts amounted to ₱35.79 million, ₱24.55 million and ₱30.60 million in 2012, 2011 and 2010, respectively. Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱3,902.01 million and ₱4,191.14 million as at December 31, 2012 and 2011, respectively (see Note 7).

Amortization of Program and Other Rights. The Group estimates the amortization of program and other rights with finite lives based on the manner and pattern of usage of the acquired rights. The Group estimates that programs are generally more marketable in their initial airing as compared to the succeeding airings. In addition, estimation of the amortization of program and other rights is based on the Group's experience with such rights. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Program and other rights usage amounted to ₱460.94 million, ₱317.52 million and ₱463.86 million in 2012, 2011 and 2010, respectively. Program and other rights, net of accumulated impairment loss, amounted to ₱1,189.14 million and ₱730.00 million as at December 31, 2012 and 2011, respectively (see Note 8).

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

Provision for impairment loss amounted to ₱1.05 million in 2012 and nil in 2011 and 2010. The carrying value of AFS financial assets amounted to ₱106.34 million and ₱105.80 million as at December 31, 2012 and 2011, respectively (see Note 10).

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

The carrying value of materials and supplies inventory amounted to ₱72.47 million and ₱108.96 million as at December 31, 2012 and 2011, respectively (see Note 9). There were no provisions for inventory losses in 2012, 2011 and 2010.

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

There has been no change in the Group's estimate of useful lives of its property and equipment, software costs and investment properties in 2012 and 2011.

Revaluation of Land. The Group engages an independent appraiser to determine the fair value of the land used in operations. Fair value is determined by reference to market-based evidence. 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 three to five years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The revalued amount of land amounted to ₱1,409.59 million as at December 31, 2012 and 2011 (see Note 13).

Impairment of Nonfinancial Assets. For prepaid production costs, tax credits, investments and advances, property and equipment, investment properties and software costs, impairment testing is performed whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

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

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs to sell and the asset's value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

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

The balance of nonfinancial assets as at December 31 follows:

	2012	2011
Property and equipment (see Note 12)	**₱3,619,943,152**	₱3,252,582,543
Investments and advances (see Note 11)	**331,622,315**	320,500,720
Prepaid production costs (see Note 9)	**181,683,840**	219,404,918
Tax credits (see Note 9)	**117,848,590**	118,368,267
Investment properties (see Note 14)	**64,751,405**	68,029,711
Software costs (see Note 15)	**56,340,047**	48,421,523
	₱4,372,189,349	₱4,027,307,682

Estimating Realizability of Deferred Tax Assets. The Group reviews the carrying amounts of deferred tax assets on nondeductible temporary differences and carryforward benefits of NOLCO and excess MCIT at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Based on the Group's assessment, not all nondeductible temporary difference and carryforward benefits of NOLCO and excess MCIT will be realized.

Recognized deferred tax assets amounted to ₱279.34 million and ₱256.40 million as at December 31, 2012 and 2011, respectively, while unrecognized deferred tax assets amounted to ₱16.84 million and ₱2.72 million as at December 31, 2012 and 2011, respectively (see Note 28).

Pension Benefits. The determination of the Group's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 26 and include, among others, discount rate and expected rate of salary increase. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

Pension liability amounted to ₱368.92 million and ₱379.60 million as at December 31, 2012 and 2011, respectively (see Note 26).

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

5. Segment Information

Business Segments

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments, as follows:

- The television and radio segment, which engages in television and radio broadcasting activities and which generates revenue from sale of national and regional advertising time.
- The international subscription segment which engages in subscription arrangements with international cable companies.
- Other businesses which include movie production, consumer products and other services.

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

Geographical Segments

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

The Group's revenues 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 individually 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 whose revenue amounts to 10% or more of the Group's revenues.

Inter-segment Transactions

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

Measurement Basis

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

Business Segment Data

	Television and Radio Airtime			International Subscriptions			Other Businesses			Eliminations			Consolidated		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Net Revenues															
External sales	**₱10,262,536,574**	₱9,647,183,840	₱10,689,581,553	**₱946,737,015**	₱960,227,636	₱922,786,835	**₱624,790,593**	₱549,632,063	₱402,769,028	**₱–**	₱–	₱–	**₱11,834,064,182**	₱11,157,043,539	₱12,015,137,416
Inter-segment sales	–	–	–	–	–	–	**381,626,944**	244,794,350	382,633,199	**(381,626,944)**	(244,794,350)	(382,633,199)	–	–	–
	₱10,262,536,574	₱9,647,183,840	₱10,689,581,553	**₱946,737,015**	₱960,227,636	₱922,786,835	**₱1,006,417,537**	₱794,426,413	₱785,402,227	**(381,626,944)**	(₱244,794,350)	(₱382,633,199)	**₱11,834,064,182**	₱11,157,043,539	₱12,015,137,416
Results															
Segment results	**₱1,763,346,005**	₱1,615,775,571	₱3,134,158,787	**₱513,773,226**	₱510,702,679	₱532,898,732	**(₱9,002,764)**	₱25,849,900	₱45,352,866	**₱–**	₱–	(₱10,529,427)	**₱2,268,116,467**	₱2,152,328,150	₱3,701,880,958
Interest expenses and financing charges on short-term loans	**(42,706,120)**	(1,659,872)	(3,649,397)	–	–	–	**(198,066)**	(9,819,422)	(135,885)	–	–	–	**(42,904,186)**	(11,479,294)	(3,785,282)
Interest income from bank deposits and short-term investments	**33,632,100**	27,501,787	76,230,704	–	–	–	**1,094,158**	1,065,640	990,899	–	–	–	**34,726,258**	28,567,427	77,221,603
Net foreign currency exchange gains (losses)	**(23,124,407)**	(6,052,422)	(24,897,530)	–	–	2,049	**(535,948)**	280,313	(616,180)	–	–	–	**(23,660,355)**	(5,772,109)	(25,511,661)
Equity in net earnings (losses) of associates and joint ventures	–	–	–	–	–	–	**3,731,882**	5,019,389	6,867,724	–	–	–	**3,731,882**	5,019,389	6,867,724
Other income - net	**67,569,107**	54,130,094	52,862,653	–	–	–	**2,628,651**	2,725,891	1,194,170	**(3,000,000)**	–	(4,000,000)	**67,197,758**	56,855,985	50,056,823
Provision for income tax	**(540,707,890)**	(512,344,878)	(963,780,218)	**(127,639,914)**	–	–	**(21,971,385)**	(8,532,833)	(14,868,485)	–	–		**(690,319,189)**	(520,877,711)	(978,648,703)
Net income	**₱1,258,008,795**	₱1,177,350,280	₱2,270,924,999	**₱386,133,312**	₱510,702,679	₱532,900,781	**(₱24,253,472)**	₱16,588,878	₱38,785,109	**(₱3,000,000)**	₱–	(₱14,529,427)	**₱1,616,888,635**	₱1,704,641,837	₱2,828,081,462
Assets and Liabilities															
Segment assets	**₱11,459,048,652**	₱11,040,738,826	₱11,759,280,298	**₱932,477,981**	₱ 858,686,844	₱829,061,722	**₱820,216,146**	₱815,843,907	₱714,526,464	**(₱681,767,515)**	(₱813,264,497)	(₱727,134,026)	**₱12,529,975,264**	₱11,902,005,080	₱12,575,734,458
Investments in associates and interests in joint ventures - at equity	**237,146,945**	233,415,063	228,395,675	–	–	–	**10,000,000**	–	26,432,471	–	–	–	**247,146,945**	233,415,063	254,828,146
Deferred tax assets	–	–	–	–	–	–	**69,788,536**	47,644,005	49,613,363	–	–	–	**69,788,536**	47,644,005	47,671,646
Total assets	**₱11,696,195,597**	₱11,274,153,889	₱11,987,675,973	**₱932,477,981**	₱858,686,844	₱829,061,722	**₱900,004,682**	₱863,487,912	₱790,572,298	**(₱681,767,515)**	(₱813,264,497)	(₱727,134,026)	**₱12,846,910,745**	₱12,183,064,148	₱12,878,234,250
Segment liabilities	**₱3,999,688,503**	₱2,366,171,614	₱2,315,961,750	**₱200,966,316**	₱4,465,165	₱7,096,567	**₱981,570,933**	₱790,253,461	₱823,392,882	**(₱749,622,282)**	(₱892,797,734)	(₱793,887,420)	**₱4,432,603,470**	₱2,268,092,506	₱2,352,563,779
Deferred tax liabilities	**144,250,390**	132,605,086	196,869,863	–	–	–	–	–	–	–	–	–	**144,250,390**	132,605,086	196,869,863
Total liabilities	**₱4,143,938,893**	₱2,498,776,700	₱2,512,831,613	**₱200,966,316**	₱4,465,165	₱7,096,567	**₱981,570,933**	₱790,253,461	₱823,392,882	**(₱749,622,282)**	(₱892,797,734)	(₱793,887,420)	**₱4,576,853,860**	₱2,400,697,592	₱2,549,433,642
Other Segment Information															
Capital expenditures:															
Program rights and other rights and software cost	**₱922,148,651**	₱496,117,080	₱402,624,186	**₱–**	₱–	₱–	**₱33,583,795**	₱28,004,890	₱9,896,283	**₱–**	₱–	₱–	**₱955,732,446**	₱524,121,970	₱412,520,469
Property and equipment	**956,155,200**	883,305,571	403,866,267	**9,830,044**	7,318,113	6,904,559	**9,491,337**	12,830,956	17,667,523	–	–	–	**975,476,581**	903,454,640	428,438,349
Land at revalued amount	–	6,463,241	–	–	–	–	–	–	–	–	–	–	–	6,463,241	–
Investment properties	–	664,163	6,188,853	–	–	–	–	2,151,000	–	–	–	–	–	2,815,163	6,188,853
Depreciation and amortization	**1,077,513,279**	842,303,103	951,449,174	**8,732,558**	6,455,694	23,715,018	**11,980,598**	12,831,055	15,879,747	–	–	–	**1,098,226,435**	861,589,852	991,043,939
Noncash expenses other than depreciation and amortization	–	–	–	–	11,761,460	9,606,610	–	–	–	–	(11,761,460)	(9,606,610)	–	–	–

