COVER SHEET

5213

SEC Registration Number

GMA NETWORK, INC.

(Group's Full Name)

GMA Network Center, Timog Avenue corner EDSA, Quezon City

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

Mr. Felipe S. Yalong

(Contact Person)

982-7777

(Group Telephone Number)

Month *Day*
(Fiscal Year)

17-A

(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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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 NETWORK, INC.

1. For the fiscal year ended: **DECEMBER 31, 2008**

2. SEC Identification Number: **5213** 3. BIR Tax Identification No. 000-917-916-000

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

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

6. (SEC Use Only)
Industry Classification Code:

7. **GMA NETWORK CENTER, EDSA CORNER TIMOG AVENUE, DILIMAN, QUEZON CITY**
Address of principal office Postal Code

8. **(632) 982 7777**
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
Common Stock	**3,361,047,000**
Preferred Stock	**7,499,507,184**

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/ COMMON STOCK

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. Aggregate market value of the voting stock held by non-affiliates of the registrant

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").

Market Value = PhP 20.611B (as of April 1, 2009)

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

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 Network, Inc. is a free-to-air broadcasting company principally engaged in television and radio broadcasting, the production of programs for domestic and international audiences, and other related businesses. The Company derives the majority of its revenues from advertising related to television broadcasting.

The Company's Congressional television broadcasting franchise was renewed on March 20, 1992 through Republic Act 7252, which allows it to operate radio and television facilities in the Philippines for 25 years. The Company's Very High Frequency (VHF) network has 46 wholly owned television stations, three Ultra High Frequency (UHF) stations, and one affiliate station that broadcast the GMA network to an estimated potential audience of approximately 8.1 million television-owning households in the Philippines, based on 2000 data of the National Statistics Office.

The Company broadcasts extensively throughout the Philippines, programming between 21 and 22 hours a day on Channel 7 in Mega Manila and through 49 other television stations nationwide. The Company also produces and broadcasts radio programs in 17 cities across the Philippines on its wholly-owned operating network of 21 radio stations and one minority-owned radio station. The Company's anchor radio stations in Manila, DZBB and DWLS are highly rated stations in Mega Manila in the AM and FM band.

GMA Network's dominance in the Mega Manila and Urban Luzon television markets in terms of household ratings make it the leading broadcast company in the Philippines. Mega Manila is the largest television market in the Philippines with an estimated 3.9 million television-owning households, according to AGB Nielsen Phils. Urban Luzon, on the other hand, comprises 77% of Total Urban Philippines households.

A key thrust of the Company's business strategy is to broaden its revenue base. Since 2005, the Company has generated additional revenue streams by broadcasting programming on an additional channel, QTV, and through its subscription-based international channels, GMA Pinoy TV and GMA Life TV. The Company's television programs are also distributed outside the Philippines through syndication sales to foreign television stations in Hawaii, Canada, Malaysia, Indonesia, Singapore, South Korea and soon, Cambodia, and Alaska by GMA Worldwide (Philippines), Inc. (GWI), a wholly-owned subsidiary of the Company.

GMA SUBSIDIARIES AND AFFILIATES

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

Subsidiaries

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

GMA New Media, Inc. (NMI), established in July 2000, enables various media formats, such as the Internet, mobile phones, radio, and television to interact with each other. On the Internet, GMA New Media also engages in web development and creative services, and was one of the first SMS content subscription services in the Philippines to provide offerings such as horoscopes and love advice.

For mobile phones, GMA New Media produces value-added services relating to the Company's television programs, such as ring tone downloads, television content downloads through SMS and WAP, and information services about GMA artists. NMI was also the first in the Philippines to offer 3G wireless streaming services, in partnership with a local telecommunications provider.

For television, GMA New Media helps to produce the Company's fully interactive television programming by providing services such as audience polling through SMS. NMI also provides digital TV through its Internet TV and Internet Protocol TV offerings. These technologies allow global audiences to have access to GMA content and to select specific content according to their preferences.

In 2008, NMI aggressively pursued its thrust to secure a strong foothold in online publishing for 2008, with various efforts yielding promising results.

A year after NMI launched GMANews.tv, the official news website of GMA Network in collaboration with GMA News and Public Affairs, the site has been steadily building its readership base, with an average of 30 million pageviews per month, posting a 20% increase versus 2007.

NMI launched the all-new www.iGMA.tv, the official website of GMA in the 3rd quarter. It sports not only an ultra-sleek user interface but is also loaded with exclusive multimedia features, user comments capability, updated Kapuso star profiles and show pages, and more. The site currently has an average of 16.5 million pageviews per month.

PEP.ph (Philippine Entertainment Portal), the Philippines' first showbiz-only portal has done well to establish itself as the foremost source of local entertainment news. Launched in 2007 under NMI's joint venture with Summit Media Publishing, PEP.ph enjoys an average of 27 million monthly pageviews from 21 million the year before.

Following the phenomenal success of PEP.ph, the country's first online showbiz news portal, NMI, in partnership with Summit Media, also launched SPOT.ph, a savvy city guide, and StyleBible.ph, a fashion and beauty website.

X-Play, NMI's partnership with IP E-Game Ventures, Incorporated, the online gaming subsidiary of IPVG Corporation, marked its entry into online gaming with tremendous force as it inked the deal with the world's leading game developer/publisher, Entertainment Arts Incorporated, for exclusive rights in the Philippines to operate the highly anticipated game, **NBA STREET Online**.

Audition Dance Battle and **O2Jam**, the first games to be included in this joint venture, continue to dominate their respective categories.

For mobile, the phenomenal success of the in-show SMS game "*Taktak*" in **Eat Bulaga** in 2007 inspired NMI to carry this on to 2008, under the same partnership with Globe Telecom. This project generated more than 45 million in SMS traffic this year.

Another major initiative involving mobile is **Gobingo**, an interactive television game show where three studio contestants compete in each episode while viewers play with their "virtual playing cards" at home. For this project, NMI has developed a robust system capable of generating millions of unique codes and SMS virtual playing cards. The project generated 17 million in SMS traffic.

In October, NMI launched myGMA.com.ph Internet TV, a video-on-demand channel that combines all the pleasures of watching GMA shows and movies with the flexibility of viewing them online. myGMA.com.ph features top-rating telenovelas and well-loved GMA shows that Overseas Filipino Workers (OFWs) — who do not have access to TV programs shown in the Philippines — crave for.

In anticipation of pivotal changes in the global media landscape, NMI, in tandem with the Network Engineering group, is laying the groundwork for GMA's initiatives on digital broadcast. Its Internet Protocol TV (IPTV) offerings will enable the Filipino audience to enjoy GMA content while customizing it to their liking.

Citynet Network Marketing and Productions, Inc.
(Television Entertainment Production)

Citynet is a wholly owned subsidiary of the Company engaged in television, movie and stage entertainment production, marketing, and advertising. Established in 1997, Citynet was used by the Company as a vehicle for it to enter into an agreement with Zoe Broadcasting, Inc. for the programming of QTV.

GMA Network Films, Inc. *(Movie Production)*

GMA Films was established in August 1995 to produce movies that cater to both the local and international markets. Its movie productions have reaped both critical acclaim and commercial success. GMA Films is repositioning itself to significantly complement the Company's programming requirements and talent development initiatives.

GMA Films' Valentine Movie, **My Best Friend's Girlfriend** co-pproduced with Regal Films, was the biggest hit in 2008, with a theatrical gross of P107 million. The movie featured the first on-screen team-up of Richard Gutierrez and Marian Rivera. It also co- produced **I.T.A.L.Y (I Trust and Love You)** with Video King, **One True Love, Desperadas 2** and **My Monster Mom** by Regal and ***Ikaw Pa Rin*** by Viva Communications,Inc.

GMA Worldwide (Philippines), Inc.
(Foreign Program Acquisitions and International Distribution)

GWI was incorporated in February 1996 and handles the Company's foreign program acquisitions and the distribution of the Company's programs in the international market. It has established good relations with major program distributors worldwide and has enabled Kapuso programs and films to be aired subtitled or dubbed in the local language in some of the largest media broadcasters in Hawaii, Canada, Malaysia, Indonesia, Singapore, South Korea and soon, Cambodia, and Alaska.

In 2008, GWI sourced, negotiated, and acquired US$ 7,621,156 worth of programs, including 122 titles (anime, Korean, Taiwanese, and Japanese dramas). Syndication sales to various countries such as Malaysia, U.S., Canada, Singapore, and Indonesia totaled US$ 449,512.

RGMA Marketing and Productions, Inc. *(Recording)*

GMA Records was incorporated in September 1997 and became operational in 2004 after the Company decided to reactivate its musical recording business through the "GMA Records" label. Since resuming its operations, GMA Records has leveraged the Company's talent and media resources and partnered with sister company GMA Films in the home video market to release its films.

GMA Records also publishes music and administers copyrights on behalf of composers. GMA Records is also working with GMA New Media to take advantage of new revenue streams, particularly in the emerging market of digital music downloads.

GMA Records is actively pursuing publishing deals, building on its current catalog of original compositions. GMA Records also serves as a clearing house and a source of music for the Company's television and film productions.

GMA Records' new video distribution with Universal records took effect in March 2008. The company also secured a non-exclusive web-based deal with For Real Japan (content aggregator for 101 content providers nationwide) that will make GMA music assets available for download in iTunes-US, Japan, Australia, Canada, Europe, and UK, Amazon USA, and AT&T. Furthermore, Records signed an exclusive one year 24-song mobile downloading contract in Singapore with Pocket Group

Scenarios, Inc. *(Stage Design)*

Scenarios, Inc. was incorporated in July 1996 and is engaged in the design, construction, transport and maintenance of sets for television programs, stage plays and concerts. It also provides basic to prosthetic level make-up services as well as wardrobes for hosts, guests, and talents of locally-produced programs.

In September 2003, Scenarios, Inc. introduced a new transportation, hauling and trucking service to further fulfill the needs of its clients. It also provides facility support services to various GMA departments. In 2007, Scenarios continued to expand its capability in stage and set construction to include not only fabrication but also design through the creation of a Design Team.

In 2008, Scenarios continued to expand its market to cater to outside clients aside from GMA programs and events. Major stage and set projects for GMA included Bb. Pilipinas 2008, ***Pinoy*** **Idol**, GMA Kapusolympics, Dingdong-Marian Birthday Blowout in Araneta Coliseum, the inauguration of new GMA studios, Jesus is Lord Anniversary at Rizal Park and EDSA Shangri-la, and stage and floats for various festivities such as *Panagbenga* in Baguio, Bangus Festival in Dagupan, and Pasig River fluvial parade.

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

Alta Productions was established in 1988 as a production house primarily to provide production services for the Network. Until the late 1990s, it operated a satellite studio in Makati and produced award-winning News and Public Affairs Programs for GMA Channel 7 as well as provided post-production services for entertainment programs.

Today, Alta Productions continues to service the requirements of the Network by providing dubbing and mixing services to both GMA 7 and QTV; post-production for Regional operations; and the production of quasi-TVC plugs for GMA Marketing & Production Inc. (GMPI).

In addition, Alta Productions also provides services to external clients, including the production of programs for other television channels, on ground stagings and special events, television video commercial production, promo plug production, audio visual presentations, training video production, and other related productions to both advertising agencies and direct clients.

Focusing on its core business, Alta Productions is continuously upgrading its facilities to keep up with the Network's production requirements and broadcast standards, particularly in the area of quality audio dubbing and mixing. Its audio facilities now boast of fully digital audio recording and mixing studios that have been upgraded to accommodate the growing demand for foreign broadcast programs dubbed into the local vernacular, as well as to provide these services to international clients that require English dubbing and subtitling.

Alta Productions has also beefed up its shoot and video post- production facilities and is presently producing High Definition (HD) quality broadcast content for both the Network and external clients.

GMA Marketing & Productions, Inc. *(Marketing and Sales of Commercial Airtime)*

GMA Marketing and Productions, Inc. (GMPI) was established in August 1980 and is the exclusive marketing and sales arm for the Company's commercial television and radio airtime. GMPI, a wholly owned subsidiary of the Company, provides the link between the Network and its clients, advertisers, and advertising agencies. It also acts as the market and media research center of the Company.

GMPI provides the Company's clients with services such as media packages, promotional programs and materials, and creative products. Part of GMPI's sales and marketing strategies are the staging of events such as trade presentations, program launches, on-ground production of mall tours, fans days, promotions, program campaigns and other promotional campaigns in collaboration with the Company's program management groups. In addition, GMA Marketing is engaged in the scheduling of commercials and implementation of spots. This ensures that sales contracts are properly implemented as specified through the use of an in-house system of logging and monitoring of spots on a per program, per contract and per account basis.

MediaMerge Corporation

MediaMerge Corporate, indirectly owned by the Company through GMA New Media, Inc. is engaged in business development and operations for the Company's online publishing/advertising initiatives.

Affiliates

Mont-Aire Realty and Development Corporation

Mont-Aire is currently 49.0% owned by the Company, and is organized as a real estate holding company. On April 26, 2007, the Company's Board of Directors declared its shareholdings in Mont-Aire as subject to sale.

RGMA Network, Inc.

RGMA Network, Inc. ("RGMA"), an affiliate, manages and provides programming and administrative services for the Company's provincial radio stations.

RGMA is 49%-owned by the Company and provides general management programming, research and event management services for the Company's radio stations. To maximize RGMA's nationwide presence, RGMA was assigned by GMA to also assist in the operation of the Company's television relay transmitter sites all over the Philippines. RGMA was granted its own Congressional franchise under R.A. 860, which authorizes it to own and operate radio and television stations. RGMA receives a management fee for its services.

Philippine Entertainment Portal, Inc.

