COVER SHEET

C	S	2	0	0	6	0	2	3	5	6

SEC Registration Number

GMA HOLDINGS, INC.

(Company's Full Name)

Unit 5D Tower One, One McKinley Place, New Bonifacio Global City, Fort Bonifacio, Taguig City

(Business Address: No. Street City/Town/Province)

Mr. Ronaldo P. Mastrili

(Contact Person)

982-7777

(Company Telephone Number)

1 2 *Month* **3 1** *Day*
(Fiscal Year)

A A F S
(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

7
Total No. of Stockholders

– Domestic

– Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

OF

GMA HOLDINGS, INC.

1. For the fiscal year ended: **December 31, 2009**

2. SEC Identification Number: **CS200602356** 3. BIR Tax Identification No. 244-658-896-000

4. Exact name of issuer as specified in its charter: **GMA HOLDINGS, INC.**

5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **Unit 5D Tower One, One McKinley Place, New Bonifacio Global City, Fort Bonifacio, Taguig City**
   Address of principal office — Postal Code

8. **(632) 9827777**
   Issuer's telephone number, including area code

9. **Not Applicable**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Philippine Depositary Receipts ("PDRs")	**883,622,000**

11. Are any or all of these securities listed on a Stock Exchange.

    Yes [✓] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange/ PDRs

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [✓] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [✓] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in “Annex B”).

Not Applicable

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Not Applicable

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

GMA Holdings, Inc., (the "Company" or "GHI") was incorporated on February 15, 2006. As a holding Company, its primary purpose is to invest in, purchase, or otherwise acquire own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property, including, but not limited to stocks, bonds and debentures. The Company has no subsidiaries.

The Philippine Deposit Receipts ("PDRs") issued by the Company were listed with the Philippine Stock Exchange ("PSE") on July 30, 2007.

GHI does not engage in any other business or purpose except in relation to the issuance of the PDRs relating to the GMA Network, Inc. common shares ("Common Shares") for as long as the PDRs are outstanding. GHI has undertaken to perform the obligations under the PDRs and the acquisition and holding of the Common Shares underlying the PDRs, which includes maintaining the listing with the PSE, and maintaining its status as a Philippine Person for as long Philippine law prohibits ownership of Common Shares by non-Philippine persons.

The registered office address of the Company is Unit 5D Tower One, One McKinley Place, New Bonifacio Global City, Fort Bonifacio, Taguig City.

Transactions with/and or dependence on related parties:

Not applicable.

Employees:

The Company had no fulltime employees as of December 31, 2009 and does not anticipate acquiring any employees within the next ensuing 12 months. No labor unions are present within the Company.

Item 2. Properties

The Company does not own any real property. The Company does not lease any real property and does not intend to acquire any within the next 12 months.

Item 3. Legal Proceedings

The Company is not, and has not been, a party to any legal proceeding.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

The Company first offered PDRs relating to GMA Network, Inc. Common Shares on July 31, 2007. These PDRs were listed on the Philippine Stock Exchange on the same date.

Stock Prices GMAP

Period in 2009	Highest Actual	Lowest Actual
1Q	4.30	3.20
2Q	7.20	4.00
3Q	8.80	6.10
4Q	8.50	7.60

The price information as of the close of the latest practicable trading date, April 14 2010, was P7.20.

Holders

The total number of shareholders as of March 31, 2010 was seven. The number of shares subscribed as of March 31, 2010 was 10,000 or P100,000.00.

Name of Shareholder	No. of Shares Subscribed	Percentage of Ownership
Felipe L. Gozon	3,330	33.30
Gilberto R. Duavit, Jr.	3,330	33.30
Joel Marcelo G. Jimenez	3,330	33.30
Artemio V. Panganiban	4	.04
Manuel P. Quiogue	4	.04
Jaime C. Laya	1	.01
Felipe S. Yalong	1	.01
Total	**10,000**	**100.00**

Dividend Information

Dividends shall be declared only from the surplus profits of the corporation and shall be payable at such times and in such amounts as the Board of Directors shall determine, either in cash, shares or property of the Company, or a combination of the three, as said Board of Directors shall determine. The declaration of stock dividends, however, is subject to the approval of at least two-thirds of the outstanding capital stock. No dividend which will impair the capital of the Company shall be declared. The Company has not declared any dividend to its stockholders since its incorporation.

The Company has not and will not engage in any other business or purpose except in relation to the issuance of the PDRs relating to the underlying Common Shares for as long as the PDRs are outstanding.

Any cash dividends distributed in respect of Common Shares underlying the PDRs received by the Company shall be applied towards its operating expenses then due for the preceding and current year. A further amount equal to the operating expenses in the preceding year shall be set aside to meet operating or other expenses for the succeeding year. Amounts remaining in excess of such requirements shall be distributed pro rata amongst the outstanding PDRs.

Whenever the Company shall receive or become entitled to receive from the GMA Network, Inc. any distribution in respect of the Common Shares which consists of a free distribution of Common Shares, the Company shall grant additional PDRs to holders in respect of such distributions.

Whenever the Company shall receive or become entitled to receive from the GMA Network, Inc. any distribution in securities (other than Common Shares) or in other property (other than cash) in respect of the Common Shares subject to the PDRs, the Company shall forthwith procure delivery of such securities or other property pro rata to PDR holders or otherwise to the order of the PDR holder, subject to compliance with applicable laws and regulations in the Philippines.

There are no restrictions on the Company’s ability to pay dividends on common equity.

Item 6. Management's Discussion and Analysis or Plan of Operation.

The following discussion should be read in conjunction with the Financial Statements of the Company that are incorporated into this Information Statement by reference. Such Financial Statements have been prepared in accordance with Philippine GAAP.

As discussed in the previous section, the Company has not and will not engage in any other business or purpose except in relation to the issuance of the PDRs relating to the underlying GMA Network, Inc. Common Shares for as long as the PDRs are outstanding.