Geographical Segment Data

	Local														
	Television and radio airtime			Other Businesses			International Subscriptions			Eliminations			Consolidated		
	2012	2011	2010	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010	**2012**	2011	2010
Net Revenues															
External sales	**₱10,262,536,574**	₱9,647,183,840	₱10,689,581,553	**₱624,790,593**	₱549,632,063	₱402,769,028	**₱946,737,015**	₱960,227,636	₱922,786,835	**₱–**	₱–	₱–	**₱11,834,064,182**	₱11,157,043,539	₱12,015,137,416
Inter-segment sales	–	–	–	**381,626,944**	244,794,350	382,633,199	–	–	–	**(381,626,944)**	(244,794,350)	(382,633,199)	–	–	–
Total net revenues	**₱10,262,536,574**	₱9,647,183,840	₱10,689,581,553	**₱1,006,417,537**	₱794,426,413	₱785,402,227	**₱946,737,015**	₱960,227,636	₱922,786,835	**(₱381,626,944)**	(₱244,794,350)	(₱382,633,199)	**₱11,834,064,182**	₱11,157,043,539	₱12,015,137,416
Results															
Segment results	**₱1,763,346,005**	₱1,615,775,571	₱3,134,158,787	**(₱9,002,764)**	₱25,849,900	₱45,352,866	**₱513,773,226**	₱510,702,679	₱532,898,732	**₱–**	₱–	(₱10,529,427)	**₱2,268,116,467**	₱2,152,328,150	₱3,701,880,958
Interest expenses and financing charges on short-term loans	**(42,706,120)**	(1,659,872)	(3,649,397)	**(198,066)**	(9,819,422)	(135,885)	–	–	–	–	–	–	**(42,904,186)**	(11,479,294)	(3,785,282)
Interest income from bank deposits and short-term investments	**33,632,100**	27,501,787	76,230,704	**1,094,158**	1,065,640	990,899	–	–	–	–	–	–	**34,726,258**	28,567,427	77,221,603
Net foreign currency exchange gains (losses)	**(23,124,407)**	(6,052,422)	(24,897,530)	**(535,948)**	280,313	(616,180)	–	–	2,049	–	–	–	**(23,660,355)**	(5,772,109)	(25,511,661)
Equity in net earnings (losses) of associates and joint ventures	–	–	–	**3,731,882**	5,019,389	6,867,724	–	–	–	–	–	–	**3,731,882**	5,019,389	6,867,724
Other income - net	**67,569,107**	54,130,094	52,862,653	**2,628,651**	2,725,891	1,194,170	–	–	–	**(3,000,000)**	–	(4,000,000)	**67,197,758**	56,855,985	50,056,823
Provision for income tax	**(540,707,890)**	(512,344,878)	(963,780,218)	**(21,971,385)**	(8,532,833)	(14,868,485)	**(127,639,914)**	–	–	–	–		**(690,319,189)**	(520,877,711)	(978,648,703)
Net income	**₱1,258,008,795**	₱1,177,350,280	₱2,270,924,999	**(₱24,253,472)**	₱16,588,878	₱38,785,109	**₱386,133,312**	₱510,702,679	₱532,900,781	**(₱3,000,000)**	₱–	(₱14,529,427)	**₱1,616,888,635**	₱1,704,641,837	₱2,828,081,462
Assets and Liabilities															
Segment assets	**₱11,459,048,652**	₱11,040,738,826	₱11,759,280,298	**₱820,216,146**	₱815,843,907	₱714,526,464	**₱932,477,981**	₱858,686,844	₱829,061,722	**(₱681,767,515)**	(₱813,264,497)	(₱727,134,026)	**₱12,529,975,264**	₱11,902,005,080	₱12,575,734,458
Investments in associates and interests in joint ventures - equity	**237,146,945**	233,415,063	228,395,675	**10,000,000**	–	26,432,471	–	–	–	–	–	–	**247,146,945**	233,415,063	254,828,146
Deferred tax assets	–	–	–	**69,788,536**	47,644,005	49,613,363	–	–	–	–	–	–	**69,788,536**	47,644,005	47,671,646
Total assets	**₱11,696,195,597**	₱11,274,153,889	₱11,987,675,973	**₱900,004,682**	₱863,487,912	₱790,572,298	**₱932,477,981**	₱858,686,844	₱829,061,722	**(₱681,767,515)**	(₱813,264,497)	(₱727,134,026)	**₱12,846,910,745**	₱12,183,064,148	₱12,878,234,250
Segment liabilities	**₱3,999,688,503**	₱2,366,171,614	₱2,315,961,750	**₱981,570,933**	₱790,253,461	₱823,392,882	**₱200,966,316**	₱4,465,165	₱7,096,567	**(₱749,622,282)**	(₱892,797,734)	(₱793,887,420)	**₱4,432,603,470**	₱2,268,092,506	₱2,352,563,779
Deferred tax liabilities	**144,250,390**	132,605,086	196,869,863	–	–	–	–	–	–	–	–	–	**144,250,390**	132,605,086	196,869,863
Total liabilities	**₱4,143,938,893**	₱2,498,776,700	₱2,512,831,613	**₱981,570,933**	₱790,253,461	₱823,392,882	**₱200,966,316**	₱4,465,165	₱7,096,567	**(₱749,622,282)**	(₱892,797,734)	(₱793,887,420)	**₱4,576,853,860**	₱2,400,697,592	₱2,549,433,642
Other Segment Information															
Capital expenditures:															
Program rights and other rights and software cost	**₱922,148,651**	₱496,117,080	₱402,624,186	**₱33,583,795**	₱28,004,890	₱9,896,283	**₱–**	₱–	₱–	**₱–**	₱–	₱–	**₱955,732,446**	₱524,121,970	₱412,520,469
Property and equipment	**956,155,200**	883,305,571	403,866,267	**9,491,337**	12,830,956	17,667,523	**9,830,044**	7,318,113	6,904,559	–	–	–	**975,476,581**	903,454,640	428,438,349
Land at revalued amount	–	6,463,241	–	–	–	–	–	–	–	–	–	–	–	6,463,241	–
Investment properties	–	664,163	6,188,853	–	2,151,000	–	–	–	–	–	–	–	–	2,815,163	6,188,853
Depreciation and amortization	**1,077,513,279**	842,303,103	951,449,174	**11,980,598**	12,831,055	15,879,747	**8,732,558**	6,455,694	23,715,018	–	–	–	**1,098,226,435**	861,589,852	991,043,939
Noncash expenses other than depreciation and amortization	–	–	–	–	–	–	–	11,761,460	9,606,610	–	(11,761,460)	(9,606,610)	–	–	–

6. **Cash and Cash Equivalents**

	2012	2011
Cash on hand and in banks	**₱1,019,359,655**	₱739,028,819
Short-term deposits	**246,849,483**	468,947,304
	₱1,266,209,138	₱1,207,976,123

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Short-term investments with original maturities of more than three months to one year are shown separately in the 2012 consolidated statement of financial position.

Interest income earned from bank deposits and short term investments amounted to ₱22.17 million, ₱28.57 million and ₱77.22 million in 2012, 2011 and 2010, respectively.

7. **Trade and Other Receivables**

	2012	2011
Trade:		
Television and radio airtime	**₱3,161,664,105**	₱3,631,453,604
Subscriptions	**618,236,636**	311,859,621
Related party (see Note 20)	**60,322,559**	60,622,219
Others	**148,831,724**	155,203,912
Nontrade:		
Advances to suppliers	**91,846,350**	199,978,803
Advances to officers and employees	**29,712,610**	34,738,409
Others	**64,171,144**	35,218,973
	4,174,785,128	4,429,075,541
Less allowance for doubtful accounts	**272,771,236**	237,937,618
	₱3,902,013,892	₱4,191,137,923

Trade Receivables

Television and Radio Airtime. Television and radio airtime receivables are unsecured, noninterest-bearing and are generally on 60-90 day terms upon receipt of invoice by the customers. Invoicing normally takes around 30 days from airing.

Television and radio airtime receivables include unbilled airtime receivables, arising when advertisements have been aired 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 ₱168.57 million and ₱128.13 million as at December 31, 2012 and 2011, respectively, since a right of offset exists between the advance payments and the regular trade receivables with credit terms.

Subscriptions Receivable. Subscriptions receivable pertain to receivables from international channel subscriptions and advertisements. These are unsecured, noninterest-bearing and normally collected within 30-60 days.

Related Party. Terms and conditions of receivables to related party are discussed in Note 20.

Other Trade Receivables. Other trade receivables are unsecured, noninterest-bearing and are generally on 60-90 day terms upon receipt of invoice by the customers.

Nontrade Receivables

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

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

Allowance for Doubtful Accounts
The movements in the allowance for doubtful accounts are as follows:

	2012		
	Television and Radio Airtime	**Others**	**Total**
Balance at beginning of year	**₱234,640,484**	**₱3,297,134**	**₱237,937,618**
Provision for the year (see Note 23)	**35,232,086**	**553,121**	**35,785,207**
Write-off	**–**	**(951,589)**	**(951,589)**
Balance at end of year	**₱269,872,570**	**₱2,898,666**	**₱272,771,236**

	2011		
	Television and Radio Airtime	Others	Total
Balance at beginning of year	₱210,840,896	₱2,547,299	₱213,388,195
Provision for the year (see Note 23)	23,799,588	749,835	24,549,423
Balance at end of year	₱234,640,484	₱3,297,134	₱237,937,618

The allowance for doubtful accounts for television and radio airtime and other receivables in 2012 and 2011 are results of specific and collective impairment assessments performed by the Group as follows:

	2012	2011
Individually impaired	**₱266,956,063**	₱226,067,516
Collectively impaired	**5,815,173**	11,870,102
	₱272,771,236	₱237,937,618

As at December 31, 2012 and 2011, the aging analysis of receivables that were not impaired follows:

	2012					
	Trade					
	Television and Radio Airtime	**Subscriptions**	**Related party**	**Others**	**Nontrade***	**Total**
Neither past due nor impaired	**₱2,325,020,464**	**₱228,237,158**	**₱–**	**₱113,789,346**	**₱77,407,445**	**₱2,744,454,413**
Past due but not impaired:						
1-30 days	**200,283,481**	**43,541,678**	**1,290,820**	**8,368,681**	**5,334,370**	**258,819,030**
31-60 days	**276,000**	**212,194,922**	**618,428**	**4,075,532**	**3,089,575**	**220,254,457**
61-90 days	**153,605,708**	**35,811,981**	**2,773,142**	**570,133**	**219,228**	**192,980,192**
91-180 days	**104,585,378**	**41,492,804**	**–**	**4,336,073**	**227,419**	**150,641,674**
181-365 days	**59,854,871**	**53,020,637**	**–**	**5,989,073**	**256,970**	**119,121,551**
Over 1 year	**48,165,633**	**3,937,456**	**55,640,169**	**8,804,220**	**7,348,747**	**123,896,225**
	₱2,891,791,535	**₱618,236,636**	**₱60,322,559**	**₱145,933,058**	**₱93,883,754**	**₱3,810,167,542**

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

	2011					
	Trade					
	Television and Radio Airtime	Subscriptions	Related party	Others	Nontrade*	Total
Neither past due nor impaired	₱2,052,849,685	₱140,911,528	₱–	₱65,521,276	₱37,547,734	₱2,296,830,223
Past due but not impaired:						
1-30 days	260,640,826	89,404,778	1,890,300	5,128,207	7,801,413	364,865,524
31-60 days	259,043,565	21,046,947		20,254,421	4,660,658	305,005,591
61-90 days	18,179,674	16,755,356	–	4,606,401	4,697,818	44,239,249
91-180 days	74,829,169	23,664,791	–	2,247,745	5,524,317	106,266,022
181-365 days	237,536,716	14,583,349	–	19,509,362	4,625,353	276,254,780
Over 1 year	493,733,485	5,492,872	58,731,919	34,639,366	5,100,089	597,697,731
	₱3,396,813,120	₱311,859,621	₱60,622,219	₱151,906,778	₱69,957,382	₱3,991,159,120

**Excluding advances to suppliers amounting to ₱199.98 million as at December 31, 2011.*

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 ₱56.44 million and ₱107.7 million as at December 31, 2012 and 2011, respectively. These are included in trade receivables as "neither past due nor impaired" but with age of 31-60 days from date of airing.