The Philippine Entertainment Portal, Inc. is a joint venture between GMA New Media, Inc. and Summit Media. Its breakout venture, Pep.ph, is currently the Philippines' leading entertainment portal. Recent projects include Spot.ph, an online city guide, and Stylebible.ph, a fashion and beauty website.

X-Play

X-Play Online Games Incorporated (www.xplay.com.ph) is a joint venture between IP E-Game Ventures Inc., the on-line gaming subsidiary of IPVG Corp., and GMA New Media Inc. -- the digital media arm of GMA Network Inc. keen on revamping on-line casual gaming to even greater heights. The company's focus is on designing, operating, and maintaining casual on-line gaming and casual on-line gaming-related portals. X-Play also aims at evolving and promoting casual on-line gaming and its digital content development, especially with the convergence of traditional and digital media through IP E-Games and GMA-NMI. X-Play is the official publisher of **Audition Dance Battle** (a dance casual game), **O2Jam** (a music rhythm game) and the EA SPORTS™ title - **NBA STREET Online**, a real-time online mid-session game (MSG) from Electronic Arts, Inc.

INQ7 Interactive, Inc.

INQ7 Interactive, Inc. is the joint online multimedia news and information delivery company of the Philippine Daily Inquirer Inc. and GMA Network, Inc. The Company owns 50% of INQ7 Interactive, Inc. Its website, www.INQ7.net, serves as the portal website for the news websites of the Company and the Philippine Daily Inquirer.

The following table shows the Company's holdings in its principal subsidiaries and affiliates as of December 31, 2009:

Subsidiaries and Affiliates	**Ownership**	**Principal Activities**
<u>Subsidiaries</u>		
GMA New Media, Inc.	100%	Converging Technology
Citynet Network Marketing and Productions Inc.	100%	Television entertainment production
GMA Network Films, Inc.	100%	Film production
GMA Worldwide (Philippines), Inc.	100%	International marketing, handling foreign program acquisitions and international syndication of the Company's programs
RGMA Marketing and Productions, Inc. (GMA Records)	100%	Music recording, publishing and video distribution
Scenarios	100%	Design, construction and maintenance of sets for TV, stage plays and concerts
Alta Productions Group, Inc.	100%	Pre- and post-production services
GMA Marketing & Productions, Inc.	100%	Exclusive marketing and sales arm of GMA's airtime
MediaMerge Corporation*	100%	Business development and operations for the Company's online publishing/advertising initiatives
<u>Affiliates</u>		
INQ7 Interactive, Inc.**	50%	A joint multimedia news and information delivery company of the Philippine Daily Inquirer, Inc. and GMA

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

Notes:

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

***   Non-operational*

**** On April 26, 2007, the Company's Board of Directors declared its shareholdings in Mont-Aire as subject to sale to any interested buyer. In the event the Company does not find a willing buyer, the same shall be declared as dividends to the stockholders of record as of April 26, 2007.*

COMPETITION

GMA is the leading television and radio broadcast company in the Philippines. The Company currently competes for audiences and advertising revenues directly with other broadcast stations, radio stations, newspapers, magazines, cable television, and outdoor advertising within their respective markets.

The television broadcast industry faces fast-paced, continuous changes in technology and innovations in programming, the possible rise in popularity of competing entertainment and communications media, and government restrictions or actions of regulatory bodies.

The Company's closest competitor in the Philippines is ABS-CBN. Both networks target a general audience with a mixture of family entertainment, news, drama, and general programming. Other key networks in the Philippines include TV5 (formerly the Associated Broadcasting Company) and the government-sequestered RPN and IBC, and state-owned NBN networks, which have distant audience share and ratings relative to GMA and ABS-CBN.

In 2008, ABC 5 entered into a blocktime agreement with Malaysian company Media Prima Berhad (MPB). ABC went off-air on August 8, 2008 and was re-launched as TV 5 on August 9, 2008, featuring new programs, talents, and look. The said blocktime agreement allowed MPB Primedia to control and manage ABC-5's programming content and airtime sales.

On January 2008, RPN, SBN, and RJTV started airing Solar Entertainment programs.

The following table presents details of the Company's key competitors in the Philippines:

Network	Description	2008 Ratings & Audience Share Mega Manila	Urban Luzon*	Urban National *
GMA		— 17.8% Household Ratings — 44.2% Audience Share	— 16.7% Household Ratings — 42.0% Audience Share	— 15.2% Household Ratings — 37.9% Audience Share
ABS-CBN	- ABS-CBN Broadcasting Corporation (PSE: ABS) is a radio and television broadcasting network and multimedia company in the Philippines. It was founded in 1953, and is the first television station in the Philippines. - The main broadcast facilities are located at The ABSCBN Broadcast Center in Mother Ignacia St., Diliman, Quezon City.	— 12.8% Household Ratings — 31.8% Audience Share	— 14.7% Household Ratings — 36.9% Audience Share	— 17.0% Household Ratings — 42.4% Audience Share
QTV	- GMA Network's sister channel - First TV station in the Philippines tailored for middle to upper-class female viewers -- a consumer group particularly attractive to advertisers.	— 1.6% Household Ratings — 3.8% Audience Share	— 1.2% Household Ratings — 2.9% Audience Share	— 1.0% Household Ratings — 2.5% Audience Share
ABC/TV5	- Associated Broadcasting Company (ABC) is a Philippine television network, with main broadcast facilities in Novaliches, Quezon City, Metro Manila. It is the third-oldest television network in the country. It is currently owned by businessman Antonio Cojuangco. Its main station is DWET-5 (ABC-5) in Metro Manila. In 2008, ABC entered into a blocktime agreement with Malaysian company Media Prima Berhad.	— 1.2% Household Ratings — 3.1% Audience Share	— 1.2% Household Ratings — 3.0% Audience Share	— 1.2% Household Ratings — 2.9% Audience Share
C/S9 (RPN)	- Radio Philippines Network (RPN 9) is a Philippines VHF television network of the Government Communications Group headed by the Press Secretary. RPN launched in the late 1960s as Kanlaon Broadcasting System, under Roberto S. Benedicto. After President Ferdinand Marcos sequestered the rights of CBN-9 of Eugenio Lopez, Sr., he awarded the Channel 9 frequency through a Presidential Decree.	— 1.1% Household Ratings — 2.6% Audience Share	— 0.8% Household Ratings — 2.1% Audience Share	— 0.7% Household Ratings — 1.8% Audience Share
Studio 23	- A sister network to the main ABS-CBN Broadcasting Corporation, airing programming aimed towards young adults, such as North American imports and other English language programming.	— 0.6% Household Ratings — 1.4% Audience Share	— 0.6% Household Ratings — 1.5% Audience Share	— 0.7% Household Ratings — 1.7% Audience Share
National Broadcasting Network	- National Broadcasting Network is the official government TV station in the Philippines. It was formerly called the Maharlika Broadcasting System, Inc. and later the People's Television Network, Inc. (PTV). NBN studios and transmitter are located at Broadcast Complex, Visayas Avenue, Diliman, Quezon City with the power of 40,000 watts. The official slogan of the station is: One People, One Nation, One Vision.	— 0.3% Household Ratings — 0.9% Audience Share	— 0.3% Household Ratings — 0.7% Audience Share	— 0.3% Household Ratings — 0.6% Audience Share
Intercontinental Broadcasting Corporation	- Intercontinental Broadcasting Corporation (IBC-13) is a VHF Television Station of the Government Communications Group headed by the Press Secretary. It was launched in 1975 by a Marcos crony Roberto Benedicto after sequestering the original channel 13 owned by the late Andres Soriano. - After the 1986 EDSA Revolution, all of the stocks and assets of IBC-13, RPN-9 and BBC-2 were sequestered by the Philippine Commission on Good Government (PCGG). President Corazon Aquino awarded BBC-2 through an executive order to ABS-CBN Broadcasting Corporation. IBC-13 and RPN-9 were turned over to the Government Communications Group. IBC 13 studios are located at Broadcast City Capitol Hills Diliman, Quezon City and transmitter at San Francisco Del Monte, Quezon City.	— 0.2% Household Ratings — 0.4% Audience Share	— 0.1% Household Ratings — 0.4% Audience Share	— 0.1% Household Ratings — 0.3% Audience Share
SBN (ETC)	- SBN (Southern Broadcasting Network, Inc.) has its main broadcast facilities at Summit One Bldg, Shaw Boulevard, Mandaluyong City.	— 0.2% Household Ratings — 0.4% Audience Share	— 0.1% Household Ratings — 0.4% Audience Share	— 0.1% Household Ratings — 0.3% Audience Share
RJTV (2nd Ave.)	- RJTV is a UHF, free to air television channel owned and operated by Rajah Broadcasting Network, Inc. owned by Ramon "RJ" Jacint Broadcasting System, Inc. and later the People's Television	— 0.0% Household Ratings — 0.1% Audience Share	— 0.0% Household Ratings — 0.1% Audience Share	— 0.0% Household Ratings — 0.0% Audience Share

Notes:

- *ABC 5 was relaunched as TV 5 on August 9, 2008 with a different programming.*
- *Starting Jan 2008, RPN (C/S 9), SBN (ETC) and RJTV (2nd Ave.) aired Solar Entertainment shows.*

OTHER BROADCASTING COMPANIES AND PROGRAMMING

The principal source of competition GMA faces arises from competing broadcasters gaining market share in relation to the number of viewers and the Company's share of advertising revenues received. Among the free-to-air broadcasters actively operating in the Philippines, ABS-CBN represents the Company's key competitor in terms of audience share, market share, and program ratings. The Company competes primarily on the basis of program popularity, which has a direct effect on advertising rates. The Company's in-house programming must constantly evolve and innovate to produce programs with broad popular appeal. The Company may face increased competition in the future from the success of programs on competing stations and competitors deploying greater resources into producing and promoting their programs.

Competition for programming also involves negotiating with national program distributors or syndicators that sell first-run and rerun packages of programming. The Company competes against other broadcast stations in their market for the exclusive right to broadcast off-network reruns and first-run products and also competes with other syndicators in the distribution of its programs in other markets. Cable systems generally do not compete with local stations for programming, although various national cable networks have acquired programs that would have otherwise been offered in syndication to local television stations.

Cable Television

The development of methods of transmission of video programming other than free-to-air television broadcasting, and in particular the growth of cable television, have significantly altered competition for audience in the television industry. These other transmission methods increase competition for a broadcasting station by bringing into its market distant broadcasting signals not otherwise available off-the-air to the station's audience and also by serving as a distribution system for non-broadcast programming distributed by the cable system.

Other Advertising Media

The Company competes for local advertising revenues with other television stations in their respective markets, as well as with other advertising media such as newspapers, radio, magazines, outdoor advertising, transit advertising, yellow page directories, direct mail, local cable systems, and web advertising. Competition for advertising revenues in the broadcasting industry occurs primarily in individual markets. Generally, a television station in a market does not compete with stations in other market areas for local revenue.

PROGRAMMING

GMA's corporate tagline, *Kapuso ng Bawat Pilipino* ("One in heart with the Filipino people"), guides its programming choices and allows viewers to feel closely connected to the Company.

GMA Network produces or acquires, and distributes a comprehensive schedule of programming to its television stations and affiliates in the Philippines, including QTV, as well as through syndication sales and its subscription-based international channels, GMA Pinoy TV and GMA Life TV. The Company's programs are broadcast primarily in Filipino and also in other local languages and dialects. The Company's television programming includes fantasy programs, dramas, soap operas *(telenovelas)*, dubbed foreign serials, entertainment news, talk shows, reality programs, news and public affairs shows, documentaries, game shows, variety shows, musicals, sitcoms, and children's shows.

GMA's programming is innovative, well researched, and in tune with the preferences of its primary audience. Through a dedicated research team, GMA leverages tools such as ratings, focus groups, and interest groups to identify and review current viewership trends and preferences. A dedicated programming committee assesses feedback and decides on the launch, scheduling, continuation or termination of programs. This enables GMA to assess programming strategically so that relevant programs are aired at the most appropriate time to target the strongest viewership.

The Company's main sources of programming are:

GMA original productions are programs which include fantasy series such as Dyesebel and Joaquin Bordado; drama shows such as *Babangon Ako't Dudurugin Kita*; news and public affairs shows such as 24 *Oras*, *Imbestigador, Saksi*, Emergency, *Kapuso Mo Jessica Soho* and I-Witness; variety shows such as Mel & Joey and SOP, comedy shows such as Bubble Gang, and showbiz talk shows such as Startalk and Showbiz Central.

Syndicated/acquired shows are programs for which the Company purchases broadcast rights and which are principally produced by foreign companies in the United States and in Asian countries, such as Korea, Taiwan and Japan. Such programs include Coffee Prince, *Witch Yoo Hee*, and My Husband's Woman (Korean); Devil Beside Me and *Sakurano* (Taiwanese); and *Hanakim*i and *Hanayori Dango 2* (Japanese).

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Local programs adapted from original foreign productions have become a huge hit in the Philippines. Reality programs such as *Pinoy* Idol and Survivor Philippines, game shows such as *Kakasa Ka Ba Sa* Grade 5 and Family Feud, and drama programs such as Lalola have dominated the top programs chart in 2008.

Blocktime shows are programs for which an independent producer purchases a block of airtime from the Company and which are produced and/or financed by the blocktime purchaser. Such shows include Eat Bulaga, Daisy Siete, and Maynila.

The Company's original productions constitute the majority of the programming aired on its television network. Currently, the Company produces most of the programs shown during primetime. To complement its originally produced programming, the Company also acquires high quality, non-network programs from various program suppliers through co-production or blocktime agreements, or by acquiring first-run syndicated programs depending on the company's programming needs or cost and revenue considerations.

The Company's agreements for co-produced, blocktime, or other acquired programming have terms ranging from a few months to five years with payments generally made over the same term on a cash basis. The Company has a library of movies, which it owns or to which it has broadcast rights, including movies produced by GMA Films for a certain number of runs and for terms ranging from two years to perpetuity.