Any cash dividends or other cash distributions distributed in respect of Common Shares received by the Company (or the Pledge Trustee on its behalf) shall be applied toward the operating expenses then due (including but not limited to applicable taxes, fees and maintenance costs charged by the Philippine Stock Exchange) of the Company (the “Operating Expenses”) for the current and preceding year (as certified by an independent auditor). A further amount equal to the operating expenses in the preceding year (as certified by an independent auditor) (the “Operating Fund”) shall be set aside to meet operating or other expenses for the succeeding year. Any amount in excess of the aggregate of the Operating Expenses paid and the Operating Fund for such period (as certified by the independent auditor of the PDR Issuer) shall be distributed to Holders pro rata on the first Business Day after such cash dividends are received by the Company.

KEY PERFORMANCE INDICATORS

The Company’s key performance indicators are focused on the dividends it receives to meet PDR holders’ expectations and monitor cash and cash equivalents levels to meet its obligations with respect to the Company’s current and preceding year’s operation.

RESULTS OF OPERATIONS

Results of Operations of GMA Holdings Inc. for the year ended December 31, 2009 compared with year ended December 31, 2008.

The Company posted a net income of P2.97 million for the year ended December 31, 2009, a 15% decrease from prior year's net income of P3.48 million. This is due to lower exercise fees on conversion of PDR to common shares and lower interest income from cash placements and bank deposits due to lower rates. Operating expenses also decreased by 36% from P1.24M last year mainly due to decreased PSE listing fees as the fair market value of the stock decreased.

Financial Condition. Cash and cash equivalents decreased by P370 thousand from P85.4 million of last year, brought about by the decreased receipt of interest income from bank deposits. Accounts receivable also decreased due to collection of exercise fees on PDR conversion of 2008. Accounts payable and accrued expenses increased by 119% representing unpaid operating expenses.

For the year ended December 31, 2008

The Company registered a net income of P3.48 million for the year ended December 31, 2008, a 244% increase from its previous year bottom line of P1.01 million. This resulted mainly from the exercise fees on conversion of PDR to common shares and interest income from short-term placements and bank deposits covering unreleased portion of the IPO proceeds and exercise fees, net of operating expenses for listing and professional fees and others.

Financial Condition. Cash and cash equivalents increased by P84 million or sixty three time (63) brought about by the full collection of the receivable from GMA Network representing portions of IPO proceeds. Accounts receivable resulted mainly from uncollected exercise fees on PDR conversion as of December 31, 2008. Accounts payable and accrued expenses increased by 88% which represents additional accrual of operating expenses in 2008. Due to Shareholders, on the other hand, consists of the portion of IPO proceeds that remains unpaid to the Selling Shareholders of GMA Network, Inc. as of the same cut-off date

KEY VARIABLE AND OTHER QUALITATIVE OR QUANTITATIVE FACTORS

i. Trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

   As of December 31, 2009, there were no known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

ii. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration or an obligation.

   As of December 31, 2009, there were no events which may trigger a direct or contingent financial obligation that is material to the Company.

iii. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relations of the company with unconsolidated entities or other persons created during the reporting period.

There were no off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relations of the company with unconsolidated entities or other persons created during the reporting period.

iv. Material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

For 2009, there were no material commitments for capital expenditures.

v. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

The Company's results of operations depend largely on its ability to meet PDR holders' expectations from the dividends it receives and to monitor cash and cash equivalents levels to meet its obligations with respect to the Company's current and preceding year's operation. There are no known trends, events or uncertainties that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

vi. Significant elements of income or loss that did not arise from the Company's continuing operations.

As of December 31, 2009, there were no significant elements of income or loss that did not arise from the issuer's continuing operations.

vii. Causes for Material Changes in the Financial Statements

<u>Balance Sheet (December 31, 2009 vs. December 31, 2008)</u>

- Cash and cash equivalents decreased by P370 thousand from P85.4 million of last year, brought about by the decreased receipt of interest income from bank deposits.
- Accounts receivable decreased by sixty-two (62) times from P773 thousand of as of December 31, 2008 due to collection exercise fees on PDR conversion in 2009
- Accounts payable and accrued expenses increased by 119% to P365 thousand due to increase in payables for professional fees as against 2008.
- The change in income tax payable is the result of the ordinary course of business of the Company.

viii. Seasonal aspects that had a material effect on the financial condition or results of operations.

There are no seasonal aspects that had a material effect on the financial condition or results of operations.

Item 7. Financial Statements

The Audited Financial Statements prepared in accordance with SRC Rule 68, as amended is attached hereto as Annex "A".

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Since 2007, SyCip Gorres Velayo & Co. has served as the independent auditors of the Company to audit the Company's financial statements. The Company has not had any material disagreements on accounting matters or financial disclosure matters with SyCip Gorres Velayo & Co.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

<u>Board of Directors, Officers and Senior Management</u>

Under the Articles of Incorporation of the Company, the Board of Directors of the Company comprises five directors, one of whom is independent. The directors have a term of one year and are elected annually at the Company's stockholders meeting. A director who was elected to fill a vacancy holds the office only for the unexpired term of his predecessor. As of March 31, 2010, the Company's Board of Directors and Senior Management were composed of the following:

		Board of Directors		**Senior Management**		
Directors and Senior Management	**Nationality**	**Position**	**Year Position was Assumed**	**Position**	**Year Position was Assumed**	**Age**
Felipe L. Gozon	Filipino	Chairman/ Director	2007	N/A	N/A	70
Gilberto R. Duavit, Jr.	Filipino	Director	2007	President/ Chief Executive Officer	2007	46
Anna Teresa M. Gozon-Abrogar	Filipino	Corporate Secretary	2007	N/A	N/A	38
Joel Marcelo G. Jimenez	Filipino	Director	2007	N/A	N/A	45
Felipe S. Yalong	Filipino	Corporate Treasurer	2007	Chief Financial Officer/ Chief	2007	53

				Operating Officer		
Ronaldo P. Mastrili	Filipino	N/A	N/A	Comptroller/ Chief Accounting Officer	2007	44
Jaime C. Laya	Filipino	Independent Director	2008	N/A	N/A	71
Artemio V. Panganiban	Filipino	Independent Director	2009	N/A	N/A	73

The following are descriptions of the business experience of each of the Company's directors, officers and senior management:

Felipe L. Gozon

Atty. Felipe L. Gozon, Filipino, 70 years old, earned his Bachelor of Laws degree from the University of the Philippines and his Masters of Laws degree from Yale University Law School. He was admitted to the Bar in 1963, placing 13th in the Bar examinations. He is a Senior Partner at the Belo Gozon Elma Parel Asuncion & Lucila Law firm. He is also the Chairman, President, and Chief Executive Officer of GMA Network, Inc. Atty. Gozon 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. 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., Unicapital, Inc., Asian Institute of Journalism and Communication, and Sagittarius Condominium Corp.; President of Lex Realty, Inc.; Vice President of the Philippine Chamber of Commerce and Industry. He also serves as Chairman of the Board of Trustees of GMA Kapuso Foundation, Inc., The Potter and Clay Christian School Foundation, Inc. and Kapwa Ko Mahal Ko Foundation, Inc.; Chairman and President of Gozon Foundation; Director of The Nova Foundation for Differently Abled Persons, Inc.; and Trustee of Kilosbayan Foundation, Inc. and Bantayog ng mga Bayani Foundation. Atty. Gozon was named CEO of the Year by UNO Magazine in 2004 and Master Entrepreneur of the Year (Philippines) 2004 by SGV/Ernst & Young in 2005. People Asia Magazine included him in the list of People of the Year 2005. He is one of the recipients of Business Icon Gold award from BizNewsAsia in 2008.

Gilberto R. Duavit, Jr.

Mr. Gilberto R. Duavit, Jr., Filipino, 46 years old, holds a Bachelor's Degree in Philosophy from the University of the Philippines. Mr. Duavit is currently the Executive Vice President and Chief Operating Officer of GMA Network, Inc.; Chairman of the Board of GMA Network Films, Inc. (2004 to present) and GMA Worldwide, Inc. (2005 to present); President and CEO of Dual Management and Investments, Inc.; Vice Chairman of the Board of GMA Marketing and Productions, Inc.; President and CEO of Scenarios, Inc. (2001 to present), RGMA Marketing and Productions, Inc., and Film Experts, Inc.; President of Mediamerge Corp., Citynet Network Marketing and Productions, Inc.; Director of RGMA Network, Inc., GMA New Media, Inc., Mediamerge Corp., Citynet Network Marketing and Productions, Inc., Alta Productions Group, Inc., Group Management and Development, Inc., Optima Digital, Inc., Monte-Aire Realty and Development Corp. and Pacific Heights Sports and Resort, Inc.; Executive Vice President of Group Management and Development, Inc. He also serves as the President of the Board of Trustees of GMA Foundation, Inc. and as a Trustee of Guronasyon Foundation, Inc. (formerly LEAF).

Joel G. Jimenez

Mr. Joel G. Jimenez, Filipino, 45 years old, 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. He is currently the Senior Vice President of GMA Marketing and Productions, Inc. Mr. Jimenez is a Trustee of GMA Kapuso Foundation, Inc. Director of GMA Network, Inc., RGMA Network, Inc., GMA New Media, Inc., Scenarios, Inc., and GMA Worldwide, Inc., besides also being a Member of the Board of financial institutions such as Malayan Savings and Mortgage Bank, and Unicapital Securities, Inc. Mr. Jimenez is also the Chief Executive Officer of Alta Productions Group, Inc. a wholly owned subsidiary of GMA Network, Inc. (1993 to present).

Felipe S. Yalong

Mr. Felipe S. Yalong, Filipino, 53 years old, obtained a Bachelor of Science degree in Business and Accounting from the Philippine School of Business Administration and completed the Management Development Program at the Asian Institute of Management. He was formerly an Auditor of SyCip, Gorres and Velayo Co. and the Group Comptroller of the National Transport Group. He was formerly Senior Vice-President of the Corporate Services Group of ABS-CBN (1987-1997) before transferring to GMA Network, Inc. He is currently the Director and Corporate Treasurer of GMA Network, 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.

Jaime C. Laya

Dr. Jaime C. Laya, Filipino, 71 years old, earned his B.S.B.A. (accounting; *magna cum laude*) from the University of the Philippines in 1957. He later obtained an M.S. in Industrial Management from the Georgia Institute of Technology in 1961. He subsequently obtained a Ph.D. in Financial Management from Stanford University in 1966. He is a Certified Public Accountant, having placed 8th in the 1957 examinations.

Dr. Laya was formerly the Minister of Budget from 1975 to 1981. He also served as the Minister of Education, Culture and Sports in 1984-86. The Minister is ex-officio Chairman of the Boards of Regents of all state universities and colleges, including the University of the Philippines. He was also the Chairman of the Monetary Board and Governor, Central Bank of the Philippines from 1981-1984.

Dr. Laya served as the Chairman of the National Commission for Culture and the Arts and as private sector representative in the Cultural Heritage Sector from 1996 to 2001. He was also

Professor and Dean of Business Administration at the University of the Philippines from 1957 to 1978.

Other positions of note held by Dr. Laya are as follows: Action Officer of Intramuros Administration (Old City Restoration Project) from 1979 to 1986; President of the Philippine Trust Co. (Philtrust Bank) from 1992 to 1998; Founder and Chairman of Laya Mananghaya & Co. (LMC), a Philippine member firm of KPMG International and one of the world's largest professional organizations from 1986 to 2004, by which it had become one of the Philippines' largest auditing and consulting firms. He was also Chairman and President of the Association of Certified Public Accountants in Public Practice (ACPAPP) in 2003 and ACPAPP Foundation, Inc. in 2004.

He is currently independent director of a number of corporations, academic institutions, and foundations.

Anna Teresa M. Gozon-Abrogar

Atty. Anna Teresa M. Gozon-Abrogar, Filipino, 38 years old, graduated *cum laude*, with a Bachelor of Science degree in Management Engineering from Ateneo de Manila University and obtained a Bachelor of Laws degree from the University of the Philippines where she graduated valedictorian, *cum laude*. She later obtained a Master of Laws degree from Harvard University. She is a Junior Partner at Belo Gozon Elma Parel Asuncion & Lucila Law firm. Atty. Abrogar was an Associate Professor at the University of the Philippines, College of Law where she taught Taxation Law. Atty. Abrogar is also a Director of GMA Network, Inc., GMA New Media, Inc.; Director and Corporate Secretary of Mont-Aire Realty and Development Corp., and FLG Management and Development Corp.; and President of GMA Worldwide, Inc. and GMA Network Films, Inc.