8. Program and Other Rights

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

	2011		
	Program and Film Rights	Story Format Rights	Total
Cost:			
Balance at beginning of year	₱471,211,724	₱89,563,129	₱560,774,853
Additions	468,091,709	21,354,264	489,445,973
Program and other rights usage (see Note 22)	(278,094,958)	(39,425,457)	(317,520,415)
Balance at end of year	661,208,475	71,491,936	732,700,411
Accumulated impairment in value -			
Balance at beginning and end of year	(2,702,260)	–	(2,702,260)
	₱658,506,215	₱71,491,936	₱729,998,151

No impairment loss on program and other rights was recognized in 2012 and 2011.

9. Prepaid Expenses and Other Current Assets

	2012	2011
Input VAT	**₱184,698,052**	₱104,090,498
Prepaid production costs	**181,683,840**	219,404,918
Tax credits	**117,848,590**	118,368,267
Creditable withholding taxes	**80,160,100**	58,800,765
Prepaid expenses	**73,887,930**	85,194,126
Materials and supplies inventory at cost	**72,473,600**	108,959,185
Others	**43,610**	222,800
	₱710,795,722	₱695,040,559

Prepaid production represents cost incurred prior to the airing of the programs or episodes. The Group expects to air the related programs or episodes within the next financial year.

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

Prepaid expenses include prepayments for rentals, insurance and other expenses.

10. Available-for-Sale Financial Assets

	2012	2011
Investments in shares of stock:		
Quoted	**₱57,225,100**	₱55,624,800
Unquoted	**49,118,498**	50,172,048
	₱106,343,598	₱105,796,848

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

The movements in this account are as follows:

	2012	2011
Balance at beginning of year	**₱105,796,848**	₱104,966,848
Net change in the fair value of AFS financial assets	**1,600,300**	830,000
Balance at end of the year	**107,397,148**	105,796,848
Impairment loss (see Note 23)	**(1,053,550)**	–
	₱106,343,598	₱105,796,848

In 2012, the Parent Company recognized a provision for impairment loss for its unquoted AFS financial asset which ceased commercial operation. The impairment loss is included under "General and administrative expenses" in the 2012 consolidated statement of comprehensive income (see Note 23).

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

	2012	2011
Balance at beginning of year	**₱2,752,687**	₱1,995,687
Gain due to changes in fair market value of AFS financial assets	**1,600,300**	830,000
Tax effect of the changes in fair market values	**(287,060)**	(73,000)
	₱4,065,927	₱2,752,687

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

11. Investments and Advances

	2012	2011
Investments in associates and interests in joint ventures accounted for under the equity method	**₱247,146,945**	₱233,415,063
Permanent advances to associates and joint ventures (see Note 20)	**84,475,370**	87,085,657
	₱331,622,315	₱320,500,720

The movements in the above amounts are as follows:

	2012	2011
Investments in associates and interests in joint ventures accounted for under the equity method		
Acquisition cost:		
Balance at beginning of year	**₱277,722,056**	₱327,722,056
Additions (see Note 2)	**10,000,000**	–
Interest in joint venture classified as held for sale - net of subscription payable (see Note 4)	**–**	(50,000,000)
Balance at end of year	**287,722,056**	277,722,056

(Forward)

	2012	2011
Accumulated equity in net losses:		
Balance at beginning of year	**(₱44,306,993)**	(₱72,893,910)
Equity in net earnings during the year	**3,731,882**	5,019,389
Accumulated equity in net losses associated with the asset held for sale	**–**	23,567,528
Balance at end of year	**(40,575,111)**	(44,306,993)
	247,146,945	233,415,063
Advances to associates and joint ventures (see Note 20):		
Balance at beginning of year	**87,085,657**	87,085,657
Impairment loss (see Note 23)	**(2,610,287)**	–
Balance at end of year	**84,475,370**	87,085,657
Total investments and advances	**₱331,622,315**	₱320,500,720

In 2012, the Parent Company recognized a provision for impairment loss amounting to ₱2.61 million for the net carrying value of its advances to INQ7 Interactive, Inc. (INQ7). The recognized impairment loss is included under "General and administrative expenses" in the 2012 consolidated statement of comprehensive income (see Notes 20 and 23).

The ownership interests in associates and joint ventures, which are all incorporated in the Philippines, are as follows:

	Principal Activities	Percentage of Ownership 2012	2011
Associates:			
RGMA	Radio Broadcasting and Management	**49.0**	49.0
Mont-Aire Realty and Development Corporation (Mont-Aire)	Real Estate	**49.0**	49.0
Joint Ventures:			
INQ7	Internet Publishing	**50.0**	50.0
Philippine Entertainment Portal, Inc. (PEP)	Internet Publishing	**50.0**	50.0
Gamespan	Betting Games	**50.0**	–

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

	2012 Investments	Advances (see Note 20)	Total
Associates:			
RGMA	**₱198,796,326**	**₱–**	**₱198,796,326**
Mont-Aire	**38,350,619**	**84,475,370**	**122,825,989**
Joint venture -			
Gamespan	**10,000,000**	**–**	**10,000,000**
	₱247,146,945	**₱84,475,370**	**₱331,622,315**

	2011 Investments	Advances (see Note 20)	Total
Associates:			
RGMA	₱195,064,444	₱–	₱195,064,444
Mont-Aire	38,350,619	84,475,370	122,825,989
Joint venture -			
INQ7	–	2,610,287	2,610,287
	₱233,415,063	₱87,085,657	₱320,500,720

X-Play

As discussed in Note 4, the Group, through GNMI's BOD, announced its decision to dispose of its shareholdings in X-Play on January 1, 2011, and classified its investment in X-Play as asset held for sale. The carrying value of asset held for sale previously classified as investment and advances to X-Play is shown below:

Investment cost	₱100,000,000
Less subscription payable	50,000,000
Net investment cost	50,000,000
Less accumulated equity in net losses associated with the asset held for sale	23,567,528
	₱26,432,472

In connection with the planned disposal of X-Play, in March 2013, GNMI and IPE extended until June 30, 2013 the exercise period of the option agreement which both companies entered on October 19, 2011 whereby IPE grants GNMI the option to sell all, but not less than all, of shares in stock of X-Play for a purchase price of ₱75.00 million in cash. Also, on March 23, 2012, GNMI agreed to subscribe to ₱130.00 million worth of shares of IPE's authorized but unissued capital stock to be offered on its Initial Public Offering in exchange for GNMI shares of stock in X-Play at a subscription price per share equivalent to the offering price.

PEP

As at December 31, 2012 and 2011, accumulated equity in net losses of PEP exceeded the Group's interest in joint venture, thus, the carrying value of interest in joint venture with PEP has been reduced to zero. Unrecognized share of income (losses) in PEP amounted to (₱1.52 million), ₱2.11 million and (₱0.03 million) in 2012, 2011 and 2010, respectively. The accumulated unrecognized share of losses in PEP amounted to ₱2.71 million and ₱1.19 million as at December 31, 2012 and 2011, respectively.

INQ7

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

Gamespan

On March 22, 2012, the Group, through GNMI, executed a Shareholder's Agreement with Manila Jockey Club, Inc. (MJC) for the establishment of Gamespan, Inc., a joint venture corporation. The joint venture was organized to operate and manage the hardware and software owned by MJC, set-up new media infrastructure for offering and taking bets in horse racing and other sports. The joint venture has not yet started commercial operation as at December 31, 2012 and is expected to operate in 2013.

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

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

		Total Assets	Total Liabilities	Revenues	Net Income
RGMA	**2012**	**₱142,810,392**	**₱86,684,508**	**₱151,353,083**	**₱7,616,087**
	2011	126,139,501	75,172,507	146,714,016	10,243,651
Mont-Aire	**2012**	**160,136,147**	**94,460,607**	–	–
	2011	160,136,147	94,460,607	–	–

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

	INQ7		PEP	
	2012	2011	**2012**	2011
Current assets	**₱7,699,079**	₱7,699,079	**₱13,168,924**	₱18,959,186
Noncurrent assets	**2,182,230**	2,182,230	**674,142**	691,270
Current liabilities	**29,032,924**	29,032,924	**17,637,207**	21,734,766
Revenues	**–**	–	**13,745,837**	12,422,343
Expenses	**–**	–	**15,262,916**	10,315,032
Net income (losses)	**–**	–	**(1,517,079)**	2,107,311

12. Property and Equipment at Cost

	2012				
	January 1	**Additions/ Depreciation** (see Notes 22 and 23)	**Disposals**	**Reclassifications**	**December 31**
Cost:					
Buildings, towers and improvements	**₱2,531,391,147**	**₱196,950,973**	**(₱689,500)**	**₱44,402,178**	**₱2,772,054,798**
Antenna and transmitter systems and broadcast equipment	**4,825,470,655**	**479,507,085**	**(2,369,504)**	**15,224,179**	**5,317,832,415**
Communication and mechanical equipment	**736,897,150**	**86,942,502**	**(1,642,728)**	**330,017**	**822,526,941**
Transportation equipment	**386,814,921**	**116,471,795**	**(83,626,532)**	**(1,941,318)**	**417,718,866**
Furniture, fixtures and equipment	**168,604,612**	**12,620,684**	**(1,012,131)**	**1,359,560**	**181,572,725**
	8,649,178,485	**892,493,039**	**(89,340,395)**	**59,374,616**	**9,511,705,745**
Accumulated Depreciation and Amortization:					
Buildings, towers and improvements	**1,080,986,851**	**127,291,335**	**(689,500)**	**–**	**1,207,588,686**
Antenna and transmitter systems and broadcast equipment	**3,587,194,730**	**317,778,911**	**(2,334,693)**	**–**	**3,902,638,948**
Communication and mechanical equipment	**545,883,400**	**82,318,942**	**(1,575,540)**	**–**	**626,626,802**
Transportation equipment	**226,130,145**	**68,414,682**	**(82,007,333)**	**–**	**212,537,494**
Furniture, fixtures and equipment	**140,068,769**	**10,472,856**	**(894,083)**	**–**	**149,647,542**
	5,580,263,895	**606,276,726**	**(87,501,149)**	**–**	**6,099,039,472**
Construction in progress and equipment for installation	**183,667,953**	**82,983,542**	**–**	**(59,374,616)**	**207,276,879**
	₱3,252,582,543	**₱369,199,855**	**(₱1,839,246)**	**₱–**	**₱3,619,943,152**