The Company's Program Committee regularly reviews its programming line-up and decides which programs to develop, air, and/or cancel. These decisions are based on a combination of factors, including feedback from focus groups and ratings agencies and the programs' ability to generate income. The Program Committee is composed of members of the Company's senior management who have extensive experience in television broadcasting. The company's program managers for each of the principal program genres are responsible for developing program concepts for specific timeslots to achieve ratings and income targets.

The Company's superior programming and original program ideas have resulted in the Company achieving higher household ratings and audience shares than any other broadcast company in the Philippines. GMA's news programs provide well-balanced, in-depth, objective and groundbreaking coverage of all major news events in the Philippines. Its news and public affairs programs have won many awards, including the prestigious George Peabody Award for excellence in broadcast journalism.

GMA ARTISTS CENTER

The Company has developed a deep talent pool. The GMA Artists Center (GMAAC) is its talent management and development arm. It is in charge of recruiting, identifying and retaining emerging talents, and developing and promoting existing talents -- in particular, on-air talents, including performers and presenters. As of December 2008, GMA Network had 2,400 talents under contract, consisting of on-air performers and presenters, and behind-the-scene writers, directors and producers. It has successfully developed a number of its on-air talents into stars by showcasing them in popular television programs.

QTV

QTV was launched in late 2005 in partnership with Zoe Broadcasting Network, Inc. GMA's subsidiary, Citynet Network Marketing and Productions, Inc. ("Citynet"), entered into a co-production and block-time agreement with Zoe Broadcast Network, Inc., which owns and operates VHF Channel 11. Under the agreement, the Company provides all of the programming to Channel 11. The Company also pays the higher of either a percentage of gross sales of QTV or a guaranteed minimum amount. Also, the Company agreed to upgrade certain Zoe Broadcasting Network's broadcast facilities as well as broadcast a Zoe Broadcasting Network, Inc. program on Saturday and Sunday mornings. QTV utilizes the tower used by GMA Channel 7 in Quezon City. QTV is currently being transmitted for broadcast in Manila, Cebu, and Davao.

QTV Channel 11 is the first television station in the Philippines specifically tailored to middle- to upper-class female viewers -- a consumer group particularly attractive to advertisers. The Company targets viewers who are not current or regular viewers of Channel 7 programming. Sharing production resources and artists with GMA Channel 7, QTV's carefully produced shows are scheduled to coincide with women's daily routines and contain programming that highlights what the Company believes is most important to women. In addition, QTV broadcasts quality and wholesome programs for the family.

According to AGB Nielsen Phils., in 2008, QTV had a Total Day (8:00 a.m. to 12 midnight) household rating of 1.6% -- making QTV the third-highest rated station in Mega Manila.

INTERNATIONAL DISTRIBUTION

The Company's television programs are distributed outside the Philippines through its subscription-based international channels, GMA Pinoy TV and GMA Life TV, and through GMA Worldwide (Philippines), Inc. (GWI), a wholly-owned subsidiary of the Company. A variety of GMA's original productions are distributed through syndication sales to foreign television stations in Canada, Malaysia, Cambodia, Indonesia, Singapore, Korea and the United States.

GMA PINOY TV

The Company operates GMA Pinoy TV through which it offers subscription-based programs internationally. GMA Pinoy TV delivers to an international audience most of the Company's most popular news and public affairs and general entertainment programs that have made the Company the top-rated television station in Mega Manila and in Urban Luzon.

GMA Pinoy TV is currently available in the United States including Hawaii, Canada, Singapore, Japan, Guam, Europe, Saipan, Papua New Guinea, the British Asian Territory of Diego Garcia, the Middle East, and North Africa. GMA Pinoy TV aims to establish global exposure and presence for the Network that will bring the company's programs to Filipino communities around the world.

Under the carriage and licensing agreements with international cable carriers, the Company generally receives a portion of the subscription fees and is also allocated a certain number of advertising minutes through which the Company may sell advertising spots, which it does, through its subsidiary, GMA Marketing. GMA Marketing also participates in joint promotions with various carriers for the marketing of GMA Pinoy TV.

As of end December 2008, GMA Pinoy TV's subscriber base closed at 207,876 -- a 25% increase over the 2007 closing subscriber number of 166,921. GMA Pinoy TV has been registered as a "Pioneer Enterprise" by the Philippine Board of Investments, which entitles the Company to a tax holiday on revenues generated by GMA Pinoy TV for a period of four years from January 1, 2007.

GMA LIFE TV

GMA Life TV is GMA Network's second international channel. More than just mainstream entertainment, GMA LIFE TV promises to engage more and more viewers with its exciting line-up of heart-warming and innovative programs that feature the Filipinos' lifestyle and interests.

GMA Life TV is available in the United States, Canada, Guam, Japan, Australia, New Zealand, Papua New Guinea, the British Indian Ocean Territory of Diego Garcia, 16 countries in the Middle East, 11 countries in North Africa, and 49 countries in Europe.

As of end December 2008, GMA Life TV's subscriber base closed at 45,892.

EMPLOYEES

As of December 31, 2008, the Company has 1,654 regular and probational employees -- a 24.6% growth from 2007 -- and engaged 2,400 talents, a 16% reduction from previous year. GMA Network, Inc. recognizes one labor union.

RISKS RELATING TO THE COMPANY

The results of the Company's operations depend, to a large extent, on the performance of the Philippine economy. It may be negatively affected by adverse economic conditions. Historically, as the economy grows, there is an increase in demand for advertising time. Conversely, in economic downturns, advertising budgets may decline which also decreases the demand for advertising time.

Item 2. Properties

As of December 31, 2008, the Company's total property and equipment and real property amounted to P4,426.2 million. The property and equipment had a book value of P3,023.0 million, while its real property had a fair market value of P1,403.1 million.

The following are the principal properties of the Company:

- The Channel 7 compound located in Barangay South Triangle, Diliman, Quezon City, which contains several buildings, including the GMA Network Center building;

- The GMA Network Center Studios, a four-storey building with an area of 4,053 square meter property adjacent to the GMA Network Center at GMA Network Network Studios cor. EDSA, Diliman Quezon City which houses two big studios, technical facilities and production offices;

- The GMA-7 Antenna Tower in Tandang Sora Avenue, Barangay Culiat, Diliman Quezon City, which contains the TV and FM Transmitter building and the Satellite Uplink building;

- Land located on the east corner of Mother Ignacia Avenue and Sergeant Esguerra Avenue, Barangay South Triangle, Diliman Quezon City which houses the GMA Fleet Center; and

- Properties in the key areas across different regions:

Luzon

- Land in Barangay Malued, Dagupan City, where the Company's radio and television studios are located;

- A 51,135 square meter property in Panghulo, Obando, Bulacan, where an AM transmitter site, a two-storey building, a genset house, and an AM tower are situated; and,

- A 2,000 square meter property in Barangay Concepcion Pequeña, Naga City, where a TV relay transmitter site is located.

Visayas

- Land located in Nivel Hills, Barangay Lahug, Cebu City, containing a multilevel building which houses radio and television operation facilities;

- Land in Barangay Tamborong, Jordan, Guimaras where a radio and television transmitter is located;

- Land in Alta Tierra, Jaro, Iloilo City where radio and television studios and a building are located;

- Land in Barangay Jibao-an, Pavia, Iloilo where an AM transmitter site and building are located;

- Land in Barangay Sta. Monica, Puerto Princesa City, Palawan where a television relay transmitter site and building are located; and,

- Land in Barangay Bulwang, Numancia, Aklan where a television relay transmitter site and a building are located.

Mindanao

- Land in Bo. Matina Hills, Davao City where an FM and television transmitter building and studio complex are located;

- Land in Barangay San Isidro, General Santos City where a television relay transmitter site and a building are located; and,

- Land in Barangay Cabatangan, Zamboanga City where a television relay transmitter site and a building are located.

The properties owned by the Company are currently unencumbered and are free from any existing liens. The Company also leases land, building and studio space in various locations around the Philippines under lease agreements for periods of between three and 25 years. The lease agreements may be cancelled at the Company's option. The aggregate rental expense of the Company for the year ended December 31, 2008 amounted to P573.4 million.

Local and Regional Properties

GMA owns real estate properties in various parts of the country. Originating stations can produce and broadcast their own programs and air local advertising. On the other hand, relay stations can only re-transmit broadcasts from originating stations. Affiliate stations are not owned by the company -- they are usually independently owned by local Filipino business people who re-broadcast the Company's originating signals during specified time blocks for negotiated fixed fees.

The following are GMA's television and radio stations throughout the Philippines:

LIST OF GMA's OPERATING TV STATIONS

NO.	STATION	ADDRESS	CONTACT NUMBER TEL. NO./ MOBILE PHONE
	LUZON		
1	TV-7 Metro Manila	Brgy. Culiat, Tandang Sora, Quezon City	(02) 931-9183 / (02) 924-2497
	TV-11 Metro Manila	Brgy. Culiat, Tandang Sora, Quezon City	(02) 931-9183 / (02) 924-2497
	TV-27 Metro Manila (UHF)	Brgy. Culiat, Tandang Sora, Quezon City	(02) 931-9183 / (02) 924-2497
2	TV-5 Ilocos Norte	Brgy. San Lorenzo, San Nicolas, Ilocos Norte	0919-6082302 / 0918-5328580 / 0906-8215258
3	TV-10 Benguet	Mt. Sto. Tomas, Tuba, Benguet	0917-4273614 / 0916-8777410
4	TV-10 Olongapo	Upper Mabayuhan, Olongapo City	0918-3650294 / 0927-2570496
5	TV-12 Batangas	Mt. Banoy, Batangas City	0921-4937234 / 0918-5485867
6	TV-7 Naga	Brgy. Concepcion, Pequeña, Naga City	0919-4480290
7	TV-12 Legaspi	Mt. Bariw, Estanza, Legaspi City	0921-2002697 / 0919-8566463
8	TV-12 Puerto Princesa,Palawan	Brgy. Sta. Monica, Puerto Princesa, Palawan	0919-8230994
9	TV-6 Brooke's Point, Palawan	Poblacion, Brooke's Point, Palawan	0926-2080832 / 0929-5157327
10	TV-7 Masbate	Brgy. Pinamurbuhan, Mobo, Masbate	0916-8768166 / 0906-9778080
11	TV-13 Catanduanes	Barrio Palnab, Virac, Catanduanes	0926-4035588 / 0906-7524547
12	TV-13 Occ. Mindoro	Brgy. Mapaya, San Jose, Occidental Mindoro	0910-4548937
13	TV-5 Nueva Vizcaya	Bo. La-Torre, Bayombong, Nueva Vizcaya	0929-3079070 / 0929-3184754
14	TV-5 Aurora	Purok 3, Brgy. Buhangin, Baler, Aurora	0920-2603590/0921-2107498
15	TV-7 Abra	Brgy. Lusuac, Peñarrubia, Abra	0918-2221611 / 0910-4328878
16	TV-13 Aparri, Cagayan	Hi-Class Bldg., De Rivera St., Poblacion, Aparri, Cagayan	0920-2110258 / 0919-8930674
17	TV-7 Tuguegarao, Cagayan	Phil. Lumber Bldg., Washington St., Tug., Cagayan	0918-3304321 / 0919-6325143 / 0919-3966536
18	TV-8 Coron, Palawan	Tapias Hill, Coron, Palawan	0920-4003954 / 0929-6982107
19	TV-7 Batanes	Brgy. Kayvaluganan, Basco, Batanes	P.C.O. 533-3456 / 0919-6914991 / 0910-9392245
20	TV-7 Romblon	Triple Peak, Sta. Maria, Tablas, Romblon	0919-6194241 / 0921-5781475
21	TV-7 Quirino	Brgy. San Marcos, Capitol Hills, Cabarroguis, Quirino	0908-3342433 / 0919-8870879
	VISAYAS		
22	TV-7 Cebu City	Bonbon, Cebu City	(032) 231-3012, 231-4829; 0921-2002690 / 0918-9071367
	TV-27 Cebu City (UHF)	Bonbon, Cebu City	0921-2002690
23	TV-6 Iloilo	Bo. Tamburong, Jordan, Guimaras	(033) 581-3363 / 0927-4689166 / 0906-4847112 0906-5208426 / 0906-4847112
24	TV-11 Bohol	Mt. Mayana, Jagna, Bohol	0919-7815833 / 0919-3278107
25	TV-10 Tacloban City	Basper, Tigbao, Tacloban City	0921-7484310 / 0919-3899212 / 0921-6699185
26	TV-12 Isabel, Leyte	Isabel, Leyte	0916-6507595
27	TV-8 Borongan	Poblacion, Borongan, Eastern Samar	0927-4171547 / 0927-7191386
28	TV-5 Roxas City	Brgy. Lawa-an, Roxas City, Capiz	0920-2628783 / 0921-9978181
29	TV-5 Dumaguete	Barrio Looc, Sibulan, Negros Oriental	0920-5681686
30	TV-10 Sipalay	Sipalay Municipal Building, Sipalay, Negros Occidental	0929-4301411 / 0915-3202486
31	TV-5 Calbayog City	Brgy. Matobato, Calbayog City, Western Samar	0921-6048685 / 0919-6694375
32	TV-8 Kalibo	New Busuanga, Numancia, Aklan	0920-9003463 / 0929-4356922
33	TV-10 Bacolod City	Security Bank Bldg., Rizal St. cor. Locsin St., Bacolod City	0907-7566379 / 0918-3973562
	MINDANAO		
34	TV-5 Davao	Shrine Hills, Matina, Davao City	(082) 299-3403 / 0918-9194941
	TV-27 Davao (UHF)	Shrine Hills, Matina, Davao City	(082) 299-3403 / 0918-9194941
35	TV-12 Mt. Kitanglad	Mt. Kitanglad, Bukidnon	0919-6260634 / 0921-2045939
36	TV-12 Cagayan De Oro	Malasag Heights, Brgy. Cugman, Cagayan de Oro City	0919-8608868