Ronaldo P. Mastrili

Mr. Ronaldo P. Mastrili, Filipino, 44 years old, obtained a Bachelor of Science in Business and Economics degree, major in Accounting from De La Salle University. He attended Master in Business Administration Program from the same university and completed the Executive Development Program of Asian Institute of Management. He is a Certified Public Accountant with expertise in fields of accounting, auditing, finance and taxation. He was formerly the Assistant Vice President for Controllership of ABS-CBN and also served as the Group Internal Auditor before joining the Company. He also worked with SGV & Co. in the early part of his career. He is currently the Vice President for Finance of GMA Network, Inc.

Artemio V. Panganiban,

Chief Justice Artemio V. Panganiban,Filipino, 73 years old, has been an Independent Director of the Company since 2009. 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 First Philippine Holdings Corp., Metro Pacific Investments Corp., Manila Electric Company, Robinson Land Corp., GMA Holdings, Inc. Manila North Tollways Corp., Tollways Management Corp., He is also a Senior Adviser for Metropolitan Bank, Independent Adviser for Philippine Long Distance Telephone Co. and a consultant for Pfizer Philippines, Inc. Chief Justice Panganiban is likewise Chairman, Board of Advisers of

Metrobank Foundation; Chairman of the Board of Philippine Dispute Resolution Center, Inc.; and Member, Advisory Board of the World Bank and of the Asian Institute of Management RVR-CVS Governance Council. He also is a column writer of *The Philippine Daily Inquirer.*

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

He obtained his Associate in Arts, "With Highest Honors" and later his Bachelor of Laws, 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 in the country.

Significant Employees

Although the Company will continue to rely on the individual and collective contributions of their executive officers, the Company is not dependent on the services of any particular employee.

Family Relationships

Anna Teresa M. Gozon-Abrogar is the daughter of Felipe L. Gozon. Felipe L. Gozon's sister, Carolina L. Gozon Jimenez, is the mother of Joel Marcelo G. Jimenez.

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge, during the past five years there has been no occurrence of any of the following events which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person of the Company:

- Any filing of an insolvency or bankruptcy petition by or against any business of which such person was a general partner or executive officer, either at the time of the insolvency or within two years prior to that time;

- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, of any such person, excluding traffic violations and other minor offenses;

- Any final and executory order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, against any such person, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and

- Any final and executory judgment of any such person by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

Item 10. Executive Compensation

No director or officer receives or has received compensation for their services. The By-Laws of the Company however, provides that each director is entitled to a reasonable *per diem* allowance for attendance at each meeting of the Board of Directors. The By-Laws further provide that the Board may receive and allocate an amount of not more than 10% of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of the stockholders representing at least a majority of the stockholders.

Item 11. Security Ownership of Certain Beneficial Owners and Management

As of March 31, 2010, the following persons owned at least 5% of the Company's outstanding common shares:

Title of class	Name, Address of Record Owner and Relationship with Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Class
Common	Felipe L. Gozon Unit 5 5D Tower One, One McKinley Place, New Bonifacio City, Fort Bonifacio, Taguig City	Record	Filipino	3,330	33.30
Common	Gilberto R. Duavit, Jr. Unit 5 5D Tower One, One McKinley Place, New Bonifacio City, Fort Bonifacio, Taguig City	Record	Filipino	3,330	33.30
Common	Joel Marcelo G. Jimenez Unit 5 5D Tower One, One McKinley Place, New Bonifacio City, Fort Bonifacio, Taguig City	Record	Filipino	3,330	33.30
			Total	**9,990**	**99.90**

The following is the security ownership of the directors and executive officers of the Company as of the same date:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Class
Common	Felipe L. Gozon	Direct 3,330	Filipino	33.30
Common	Gilberto R. Duavit, Jr.	Direct 3,330	Filipino	33.30
Common	Joel Marcelo G. Jimenez	Direct 3,330	Filipino	33.30
Common	Felipe S. Yalong	Direct 1	Filipino	.01
Common	Jaime C. Laya	Direct 1	Filipino	.01
Common	Artemio V. Panganiban	Direct 4	Filipino	.04
	Total	**9,996**		**99.96**

Voting Trust

The Company is unaware of the existence of any voting trust or similar agreement.

Change in Control

There are no existing provisions in the Articles of Incorporation or the By-Laws of the Company which will delay, defer or in any manner prevent a change in control of the Company. There have been no arrangements which have resulted in a change in control of the Company during the period covered by this report.

Item 12. Certain Relationships and Related Transactions

The Company engaged as its legal counsel, the Law Firm Belo Gozon Elma Parel Asuncion & Lucila ("BGEPAL") where Atty. Felipe L. Gozon is a Senior Partner. Atty. Gozon is the Chairman and one of the major stockholders of the Company.

On July 30, 2007, the Company issued PDRs relating to GMA Network, Inc. Common Shares. The proceeds owing to the selling shareholders of GMA Network, Inc. ("Selling Shareholders") whose Common Shares formed the underlying shares of the PDRs in the Company's Initial Public Offering were initially held by the Company then remitted to these Selling Shareholders. Please see Note 10 of the Company's Financial Statements (Exhibit 1).

Other than the foregoing, the Company has had no material transactions during the past two years, nor is any material transaction presently proposed between the Company and parties that fall outside the definition of "related parties" under SFAS/IAS No. 24, but with whom the registrants or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be availed from other, more clearly independent parties on an arm’s length basis.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Board of Directors has established a set of policies and initiatives to ensure that GMA Holding's business practices are compliant with the best practices in corporate governance. On February 13, 2008, a Manual on Corporate Governance was submitted to the Securities and Exchange Commission in compliance with SEC Memorandum Circular 2, Series of 2002.

The Manual sets out the principles of good management and defines the specific responsibilities of the Board, the Board Committees, and Management within the over-all governance framework.

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

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

The Board of Directors appointed a Compliance Officer on February 13, 2008.