	2011				
	January 1	Additions/ Depreciation (see Notes 22 and 23)	Disposals	Reclassifications	December 31
Cost:					
Buildings, towers and improvements	₱2,460,432,706	₱84,495,293	(₱13,587,685)	₱50,833	₱2,531,391,147
Antenna and transmitter systems and broadcast equipment	4,256,889,902	559,920,132	(21,055,207)	29,715,828	4,825,470,655
Communication and mechanical equipment	636,205,627	105,743,565	(4,003,070)	(1,048,972)	736,897,150
Transportation equipment	346,917,213	81,642,642	(43,349,155)	1,604,221	386,814,921
Furniture, fixtures and equipment	161,473,218	9,331,503	(2,873,101)	672,992	168,604,612
	7,861,918,666	841,133,135	(84,868,218)	30,994,902	8,649,178,485
Accumulated Depreciation and Amortization:					
Buildings, towers and improvements	966,924,378	122,701,067	(8,638,594)	–	1,080,986,851
Antenna and transmitter systems and broadcast equipment	3,364,927,642	245,062,810	(22,147,659)	(648,063)	3,587,194,730
Communication and mechanical equipment	477,823,991	72,395,926	(3,708,750)	(627,767)	545,883,400
Transportation equipment	204,263,013	63,169,102	(41,316,970)	15,000	226,130,145
Furniture, fixtures and equipment	129,580,664	11,909,536	(1,421,431)	–	140,068,769
	5,143,519,688	515,238,441	(77,233,404)	(1,260,830)	5,580,263,895
Construction in progress and equipment for installation	153,602,180	62,321,505	–	(32,255,732)	183,667,953
	₱2,872,001,158	₱388,216,199	(₱7,634,814)	₱–	₱3,252,582,543

Depreciation and amortization on property and equipment charged to operations amounted to ₱606.28 million, ₱515.24 million and ₱504.41 million in 2012, 2011 and 2010, respectively. These amounts include amortization of previously capitalized borrowing costs amounting to ₱10.08 million each year. No borrowing cost was capitalized in 2012 and 2011.

The cost of fully depreciated assets still used by the Group amounted to ₱4,200.30 million and ₱3,654.75 million as at December 31, 2012 and 2011, respectively. The Group has no idle property and equipment as at December 31, 2012 and 2011.

Construction in progress pertains to the costs incurred for signals strengthening of transmitters nationwide and construction/improvement of studios and stations in the regions.

As at December 31, 2012 and 2011, no property and equipment have been pledged as collateral or security for any of the Group's liabilities.

13. Land at Revalued Amounts

	2012	2011
Cost:		
Balance at beginning of year	**₱346,502,817**	₱340,039,576
Additions	**–**	6,463,241
Balance at end of year	**346,502,817**	346,502,817
Revaluation increment -		
Balance at beginning and end of year	**1,063,082,889**	1,063,082,889
	₱1,409,585,706	₱1,409,585,706

Land used in operations were appraised by an independent firm of appraisers on January 5, 2009. In determining the fair value of the land, the independent appraisers considered the local market conditions, the extent, character and utility of the property, sales and holding prices of similar parcels of land and the highest and best use of the land.

While fair values of the land were not determined as at December 31, 2012 and 2011, the Group's management believes that there were no conditions present in 2012 and 2011 that would significantly change the fair value of the land from that was determined as at January 5, 2009.

As at December 31, 2012 and 2011, no land has been pledged as collateral or security for any of the Group's liabilities.

14. Investment Properties

	2012		
	Land and Improvements	**Buildings and Improvements**	**Total**
Cost -			
Balance at beginning and end of year	**₱33,975,381**	**₱73,565,501**	**₱107,540,882**
Accumulated depreciation:			
Balance at beginning of year	**–**	**37,465,998**	**37,465,998**
Depreciation during the year (see Notes 22 and 23)	**–**	**3,278,306**	**3,278,306**
Balance at end of year	**–**	**40,744,304**	**40,744,304**
Accumulated impairment in value -			
Balance at beginning and end of year	**–**	**2,045,173**	**2,045,173**
	₱33,975,381	**₱30,776,024**	**₱64,751,405**

	2011		
	Land and Improvements	Buildings and Improvements	Total
Cost:			
Balance at beginning of year	₱33,399,381	₱71,326,338	₱104,725,719
Additions	576,000	2,239,163	2,815,163
Balance at end of year	33,975,381	73,565,501	107,540,882
Accumulated depreciation:			
Balance at beginning of year	–	34,346,621	34,346,621
Depreciation during the year (see Notes 22 and 23)	–	3,119,377	3,119,377
Balance at end of year	–	37,465,998	37,465,998
Accumulated impairment in value:			
Balance at beginning of year	–	7,035,392	7,035,392
Reversal during the year (see Note 25)	–	(4,990,219)	(4,990,219)
Balance at end of year	–	2,045,173	2,045,173
	₱33,975,381	₱34,054,330	₱68,029,711

The reversal of previously recognized impairment loss in 2011 resulted from the increase in fair value of certain buildings and improvements of GMPI amounting to ₱4.99 million as determined by an independent appraiser as at December 31, 2011, recognized under "Other income" in 2011 consolidated statement of comprehensive income (see Note 25).

The fair market value of investment properties owned by GMPI and Scenarios amounted to ₱21.09 million and ₱25.75 million as at December 31, 2012 and 2011 respectively, while the rest of the investment properties owned by the Parent Company and Alta amounted to ₱102.13 million as at December 31, 2005, as determined by independent appraisers. The fair value 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 majority of investment properties were not determined as at December 31, 2012 and 2011, the Group's management believes that there were no conditions present in 2012 and 2011 that would significantly reduce the fair value of the investment properties from that determined in 2005.

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

	2012	2011	2010
Rental income derived from investment properties	**₱1,705,794**	₱2,175,581	₱3,251,844
Direct operating expenses (including repairs and maintenance) from investment properties	**(3,175,500)**	(3,097,803)	(2,561,895)
	(₱1,469,706)	(₱922,222)	₱689,949

As at December 31, 2012 and 2011, no investment properties have been pledged as collateral or security for any of the Group's liabilities.

15. Other Noncurrent Assets

	2012	2011
Software costs	**₱56,340,047**	₱48,421,523
Deferred input VAT	**36,157,216**	30,986,364
Guarantee deposits	**16,769,795**	18,086,984
Refundable deposits	**16,032,343**	18,925,664
Investment in artworks	**10,406,255**	10,406,255
Video rights and deferred production costs	**6,040,341**	1,512,597
	₱141,745,997	₱128,339,387

The movements in software costs follow:

	2012	2011
Cost:		
Balance at beginning of year	**₱186,516,860**	₱151,840,863
Additions	**35,652,462**	34,675,997
Balance at end of year	**222,169,322**	186,516,860
Accumulated amortization:		
Balance at beginning of year	**138,095,337**	112,383,718
Amortization during the year (see Note 23)	**27,733,938**	25,711,619
Balance at end of year	**165,829,275**	138,095,337
	₱56,340,047	₱48,421,523

16. Trade Payables and Other Current Liabilities

	2012	2011
Trade:		
Suppliers	**₱415,943,927**	₱305,297,742
Related party (see Note 20)	**28,817,640**	14,488,308
Payable to government agencies	**795,825,370**	756,299,280
Accrued:		
Payroll and talent fees	**142,660,577**	132,262,774
Production costs	**139,610,404**	171,700,931
Commission	**17,930,573**	37,067,964
Other general and administrative expenses	**81,684,975**	86,579,630
Others	**52,038,641**	3,904,627
	₱1,674,512,107	₱1,507,601,256

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

Terms and conditions of payables to related party are discussed in Note 20.

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

Accrued expenses and other payables are noninterest-bearing and are generally settled within the next financial year.

17. Short-term Loans

In 2012, the Parent Company obtained unsecured short-term loans with interest rate of 4.00% from various local banks for the payment of the dividends declared during the year. Total loans amounted to ₱3,200.00 million of which ₱1,300.00 million matured and ₱200.00 million was partially paid during the year. Short-term loans as at December 31, 2012 amounted to ₱1,700.00 million.

Interest expense incurred related to the short-term loans amounted to ₱37.63 million for 2012.

18. Obligations for Program and Other Rights

This account consists of:

	2012	2011
Current obligations for program rights	**₱184,585,619**	₱39,843,815
Noncurrent obligations for program rights	**63,955,130**	–
	₱248,540,749	₱39,843,815

Obligations for program and other rights represent liabilities to foreign and local film suppliers for program and other rights purchased by the Group. The current portion of the obligations for program rights is noninterest-bearing and is generally payable in equal monthly or quarterly installments. The amounts presented in the consolidated statements of financial position as at December 31, 2012 and 2011 represent the nominal amounts of the obligations which are expected to be settled within the next 12 months.

The noncurrent portion of obligations for program rights is payable in four years and is presented at its present value in the consolidated statement of financial position as at December 31, 2012.

19. Equity

a. Capital Stock

	Number of Preferred Shares	Number of Common Shares
Authorized - ₱0.20 par value per preferred share/₱1.00 par value per common share	7,500,000,000	5,000,000,000
Subscribed and issued at beginning and end of year	7,500,000,000	3,364,692,000
Treasury shares	492,816	3,645,000
PDRs	–	750,000

The preferred shares are of equal rank, preference and priority and are identical in all respect regardless of series. Preferred shares are participating at the rate of one fifth (1/5) of the 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.

The following summarizes the information on the Parent Company's registration of securities with the SEC which was approved on June 20, 2007, as required by Securities Regulation Code Rule 68, As Amended (2011):

Securities	Authorized and issued shares	Issue/Offer Price
Initial public offering	91,346,000	₱8.50
Underlying common shares of PDRs	945,432,000	8.50
Over-allotment common shares	13,701,000	8.50
Common shares covering employee stock option plan	57,000,000	8.50
PDRs	945,432,000	8.50

b. Retained Earnings

The retained earnings of the Parent Company is restricted for the payment of dividends to the extent of ₱34.27 million as at December 31, 2012 and 2011, representing the cost of shares held in treasury amounting to ₱28.48 million in 2012 and 2011 and underlying shares of the acquired PDRs amounting to ₱5.79 million in 2012 and 2011.

Consolidated retained earnings include undeclared retained earnings of subsidiaries amounting to ₱51.20 million and ₱54.80 million as of December 31, 2012 and 2011, respectively. The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in SEC Memorandum Circular No. 11, amounted to ₱692.44 million and ₱2,262.68 million as at December 31, 2012 and 2011, respectively.