37	TV-8 General Santos	Nuñez St., Brgy. San Isidro, General Santos City	0918-2176935 / 0919-5788292
38	TV-12 Cotabato	Regional Government Center, Cotabato City	0916-5326950 / 0920-3537395
39	TV-9 Zamboanga	Brgy. Cabatangan, Zamboanga City	0921-2002689 / 0918-5602062
40	TV-5 Ozamis	Bo. Malaubang, Ozamis City, Misamis Occidental	0918-5250766 / 0927-3453437
41	TV-4 Dipolog	Bo. Sicayab, Dipolog, Zamboanga del Norte	0920-8668705 / 0918-3594361
42	TV-10 Surigao	Lipata Hills, Surigao City	0920-2952515 / 0919-8095052
43	TV-12 Jolo, Sulu	2/F, Evermall Bldg., HJI, Buto St. Jolo, Sulu	0928-5930547
44	TV-2 Tandag, Surigao del Sur	Capitol Hill, Brgy. Telaje, Tandag, Surigao del Sur	0927-3316371 / 0920-2952515
45	TV-3 Pagadian	Mt. Palpalan, Pagadian City	0920-8320307
46	TV-11 Iligan	3/F Kimberly Bldg., A. Bonifacio cor. Isidoro Emilia Ave., Tibanga Hi-Way, Iligan City	0915-9948791 / 0921-3384319
	AFFILIATE TV STATION		
47	TV-7 Butuan City	SJIT Bldg., Montilla Blvd., Butuan City	(085) 342-9571 / 342-7073

Luzon Radio Stations

AREA	FREQ.	CALL SIGN	POWER		ADDRESS
METRO MANILA	**97.1 mhz.** **594 khz.**	**DWLS** **DZBB**	**FM** **AM**	35K 50K	GMA Complex, EDSA cor. Timog Ave., Diliman, Quezon City
BAGUIO	**92.7 mhz.**	**DWRA**	**FM**	10K	2/F Baguio Midland Courier Bldg. 16 Kisad Rd., Baguio City
DAGUPAN	**93.5 mhz.**	**DWTL**	**FM**	10K	4/F De Vera Bldg., Arellano Ave. Dagupan City, Pangasinan
LEGASPI	**96.3 mhz.**	**DWCW**	**FM**	10K	3rd level A.Bichara Silversreen Entertainment Center, Magallanes St., Legazpi City
LUCENA	**91.1 mhz.**	**DWQL**	**FM**	10K	3/F Ancon Bldg., Merchan Street Lucena City
NAGA	**101.5 mhz.**	**DWQW**	**FM**		4/F DMG Bldg., Penafrancia St. Naga City, Camarines Sur
PALAWAN	**909 khz.** **97.5 mhz.**	**DYSP** **DYHY**	**AM** **FM**	5K 5K	Solid Road, San Manuel Puerto Princesa City, Palawan
TUGUEGARAO	**89.3 mhz.**	**DWWQ**	**FM**	10K	4/F Villablanca Hotel Pattaui St. cor Pallua Rd., Ugac Norte Tuguegarao, Cagayan

Visayas

AREA	FREQ.	CALL SIGN	POWER	ADDRESS

BACOLOD	**107.1mhz.**	**DYEN**	**FM**	10K	2/F Jomabo Centre Penthouse Rizal cor. Lacson Sts., Bacolod City
CEBU	**999 khz.** **99.5 mhz.**	**DYSS** **DYRT**	**AM** **FM**	10K 25K	GMA Skyview Complex, Nivel Hills, Lahug
ILOILO	**1323 khz** **93.5 mhz.**	**DYSI** **DYMK**	**AM** **FM**	10K 10K	Phase 5, Alta Tierra Village Jaro, Iloilo City
KALIBO	**92.9 mhz.**	**DYRU**	**FM**	5K	Torres-Olivia Bldg. Roxas Ave. Extension, Kalibo, Aklan

Mindanao

AREA	FREQ.	CALL SIGN		POWER	ADDRESS
CAGAYAN DE ORO	**100.7 mhz.**	**DXLX**	**FM**	10K	2/F Marel Realty Bldg., Pabayo corner Hayes St.,Cagayan De Oro City, Misamis Oriental
ILIGAN	**90.1 mhz.**	**DXND**	**FM**	10K	3/F Kimberly Bldg., A. Bonifacio cor. Isidoro Emilia Ave. Iligan, Lanao del Norte
DAVAO	**1125 khz.** **103.5 mhz.**	**DXGM** **DXRV**	**AM** **FM**	10K 10K	Penthouse, Amesco Bldg. Damaso Suazo St., Uyanguren Davao City
GENERAL SANTOS	**102.3 mhz.**	**DXCJ**	**FM**	10K	3/F PBC Bldg., Cagampang St. Gen. Santos City

Item 3. Legal Proceedings

The Company and its subsidiaries are involved, from time to time, as plaintiff or defendant in litigation arising from transactions undertaken in the ordinary course of its business. Described below are the pending material litigation of which the Company and its subsidiaries or their properties are subject. The Company believes that a judgment rendered against it in the cases indicated below will not have a material adverse effect on its operations or financial condition.

None of the Company's affiliates, or their property, namely, RGMA Network, Inc., Philippine Entertainment Portal, Inc. and Mont-Aire Realty and Development Corporation, are involved in any material pending litigation as of December 31, 2008.

Tax Cases

The Company filed a Petition for Review on September 22, 2004 against the Commissioner of Internal Revenue ("CIR") to dispute its assessment for deficiency taxes for the year 2000 in the total amount of

₱18.8 million based on the alleged failure by the Company to remit and withhold Value Added Tax ("VAT") due on income payments to foreign suppliers and for deficiency in final withholding taxes, failure to pay withholding tax on dividends and interest thereon and failure to pay in full the interest on withholding tax deficiency on payment of interest on foreign loans. The Company raised the defense of prescription, arguing that the dividends declared to individuals in the year 2000 came from retained earnings for the year 1997. The Company also argued that it had already paid its liability for the alleged deficiency for withholding tax on payments to foreign companies on program rights and deficiency for final withholding tax on interest and foreign loans.
The Court of Tax Appeals ("CTA") promulgated an adverse decision on July 26, 2007. The Company has moved for reconsideration of the decision and has filed an application for abatement with the BIR and has paid the amounts required under the said application.

Labor Cases

On March 21, 2002, Dan Albert De Padua filed a complaint against the Company and Felipe L. Gozon with the NLRC, alleging constructive and illegal dismissal by the Company and claiming reinstatement, damages and attorney's fees, in the amount of ₱26 million and 25% of the judgment award. At the time of his dismissal, Mr. De Padua was the Vice President of the Company for Network Operations and Programming. The Labor Arbiter and the National Labor Relations Commission ("NLRC") dismissed the complaint. The case is currently pending before the Court of Appeals.

There is a pending case for illegal dismissal filed by Jelly Vinluan against Scenarios, Inc. On April 26, 2001, a judgment was rendered by Labor Arbiter Salimathar V. Nambi in favor of Mr. Vinluan ordering Scenarios, Inc. to pay him the amount of ₱119,190.37 representing back wages, separation pay, salary differential, service incentive leave pay, and 13th-month pay. Scenarios, Inc. only learned of the case when the sheriff of the NLRC served the writ of execution issued therein. As such, Scenarios, Inc. immediately filed a notice and memorandum of appeal, a motion to quash and/or recall writ of execution, and an urgent motion to lift the order of garnishment. On August 20, 2003, the NLRC issued an order remanding the case to the Labor Arbiter for proper service of summons but this was subsequently overruled by the Court of Appeals. Scenarios appealed this decision to the Supreme Court. In a Decision dated September 17, 2008, the Supreme Court denied the Petition. Scenarios filed a motion for reconsideration which was denied in a subsequent resolution by the Supreme Court. The case will revert back to the NLRC for execution of the decision of the Labor Arbiter.

There is another pending case for illegal dismissal, unfair labor practices, non-payment of overtime pay, holiday pay, premium pay for holiday and rest day and night shift differential and service incentive leave pay filed by Carlos Pabriga, Geoffrey Arias, Kirby Campo, Arnold Lagahit and Armand Catibug. The complainants were engaged on various dates from 1993 to 1997 to replace regular employees of the Company's Cebu station who were on leave or otherwise unable to work. On August 24, 2000, the Labor Arbiter dismissed the complaints for illegal dismissal and unfair labor practices, but directed the Company to pay complainants their proportionate 13th-month pay. On appeal, the NLRC held that the complainants were regular employees with respect to the particular activity they were assigned until the activity ceased to exist and that they were entitled to separation pay, 13^{th-}month pay, night shift differential and service incentive leave pay. The complainants claim that by virtue of this ruling, they are entitled to payment of a total of approximately ₱1.5 million as of march 2007. The case is presently pending before the Supreme Court on appeal of the Company.

Infringement Cases

The Company's officers, Felipe L. Gozon, Gilberto R. Duavit, Jr., Marissa L. Flores, Jessica A. Soho, Grace dela Peña-Reyes, John Oliver Manalastas, John Does and Jane Does were named as respondents in a criminal case initiated in June 2004 for copyright infringement before the City Prosecutor's Office of Quezon City and the Department of Justice ("DOJ"). The case was subsequently consolidated with the Company's counter charge for libel.

The respondents were charges in their capacities as corporate officers and employees of the Company responsible for the unauthorized airing of ABS-CBN's exclusive live coverage of the arrival in the Philippines of Angelo dela Cruz, a Filipino overseas worker previously held hostage in Iraq. Aside from seeking to hold the named respondents criminally liable for infringement and unfair competition, ABS-CBN sought damages from the respondents jointly and severally in the aggregate amount of ₱200 million.

On July 27, 2004, the Company and certain of its officers filed a case for libel against certain officers of ABS-CBN for statements made in their programs insider and Magandang Umaga Bayan relative to the incident involving the dela Cruz feed. The Company also seeks damages in the aggregate amount of ₱100 million.

In a Resolution dated December 3, 2004, the DOJ dismissed the complaint for libel against the ABS-CBN officers and employees and dropped the charges against the Company's officers except for Ms. Dela Peña-Reyes and Mr. Manalastas against whom the DOJ found probable cause for violation of the Intellectual Property Code. ABS-CBN filed a motion for partial reconsideration of the resolution on the grounds that the other named respondents were erroneously exonerated. The Company filed a petition for review with the DOJ with respect to the finding of probable cause against Ms. Dela Peña-Reyes and Mr. Manalastas and the dismissal of the case for libel which was denied. The Company filed a motion for reconsideration which is still pending with the DOJ. With respect to the charge for infringement, DOJ Secretary Gonzalez granted the Company's petition for review and ordered the dismissal of the criminal charges against Ms. Dela Peña-Reyes and Mr. Manalastas. While the criminal aspect of the case has been dismissed, the civil aspect is still pending.

Libel Cases

A complaint for libel against Miguel Enriquez, as well as an action for ₱20 million in civil damages against the Company, Miguel Enriquez, and several others, was filed by Robert Lyndon Barbers, et al., for showing of an episode of the program Imbestigador, concerning the widespread sale of kidneys in Siargao Island. The complainants alleged that they were made the subject of various imputations of wrongdoing in the episode in question. The complainants seek damages in the amount of ₱15 million for the malicious imputations; ₱2 million in moral damages; ₱2 million in exemplary damages; and ₱1 million in attorney's fees and expenses of litigation.

While the criminal case has been provisionally dismissed, the proceedings for the civil aspect of the case however are currently pending before the Regional Trial Court of Quezon City.

Civil Cases

A complaint for damages was filed by Chito Orbeta, a Bureau of Customs ("BOC") employee, against the Company, Miguel Enriquez, Carmela Tiangco and Arnold Clavio sometime in 2003. The case arose from the airing of an episode of Imbestigador, Saksi and other programs, concerning two BOC employees who acquired motor vehicles disproportionate to their salaries as government employees. The complainant seeks moral damages in the amount of ₱400 thousand; nominal damages in the amount of ₱20 thousand; exemplary damages in the amount of ₱20 thousand; attorneys fees in the amount of ₱50 thousand as well as the cost of suit. The RTC of Manila has rendered a decision in favor of defendants and dismissed plaintiff's complaint. Plaintiff Orbeta has filed a motion for reconsideration which is still pending, to date.

A separate case for damages arising from the same incident was filed by Dolores Domingo, a BOC employee, against the Company, Miguel Enriquez, Carmela Tiangco and Arnold Clavio. The complaint seeks damages in the same amounts as those sought by Chito Orbeta. The case is currently pending before the Regional Trial Court of Manila. Plaintiff is set to offer her exhibits and thereafter, it will be the turn of defendants to present their evidence.

Another case for damages was filed by Ronaldo Virola against Miguel Enriquez and the Company. Ronaldo Virola filed a case for damages arising from the airing of Imbestigador episodes showing the interviews of "Myra" and "Chona" who accused Virola of placing drugs in their drinks before molesting them. The said Imbestigador episodes also showed the raid conducted by operatives of Task Force Jericho of the Department of Interior and Local Government who applied for a warrant to search the residence of Virola. The complaint sought ₱800 thousand in moral damages, ₱300 thousand in exemplary damages, attorney's fees in the amount of ₱100 thousand and the cost of suit. The case is pending before the Regional Trial Court of Caloocan.

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 covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

<u>Market Information</u>

The Company's common shares were listed on the Philippine Stock Exchange ("PSE") on July 31, 2007. Philippine Deposit Receipts (PDRs) relating to GMA Network, Inc. common shares were also listed with the PSE on the same date.