Based on the certification of compliance with the Company’s Manual dated January 7, 2010 there have been no deviations from the Company’s Manual as of date.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

Exhibit 1 - Financial Statements

(b) Reports on SEC Form 17-C

For the past six months, the Company has filed the following SEC Form 17-C reports:

April 2009
a] Cash Distribution, Record date and Payment date
b] Approval of 2008 FS, ASM, Record date

May 2009
a] Update on the amount of Cash Distribution
b] Results of ASM/Board reorganizational meeting

August 2009
a] Appointment of external Auditor

March 2010
a] Press Release: Board Approval of 2009 FS: ASM on May 28, 2010 with a Record Date of April 29, 2010 and Cash Dividends to PDR Holders

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on 21 APR 2010, 2010.

By:

GILBERTO R. DUAVIT, JR.
Principal Executive Officer

RONALDO P. MASTRILI
Comptroller/ Principal Accounting Officer

FELIPE S. YALONG
Principal Operating Officer /
Principal Financial Officer

ANNA-TERESA M. GOZON-ABROGAR
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 21 day of APR 2010 2010 affiant(s) exhibiting to me his/their Passport Numbers, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Gilberto R. Duavit, Jr.	ZZ214134	March 29, 2007	DFA, Manila
Ronaldo P. Mastrili	UU0377974	January 10, 2007	DFA, Manila
Anna-Teresa M. Gozon-Abrogar	XX17629184	August 6, 2008	DFA, Manila
Felipe S. Yalong	XX1232901	May 27, 2008	DFA, Manila

Doc. No. 331;
Page No. 68;
Book No. I;
Series of 2010.

CHRISTINE F BIO
Notary Public
Appointment No. M-152
Notary Public for Makati City
Until December 31, 2011
Roll No. 54285
PTR No. 2092001 / 01-08-2010 / Makati City
IBP No. 8052929 / 01-08-2010 / Sorsogon
MCLE Compliance No. III-0003203/ 05-04-2009
15/F Sagittarius Condominium
H.V. dela Costa St., Salcedo Village
Makati City

SGV & Co
Ernst & Young

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
GMA Holdings, Inc.
Unit 5D Tower One, One McKinley Place
New Bonifacio Global City
Fort Bonifacio, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements as of December 31, 2009 and 2008 and of each of the three years in the period ended December 31, 2009 of GMA Holdings, Inc. included in this Form 17-A and have issued our report thereon dated March 25, 2010. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68.1 and SEC Memorandum Circular No. 11, Series of 2008, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respect the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ramon D. Dizon

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

March 25, 2010

ANNEX 68.1 - M

GMA HOLDINGS, INC.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2009

A	Marketable securities (current marketable equity securities and other short-term cash investments)	Not applicable
B	Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)	Not applicable
C	Non-current marketable equity securities, other long-term investments in stock and other investments	Not applicable
D	Indebtedness of unconsolidated subsidiaries and related parties	Not applicable
E	Intangible assets and other assets	Not applicable
F	Long - term debt	Not applicable
G	Indebtedness to related parties (long-term loans from related companies)	Not applicable
H	Guarantees of securities of other issuers	Not applicable
I	Capital stock	Attached
J	Retained earnings	Attached

GMA HOLDINGS, INC.

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2009

Unappropriated retained earnings, January 1, 2009	₱4,474,128
Net income	2,970,178
Dividend declarations during the year	(4,000,000)
Unappropriated retained earnings available for dividend declaration, December 31, 2009	₱3,444,306

Schedule I. Capital Stock

Type of Stock	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common	10,000	10,000	–	–	10,000	–

GMA HOLDINGS, INC.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

March 25, 2010

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

The management of GMA Holdings, Inc. is responsible for all information and representations contained in the audited financial statements as of and for the years ended December 31, 2009 and 2008. The financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

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

FELIPE L. GOZON
Chairman of the Board

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

FELIPE S. YALONG
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 13 day of April 2010 at Makati, affiants exhibited to me their (Felipe L. Gozon) TIN 106-174-605, (Gilberto R. Duavit, Jr.) TIN 158-147-748 and (Felipe S. Yalong) TIN 102-874-052.

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Book No. 71
Series of 2010

ATTY. ANGELITA D. DE GUZMAN
NOTARY PUBLIC
UNTIL DECEMBER 31, 2010
PTR NO. 2098637 JAN. 7, 2010 MAKATI
IBP NO. 780292 (2010) QUEZON CITY
ROLL NO. 27883

GMA HOLDINGS, INC.
Unit 5-D Tower One, One McKinley Place, New Bonifacio Global City, Fort Bonifacio, Taguig City 1634 Philippines
MAILING ADDRESS: GMA Network Center, EDSA cor. Timog Ave., Diliman, Quezon City 1103 Philippines
Telephone No. (632) 982-7777 loc. 8001 **Fax** (632) 928-5133

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
GMA Holdings, Inc.
Unit 5D Tower One, One McKinley Place
New Bonifacio Global City
Fort Bonifacio, Taguig City

We have audited the accompanying financial statements of GMA Holdings, Inc., which comprise the balance sheets as at December 31, 2009 and 2008, and the statements of comprehensive income, statements of changes in stockholders' equity and statements of cash flows for each of the three years in the period ended December 31, 2009, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of GMA Holdings, Inc. as of December 31, 2009 and 2008, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

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

March 25, 2010

GMA HOLDINGS, INC.
BALANCE SHEETS

	December 31	
	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 12 and 13)	**₱85,030,195**	₱85,400,478
Accounts receivable (Notes 12 and 13)	**290,992**	773,779
	₱85,321,187	₱86,174,257
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 7, 12 and 13)	**₱365,773**	₱167,258
Due to shareholders (Notes 11, 12 and 13)	**81,367,427**	81,367,427
Income tax payable	**43,681**	65,444
Total Current Liabilities	**81,776,881**	81,600,129
Stockholders' Equity		
Capital stock	**100,000**	100,000
Retained earnings (Note 8)	**3,444,306**	4,474,128
Total Stockholders' Equity	**3,544,306**	4,574,128
	₱85,321,187	₱86,174,257

See accompanying Notes to Financial Statements.

GMA HOLDINGS, INC.