The BOD of the Parent Company approved the declaration of the following cash dividends, in 2012, 2011 and 2010:

Year	Declaration Date	Record Date	Cash Dividend Per Share	Total Cash Dividend Declared
2012	**March 28, 2012**	**April 16, 2012**	**₱0.40**	**₱1,944,079,375**
	August 1, 2012	**August 22, 2012**	**0.26**	**1,264,794,293**
				₱3,208,873,668
2011	March 11, 2011	April 8, 2011	₱0.45	₱2,187,089,297
2010	March 5, 2010	April 14, 2010	₱0.45	₱2,187,089,297
	October 28, 2010	November 17, 2010	0.25	1,215,049,609
				₱3,402,138,906

Event after Reporting Period

On March 21, 2013, the BOD of the Parent Company approved the declaration and distribution of a cash dividend of ₱0.25 per share totaling ₱1,215.05 million to all stockholders of record as at April 17, 2013 and will be paid on May 14, 2013.

20. Related Party Disclosures

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

Transactions with related parties including the terms and conditions are as follows:

Related Party	Category	Year	Amount/ Volume of Transactions	Receivables (Payables)	Terms	Conditions
Associates:						
RGMA	Radio airtime and commission (see Notes 7 and 21)	**2012**	**₱–**	**₱60,322,559**	Noninterest-bearing	Unsecured; not impaired
		2011	60,561,323	60,622,219		
	Maintenance and operations (see Note 16)	**2012**	**135,228,672**	**(28,817,640)**	Noninterest-bearing	Unsecured
		2011	85,022,107	(14,488,308)		
Mont-Aire	Noninterest-bearing advances (see Note 11)	**2012**	–	**84,475,370**	Noninterest-bearing	Unsecured; not impaired
		2011	–	84,475,370		
Common stockholders -						
GMA Kapuso Foundation Inc. (GMA Foundation)	Noninterest-bearing advances	**2012**	–	**692,749**	Noninterest-bearing	Unsecured; not impaired
		2011	–	–		
	Donations	**2012**	**93,045**	–	Noninterest-bearing	Unsecured
		2011	1,702,205	–		
Joint venture -						
INQ 7	Noninterest-bearing advances (see Note 11)	**2012**	–	–	Noninterest-bearing	Unsecured; impaired
		2011	–	2,610,287		
Other related parties:						
Belo, Gozon, Elma Law and others	Legal, consulting and retainers' fees,	**2012**	**4,468,800**	**(865,200)**	Noninterest-bearing	Unsecured
		2011	14,589,120	(3,820,000)		

The advances made by the Parent Company to Mont-Aire in previous years are intended for future capital subscription.

Others

These include FLG Management and Development Corporation, 3LM Koblenz Management Corporation and Majent Management and Development Corporation which 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.

Compensation of Key Management Personnel

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

	2012	2011	2010
Salaries and other long-term benefits	**₱271,919,949**	₱247,631,477	₱252,212,804
Pension benefits	**38,177,910**	28,619,956	28,810,122
	₱310,097,859	₱276,251,433	₱281,022,926

Equity Investments of the Retirement Fund

The Group's retirement fund includes equity investments in GMA Network, Inc. and GMA PDRs amounting to ₱63.56 million and ₱496.56 million in 2012 and ₱45.69 million and ₱378.82 million in 2011, respectively (see Note 26).

21. Net Revenues

	2012	2011	2010
Television and radio airtime	**₱12,703,390,540**	₱11,881,201,505	₱13,192,728,856
Subscription income (see Note 27)	**956,293,603**	964,592,031	925,370,205
Production and others	**269,751,753**	237,012,535	181,417,798
	13,929,435,896	13,082,806,071	14,299,516,859
Agency commissions	**(2,072,135,849)**	(1,894,059,868)	(2,204,415,271)
Co-producers' shares	**(23,235,865)**	(31,702,664)	(79,964,172)
	(2,095,371,714)	(1,925,762,532)	(2,284,379,443)
	₱11,834,064,182	₱11,157,043,539	₱12,015,137,416

22. Production Costs

	2012	2011 (As restated - see Note 2)	2010 (As restated - see Note 2)
Talent fees and production personnel costs (see Note 24)	**₱2,753,453,211**	₱2,776,389,552	₱2,330,496,360
Rental (see Note 27)	**690,288,940**	763,296,407	658,905,787
Tapes, sets and production supplies	**481,758,193**	572,365,965	534,769,220
Program and other rights usage (see Note 8)	**460,937,465**	317,520,415	463,861,354
Facilities and production services	**398,907,822**	249,539,604	197,433,955
Depreciation and amortization (see Notes 12 and 14)	**253,603,510**	224,202,422	210,468,361
Transportation and communication	**180,819,400**	201,652,534	197,286,664
	₱5,219,768,541	₱5,104,966,899	₱4,593,221,701

23. General and Administrative Expenses

	2012	2011 (As restated - see Note 2)	2010 (As restated - see Note 2)
Personnel costs (see Note 24)	**₱2,091,699,837**	₱1,729,592,384	₱1,587,627,102
Advertising	**394,319,329**	425,348,586	401,373,131
Depreciation and amortization (see Notes 12 and 14)	**355,951,522**	294,155,396	296,501,220
Communication, light and water	**302,393,649**	270,459,167	240,967,848
Repairs and maintenance	**171,111,371**	187,580,420	202,020,277
Taxes and licenses	**141,767,760**	211,405,320	191,293,163
Professional fees	**139,712,495**	140,393,183	136,879,522
Research and surveys	**133,792,810**	112,664,696	105,380,684

(Forward)

	2012	2011 (As restated - see Note 2)	2010 (As restated - see Note 2)
Sales incentives	**₱120,043,176**	₱101,227,612	₱129,027,683
Rental (see Note 27)	**97,464,484**	88,633,501	78,591,408
Transportation and travel	**62,964,096**	63,559,183	68,532,979
Provision for doubtful accounts (see Note 7)	**35,785,207**	24,549,423	30,599,355
Amortization of software costs (see Note 15)	**27,733,938**	25,711,619	20,213,004
Materials and supplies	**23,520,309**	19,745,493	20,890,902
Insurance	**22,294,801**	21,872,912	18,631,682
Entertainment, amusement and recreation	**13,945,355**	14,372,425	13,996,511
Dues and subscriptions	**10,065,743**	11,036,697	11,391,554
Provisions for impairment loss on advances in joint venture and investment in AFS financial asset (see Notes 10 and 11)	**3,663,837**	–	–
Others	**169,698,646**	137,667,792	145,236,297
	₱4,317,928,365	₱3,879,975,809	₱3,699,154,322

24. Personnel Costs

	2012	2011 (As restated - see Note 2)	2010 (As restated - see Note 2)
Talent fees	**₱2,633,735,276**	₱2,660,734,083	₱2,216,418,735
Salaries and wages	**1,398,854,130**	1,268,569,522	1,165,840,843
Employee benefits and allowances	**669,579,772**	417,563,885	446,428,667
Sick and vacation leaves expense	**57,370,649**	92,905,096	26,318,993
Net pension expense (see Note 26)	**85,613,221**	66,209,350	63,116,224
	₱4,845,153,048	₱4,505,981,936	₱3,918,123,462

The above amounts were distributed as follows:

	2012	2011	2010
Production costs (see Note 22)	**₱2,753,453,211**	₱2,776,389,552	₱2,330,496,360
General and administrative expenses (see Note 23)	**2,091,699,837**	1,729,592,384	1,587,627,102
	₱4,845,153,048	₱4,505,981,936	₱3,918,123,462

25. Others - Net

	2012	2011	2010
Gain on sale of property and equipment	**₱29,045,447**	₱16,040,347	₱13,853,541
Net foreign currency exchange loss	**(23,660,355)**	(5,772,109)	(25,511,661)
Tax refund of GMA Pinoy TV	**19,246,077**	14,781,093	17,845,874
Rental (see Note 27)	**5,467,117**	3,815,060	4,947,469
Merchandising license fees and others	**2,954,088**	6,781,724	1,076,674

(Forward)

	2012	2011	2010
Commissions	**₱2,725,549**	₱4,011,520	₱3,515,842
Income from mall shows	**2,546,799**	2,443,521	1,873,000
Dividends	**1,394,334**	41,529	58,957
Sales of DVDs and integrated receiver-decoders	**1,014,342**	1,196,179	2,516,687
Income from unreturned video tapes	**–**	34,925	508,106
Reversal of impairment loss on investment properties (see Note 14)	**–**	4,990,219	–
Discount on tax credit certificates	**–**	–	2,670,692
Others	**2,804,005**	2,719,868	1,189,981
	₱43,537,403	₱51,083,876	₱24,545,162

26. Pension and Other Long-term Employee Benefits

Pension Benefits

The Group operates non-contributory defined benefit retirement plans equal to 55 pay days for the Parent Company and GMPI and 22.5 pay days for the rest of the subsidiaries for every year of credited service.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Pension benefits recognized in the profit or loss are as follows:

	2012	2011 (As restated - see Note 2)	2010 (As restated - see Note 2)
Pension expense (see Note 24)	**₱85,613,221**	₱66,209,350	₱63,116,224
Net interest cost	**28,250,809**	19,772,681	20,880,435
	₱113,864,030	₱85,982,031	₱83,996,659

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

	2012	2011 (As restated - see Note 2)	2010 (As restated - see Note 2)
Present value of defined benefit obligation	**₱1,057,637,961**	₱905,964,961	₱826,902,539
Fair value of plan assets	**688,722,578**	526,360,186	615,635,552
Net pension liability	**₱368,915,383**	₱379,604,775	₱211,266,987

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

	2012	2011	2010
Balance at beginning of year	**₱905,964,961**	₱826,902,539	₱722,001,132
Current service cost	**85,613,221**	66,209,350	63,116,224
Interest cost	**52,740,037**	58,640,233	79,496,970
Benefits paid	**(84,278,401)**	(45,787,161)	(37,711,787)
Remeasurements losses (gains):			
Changes in financial assumptions	**208,963,150**	–	–
Changes in demographic assumptions	**(298,976,788)**	–	–
Experience adjustment	**187,611,781**	–	–
Balance at end of year	**₱1,057,637,961**	₱905,964,961	₱826,902,539

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

	2012	2011 (As restated - see Note 2)	2010 (As restated - see Note 2)
Balance at beginning of year	**₱526,360,186**	₱615,635,552	₱487,231,209
Contribution during the year	**–**	3,508,621	120,965,783
Interest income	**24,489,228**	38,867,552	58,616,534
Benefits paid	**(71,179,478)**	(39,182,501)	(36,412,249)
Remeasurements gain/(loss) - return on plan assets	**209,052,642**	(92,469,038)	(14,765,725)
Balance at end of year	**₱688,722,578**	₱526,360,186	₱615,635,552

At each reporting period, the Group determines its distribution based on the performance of its retirement fund.