GMA7

Period	High	Low	Period close
1Q08	7.80	5.90	7.20
2Q08	7.80	7.20	7.30
3Q08	7.20	5.40	5.60
4Q08	5.70	3.30	3.45
2008	**7.80**	**3.30**	**3.45**

GMAP

Period	High	Low	Period close

1Q08	8.00	5.80	7.60
2Q08	7.60	7.00	7.00
3Q08	7.00	5.30	5.50
4Q08	5.70	3.20	3.30
2008	**8.00**	**3.20**	**3.30**

The price information as of the close of the latest practicable trading date, April 3, 2008 was P4.50 for GMA 7 and P4.35 for GMAP.

Holders

There are approximately 1,574 holders of common equity as of February 28, 2009. The following are the top 20 holders of the common equity of the Company:

Name of Shareholders	**No. of Common Shares**	**Percentage of Ownership of Total Common Shares**
Gma Holdings, Inc.	854,086,000	25.49%
Group Management Development, Inc.	789,813,389	23.57%
FLG Management & Development Corp.	656,044,009	19.58%
M.A. Jimenez Enterprises, Inc.	453,882,095	13.55%
Television International Corp	334,378,037	09.98%
PCD Nominee Corp. (FILIPINO)	175,129,500	05.23%
Gma Holdings Inc.	46,689,000	01.39%
Gozon Development Corp.	13,905,954	00.42%
Gozon Foundation Inc.	4,514,361	00.13%
Sibal F. Alegria	1,093,252	00.03%
Anna Teresa Abrogar	1,058,000	00.03%
Gilberto R. Duavit	1,000,000	00.03%
Felipe l. Gozon	1,000,000	00.03%
Gilberto R. Duavit	588,000	00.02%
Felipe l. Gozon	588,000	00.02%
Judith Duavit Vazquez	588,000	00.02%
Jose P. Marcelo	501,498	00.01%
Nita Laurel Yupangco	346,127	00.01%
Jose C. Laurel V	346,127	00.01%
Susana Laurel –Delgado	346,127	00.01%

The following are the top 20 holders of the Company’s preferred shares as of February 28, 2009:

Name of Shareholders	**No. of Preferred Shares**	**Percentage of Ownership of Total Common Shares**
Group Management & Development Inc.	2,625,805,308	35.0130%
FLG Management & Development Corp.	2,181,067,908	29.0828%
M.A. Jimenez Enterprises	1,508,978,826	20.1210%
Television International Corp.	1,111,661,610	14.8231%

Gozon Development Corp.	46,245,306	0.6166%
Gozon Foundation Inc.	15,020,670	0.2003%
Alegria F. Sibal	2,623,806	0.0350%
Jose P. Marcelo	1,203,594	0.0160%
Rose Laurel-Avancena	830,736	0.0111%
Sotero H. Laurel	830,706	0.0111%
Nita Laurel Yupangco	830,706	0.0111%
Jose C. Laurel V	830,706	0.0111%
Juan Miguel Laurel	830,706	0.0111%
Susana Laurel-Delgado	830,706	0.0111%
Ma. Asuncion Laurel-Uichico	830,706	0.0111%
Horacio P. Borromeo	784,164	0.0105%
Francis F. Obana	105,120	0.0014%
Eduardo Morato	38,028	0.0005%
Antonio Gomez	30,420	0.0004%
Jose N. Morales	30,420	0.0004%

The information presented does note relate to an acquisition, business combination or other reorganization.

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.

Dividend History of the Company

Year	**Amount**	**Date Declared**	**Type of Dividend**
2005	P 218,521,203.5	February 17, 2005	Cash and Property
2005	P3,000,000,000.0	October 11, 2005	Stock
2006	P1,150,000,000.0	June 13, 2006	Cash and Property
2007	P1,500,000,000.0	March 19, 2007	Cash
2007	P 375,000,000.0	April 26, 2007	Stock
2007	P1,000,000,000.0	July 2, 2007	Cash
2008	P1,214,163,001.0	May 21, 2008	Cash

The Company’s Board of Directors has approved a dividend policy which will entitle holders of the Common Shares to receive annual cash dividends equivalent to a minimum of 50% of the prior year’s net income based on the recommendation of the Board of Directors. Such recommendation will take into consideration factors such as the implementation of business plans, operating expenses, budgets, funding for new investments, appropriate reserves and working capital, among others. The cash dividend policy may be changed by the Company’s Board of Directors at any time.

Recent Sales of Unregistered or Exempt Securities

No sale of unregistered or exempt securities of the Company has occurred within the past three years.

Item 6. Management's Discussion and Analysis of Financial Conditions and Results of Operations for the Year Ended December 31, 2008.

GMA Network, Inc. remained resilient in 2008. It recorded improvements in most key financial indicators despite the absence of political ads during the first half of the year and the global economic setbacks felt towards the tail end of 2008. Effective cost management enabled the Company to weather the prevailing weak market condition.

Gross revenues for the twelve-month period of ₱12,497 million grew by 4%, P440 million higher than last year's which included political ads of more than ₱500 million. With the increase in total operating expenses kept at 4% or ₱290 million over last year, net income settled at ₱2,369 million, up by 3% versus net income recorded in 2007.

	Year '08 *(in millions)*	Year '07 *(in millions)*
Statement of Income Data:		
Revenue		
Television and radio airtime	**11,653.5**	11,367.3
Production and others	**843.2**	689.6
	12,496.7	12,056.9
Less: Revenue Deductions		
Agency and marketing commissions	**1,784.7**	1,748.3
Co-producers' share	**162.3**	121.8
Net Revenue	**10,549.7**	10,186.8
Production Costs	**3,986.1**	3,851.3
Gross Profit	**6,563.7**	6,335.5
General and Administrative Expenses	**(3,175.7)**	(3,020.1)
Interest Expense and Financing Charges	**(9.1)**	(23.1)
Interest Income	**68.7**	71.8
Other Income	**75.2**	87.7
Income Before Income Tax	**3,522.7**	3,451.7
Provision for Income Tax	**1,153.8**	1,144.5
Net Income	**2,368.9**	2,307.2
Earnings Per Share		
Basic	**0.487**	0.502
Diluted	**0.487**	0.502

Revenues

Gross revenues, consisting of airtime revenues from television and radio, subscription revenue from international operations, and other revenues from subsidiaries, improved by 4% or ₱440 million, sealing 2008 top-line performance at ₱12,497 million from ₱12,057 million in 2007.

	Year '08 (in millions)	Year '07 (in millions)	Inc/(Dec)	%
Television and radio airtime	**11,653.5**	11,367.3	286.3	3%
Production and others	**843.2**	689.6	153.5	22%
Gross revenues	**12,496.7**	12,056.9	439.8	4%

Airtime revenues from TV and radio, which made up 93% of total revenues, inched up by ₱286 million or 3%, notwithstanding the absence of political ads amounting to roughly ₱500 million in 2007. While airtime revenues from Ch-7 continued to boost top-line performance with its 87% contribution, revenues from other business provided the impetus for the future. QTV, the Network's second VHF channel, posted an increase of 16% or ₱56 million over last year's ₱340 million, boosted by the remarkable sales of the American Idol series. In the same manner, Radio grew its top line by 4% or ₱13 million despite the absence of more than ₱50 million in political ad placements in 2008. Revenues from international operations and other sources, on the other hand, grew 22% to ₱843 million, an increase of ₱154 million vs. 2007, driven by the sustained growth in subscriber base for GMA Pinoy TV as well as from the launch of the secondnternational channel GMA Life TV in mid-2008. At the close of the year, subscribers of Pinoy TV and Life TV registered at 207,876 vs. 166,332 in 2007.

Expenses

The Company continued to put a tight rein on cost, especially in view of the challenges that lie ahead. Total operating expenses, which includes production cost and general and administrative expenses, grew by only 4% or ₱290 million to ₱7,162 million compared to last year's ₱6,871 million.

Production-related expenses edged up 3% or ₱135 million from last year's ₱3,851 million to ₱3,986 million in 2008. While there was an 8% growth in cash production cost as a result of the introduction of more in-house-produced shows this year vice canned programs, this was nevertheless partly offset by the ₱139 million or 22% drop in amortization of program rights brought about by the changes in programming mix for Ch 7 and by the airing of popular and classic reruns of *Koreanovelas* on QTV.

Production Costs	Year '08 (in millions)	Year '07 (in millions)	Inc/(Dec)	%
Talent fees	**1,995.7**	1,894.6	101.0	5%
Rentals and outside services	**507.9**	469.5	38.4	8%
Other program expenses	**996.3**	862.4	133.9	16%
Sub-total - cash production cost	**3,500.0**	3,226.6	273.4	8%
Program Rights amortization	**486.1**	624.7	(138.6)	-22%
Total production cost	**3,986.1**	3,851.3	134.8	3%

Meanwhile, consolidated general and administrative expenses (GAEX) amounted to ₱3,176 million, reflecting an increase of 5% or ₱156 million versus last year.

GAEX	Year '08 *(in millions)*	Year '07 *(in millions)*	Inc/(Dec)	%
Personnel costs	**1,241.3**	1,254.7	(13.4)	-1%
Facilities costs	**325.2**	330.0	(4.8)	-1%
Outside services	**520.5**	435.4	85.1	20%
Taxes and licenses	**155.9**	132.8	23.0	17%
Others	**437.6**	435.7	2.0	0%
Subtotal - Cash GAEX	**2,680.5**	2,588.7	91.8	4%
Depreciation and amortization	**478.6**	418.8	59.8	14%
Amortization of software cost	**16.7**	12.7	4.0	32%
Subtotal - Non-cash GAEX	**495.3**	431.4	63.8	15%
Total GAEX	**3,175.7**	3,020.1	155.6	5%

Personnel cost amounted to ₱1,241 million, down 1% from last year. The slight drop resulted from the net effect of the one-time collective bargaining agreement (CBA) signing bonus granted in 2007 which mitigated this year's increase in the salary base for rank & file employees covered by the CBA and the annual performance increase for confidential employees, on top of the year-on-year (y-o-y) augmentation in manpower complement.

Outside services, consisting of advertising and promotions, management and professional fees, and sales incentives, climbed 20% or ₱85 million primarily due to higher spending on promotional activities to further establish the Network's presence in the regions, the undertaking of more intensive marketing campaigns for international operations with the launch of the Company's second VHF channel, and other events in order to build and sustain the brand image and equity for the Pinoy TV channel.

Taxes and licenses increased 17% from ₱133 million to ₱156 million largely due to the increase in local business tax corresponding to the growth in the Company's revenue base. The annual NTC supervision fee likewise increased as a result of the growth in capital stock.

Other cash GAEX, on the other hand, held steady at ₱438 million y-o-y. The jump in research and survey expense as the Company commenced subscription to the nationwide ratings measurement service or National Urban Television Audience Measurement (NUTAM) and Metro Key Cities Audience Measurement (MCTAM) during the later part of last year was offset by the reduction in the provision for doubtful accounts for 2008.

Despite the operation of the GMA Studios towards the last quarter of the year, facilities cost -- composed of utilities and repairs and maintenance –- closed even lower than last year's by ₱4.8 million or 1%. The increase in rates and consumption of utilities was counterbalanced by the installation of additional energy-saving devices within the Network premises.

On the other hand, depreciation and amortization of software cost under non-cash GAEX grew by ₱64 million or 15% from last year as depreciation expense went up due to current year's additions to fixed assets; in particular, the infrastructure related to the signal-strengthening transmission facilities in the regions and the recently commissioned GMA Studios.

Interest and financing charges on short-term loans

Interest expense and financing charges this year reached ₱9.1 million, equivalent to a reduction of ₱14 million or 61% compared with last year's ₱23 million. The decrease was due to the drop in the Company's short-term borrowings. As of end-December 2008, the Company has practically no short-term loans.

Interest income from short-term investments

While the Company consistently maintained a solid net cash position, interest income from short-term investments slightly dipped by 4% to ₱69 million from last year's ₱72 million on account of generally lower interest rates for money market placements this year.

Other Income

Other income this year ended at P75 million, down 14% from P88 million in 2007. Last year's total included reversals of long-outstanding accruals which were not present this year.

Provision for Income Tax

Despite the increase in income before tax, the provision for income tax inched up by less than 1%, or P9 million, to P1,154 million in 2008. The effective income tax rate for 2008 is lower than that of 2007 owing to the income tax holiday accreditation of Pinoy TV, notwithstanding the increase in the provision for deferred tax resulting from the change in corporate income tax rate starting 2009.

Net Income

With the increase in revenues during the year coupled with a conscious effort to tighten costs, net income improved by 3% over last year. Thus, by end-December 31, 2008 the bottom line settled at ₱2,369 million, ₱62 million higher versus 2007's ₱2,307 million.

Balance Sheet Accounts

Consolidated assets totaled ₱12,466 million, representing an increase of 7% over last year. Cash and cash equivalents and short-term investments rose by 65% to ₱1,690 million from end-2007 level driven mainly by solid cash flows generated from operations on the back of aggressive efforts in reducing the accounts receivable balance. As trade receivables declined by 6% or ₱299 million, despite the increase in revenues, trade days-sales-outstanding (DSO) likewise improved from 144 days at end-2007 to 141 days at the close of 2008.

The modest improvement in net income caused return on assets (ROA) to slide down to 19% from last year's 20%, while return on equity (ROE) likewise dropped to 24% vs. last year's 27%.