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2009	2008	2007
REVENUE			
Interest income from short-term placements and bank deposits (Note 6)	**₱3,469,200**	₱3,809,354	₱1,403,293
Exercise fees (Note 5)	**1,131,800**	1,958,700	–
	4,601,000	5,768,054	1,403,293
EXPENSES			
Operating expenses (Note 9)	**797,016**	1,236,885	108,844
Interest expense and bank charges	**56,473**	103,783	–
	853,489	1,340,668	108,844
INCOME BEFORE INCOME TAX	**3,747,511**	4,427,386	1,294,449
PROVISION FOR INCOME TAX (Note 10)	**777,333**	942,727	280,659
NET INCOME	**2,970,178**	3,484,659	1,013,790
OTHER COMPREHENSIVE INCOME	**–**	–	–
TOTAL COMPREHENSIVE INCOME	**₱2,970,178**	₱3,484,659	₱1,013,790

See accompanying Notes to Financial Statements.

GMA HOLDINGS, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Years Ended December 31		
	2009	2008	2007
CAPITAL STOCK - ₱10 par value			
Authorized and subscribed - 10,000 shares	**₱100,000**	₱100,000	₱100,000
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year	**4,474,128**	989,469	(24,321)
Total comprehensive income	**2,970,178**	3,484,659	1,013,790
Cash dividends - ₱400 a share (Note 8)	**(4,000,000)**	–	–
Balance at end of year	**3,444,306**	4,474,128	989,469
	₱3,544,306	₱4,574,128	₱1,089,469

See accompanying Notes to Financial Statements.

GMA HOLDINGS, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,747,511**	₱4,427,386	₱1,294,449
Adjustment for interest income from short-term placements and bank deposits (Note 6)	**(3,469,200)**	(3,809,354)	(1,403,293)
Income (loss) before working capital changes	**278,311**	618,032	(108,844)
Decrease (increase) in:			
Accounts receivable	**594,300**	(607,050)	–
Due from GMA (Note 11)	**–**	50,458,960	(50,458,960)
Increase in:			
Accounts payable and accrued expenses	**198,515**	78,414	63,844
Due to shareholders (Note 11)	**–**	30,762,208	50,605,219
Net cash generated from operations	**1,071,126**	81,310,564	101,259
Interest received	**3,357,687**	3,642,625	1,403,293
Income taxes paid	**(799,096)**	(877,283)	(280,659)
Proceeds from issuance of Philippine Deposit Receipts (Note 5)	**–**	–	8,603,172,000
Payments for subscriptions of GMA shares (Note 5)	**–**	–	(8,603,172,000)
Net cash provided by operating activities	**3,629,717**	84,075,906	1,223,893
CASH FLOWS FROM FINANCING ACTIVITY			
Payment of cash dividends (Note 8)	**(4,000,000)**	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(370,283)**	84,075,906	1,223,893
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**85,400,478**	1,324,572	100,679
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱85,030,195**	₱85,400,478	₱1,324,572

See accompanying Notes to Financial Statements.

1. Corporate Information

GMA Holdings, Inc. (the Company) was incorporated in the Philippines on February 15, 2006 to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose real and personal property of every kind and description.

The accounting and administrative functions of the Company are undertaken by GMA Network, Inc. (GMA), an affiliate.

In 2007, the Company issued Philippine Deposit Receipts (PDRs), which were listed and traded in the Philippine Stock Exchange (PSE) (see Note 5).

The Company will not engage in any business or purpose other than in connection with the issuance of the PDRs, the performance of the obligations under the PDRs and the acquisition and holding of the underlying shares of GMA in respect of the PDRs issued. This includes maintaining the Company's listing with the PSE and maintaining its status as a Philippine person for as long as the Philippine law prohibits ownership of GMA's shares by non-Philippine person.

The registered office address of the Company is Unit 5D Tower One, One McKinley Place, New Bonifacio Global City, Fort Bonifacio, Taguig City.

The accompanying financial statements of the Company as of December 31, 2009 and 2008 and each of the three years in the period ended December 31, 2009 were approved and authorized for issue by the Board of Directors (BOD) on March 25, 2010.

2. Basis of Preparation

The accompanying financial statements of the Company have been prepared on the historical cost basis and are presented in Philippine peso, which is the Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest Philippine peso, except when otherwise indicated.

Statement of Compliance
The accompanying financial statements of the Company have been prepared in compliance with PFRS. PFRS also includes Philippine Accounting Standards (PAS) issued by the Financial Reporting Standards Council and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and Philippine Interpretations starting January 1, 2009, except when otherwise indicated:

New Standards and Interpretations

- PFRS 8, *Operating Segments*, effective January 1, 2009
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, effective July 1, 2008

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign* Operation, effective October 1, 2008

- IFRIC 18, *Transfer of Assets from Customers*, effective July 1, 2009

Amendments to Standards

- PFRS 1, *First-time Adoption of International Financial Reporting Standards* and PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investments in a Subsidiary, Jointly Controlled Entity or Associate*, effective January 1, 2009

- PFRS 2, *Share-based Payment - Vesting Conditions and Cancellations*, effective January 1, 2009

- PFRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*, effective January 1, 2009

- PAS 1, *Presentation of Financial Statements*, effective January 1, 2009

- PAS 23, *Borrowing Costs* (Revised), effective January 1, 2009

- PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*, effective January 1, 2009

- Improvements to PFRS (2008)

- Improvements to PFRS (2009), with respect to the amendment to the Appendix to PAS 18, *Revenue*

The standards or interpretations that have been adopted and that are deemed to have an impact on the financial statements or performance of the Company are described below:

- PAS 1, *Presentation of Financial Statements*, separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The revision also includes changes in titles of some of the financial statements to reflect their function more clearly, although not mandatory for use in the financial statements. The Company opted to present one single statement of comprehensive income.

- PFRS 7, *Financial Instruments: Disclosures*, requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The fair value measurement disclosures are presented in Note 13. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 12.

Future Changes in Accounting Policies

The Company did not early adopt the following revised PFRS, improvements to PFRS and Philippine Interpretations that have been approved but are not yet effective:

New Standards and Interpretations

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

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

Amendments to Standards

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Summary of Significant Accounting Judgment and Estimates

The preparation of Company's financial statements requires management to make judgment and estimates that affect amounts reported in the financial statements and related notes.