The funds are managed and supervised by a trustee bank for the benefits of the members. However, the general administration of the funds is vested in a Retirement Committee.

The following table presents the carrying amounts and estimated fair values of the plan assets:

	2012		2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash and cash equivalents	**₱9,468,890**	**₱9,468,890**	₱17,593,822	₱17,593,822
Equity instruments (see Note 20):				
GMA Network, Inc.	**63,562,320**	**63,562,320**	45,688,400	45,688,400
GMA PDRs	**496,564,008**	**496,564,008**	378,816,100	378,816,100
Debt instruments - Government securities	**112,204,354**	**112,204,354**	83,875,144	83,875,144
Others	**6,923,006**	**6,923,006**	386,720	386,720
	₱688,722,578	**₱688,722,578**	₱526,360,186	₱526,360,186

The plan assets consist of the following:

- Cash and cash equivalents consist of regular savings and time deposits.
- Investments in equity instruments consist of unsecured and not impaired investments on the listed shares of GMA Network, Inc. and GMA PDRs (see Note 20). Changes in the fair market value in these investments amounted to a gain of ₱162.14 million in 2012 and a loss of ₱44.66 million in 2011.
- Investments in debt instruments bear interest ranging from 6.10% to 8.00% and have maturities from April 2017 to October 2037.
- Others consist of loans and receivables which are collectible within the next twelve (12) months.

Equity and debt instruments held have quoted prices in active market.

The person who exercises voting rights over shares is within the powers of the Trustee, who do not have any relationship with the directors or officers of the Group.

The plan assets consist of 81.33%, 80.65% and 81.00% investments in equity instruments as at December 31, 2012, 2011 and 2010, respectively. Such investments exposed the Group to equity price risk which arises from the changes in the levels of equity indices and the value of the individual stocks traded in stock exchange. However, in the event a benefit claim arises under the retirement plan and the retirement fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable to the retirement fund from the Group.

The Group does not expect to contribute to the plan in 2013.

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

	2012	2011	2010
Discount rate	**6-7%**	6-11%	10-11%
Expected rate of salary increase	**4%**	6%	6%
Turn-over rates			
19-24 years old	**10.44%**	10.44%	10.44%
25-29 years old	**6.95%**	6.95%	6.95%
30-34 years old	**3.87%**	3.87%	3.87%
35-39 years old	**2.55%**	2.55%	2.55%
40-44 years old	**2.18%**	2.18%	2.18%
≥45 years old	**2.75%**	2.75%	2.75%

The sensitivity analysis below has been determined by remeasuring the defined benefit obligation at the reporting date after first adjusting one of the current assumption that were reasonably possible at the valuation date while all other assumptions remained unchanged. It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	2012	
	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
Discount rate	100	(₱21,065,068)
	(100)	23,094,103
Future salary increases	100	21,876,682
	(100)	(20,179,671)

The Group performed an Asset-Liability Matching Study (ALM) annually. The principal technique of the Group's ALM in order to minimize the portfolio liquidation risk is to ensure that the expected return on assets will be sufficient to support the desired level of funding arising from the defined benefit plans. The Group's current investment strategy consists of 81% equity instruments, 16% debt instrument, 2% cash and cash equivalents and 1% loans and receivables.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2012:

Year	Amount
2013	₱138,161,607
2014-2017	206,605,654
2018-2022	559,743,487
2023-2027	1,452,008,824
2028-2032	2,043,861,533
2033 and beyond	14,528,671,837

Other Long-term Employee Benefits

Other long-term employee benefits consist of accumulated employee sick and vacation leave entitlement amounting to ₱236.38 million and ₱242.45 million as at December 31, 2012 and 2011, respectively.

27. Agreements

Lease Agreements

Operating Lease Commitments - Group as Lessee. The Group entered into various lease agreements for the land, building, studio spaces, satellite and airtime that it presently occupies and uses for periods ranging from three to twenty five years. The leases are cancellable at the Group's option.

Also, in June 2012, the Parent Company agreed to extend its non-cancellable Co-production/Blocktime Rental Agreement with ZOE Broadcasting Network, Inc. (ZBN) for another seven (7) years from June 2012 to May 2019. The Parent Company shall pay ZBN an amount equivalent to total payments from June 2011 to May 2012, subject to yearly escalation of 10.00%.

Total rental expense amounted to ₱787.75 million, ₱851.93 million and ₱737.50 million in 2012, 2011 and 2010, respectively (see Notes 22 and 23).

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

	2012	2011
	(In Millions)	
Within one year	**₱131.24**	₱62.00
After one year but not more than five years	**670.01**	–
More than five years	**302.91**	–
	₱1,104.16	₱62.00

Operating Lease - Group as Lessor. The Group also leases out certain properties for a period of one year, renewable annually. Total rental income amounted to ₱5.47 million, ₱3.82 million and ₱4.95 million in 2012, 2011 and 2010, respectively (see Note 25).

Subscription Agreements

The Parent Company entered into various subscription agreements with international cable providers for the airing of its programs and shows abroad. The agreements generally have terms of three to five years and are based on certain agreed service package rates.

Total subscription income amounted to ₱956.29 million, ₱964.59 million and ₱925.37 million in 2012, 2011 and 2010, respectively (see Note 21).

28. Income Taxes

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

	2012	2011 (As restated - Note 2)	2010 (As restated - Note 2)
Current income taxes:			
RCIT	**₱734,689,243**	₱557,378,207	₱966,162,662
MCIT	**–**	62,386	239,980
	734,689,243	557,440,593	966,402,642
Deferred tax expense (benefit)	**(44,370,054)**	(36,562,882)	12,246,061
	₱690,319,189	₱520,877,711	₱978,648,703

Income Tax

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

	2012	2011	2010
Statutory income tax rate	**30.00%**	30.00%	30.00%
Additions (deductions) in income tax rate resulting from:			
Income tax holiday	**(1.15)**	(6.82)	(4.21)
Interest income already subjected to final tax	**(0.23)**	(0.38)	(0.61)
Nonclaimable foreign tax credit	**0.21**	0.94	0.56
Equity in net earnings of associates and joint ventures	**(0.05)**	(0.07)	(0.05)
Impairment loss on investment	**0.04**	–	–
Others - net	**1.10**	(0.27)	0.02
Effective income tax rates	**29.92%**	23.40%	25.71%

Deferred Income Taxes

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

	2012	2011 (As restated - Note 2)
Deferred tax assets:		
Pension liability	**₱50,145,102**	₱75,147,427
Allowance for doubtful accounts	**80,961,771**	70,392,145
Other long-term employee benefits	**61,712,292**	64,306,999
Accrued rent	**7,710,807**	4,220,634
Unrealized foreign exchange loss	**585,432**	–
Discounting of noncurrent obligation for program and other rights	**–**	635,659
	201,115,404	214,702,864
Deferred tax liabilities:		
Revaluation increment in land	**(318,924,867)**	(318,924,867)
Unamortized capitalized borrowing costs	**(24,185,166)**	(27,208,313)
Discounting of noncurrent obligation for program and other rights	**(1,713,790)**	–
Unrealized foreign exchange gain	**–**	(906,860)
Revaluation of AFS financial assets	**(541,971)**	(267,910)
	(345,365,794)	(347,307,950)
	(₱144,250,390)	(₱132,605,086)

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

	2012	2011 (As restated - Note 2)
Deferred tax assets:		
Pension liability	**₱60,128,911**	₱38,176,159
Allowance for doubtful accounts	**492,604**	419,961
Other long-term employee benefits	**8,991,226**	8,019,836
MCIT	**149,325**	1,093,681
Unrealized foreign exchange loss	**57,970**	12,520
NOLCO	**–**	40,226
	69,820,036	47,762,383
Deferred tax liability -		
Revaluation of AFS financial assets	**(31,500)**	(18,501)
Unrealized foreign exchange gain	**–**	(99,877)
	₱69,788,536	₱47,644,005

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

	2012	2011 (As restated - Note 2)
Pension liability - remeasurements (gain) loss on retirement plan	**(₱15,656,679)**	₱17,927,088
Revaluation of AFS financial assets	**(573,470)**	(286,410)
	(₱16,230,149)	₱17,640,678

The components of unrecognized deferred tax assets of certain subsidiaries are as follows:

	2012	2011 (As restated - Note 2)
NOLCO	**₱15,588,252**	₱1,150,629
Pension liability	**400,602**	557,847
Allowance for doubtful accounts	**376,996**	569,179
Other long-term employee benefits	**210,091**	407,760
MCIT	**154,354**	30,016
Unrealized foreign exchange loss	**108,799**	–
	₱16,839,094	₱2,715,431

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

As at December 31, 2012, the Group's MCIT and NOLCO are as follows:

Date Paid/Incurred	Carry forward Benefit Up To	MCIT	NOLCO
December 31, 2010	December 31, 2013	₱213,484	₱3,704,220
December 31, 2011	December 31, 2014	90,195	1,701,880
December 31, 2012	December 31, 2015	–	46,554,740
		₱303,679	₱51,960,840

The movements in MCIT and NOLCO in 2012 are as follow:

	MCIT	NOLCO
Balance at beginning of year	₱1,123,697	₱3,969,517
Additions	–	48,031,548
Applications	(598,561)	(40,226)
Expirations	(221,457)	–
	₱303,679	₱51,960,839

Board of Investments (BOI) Regulation

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

On December 10, 2010, the BOI granted the Parent Company an additional one year of income tax holiday for its registered activity from February 19, 2011 to February 18, 2012.

The total tax incentives availed of in 2012, 2011 and 2010 amounted to ₱26.49 million, ₱153.21 million and ₱159.87 million, respectively.

29. EPS Computation

The computation of basic and diluted EPS follows:

	2012	2011	2010
Net income (a)	**₱1,616,888,635**	₱1,704,641,837	₱2,828,081,462
Less attributable to preferred shareholders	**498,896,537**	526,067,973	872,771,658
Net income attributable to common shareholders (b)	**₱1,117,992,098**	₱1,178,573,864	₱1,955,309,804

(Forward)

	2012	2011	2010
Common shares issued at the beginning of year	**₱3,364,692,000**	₱3,364,692,000	₱3,364,692,000
Treasury shares (see Note 19)	**(3,645,000)**	(3,645,000)	(3,645,000)
Underlying shares on acquired PDRs (see Note 19)	**(750,000)**	(750,000)	(750,000)
Weighted average number of common shares for basic EPS (c)	**₱3,360,297,000**	₱3,360,297,000	₱3,360,297,000
Weighted average number of common shares	**₱3,360,297,000**	₱3,360,297,000	₱3,360,297,000
Effect of dilution - assumed conversion of preferred shares	**₱1,500,000,000**	₱1,500,000,000	₱1,500,000,000
Reacquired preferred shares	**(98,563)**	(98,563)	(98,563)
Weighted average number of common shares adjusted for the effect of dilution (d)	**₱4,860,198,437**	₱4,860,198,437	₱4,860,198,437
Basic EPS (b/c)	**₱0.333**	₱0.351	₱0.582
Diluted EPS (a/d)	**₱0.333**	₱0.351	₱0.582

30. Financial Risk Management Objectives and Policies

The Group's principal financial instruments include cash and cash equivalents. The main purposes of these financial instruments include raising financing for the Group's operations and managing identified financial risks. The Group has other financial assets and liabilities such as trade and nontrade receivables (excluding advances to suppliers), refundable deposits, trade payables and other current liabilities (excluding payable to government agencies), obligations for program and other right, short-term loans and dividends payable, which arise directly from its operations and AFS financial assets. The main risks arising from the use of financial instruments are liquidity risk, foreign currency exchange risk, interest rate risk and credit risk.