Cash Flow	Year '08 (in millions)	Year '07 (in millions)
Net cash provided by operating activities	**2,942.7**	2,082.0
Net cash used in investing activities	**(804.1)**	(363.1)
Net cash used in financing activities	**(1,482.6)**	(984.2)
Effect of exchange rate changes on cash and cash equivalents	**12.4**	(21.6)
Net increase (decrease) in cash and cash equivalents	**668.4**	713.1
Cash and cash equivalents, beginning of period	**1,019.7**	306.6
Cash and cash equivalents, end of period	**1,688.1**	1,019.7

Operating Activities

Net cash from operations registered at P2,943 million this year. This resulted from the income before income tax of P3,523 million adjusted by depreciation expense of P479 million, program rights usage of P486 million, and provision for retirement benefits of P116 million apart from the changes in working capital. The primary components of the changes in working capital include the P502 million increase in program rights, as the Company accumulated more format and story rights in its inventory vis-à-vis the degree of usage, the decrease in pension liability of P101 million due to actual funding of the retirement fund and the decrease in trade payables and other current liabilities of P127 million. On the other hand, these were partly mitigated by trade and other receivables, which, despite the increase in revenues, decreased by P285 million resulting from the aggressive collection efforts implemented by the Company especially for long-outstanding accounts.

Investing Activities

Net cash used in investing activities amounted to P804 million. The P853 million additions to property and equipment was the primary driver, with the completion of the state-of-the-art GMA Studios and continuous expansion in the regions. Another P50 million was attributed to investments and advances as the Company, through its subsidiary New Media, Inc., entered into a joint venture agreement with IPVG for X-play, a form of online gaming. Increases in investment properties of P21 million and additions to land at revalued amounts of P8 million further comprised the cash used for investing activities. These were offset by the P65 million interest earned from cash placements as well as from the P35 million proceeds from sale of property and equipment and investment properties.

Financing Activities

Net cash used in financing activities amounted to P1,483 million, with the P1,213 million cash dividend payout as the foremost component. Financing activities further consisted of the payment of P311 million in short term loans during the year, interest and financing charges of P10 million and reacquisition of treasury shares worth P8 million. These were partly reduced by the collection of subscriptions receivable amounting to P59 million.

Item 7. Financial Statements

Refer to attached copy.

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

SyCip Gorres Velayo & Co. has acted as the Company's external auditors since 1994.

The Company has not had any disagreements on accounting and financial disclosures with its current external auditors during the two most recent fiscal years or any subsequent interim period.

SyCip Gorres Velayo & Co. has no shareholdings in the Company or in the PDR Issuer, nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. SyCip Gorres Velayo & Co. will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Combined Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors, Officers and Senior Management

Under the Articles of Incorporation of the Company, the Board of Directors of the Company comprises nine directors, two of whom are independent. The Board is responsible for the overall management and direction of the Company and meets regularly every quarter and other times as necessary, to be provided with updates on the business of the Company and consulted on the Company's material decisions. 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 the February 28, 2009, the Company's Board of Directors and Senior Management are 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	1975	President/Chief Executive Officer	2000	69
Judith D. Vazquez	Filipino	Director	1988	N/A	N/A	46
Gilberto R. Duavit, Jr.	Filipino	Director	1999	Executive Vice President/Chief Operating Officer	2000	45
Anna Teresa	Filipino	Director/Assistant	2000	N/A	N/A	37

M. Gozon-Abrogar		Corporate Secretary				
Joel Marcelo G. Jimenez	Filipino	Director	2002	N/A	N/A	44
Laura J. Westfall	Filipino	Director	2002	N/A	N/A	42
Felipe S. Yalong	Filipino	Director/ Corporate Treasurer	2002	Senior Vice President Corporate Services Group	2001	52
Roberto O. Parel	Filipino	Corporate Secretary	1993	N/A	N/A	53
Wilma V. Galvante	Filipino	N/A	N/A	Senior Vice President, Entertainment TV	2004	56
Marissa L. Flores	Filipino	N/A	N/A	Senior Vice President, News and Public Affairs	2004	44
Miguel C. Enriquez	Filipino	N/A	N/A	Senior Vice President, Radio	1995	57
Artemio V. Panganiban	Filipino	Independent Director	2007	N/A	2007	72
Jaime C. Laya	Filipino	Independent Director	2007	N/A	2007	70

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

Felipe L. Gozon, Filipino, 69 years old, has been the Chairman of the Board of Directors of the Company since 1975. He currently holds the positions of Chairman, President, and Chief Executive Officer of the Company , which position he has held since the year 2000 . Since assuming leadership of the Company in October 2000, the Company's ratings have improved substantially surpassing its nearest competitor in Mega Manila in 2003 and in Luzon in 2007. Atty. Gozon earned his Bachelor of Laws degree from the University of the Philippines and his Masters of Laws degree from Yale University Law School. He was admitted to the Bar in 1963, placing 13th in the Bar examinations. He is a Senior Partner at the Belo Gozon Elma Parel Asuncion & Lucila Law firm. Aside from GMA Network, Inc., he is also Chairman and CEO of GMA Marketing and Productions, Inc. and GMA New Media, Inc.; Chairman and President of FLG Management and Development Corp.; Chairman of Alta Productions Group, Inc., Citynet Network Marketing and Productions, Inc., Mont-Aire Realty and Development Corp. 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 BizNews Asia in 2008.

Gilberto R. Duavit, Jr., Filipino, 45 years old, has been the Director of the Company since 1999. He is currently the Chairman of the Company's Executive Committee. He has been the Executive Vice

President and Chief Operating Officer of the Company since the year 2000. He holds a Bachelor's Degree in Philosophy from the University of the Philippines. Aside from GMA Network, Inc., he is the Chairman of the Board of GMA Network Films, Inc. (2001 to present) and GMA Worldwide, Inc. (2001 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 GMA Holdings, Inc. (2007 to present), 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).

Judith Duavit Vazquez, Filipino, 46 years old, has been the Director of the Company since 1988. Aside from GMA Network, Inc., she is also a Director of GMA New Media, Inc., RGMA Network, Inc. and Citynet Network Marketing and Productions, Inc. She is also a Trustee of the GMA Kapuso Foundation, Inc. Ms. Vazquez holds a Bachelor of Science degree in Business Economics from the University of the Philippines and is an alumna of Harvard Business School, the University of Michigan (Ann Arbor) and the Asian Institute of Management. She is currently Chairman of Vigil Investments, Inc. and Vice Chairman of Group Management and Development, Inc. She is the Founder and Chief Executive Officer of PHCOLO, Inc. -- the premier interconnection site for 22 telecommunications and Internet Service Provider companies on four platforms: fixed-line fiber, cable, wireless and satellite. Her successful and visionary efforts in the field of Information and Communications Technology, which includes the development of the country's first intelligent building, The Peak, have earned her a position in Computerworld's list of "Philippines' Most Powerful in ICT."

Anna Teresa M. Gozon-Abrogar, Filipino, 37 years old, has been the Director of the Company since 2000. Atty. Abrogar graduated cum laude, with a Bachelor of Science degree in Management Engineering from Ateneo de Manila University and obtained a Bachelor of Laws degree from the University of the Philippines where she graduated valedictorian, *cum laude*. She later obtained a Master of Laws degree from Harvard University. 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 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.

Joel G. Jimenez, Filipino, 44 years old, has been a Director of the Company since 2002. He is currently the Senior Vice President of GMA Marketing and Productions, Inc. He was educated in Los Angeles, California where he obtained a Bachelor's Degree in Business Administration from Loyola Marymount University. He also obtained a Master's Degree in Management from the Asian Institute of Management. Mr. Jimenez is a Trustee of GMA Kapuso Foundation, Inc., a Director of RGMA Network, Inc., GMA New Media, Inc., Scenarios, Inc., and GMA Worldwide, Inc., besides also being a Member of the Board of financial institutions such as Malayan Savings and Mortgage Bank, and Unicapital Securities, Inc. He is also a Director of Nuvoland Philippines, a real-estate development company. Mr. Jimenez is the Chief Executive Officer of Alta Productions Group, Inc., a wholly owned subsidiary of GMA Network, Inc. (1993 to present).

Laura J. Westfall, Filipino, 42 has been a Director of the Company since 2000. She holds a Masters Degree in Public and Private Management from Yale University and a Bachelor of Science degree in Accounting from the University of Southern California. She is a Certified Public Accountant (CPA) in the State of California. She held the following positions in the Company -- Senior Vice President of Corporate and Strategic Planning and Senior Vice President of Finance. In addition, she served as Chairperson and President of GMA New Media. Prior to joining the Company, she worked for BDO Seidman – Los Angeles, an International Management and Consulting Firm. She currently holds various positions in the Majent Group of Companies and serves as Board Member of Coffee Bean and Tea Leaf

Philippines and Bronzeoak Clean Energy, Inc. and as Board Member and Treasurer for Museo Pambata Foundation and USA Girl Scouts – Philippines.

Felipe S. Yalong, Filipino, 52 years old, has been a Director of the Company since 2002. He has been the Senior Vice President for Corporate Services Group of the Company since 2001. He 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 to 1997) before transferring to the Company. Aside from GMA Network, Inc., he also serves as Director and Corporate Treasurer of GMA Holdings, Inc., Scenarios, Inc., and GMA Network Films, Inc.; Director of Unicapital, Inc., Majalco Finance and Investments, Inc., and GMA Marketing and Productions, Inc.; Corporate Treasurer of RGMA Network, Inc., Mediamerge Corp.; Executive Vice President of RGMA Marketing and Productions, Inc.; and Corporate Treasurer of the Board of Trustees of GMA Kapuso Foundation, Inc.

Artemio V. Panganiban, Filipino, 72 years old, has been an Independent Director of the Company since 2007. 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. A popular student leader, he founded the National Union of Students of the Philippines in 1957. The NUSP is the largest student movement in the Philippines, having a membership of over 450 student councils. He is also the recipient of several honorary doctoral degrees from several universities. He placed sixth among more than 4,200 candidates who took the 1960 Bar examinations.

In 1995, he was appointed Justice of the Supreme Court, and in 2005 Chief Justice of the Philippines. On his retirement on December 7, 2006, his colleagues acclaimed him unanimously as the "Renaissance Jurist of the 21st Century" for his visionary leadership of the entire Philippines judiciary. Aside from being a prodigious decision writer, he also authored eleven books while serving in the highest court of the land. His judicial philosophy is "Liberty and Prosperity Under the Rule of Law." Because of his extensive legal and business background, he is a much sought-after independent director in the business community.

Prior to entering public service, Chief Justice Panganiban practiced law as the founding partner of the Panganiban Benitez Parlade Africa & Barinaga Law Office, which he dissolved upon entering the Supreme Court. At the same time, he taught law in several schools and was chief executive or director of several companies engaged in tourism, investments, real estate, banking and media. Chief Justice Panganiban was also active as President or officer in several business, civic and professional associations, like Philippine Chamber of Commerce and Industry, Management Association of the Philippines, Tourism Organization of the Philippines, Rotary Club of Manila and Integrated Bar of the Philippines. He was the only Filipino appointed by late Pope John Paul II in the Vatican-based Pontifical Council for the Laity for the 1996-2001 term.

Jaime C. Laya, Filipino, 70 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 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 time 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.

Roberto O. Parel, Filipino, 53 years old, has been the Corporate Secretary of the Company since 1993. He graduated from the University of the Philippines with a Bachelor of Arts degree in Philosophy and a Bachelor of Laws degree. He was admitted to the Philippine Bar in 1981. Atty. Parel further pursued legal studies through short programs at the Center of American and International Law and the Southwestern Legal Foundation in Dallas, Texas. Later, he attended a training program on Industrial Property Rights held by the Japan Institute of Invention and Innovation and the Association for Overseas Technical Scholarship in Tokyo, Japan. Atty. Parel is a Partner at the law firm of Belo Gozon Elma Parel Asuncion & Lucila. His practice areas include labor relations, natural resources and intellectual property. Atty. Parel is a Director of Time-Life International Philippines, Capitalex Holdings Philippines, Rohm and Haas Philippines, Inc., Ipilan Nickel Corporation, Nickel Laterite Resources, Inc., Berong Nickel Corporation, Ulugan Nickel Corporation, Ulugan Resources Holdings, Inc., Nickeline Resources Holdings, Inc., Skyway O and M Corporation, and Assetvalues Holding Company, Inc.; Director and Corporate Treasurer of Selenga Mining Corporation; Corporate Secretary of Alta Productions Group, Inc., Scenarios, Inc., RGMA Network, Inc., Citynet Network Marketing and Productions, Inc., and GMA Kapuso Foundation, Inc.

Wilma V. Galvante, Filipino, 56 years old, graduated from the *Pamantasan ng Lungsod ng Maynila* with a Communication Arts degree, major in Advertising and Public Relations. She worked for RPN-9 as a Radio and TV Production Manager before joining the Company as an Executive Producer in 1993. Ms. Galvante was promoted to Vice President for Production of the Company in 1993. She has been the Senior Vice President for Entertainment TV of the Company since 2004.

Marissa L. Flores, Filipino, 44 years old, was educated at the University of the Philippines, where she studied Journalism. She joined the Company in 1987 as a researcher. By 1990, she was already a Program Manager. After a few years, Ms. Flores was promoted to Assistant Vice President for Public Affairs. It didn't take long before she was appointed as Vice President for Production, News and Public Affairs. In 2000, she became OIC for News and Public Affairs. Barely a year later, she was named as Vice President for News and Public Affairs and in 2004 she was promoted to Senior Vice President for News and Public Affairs. She was named Ten Outstanding Young Men (TOYM) Awardee for Broadcast Management in 2004. It is under Ms. Flores' watch that GMA News and Public Affairs programs continue to be honored by prestigious local and international awards notably the New York Festivals, US International Film and Video Festival Awards, Asian TV Awards and the Peabody Award -- widely considered as broadcasting and cable's equivalent of the Pulitzer prize.