<u>Judgment</u>
In the process of applying the Company's accounting policies, management has not made significant judgment that affects the amounts recognized in the financial statements.

<u>Estimates</u>
The key estimate and assumption concerning the future and other key sources of estimation uncertainty at balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below:

Fair Value of Financial Assets and Liabilities. The Company carries certain financial assets and liabilities at fair value, which requires the use of accounting estimates and judgment. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., interest rates). Any changes in the fair value of these financial assets and liabilities would affect the reported fair value of these financial assets and liabilities.

The fair values of the Company's financial assets and liabilities are discussed in Note 13.

4. Summary of Significant Accounting and Financial Reporting Policies

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

Financial Assets and Liabilities

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

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

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

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

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

Day 1 Profit. Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a Day 1 profit) in the statements of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the Day 1 profit amount.

Financial Assets

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

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

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

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

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

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

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

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

Classified as loans and receivables are the Company’s cash and cash equivalents, and accounts receivable. The carrying values of loans and receivables amounted to ₱85.32 million and ₱86.17 million as of December 31, 2009 and 2008, respectively (see Note 13).

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

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

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

The Company has no AFS financial assets as of December 31, 2009 and 2008.

Financial Liabilities

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

The Company has no financial liabilities at FVPL as of December 31, 2009 and 2008.

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

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

This category includes accounts payable and accrued expenses and due to shareholders. The carrying values of financial liabilities under this category amounted to ₱81.73 million and ₱81.53 million as of December 31, 2009 and 2008, respectively (see Note 13).

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company 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.

Capital Stock
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 stockholders' equity as a deduction from proceeds, net of tax.

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

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

Exercise Fees. Revenue is recognized upon payment of exercise price by the PDR holders.

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

Taxes

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

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of 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 NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

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

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

Events After Balance Sheet Date
Post year-end events that provide additional information about the Company's position at balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

5. **Philippine Deposit Receipts**

On July, 30, 2007, the Company issued 822,115,000 PDRs relating to 822,115,000 GMA shares. On August 21, 2007, additional 123,317,000 PDRs were issued relating to 123,317,000 GMA shares. Each PDR was issued for a total consideration of ₱8.50.

Each PDR grants the holders, upon payment of the exercise price and subject to certain other conditions, the delivery of one (1) GMA share or the sale of and delivery of the proceeds of such sale of one (1) GMA share. The Company remains to be the registered owner of the GMA shares covered by the PDRs. The Company also retains the voting rights over the GMA shares.

The GMA shares are still subject to ownership restrictions on shares of corporations engaged in mass media and GMA may reject the transfer of shares to persons other than Philippine nationals. The PDRs were listed in the PSE on July 30, 2007, and the same may be exercised at any time from said date. Any cash dividends or other cash distributions in respect of GMA shares received by the Company shall be applied toward the operating expenses of the Company for the current and preceding years. A further amount equal to the operating expenses in the preceding year shall be set aside to meet operating or other expenses for the succeeding years. Any amount in excess of the aggregate of the operating expenses paid and the operating fund for such period shall be distributed to PDR holders pro-rata on the first business day after such cash dividends are received by the Company.

Upon exercise of the PDRs, an exercise price of ₱0.05 per share shall be paid by the PDR holders. The exercise price is shown as “Exercise fees” account in the statements of comprehensive income. Exercise fees amounted to ₱1.13 million and ₱1.96 million in 2009 and 2008, respectively.

Immediately prior to the closing of the PDR offering and additional issuances described above, GMA, to which the Company is affiliated, transferred 945,432,000 GMA shares to the Company in relation to which the PDRs were issued. For as long as the PDRs are not exercised, these shares underlying the PDRs will continue to be registered in the name of and owned by the Company, and all rights pertaining to these shares, including voting rights, shall be exercised by the Company. The obligations of the Company to deliver the GMA shares on exercise of the right contained in the PDRs are secured by the Pledge of Shares in favor of the Pledge Trustee acting on behalf of each holder of a PDR over the GMA shares.

At any time after the PDR offering, a shareholder may, at his option and from time to time, deliver shares to the Company in exchange for an equal number of PDRs. The exchange is based on prevailing traded value of GMA shares at the time of transaction with the corresponding PDR option price.

As mentioned above, the Company retains the rights to receive the cash flows from its investment in GMA and assumes a contractual obligation to pay those cash flows to the PDR holders, net of operating expenses (a “pass-through” arrangement). The “pass-through” test is met because the Company (a) has no obligation to the PDR holders unless it collects equivalent amounts from its investment in GMA, (b) is contractually prohibited from selling or pledging its investment in GMA other than as security to the PDR holders for the obligation to pay the cash flows, and (c) has an obligation to remit any cash flows from the investment in GMA to the PDR holders without material delay.

Under the "pass-through" test, the Company is deemed to have transferred substantially the risks and rewards of its investment in GMA. Accordingly, the investment in GMA and the liabilities related to the issuance of the PDRs were derecognized by the Company under the provisions of PAS 39.

The following are the details and movements of the PDRs and the underlying GMA shares for the years ended December 31:

	PDRs		Number of Shares	
	2009	2008	**2009**	2008
Balance at beginning of year	**₱7,703,193,000**	₱8,036,172,000	**906,258,000**	945,432,000
Exercise of PDRs	**(192,406,000)**	(332,979,000)	**(22,636,000)**	(39,174,000)
Balance at end of year	**₱7,510,787,000**	₱7,703,193,000	**883,622,000**	906,258,000

6. **Cash and Cash Equivalents**

This consists of:

	2009	2008
Cash on hand and in banks	**₱3,514,257**	₱33,432,980
Short-term placements	**81,515,938**	51,967,498
	₱85,030,195	₱85,400,478

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

Interest income, earned from short-term placements and bank deposits amounted to ₱3.47 million ₱3.81 million and ₱1.40 million in 2009, 2008 and 2007, respectively.

7. **Accounts Payable and Accrued Expenses**

This account consists of:

	2009	2008
Accounts payable	**₱124,544**	₱7,258
Accrued expenses	**241,229**	160,000
	₱365,773	₱167,258

Accounts payable and accrued expenses are noninterest-bearing and are normally settled within the next financial year.