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

Liquidity Risk. The Group is exposed to the possibility that adverse changes in the business environment and/or its operations would result in substantially higher working capital requirements and subsequently pose difficulty in financing the additional working capital.

The Group manages liquidity risk by using its cash and cash equivalents from operations to meet its short-term liquidity needs. The Group likewise regularly evaluates other financing instruments and arrangements to broaden the Group's range of financing sources.

The tables below summarize the maturity profile of the Group's financial assets used for liquidity risk management purposes and financial liabilities based on contractual undiscounted payments as at December 31:

		2012			
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**More than 1 year**	**Total**
Loans and receivables:					
Cash and cash equivalents	**₱1,019,359,655**	**₱246,849,483**	**₱–**	**₱–**	**₱1,266,209,138**
Short-term investments			**8,538,142**	**–**	**8,538,142**
Trade receivables:					
Television and radio airtime	**366,211,590**	**2,525,579,945**	**269,872,570**	**–**	**3,161,664,105**
Subscriptions	**134,262,878**	**483,973,758**	**–**	**–**	**618,236,636**
Related party	**58,413,311**	**1,909,248**	**–**	**–**	**60,322,559**
Others	**22,598,165**	**126,233,559**	**–**	**–**	**148,831,724**
Nontrade receivables:					
Advances to officers and employees	**174,790**	**29,537,820**	**–**	**–**	**29,712,610**
Others	**7,877,575**	**56,293,569**	**–**	**–**	**64,171,144**
Refundable deposits (under "Other non-current assets")	**–**	**–**	**–**	**16,032,343**	**16,032,343**
	1,608,897,964	**3,470,377,382**	**278,410,712**	**16,032,343**	**5,373,718,401**
AFS financial assets	**–**	**–**	**–**	**106,343,598**	**106,343,598**
	₱1,608,897,964	**₱3,470,377,382**	**₱278,410,712**	**₱122,375,941**	**₱5,480,061,999**
Trade payables and other current liabilities*	**₱419,429,393**	**₱311,338,268**	**₱147,919,076**	**₱–**	**₱878,686,737**
Short-term loans	**–**	**1,710,333,333**	**–**	**–**	**1,710,333,333**
Obligations for program and other rights	**–**	**124,996,401**	**59,589,218**	**63,955,130**	**248,540,749**
Dividends payable	**7,648,097**	**–**	**–**	**–**	**7,648,097**
Other long-term employee benefits	**–**	**–**	**–**	**264,380,312**	**264,380,312**
	₱427,077,490	**₱2,146,668,002**	**₱207,508,294**	**₱328,335,442**	**₱3,109,589,228**

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

		2011			
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 Year	Total
Loans and receivables:					
Cash and cash equivalents	₱739,028,819	₱468,947,304	₱–	₱–	₱1,207,976,123
Trade receivables:					
Television and radio airtime	1,373,232,296	2,052,849,685	205,371,623	–	3,631,453,604
Subscriptions	170,948,093	140,911,528	–	–	311,859,621
Related party	–	60,622,219	–	–	60,622,219
Others	89,682,636	65,521,276	–	–	155,203,912
Nontrade receivables:					
Advances to officers and employees	12,465,421	22,272,988	–	–	34,738,409
Others	19,944,227	15,274,746	–	–	35,218,973
Refundable deposits (under “Other non-current assets”)	–	–	–	18,925,664	18,925,664
	2,405,301,492	2,826,399,746	205,371,623	18,925,664	5,455,998,525
AFS financial assets	–	–	–	105,796,848	105,796,848
	₱2,405,301,492	₱2,826,399,746	₱205,371,623	₱124,722,512	₱5,561,795,373
Trade payables and other current liabilities*	₱280,410,678	₱341,031,669	₱129,859,629	₱–	₱751,301,976
Obligations for program and other rights	–	12,456,082	27,387,733	–	39,843,815
Dividends payable	4,942,280	–	–	–	4,942,280
Other long-term employee benefits	–	–	–	222,224,516	222,224,516
	₱285,352,958	₱353,487,751	₱157,247,362	₱222,224,516	₱1,018,312,587

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

Foreign Currency Exchange Risk. Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group’s exposure to foreign currency exchange risk results from its business transactions denominated in foreign currencies. It is the Group’s policy to ensure that capabilities exist for active but conservative management of its foreign currency exchange risk.

The Group’s foreign currency-denominated monetary assets and liabilities follow:

	2012		2011	
Assets				
Cash and cash equivalents	**$7,712,351**	**₱316,633,059**	$5,781,923	₱253,479,504
Trade receivables	**16,365,000**	**671,783,250**	7,269,030	318,674,275
	$24,077,351	**₱988,416,309**	$13,050,953	₱572,153,779
Liabilities				
Trade payables	**$1,441,304**	**₱59,165,529**	$239,042	₱10,479,601
Obligations for program and other rights	**1,192,276**	**48,942,930**	335,672	14,715,860
	$2,633,580	**₱108,108,459**	$574,714	₱25,195,461

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the exchange rate used were ₱41.05 and ₱43.84 to US$1.00, the Philippine peso to U.S. dollar exchange rate as at December 31, 2012 and 2011, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in US$ exchange rate, with all other variables held constant, of the Group’s income before income tax from reporting period up to next reporting period (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group’s equity other than those already affecting profit or loss.

	Appreciation (Depreciation) of ₱	Effect on Income before Income Tax
2012	**0.50**	**(₱2.68 million)**
	(0.50)	**2.68 million**
2011	0.50	(₱1.56 million)
	(0.50)	1.56 million

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to changes in interest rates is attributed to cash and cash equivalents and short-term loans.

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group’s income before income tax from reporting period up to next reporting period. There is no impact on the Group’s equity other than those already affecting profit or loss.

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax	
		2012	2011
Cash and cash equivalents	50	**₱6.28 million**	₱5.97 million
	(50)	**(6.28 million)**	(5.97 million)
Short-term loans	50	**(7.82 million)**	(4.75 million)
	(50)	**7.82 million**	4.75 million

Credit Risk. Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group’s policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products and services are made to customers with appropriate credit history. The Group has an internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. The Group’s exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of the instruments. The Group does not require any collateral for its financial assets, thus, maximum exposure to credit risk is equal to the carrying value of the financial instruments.

The table below shows the maximum exposure to credit risk for the components of the consolidated financial position as at December 31:

	2012	2011
Loans and receivables		
Cash and cash equivalents*	**₱1,255,814,115**	₱1,193,084,345
Short-term investments	**8,538,142**	–
Trade receivables:		
Television and radio airtime	**3,161,664,105**	3,631,453,604
Subscriptions	**618,236,636**	311,859,621
Related party	**60,322,559**	60,622,219
Others	**148,831,724**	155,203,912
Nontrade receivables:		
Advances to officers and employees	**29,712,610**	34,738,409
Others	**64,171,144**	35,218,973
Refundable deposits (under "Other non-current assets")	**16,032,343**	18,925,664
	5,363,323,378	5,441,106,747
AFS financial assets	**106,343,598**	105,796,848
	₱5,469,666,976	₱5,546,903,595

**Excluding cash on hand amounting to₱10.40 million and ₱14.89 million as at December 31, 2012 and 2011, respectively.*

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

- *High Grade.* Pertains to a counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes prime financial institutions and companies and top 20 advertisers in terms of volume of sales, who consistently pay on or before the maturity date and related parties.
- *Standard Grade.* Pertains to a counterparty with tolerable delays (normally from 1 to 30 days) in settling its obligations to the Group. The delays may be due to cut-off differences. This includes customers outside the top 20 advertisers in terms of volume of sales, who consistently pay on maturity date and officers and employees.

As at December 31, 2012 and 2011, the credit quality of the Group's financial assets is as follows:

	2012			
	Neither Past Due Nor Impaired		**Past Due but**	
	High Grade	**Standard Grade**	**not Impaired**	**Total**
Loans and receivables:				
Cash and cash equivalents*	**₱1,255,814,115**	**₱–**	**₱–**	**₱1,255,814,115**
Short-term investments	**8,538,142**	**–**	**–**	**8,538,142**
Trade receivables:				
Television and other receivables	**228,406,247**	**2,096,614,217**	**566,771,071**	**2,891,791,535**
Subscriptions	**228,237,158**	**–**	**389,999,478**	**618,236,636**
Related party	**–**	**–**	**60,322,559**	**60,322,559**
Others	**–**	**113,789,346**	**32,143,712**	**145,933,058**

(Forward)

	2012			
	Neither Past Due Nor Impaired		**Past Due but**	
	High Grade	**Standard Grade**	**not Impaired**	**Total**
Nontrade receivables:				
Advances to officers and employees	**₱–**	**₱29,156,960**	**₱555,650**	**₱29,712,610**
Others	**–**	**48,250,485**	**15,920,659**	**64,171,144**
Refundable deposits (under "Other non-current assets")	**16,032,343**	**–**	**–**	**16,032,343**
	1,737,028,005	**2,287,811,008**	**1,065,713,129**	**5,090,552,142**
AFS financial assets	**106,343,598**	**–**	**–**	**106,343,598**
	₱1,843,371,603	**₱2,287,811,008**	**₱1,065,713,129**	**₱5,196,895,740**

**Excluding cash on hand amounting to ₱10.40 million as at December 31, 2012.*

	2011			
	Neither Past Due Nor Impaired		Past Due but	
	High Grade	Standard Grade	not Impaired	Total
Loans and receivables:				
Cash and cash equivalents*	₱1,193,084,345	₱–	₱–	₱1,193,084,345
Trade receivables:				
Television and radio airtime	107,874,576	1,202,591,926	2,086,346,618	3,396,813,120
Subscriptions	140,911,528	–	170,948,093	311,859,621
Related party	60,622,219	–	–	60,622,219
Others	–	65,521,276	86,385,502	151,906,778
Nontrade receivables:				
Advances to officers and employees	–	34,470,831	267,578	34,738,409
Others	–	3,076,903	32,142,070	35,218,973
Refundable deposits (under "Other non-current assets")	18,925,664	–	–	18,925,664
	1,521,418,332	1,305,660,936	2,376,089,861	5,203,169,129
AFS financial assets	105,796,848	–	–	105,796,848
	₱1,627,215,180	₱1,305,660,936	₱2,376,089,861	₱5,308,965,977

**Excluding cash on hand amounting to ₱14.89 million as at December 31, 2011.*

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay off existing debts, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for the three years ended December 31, 2012, 2011 and 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 debts. The Group's interest-bearing debt amounted to ₱1,700.00 million and nil as at December 31, 2012 and 2011, respectively. The Group's total equity as at December 31, 2012 and 2011 amounted to ₱8,270.06 million and ₱9,782.37 million, respectively.