Miguel C. Enriquez, Filipino, 57 years old, earned a Bachelor's Degree in Liberal Arts and Commerce from De La Salle University. He began his broadcasting career in 1969 as a radio staff announcer for the Manila Broadcasting Company. Since then, he has occupied a wide range of positions from Program Director to General Manager of FBS Radio Network, Inc. in 1975. In addition to his executive functions in the Company, Mr. Enriquez also anchors ***24 Oras***, Channel 7's flagship newscast and ***Imbestigador***, a highly rated primetime investigative program. He also hosts an early morning news and current affairs program on the Company's flagship radio station, DZBB. He is a recipient of various broadcasting awards, both in the Philippines and abroad.

The directors and executive officers do not have any employment contracts, and are elected to their respective positions on a yearly basis. The Company has no compensatory plans or arrangements with respect to any executive officer that would result from the resignation, retirement or any other termination of such executive officer's employment. The Company applies the policy/rule applicable to other officers/employees to these executive officers.

Significant Employees

Although the Company and its key subsidiaries have relied on, and will continue to rely on, the individual and collective contributions of their executive officers and senior operational personnel, the Company and its key subsidiaries are not dependent on the services of any particular employee.

Family Relationships

Judith D. Vazquez is the sister of Gilberto R. Duavit, Jr., and Joel Marcelo G. Jimenez and Laura J. Westfall are siblings. 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 and Laura J. Westfall.

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge, during the past five years there had 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.

Resignation of Directors

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of the Company because of a disagreement with the Company on matters relating to the Company's operations, policies and practices.

Item 10. Executive Compensation

The following are the Company's six highest compensated executive officers:

Name and Position

Felipe L. Gozon	Chairman, President and CEO
Gilberto R. Duavit, Jr.	Executive Vice President and COO
Felipe S. Yalong	Senior Vice President, Corporate Services Group
Marissa L. Flores	Senior Vice President, News and Public Affairs
Wilma V. Galvante	Senior Vice President, Entertainment TV
Miguel C. Enriquez	Senior Vice President, Radio Operations

	Year	**Salaries** (in thousands)	**Bonuses** (in thousands)	**Other Income**	**Total** (in thousands)
CEO and the highest compensated officers named above	2007	₱67,211.8	₱57,328.3	-	₱124,540.1
	2008	₱74,206.8	₱67,411.4	-	₱141,618.1
	2009 *(estimate)*	₱81,627.4	₱74,152.5	-	₱155,779.9
Aggregate compensation paid to all officers and directors as a group unnamed	2007	₱103,182.8	₱97,776.5	-	₱200,959.3
	2008	₱106,247.7	₱105,073.4	-	₱211,321.1
	2009 *(estimate)*	₱116,872.4	₱115,580.8	-	₱232,453.2

Directors and other Executive Officers

Section 8 of Article IV of the Company's By-Laws provides that as compensation of the directors, the Members of the Board shall receive and allocate yearly an amount of not more than two and a half percent (2.5%) of the net income after income tax of the corporation during the preceding year. Of the said 2.5%, one percent (1%) shall be allocated to the members of the Board of Directors to be distributed share and share alike. The remaining one and a half percent (1.5%) shall be allocated to the members of the Executive Committee to be distributed share and share alike.

Employee Stock Ownership Plan ("ESOP")

On April 26, 2007, the Company's Board of Directors and shareholders approved the Company's ESOP. The Company allocated a maximum of 57 million shares from the unissued Common Shares of the Company to be made available to the Company's regular employees, talents and consultants under the terms of the ESOP. The purpose of the ESOP was to allow regular employees of the Company and its subsidiaries, as well as qualified Filipino consultants and talents, to be part owners of the Company and to share in its profits by giving them the opportunity to own Common Shares.

Under the terms of the ESOP, a regular employee with at least three years of service with the Company was allowed to subscribe to a maximum number of shares equivalent to six times his gross monthly salary at the Offer Price. Employees with less than three years of service were allowed to subscribe to a maximum of three times their gross monthly salary at the Offer Price during listing. The shares to be subscribed by the employee, however, cannot be less than the minimum set by the Company. In the event that the total number of shares applied for by all employees exceeded the number of shares made available under the ESOP, the number of shares applied for by each employee were reduced proportionately.

At least 25% of the subscription had to be paid while the balance was payable over a maximum period of one and a half years in 36 equal semi-monthly instalments through payroll deductions, without interest. In the case of talents and consultants, the number of shares allotted were determined by the Company while payments were covered by a post-dated check of not more than 30 days.

The ESOP is administered by a Board of Administrators, composed of five members appointed by the Company's Board of Directors. The Board of Administrators oversees the implementation of the ESOP and decide on any matter which may arise regarding its implementation. The Company's Executive Committee has the authority to modify the terms of the ESOP as it may deem necessary or beneficial for the Company.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Beneficial Owners

The security ownership of certain record and beneficial owners of more than 5% as of February 28, 2009 are as follows:

Title Of class	Name and Address of Beneficial Owner	Citizenship	Record / Beneficial	No. of shares held	Percent Owned
Common	GMA Holdings, Inc. Unit 5D Tower One, One McKinley Place, Bonifacio Global City	Filipino	Record	900,269,000	26.7854%
Common	Group Management & Development Inc. No. 5 Wilson St., San Juan, Metro Manila	Filipino	Record/ Beneficial	789,813,389	23.4990%
Common	FLG Management & Development Corporation Unit 2, 2/F, Building 2, 9th Avenue, Bonifacio Global City, Taguig, Metro Manila	Filipino	Record/ Beneficial	662,452,009	19.7097%
Common	M.A. Jimenez Enterprises, Inc. 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City	Filipino	Record/ Beneficial	453,882,095	13.5042%
Common	Television International Corporation 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City	Filipino	Record/ Beneficial	334,378,037	9.9486%
Total Common Shares 3,361,047,000 93.4469%					
Preferred	Group Management & Development Inc. No. 5 Wilson St., San Juan, Metro Manila	Filipino	Record/ Beneficial	2,625,805,308	35.01

Preferred	FLG Management & Development Corporation Unit 2, 2/F, Building 2, 9th Avenue, Bonifacio Global City, Taguig, Metro Manila	Filipino	Record/ Beneficial	2,181,067,908	29.08
Preferred	M.A. Jimenez Enterprises, Inc. 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City	Filipino	Record/ Beneficial	1,508,978,826	20.12
Preferred	Television International Corporation 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City	Filipino	Record/ Beneficial	1,111,661,610	14.82
Total Preferred Shares **7,488,779,628** **99.85%**					

Security Ownership of Management as of February 28, 2009

As of February 28, 2009, the Company's directors and senior officers owned an aggregate of 27,401,373 common shares of the Company, equivalent to 0.81% of the Company's issued and outstanding common capital stock, and 27,294 preferred shares equivalent to 0.00% of the Company's issued and outstanding preferred capital stock.

Stockholder Name	Position	Citizenship	Record / Beneficial (R/B)	No. of Common Shares Held	Percent of Common Shares	No. of Preferred Shares Held	Percent of Preferred Shares
Anna-Teresa M. Gozon-Abrogar	Director/Assistant Corporate Secretary	Filipino	R/B	1,058,003	0.03%	6	0.00%
Gilberto R. Duavit Jr.	Director/EVP and COO	Filipino	R/B	4,007,006	0.12%	12	0.00%
Felipe L. Gozon	Director/ Chairman, President and CEO	Filipino	R/B	6,117,199	0.18%	26,880	0.00%
Joel Marcelo G. Jimenez	Director	Filipino	R/B	11,000,003	0.33%	6	0.00%
Judith D. Vazquez	Director	Filipino	R/B	588,158	0.02%	378	0.00%
Laura S. Westfall	Director	Filipino	R/B	2	0.00%	6	0.00%
Felipe S. Yalong	Director/Senior Vice President-Corporate Services Group	Filipino	R/B	1,613,000	0.05%	6	0.00%

Jaime C. Laya	Independent Director	Filipino	R/B	294,001	0.01%	0	0.00%
Artemio V. Panganiban	Independent Director	Filipino	R/B	588,001	0.02%	0	0.00%
Wilma V. Galvante	Senior Vice President-Entertainment TV	Filipino	R/B	533,000	0.02%	0	0.00%
Marissa L. Flores	Senior Vice President – News and Public Affairs	Filipino	R/B	674,000	0.02%	0	0.00%
Miguel C. Enriquez	Senior Vice President- Radio Operations	Filipino	R/B	929,000	0.03%	0	0.00%

Voting Trust Holders of 5% or more

The Company is unaware of any persons holding more than 5% of shares under a voting trust or similar agreement.

Changes 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

Advances to Affiliates

The Company has, from time to time, made advances to certain of its affiliates. The advances are non-interest bearing.

As of December 31, 2007, Alta Tierra Resources, Inc. had advances owing to the Company in the amount of P4 million. AltaTierra Resources, Inc. is a real estate holding company. Alta Tierra's outstanding shares are 8.2% owned by Majent Management and Development Corporation, and 91.8% by Group Management and Development, Inc.

As of December 31, 2006, the Company made advances to RGMA in the amount of P225.3 million for RGMA's working capital requirements. On February 21, 2006, the Company's Board of Directors approved the conversion of a portion of such advances in the amount of P168 million into 7,205,882 shares of RGMA with a par value of P1.00 per share, representing approximately 49% of the outstanding capital stock of RGMA. The SEC approved the conversion of the advances into equity on February 6, 2007. As of the date hereof, RGMA's outstanding shares are 49% owned by the Company, 17.8% owned by Rachel Espiritu, 17.8% owned by the Jimenez Family through Television International Corporation and 15.3% owned by the Gozon Family through FLG Management and Development Corporation. As of December 31, 2007, the Company has made further advances to RGMA in the amount of P59.2 million as advances for working capital.

The Company also made advances to Mont-Aire in the amount of approximately P121.4 million as of December 31, 2004. Of such advances, the Company converted the amount of P38.3 million into P38.3 million worth of common shares of Mont-Aire. Simultaneously, the other shareholders of Mont-Aire, namely, Group Management and Development, Inc., Television International Corporation and FLG Management and Development Corporation converted advances in the aggregate amount of P23.5 million made by them to Mont-Aire into P23.5 million worth of common shares of Mont-Aire. The SEC approved the conversion of the advances into equity on February 17, 2006. The Company owns 49.0% of Mont-Aire, with the remaining 51.0% being owned by the Duavit Family, Gozon Family and Jimenez Family. Mont-Aire is a real estate holding company whose principal property is a 5.3 hectare property located in Tagaytay, Cavite. Such property is not used in the broadcasting business of the Company. As of December 31, 2007, the Company has made advances to Mont-Aire in the amount of P 84.7 million as advances for working capital.

The Company also made advances to Image One in the amount of approximately P 87.1 million. On November 9, 2004, the Company's Board of Directors approved the conversion of said advances into equity in Image One. The SEC approved the conversion on March 7, 2006. On June 13, 2006, the Company's Board of Directors resolved to divest its interests in Image One through declaring property dividends to its major shareholders. This was approved by the SEC on February 6, 2008.

Agreements with RGMA Network, Inc. ("RGMA")

In the most recent agreement executed on January 1, 2007, RGMA has agreed to provide general management, programming and research, events management, on-air monitoring of commercial placements, certificates of performance, billing and collection functions, and local sales service for the 25 radio stations of the Company. RGMA is paid management and marketing fees based on billed sales.

GMA Marketing and Productions, Inc. ("GMA Marketing")

The Company entered into a marketing agreement with its wholly-owned subsidiary, GMA Marketing wherein GMA Marketing agreed to sell television advertising spots and airtime in exchange for which GMA Marketing will be entitled to a marketing fee and commission.

San Mateo Management Corporation ("San Mateo")

GMA Marketing engaged San Mateo as consultant in connection with its dealings with existing and potential customers for an agreed fee based on the sales performance on a given month. San Mateo is owned and controlled by Manuel P. Quiogue, President and COO of GMA Marketing. This contract expired on February 28, 2007.

3LM Koblenz Management Corporation ("3LM Koblenz")

Upon the expiration of the contract with San Mateo Management Corporation, GMA Marketing engaged 3LM Koblenz as consultant in connection with its dealings with existing and potential customers for an agreed fee based on the sales performance on a given month. 3LM Koblenz is owned and controlled by Manuel P. Quiogue, President and COO of GMA Marketing.

Film Experts, Inc.

The Company sub-leases Filmex Studio B and supplemental (multi-functional) areas located in Makati City from Film Experts, Inc. under the terms of a Sub-Lease Contract. The latest lease period expired on

January 31, 2007 and has since been renewed until June 30, 2008. The Company has agreed to pay monthly rental fees of P318,462.72. On June 13, 2006, the Company's Board of Directors resolved to divest its interest in Film Experts, Inc. through declaring property dividends to its major shareholders. This was approved by the SEC on February 6, 2008.

Belo Gozon Elma Parel Asuncion & Lucila Law Office

The Company and the law firm of Belo Gozon Elma Parel Asuncion & Lucila entered into a retainer agreement in 1993 under which Belo Gozon Elma Parel Asuncion & Lucila was engaged by the Company as its external counsel. As such external counsel, Belo Gozon Elma Parel Asuncion & Lucila handles all cases and legal matters referred to it by the Company. Other than Felipe L. Gozon, who is part of the Gozon Family, one of the principal shareholders of the Company, and director of the Company since 1975, some of the lawyers of Belo Gozon Elma Parel Asuncion & Lucila eventually assumed certain positions and functions in the Company either in their individual capacities or as part of the functions of Belo Gozon Elma Parel Asuncion & Lucila as the Company's external counsel.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Board of Directors has established a set of policies and initiatives to ensure that GMA's business practices are compliant with the best practices in corporate governance. On July 30, 2007, a Manual on Corporate Governance was adopted by the Company in compliance with SEC Memorandum Circular 2, Series of 2002. The Manual sets out the principles of good management and defines the specific responsibilities of the Board, the Board Committees, and Management within the over-all governance framework.