8. Dividends

In 2009, the Company declared ₱400 per share cash dividends amounting to ₱4.0 million to all stockholders of record as of May 29, 2009. This was paid on June 4, 2009.

No cash dividends were declared in 2008 and 2007.

9. Operating Expenses

This account consists of:

	2009	2008	2007
Professional fees	**₱463,960**	₱393,400	₱105,000
Listing fees	**280,000**	783,574	–
Taxes and licenses	**22,845**	6,295	3,844
Others	**30,211**	53,616	–
	₱797,016	₱1,236,885	₱108,844

10. Income Taxes

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

	2009	2008	2007
Final tax on interest income from short-term placements and bank deposits	**₱693,840**	₱761,871	₱280,659
Regular corporate income tax	**83,493**	180,856	–
	₱777,333	₱942,727	₱280,659

NOLCO incurred in 2007 and 2006 totaling ₱0.13 million was applied as deduction from taxable income in 2008.

The reconciliation of the statutory income tax amounts to the provision for income tax follows:

	2009	2008	2007
Income tax computed at statutory income tax rate	**₱1,124,253**	₱1,549,585	₱453,057
Add (deduct) tax effects of:			
Interest income from short-term placements and bank deposits already subjected to final tax	**(346,920)**	(571,403)	(210,494)
Movements in unrecognized deferred tax asset	–	(46,720)	37,970
Nondeductible expenses	–	11,265	126
Provision for income tax	**₱777,333**	₱942,727	₱280,659

11. Related Party Disclosures

The outstanding balances from transactions with related parties are as follows:

Related Parties	Relationship	Nature of Transactions	Year	Transactions During the Year	Due to Shareholders
GMA	Affiliate*	Portion of proceeds from issuance of PDRs and reimbursements of crossing expenses	**2009**	**₱–**	**₱–**
			2008	(50,458,960)	–
Group Management and Development, Inc., FLG Management and Development Corporation, M.A. Jimenez Enterprises, Inc., Television International Corporation, Gozon Development Corporation, Gozon Foundation, Inc.	Shareholders	Portion of proceeds from issuance of PDRs	**2009**	**–**	**81,367,427**
			2008	30,762,208	81,367,427

**Affiliate refers to a company whose stockholders are also the stockholders of the Company.*

Terms and Conditions of Transactions with Related Parties
Transactions with related parties have been entered into at terms no less favorable than could have been obtained if the transactions were entered into with unrelated parties. The outstanding balances at year-end are normally settled in cash. In 2009, no transactions have been entered into by the Company with its related parties.

The Company's key management personnel are employed by GMA and no part of their salaries was allocated to the Company.

12. Financial Risk Management Objectives and Policies

The Company's principal financial instruments include cash and cash equivalents. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as accounts receivable, accounts payable and accrued expenses and due to shareholders, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk. The Company does not engage in any foreign currency-denominated transactions that may cause exposure to foreign exchange risk. The Company's BOD and management review and agree on the policies for managing each of these risks as summarized below:

Interest Rate Risk
The Company's exposure to interest rate risk is minimal and is attributed to cash and cash equivalents.

The Company does not have any interest bearing obligations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax from balance sheet date to next reporting date:

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax
2009	**50**	**₱425,151**
	(50)	**(425,151)**
2008	50	427,002
	(50)	(427,002)

Credit Risk
The Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of cash and cash equivalents and accounts receivable. The exposure to credit risk is minimal.

Counterparties to these financial instruments are prime institutions. The Company does not expect any counterparty to default in its obligations, given the high credit ratings.

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

High Grade. Pertains to a counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and related parties.

Standard Grade. Other financial assets not classified as high grade are included in this category.

The Company classified its cash and cash equivalents and accounts receivable as high grade financial assets as of December 31, 2009 and 2008.

As of December 31, the aging analysis of accounts receivable is as follows:

	2009	2008
Neither past due nor impaired	**₱278,242**	₱166,729
Past due but not impaired:		
<30 days past due	–	62,650
31–60 days	**12,750**	217,700
61–90 days	–	118,500
Over 90 days	–	208,200
	₱290,992	₱773,779

Liquidity Risk
The Company's objectives to manage its liquidity profile are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; and c) to be able to access funding when needed at the least possible cost.

The Company's financial assets, which have maturity of less than 12 months and used to meet its short-term liquidity needs, are cash and cash equivalents amounting to ₱85.03 million as of December 31, 2009.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as of December 31, 2009 and 2008:

	2009		
	On Demand	**3 to 12 Months**	**Total**
Accounts payable and accrued expenses	**₱365,773**	**₱–**	**₱365,773**
Due to shareholders	**81,367,427**	**–**	**81,367,427**
	₱81,733,200	**₱–**	**₱81,733,200**

	2008		
	On Demand	3 to 12 Months	Total
Accounts payable and accrued expenses	₱167,258	₱–	₱167,258
Due to shareholders	–	81,367,427	81,367,427
	₱167,258	₱81,367,427	₱81,534,685

Capital Management

The primary objective of the Company'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 Company 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 Company may adjust the dividend payment to shareholders, payoff existing debts, return capital to shareholders or issue new shares.

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

The Company's capital management is undertaken by GMA. The Company's capital includes the total stockholders' equity, which amounted to ₱3.54 million and ₱4.57 million as of December 31, 2009 and 2008, respectively.

13. Financial Assets and Liabilities

The following table sets forth the carrying values and fair values of financial assets and liabilities, by category and by class, as of December 31:

	2009		2008	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱85,030,195**	**₱85,030,195**	₱85,400,478	₱85,400,478
Accounts receivable	**290,992**	**290,992**	773,779	773,779
	₱85,321,187	**₱85,321,187**	₱86,174,257	₱86,174,257

	2009		2008	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Accounts payable and accrued expenses	**₱365,773**	**₱365,773**	₱167,258	₱167,258
Due to shareholders	**81,367,427**	**81,367,427**	81,367,427	81,367,427
	₱81,733,200	**₱81,733,200**	₱81,534,685	₱81,534,685

Due to the short-term nature of the related transactions, the carrying values of the above financial instruments approximate their fair values as of balance sheet dates.