31. **Financial Assets and Liabilities**

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

	2012		2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱1,266,209,138**	**₱1,266,209,138**	₱1,207,976,123	₱1,207,976,123
Short-term investment	**8,538,142**	**8,538,142**	–	–
Trade receivables:				
Television and radio airtime	**2,891,791,535**	**2,891,791,535**	3,396,813,120	3,396,813,120
Subscriptions	**618,236,636**	**618,236,636**	311,859,621	311,859,621
Related parties	**60,322,559**	**60,322,559**	60,622,219	60,622,219
Others	**145,933,058**	**145,933,058**	151,906,778	151,906,778
Nontrade receivables:				
Advances to officers and employees	**29,712,610**	**29,712,610**	34,738,409	34,738,409
Others	**64,171,144**	**64,171,144**	35,218,973	35,218,973
Refundable deposits (under "Other non-current assets")	**16,032,343**	**15,589,855**	18,925,664	16,821,962
	5,100,947,165	**5,100,504,677**	5,218,060,907	5,215,957,205
AFS financial assets	**106,343,598**	**106,343,598**	105,796,848	105,796,848
	₱5,207,290,763	**₱5,206,848,275**	₱5,323,857,755	₱5,321,754,053
Financial Liabilities				
Other financial liabilities:				
Trade payables and other current liabilities*	**₱878,686,737**	**₱878,686,737**	₱751,301,976	₱751,301,976
Short-term loans	**1,700,000,000**	**1,700,000,000**	–	–
Obligations for program and other rights:				
Current	**184,585,619**	**184,585,619**	39,843,815	39,843,815
Noncurrent	**63,955,130**	**82,709,118**	–	–
Dividends payable	**7,648,097**	**7,648,097**	4,942,280	4,942,280
Other long-term employee benefits	**264,380,312**	**264,380,312**	222,224,516	222,224,516
	₱3,099,255,895	**₱3,118,009,883**	₱1,018,312,587	₱1,018,312,587

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

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

Cash and Cash Equivalents and Trade and Nontrade Receivables
The carrying values of cash and cash equivalents and trade and nontrade receivables are the approximate fair values primarily due to the relatively short-term maturity of these financial instruments.

Refundable Deposits
The fair value of refundable deposits is based on the present value of the future discounted cash flows. Discount rates used range from 4.2% to 5.3% in 2012 and 2.17% to 3.17% in 2011.

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

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

Noncurrent Portion of Obligations for Program and Other Rights
The fair value of noncurrent portion of obligation for program and other rights is based on the present value of the future cash flows. Discount rates used is 3.20% in 2012.

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

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

b. Level 2 - 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); and

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

The financial instruments carried at fair value pertain only to the Group's AFS financial assets, which consist of quoted and unquoted equity securities and club shares. As at December 31, 2012 and 2011, quoted AFS financial assets were categorized under Level 1 of the fair value hierarchy while unquoted AFS financial assets were not categorized under Level 1, Level 2 or Level 3 fair value hierarchy since fair value cannot be reliably measured, instead, measured at cost less any impairment. The Group has no financial instruments categorized under Level 2 and Level 3. There were no transfer between levels of fair value measurement in 2012 and 2011.

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TELEVISION

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

RADIO

LUZON

METRO MANILA
AM – DZBB (594 khz.) 50kW
FM – DWLS (97.1 mhz.) 35kW
GMA Complex, EDSA cor. Timog Ave.,
Diliman, Quezon City

BAGUIO
FM – DWRA (92.7 mhz.) 10kW
2/F Baguio Midland Courier Bldg. 16
Kisad Rd., Baguio City

DAGUPAN
FM – DWTL (93.5 mhz.) 10kW
Claveria Road, Malued District
Dagupan City, Pangasinan

LEGASPI
FM – DWCW (96.3 mhz.) 10kW
3rdlevelA.BicharaSilversreenEntertainment
Center,
Magallanes St., Legazpi City

LUCENA
FM – DWQL (91.1 mhz.) 10kW
3/FAnconBldg.,MerchanStreet,LucenaCity

NAGA
FM – DWQW (101.5 mhz.) 10kW
4/F DMG Bldg., Penafrancia St. Naga City,
Camarines Sur

PALAWAN
AM – DYSP (909 khz.) 5kW
FM – DYHY (97.5 mhz.) 5kW
Solid Road, San Manuel
Puerto Princesa City, Palawan

TUGUEGARAO
FM – DWWQ (89.3 mhz.) 10kW
4/FVillablancaHotelPattauiSt.corPalluaRd.,
Ugac Norte Tuguegarao, Cagayan

VISAYAS

BACOLOD
FM – DYEN (107.1mhz.) 10kW
2/F Jomabo Centre Penthouse Rizal cor.
Lacson Sts., Bacolod City

CEBU
AM – DYSS (999 khz.) 10kW
FM – DYRT (99.5 mhz.) 25kW
GMA Skyview Complex Nivel Hills, Lahug,
Cebu City

ILOILO
AM – DYSI (1323 khz.) 10kW
FM – DYMK (93.5 mhz.)10kW
Phase 5, Alta Tierra Village Jaro, Iloilo City

KALIBO
FM – DYRU (92.9 mhz.) 5kW
Torres-Olivia Bldg. Roxas Ave. Extension,
Kalibo, Aklan

MINDANAO

CAGAYAN DE ORO
FM – DXLX (100.7 mhz.) 10kW
2/FMarelRealtyBldg.,PabayocornerHayesSt.
Cagayan de Oro City, Misamis Oriental

ILIGAN
Relayed over DZBB

DAVAO
AM – DXGM (1125 khz.) 10K
FM – DXRV (103.5 mhz.) 10K
Penthouse,AmescoBldg.DamasoSuazoSt.,
Uyanguren Davao City

GENERAL SANTOS
FM – DXCJ (102.3 mhz.) 10K
3/FPBCBldg.,CagampangSt.Gen.SantosCity

SUBSIDIARIES

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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: 982-7777
Chairman: Felipe L Gozon
President: Gilberto R. Duavit, Jr.

GMA Network Films. Inc.
GMA Network Center, EDSA cor. Timog Avenue,
Diliman, Quezon City
Tel: 982-7777 local 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: 928-5072
982-7777 local 9381
928-5065
Fax: 928-5065
Chairman: Gilberto R. Duavit, Jr.
President: Anna Teresa G. Abrogar

RGMA Marketing and Productions and Productions, Inc.
(GMA Records)
Unit 1405 Future Point Plaza, 112 Panay Avenue,
Brgy. South Triangle, Quezon City
Website: www.gmarecords.com.ph
Tel: 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: 982-7777 local 9921
928-5507
Telefax: 928-7482
Chairman: Felipe L. Gozon
President and CEO: Gilberto R. Duavit, Jr.

Scenarios, Inc.
GMA Complez, EDSA cor. Timog Avenue,
Diliman Quezon City
Tel: 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: 816-3881
Fax: 813-3982
Chairman: Felipe L. Gozon
President and COO: Edmund A. Alacaraz

GMA Marketing and Productions, Inc.
15/F GMA Network Center, EDSA cor. Timog Avenue,
Diliman, Quezon City
Tel: 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: 982-7777 local 1308
927-6268
Fax: 927-6210
Chairman: Felipe L. Gozon
President: Gilberto R. Duavit, Jr.

Digify, Inc. **
GMA Network Center, EDSA cor. Timog Avenue,
Diliman, Quezon City
Tel: 857-4627
Telefax: 928-4553
Chairman: Felipe L. Gozon
President: Edilberto I. Gallares, Jr.

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Fax: 338-5689

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GMA Complex, EDSA cor. Timog Avenue,
Diliman, Quezon City
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Telefax: 925-8188

JOINT VENTURES

INQ7 Interactive, Inc.
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Makati City
Tel: 892-1828 to 29
Fax: 813-0818

Philippine Entertainment Portal, Inc.
Level 2, Robinsons Galleria,
EDSA cor. Ortigas Avenue, Quezon City
Tel: 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: 976-4784
Fax: 886-6510

Gamespan, Inc. ***
Celadon Tower I, Sta. Cruz, Manila
Tel: 631-2892
Telefax: 928-4553
Chairman: Alfonso R. Reyno, Jr.
President and CEO: Edilberto I. Gallares, Jr.

* Indirectly owned through Citynet Network Marketing and Productions, Inc.
** Indirectly owned through GMA New Media, Inc.
*** Indirectly owned through GMA New Media, Inc. Gamespan will be fully operational in 2013.
**** On April 26, 2007 the Company's Board of Directors declared its shareholdings in Mont-Aire as subject to sale to any interested buyer. In the event the Company does not find a willing buyer, the same shall be declared as dividends to the stockholders of record as of April 26, 2007.

SOCIO-CIVIC ORGANIZATIONS

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

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Sycip Gorres Velayo and Co.
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Fax: 819-0872

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Fax: 817-0696 • 812-0008

Tarriela Tagao Ona & Associates
8/F Strata 2000, Emerald Avenue,
Ortigas Center, Pasig City
Tel: 635-6092 to 94
Fax: 635-6245

BANK REFERENCES

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

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

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

Chinatrust (Phils.) Commercial Bank
Tower One and Exchange Plaza,
Ayala Ttriangle, 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
ACPC Bldg., 1186 Quezon Avenue,
Quezon City

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

Rizal Commercial Banking Corporation
Unit 106 Parc Chateau Condominium,
Garnet cor. Onyx St.,
Ortigas Center, Pasig City

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

Union Bank of the Philippines
Union Bank Plaza,
Meralco Avenue cor. Onyx and 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: 403-2410 to 14
Fax: 403-2414

Investor Relations
10/F GMA network Center
EDSA corner Timog Avenue
Diliman, Quezon City
Tel: 982-7777 local 8042
Email: corporateaffairs@gmanetwork.com
Website: www.gmanetwork.com/corporate/ir

Stock Trading Information
GMA Network, Inc. is listed in the Philippine Stock Exchange.

Trading symbol

GMA7 – Common Shares
GMAP – Philippine Deposit Receipts (PDRs)


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