The Manual conforms to the requirements of the Philippine Securities and Exchange Commission and covers policies, among others: (a) independent directors, (b) key board committees (e.g. Executive Committee, Nomination Committee, Audit Committee, Compensation and Remuneration Committee); (c) independent auditors, (d) internal audit, (e) disclosure system of company's governance policies, (f) stockholder rights, (g) monitoring and assessment, and (h) penalties for non-compliance.

To ensure adherence to corporate principles and best practices, a Compliance Officer who is a Vice President was appointed by the Board of Directors on October 25,2007.

Based on the certification of compliance with the Company's Manual filed with the Commission on January 16, 2009, 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

Furnish the exhibits required by Part VII of “Annex C, as amended”. Where any financial statement or exhibit is incorporated by reference, the incorporation by reference shall be set forth in the list required by this item. Identify in the list each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form.

(b) Reports on SEC Form 17-C

April 2008
SEC Form 17C Additional disclosures made during the Analyst Briefing

May 2008
SEC Form 17C Results of the ASM and material information mentioned during the press conference that ensued.

SEC Form 17C Results of the Organizational Meeting of the Board

SEC Form 17C Additional disclosures made during the Analyst Briefing

July 2008
SEC Form 17C Press Release [^{3}GMA Network sees better first half, net income PhP 879M in 5 months^{2}]

August 2008
SEC Form 17C - NBA Street Launch
SEC Form 17C - GMA 1H results + July
SEC Form 17C - I Play - EA licensing agreement for NBA Street SEC Form 17C - Launch of Internet TV

September 2008
SEC Form 17C - August Ad minutes

October 2008
SEC Form 17C - Press Releases
a] 3Q results/Board extension of Buy Back program and other disclosures made during the Analyst/Investors/Press Briefing
b] GMA Network Opens PhP 1B Studio complex
c] Additional information on the Press Release: ^{3}Why 7 will remain No. 1^{2}
d] BizNews Article ^{3} Why 7 will remain No. 1^{2}
e] Court of Appeals affirms NTC decision on GMA Network case against Sky Cable
f] clarification of News article - GMA Network interested in Philamlife

November 2008
SEC Form 17C Press Releases
a] GMA Network allots over PhP 200M for regional TV signal upgrade projects

December 2008
SEC Form 17C Press Releases
a] Information arising from the GMA Christmas Press Party b] GMA Network sues ABC-5, Malaysian media company for unlawful blocktime agreement

January 2009
SEC Form 17C
a] Board Meeting Jan 29 ASM date (May 20) and Record Date (April 20)

February 2009
SEC Form 17C
a] GMA Network maintains its Ratings Dominance in Luzon

March 2009
SEC Form 17C
a] Statement re: Manny Pacquiao

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 ______________________ on __________, 2009.

By:

FELIPE L. GOZON Principal Executive Officer	**RONALDO P. MASTRILI** Comptroller /Principal Accounting Officer
GILBERTO R. DUAVIT, JR Principal Operating Officer	**FELIPE S. YALONG** Principal Financial Officer

ROBERTO O. PAREL
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 24th day of April 2009 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
Felipe L. Gozon	MM799644	March 29, 2004	DFA, Manila and TIN 106-174-605
Ronaldo P. Mastrili	UU0377974	January 10, 2007	DFA, Manila
Roberto O. Parel	MM787808	March 30, 2007	DFA, Manila
Felipe S. Yalong	XX1282901	May 27, 2008	DFA, Manila

DOC No: 82
PAGE No: 18
BOOK No: III
SERIES OF 2009

ATTY. ANGELITA D. DE GUZMAN
NOTARY PUBLIC
UNTIL DEC. 31, 2010
PTR NO. 1509582
JAN. 6, 2009 MAKATI CITY

GMA
NETWORK

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

April 2, 2009

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

The management of GMA Network, Inc. is responsible for all information and representations contained in the consolidated financial statements for the years ended December 31, 2008, 2007 and 2006. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

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

Signed under oath by the following:

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

FELIPE S. YALONG
Senior Vice President
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 17th day of April 2009 at Makati City, affiants exhibited to me their (Felipe L. Gozon) TIN 106-174-605 and (Felipe S. Yalong) TIN 102-874-052.

CHRISTINE F. BIO
Appointment No. M-198
Notary Public for Makati City
Until December 31, 2009
Roll No. 54285
PTR No. 1589717/1-20-2009/Makati City
IBP No. 776776/1-16-09/Sorsogon
15/F Sagittarius Condominium
H.V. dela Costa St., Salcedo Village
Makati City

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Series of 2009

COVER SHEET

5213

SEC Registration Number

GMA NETWORK, INC. AND SUBSIDIARIES

(Group's Full Name)

GMA Network Center, Timog Avenue corner EDSA, Quezon City

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

Mr. Felipe S. Yalong

(Contact Person)

982-7777

(Group Telephone Number)

12 31

Month *Day*

(Fiscal Year)

AACFS

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

GMA Network, Inc. And Subsidiaries

Consolidated Financial Statements
December 31, 2008 and 2007
and Years Ended December 31, 2008, 2007 and 2006

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

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-1

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
GMA Network, Inc.
GMA Network Center
Timog Avenue corner EDSA
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of GMA Network, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated April 2, 2009. 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.

Melinda Gonzales-Manto

Melinda Gonzales-Manto
Partner
CPA Certificate No. 26497
SEC Accreditation No. 0085-AR-1
Tax Identification No. 123-305-056
PTR No. 1566443, January 5, 2009, Makati City

April 2, 2009

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of GMA Network, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated statements of income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GMA Network, Inc. and Subsidiaries as of December 31, 2008 and 2007, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Melinda Gonzales. Manto

Melinda Gonzales-Manto
Partner
CPA Certificate No. 26497
SEC Accreditation No. 0085-AR-1
Tax Identification No. 123-305-056
PTR No. 1566443, January 5, 2009, Makati City

April 2, 2009

GMA NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31	
	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 30 and 31)	**₱1,688,107,116**	₱1,019,710,422
Short-term investments (Notes 30 and 31)	**2,066,957**	2,907,361
Trade and other receivables - net (Notes 6, 30 and 31)	**4,460,404,397**	4,759,450,464
Program rights - net (Note 7)	**833,188,602**	817,132,463
Prepaid expenses and other current assets (Note 8)	**290,064,076**	289,918,367
Total Current Assets	**7,273,831,148**	6,889,119,077
Noncurrent Assets		
Available-for-sale financial assets (Notes 9, 30 and 31)	**99,766,171**	99,435,171
Investments and advances (Notes 10 and 18)	**405,805,681**	362,726,235
Property and equipment at cost - net (Note 11)	**3,023,028,026**	2,680,590,272
Land at revalued amounts (Note 12)	**1,403,122,465**	1,380,006,192
Investment properties - net (Notes 13 and 18)	**63,914,233**	41,464,880
Deferred tax assets - net (Note 28)	**35,971,633**	31,274,686
Other noncurrent assets - net (Notes 14, 30 and 31)	**160,848,427**	200,604,080
Total Noncurrent Assets	**5,192,456,636**	4,796,101,516
	₱12,466,287,784	₱11,685,220,593
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable (Notes 15, 30 and 31)	**₱–**	₱310,700,000
Trade payables and other current liabilities (Notes 16, 30 and 31)	**1,631,146,271**	1,710,726,088
Income tax payable	**509,903,736**	624,537,238
Obligations for program rights (Notes 17, 30 and 31)	**110,459,407**	85,273,273
Dividends payable (Notes 30 and 31)	**1,564,709**	–
Total Current Liabilities	**2,253,074,123**	2,731,236,599
Noncurrent Liabilities		
Pension liability (Note 25)	**288,834,807**	274,145,533
Deferred tax liabilities - net (Note 28)	**169,255,508**	141,242,806
Total Noncurrent Liabilities	**458,090,315**	415,388,339
Stockholders' Equity (Note 30)		
Capital stock (Note 18)	**4,864,692,000**	4,864,692,000
Additional paid-in capital (Note 18)	**1,651,547,885**	1,592,615,799
Revaluation increment in land - net (Notes 12 and 28)	**744,158,022**	733,610,450
Unrealized gain on available-for-sale financial assets - net (Note 9)	**1,843,368**	1,741,413
Retained earnings (Notes 18 and 19)	**2,527,155,258**	1,372,390,597
Treasury stock (Notes 18 and 29)	**(28,483,171)**	(20,664,588)
Underlying shares of the acquired Philippine deposit receipts (Notes 18 and 29)	**(5,790,016)**	(5,790,016)
Total Stockholders' Equity	**9,755,123,346**	8,538,595,655
	₱12,466,287,784	₱11,685,220,593

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2008	2007	2006
REVENUE (Note 21)	**₱12,496,701,664**	₱12,056,924,402	₱11,071,627,997
LESS REVENUE DEDUCTIONS			
Agency and marketing commissions	**1,784,690,688**	1,748,344,331	1,685,747,826
Co-producers' share	**162,272,741**	121,781,011	153,483,007
	1,946,963,429	1,870,125,342	1,839,230,833
NET REVENUE	**10,549,738,235**	10,186,799,060	9,232,397,164
PRODUCTION COSTS (Note 22)	**3,986,058,361**	3,851,280,138	3,702,822,047
GROSS PROFIT	**6,563,679,874**	6,335,518,922	5,529,575,117
GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	**(3,175,728,773)**	(3,020,092,942)	(2,612,972,057)
INTEREST INCOME FROM BANK DEPOSITS AND SHORT-TERM INVESTMENTS (Note 5)	**68,732,583**	71,762,331	12,697,551
INTEREST EXPENSE AND FINANCING CHARGES ON SHORT-TERM LOANS (Note 15)	**(9,092,572)**	(23,130,092)	(38,029,562)
EQUITY IN NET LOSSES OF ASSOCIATES AND JOINT VENTURES (Note 10)	**(6,958,589)**	(3,228,728)	(10,395,732)
OTHER INCOME - Net (Note 26)	**82,113,023**	90,901,501	133,466,300
INCOME BEFORE INCOME TAX	**3,522,745,546**	3,451,730,992	3,014,341,617
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 28)			
Current	**1,134,845,527**	1,210,602,378	1,086,052,406
Deferred	**18,972,357**	(66,101,949)	(34,210,082)
	1,153,817,884	1,144,500,429	1,051,842,324
NET INCOME	**₱2,368,927,662**	₱2,307,230,563	₱1,962,499,293
Basic Earnings Per Share (Note 29)	**₱0.487**	₱0.502	₱0.462
Diluted Earnings Per Share (Note 29)	**₱0.487**	₱0.502	₱0.462

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Capital Stock (Note 18)	Additional Paid-In Capital (Note 18)	Revaluation Increment in Land - Net (Notes 12 and 28)	Unrealized Gain (Loss) on Available-for-sale Financial Assets (Note 9)	Retained Earnings (Notes 18 and 19)	Treasury Stock (Notes 18 and 29)	Underlying Shares of the Acquired Philippine Deposit Receipts (Notes 18 and 29)	Total Stockholders' Equity
At January 1, 2008	**₱4,864,692,000**	**₱1,592,615,799**	**₱733,610,450**	**₱1,741,413**	**₱1,372,390,597**	**(₱20,664,588)**	**(₱5,790,016)**	**₱8,538,595,655**
Loss for the year recognized directly in equity	–	–	–	**(21,000)**	–	–	–	**(21,000)**
Net income	–	–	–	–	**2,368,927,662**	–	–	**2,368,927,662**
Addition to revaluation increment (net of tax effect)	–	–	**10,547,572**	–	–	–	–	**10,547,572**
Addition due to change in tax rate	–	–	–	**122,955**	–	–	–	**122,955**
Total income and expense for the year	–	–	**10,547,572**	**101,955**	**2,368,927,662**	–	–	**2,379,577,189**
Cash dividends - ₱0.25 a share	–	–	–	–	**(1,214,163,001)**	–	–	**(1,214,163,001)**
Collection of subscriptions receivable	–	**58,932,086**	–	–	–	–	–	**58,932,086**
Acquisition of treasury stock	–	–	–	–	–	**(7,818,583)**	–	**(7,818,583)**
	–	**58,932,086**	–	–	**(1,214,163,001)**	**(7,818,583)**	–	**(1,163,049,498)**
At December 31, 2008	**₱4,864,692,000**	**₱1,651,547,885**	**₱744,158,022**	**₱1,843,368**	**₱2,527,155,258**	**(₱28,483,171)**	**(₱5,790,016)**	**₱9,755,123,346**
At January 1, 2007	₱4,250,000,000	₱–	₱733,610,450	(₱546,035)	₱1,940,160,034	₱–	₱–	₱6,923,224,449
Gain for the year recognized directly in equity	–	–	–	2,287,448	–	–	–	2,287,448
Net income	–	–	–	–	2,307,230,563	–	–	2,307,230,563
Total income and expense for the year	–	–	–	2,287,448	2,307,230,563	–	–	2,309,518,011
Issuance of common stock - net of subscriptions receivable amounting to ₱70,093,655	239,692,000	1,727,596,345	–	–	–	–	–	1,967,288,345
Cash dividends - ₱0.54 a share	–	–	–	–	(2,500,000,000)	–	–	(2,500,000,000)
Stock dividends	375,000,000	–	–	–	(375,000,000)	–	–	–
Stock issuance costs	–	(134,980,546)	–	–	–	–	–	(134,980,546)
Acquisition of treasury stock	–	–	–	–	–	(20,664,588)	–	(20,664,588)
Acquisition of Philippine deposit receipts	–	–	–	–	–	–	(5,790,016)	(5,790,016)
	614,692,000	1,592,615,799	–	–	(2,875,000,000)	(20,664,588)	(5,790,016)	(694,146,805)
At December 31, 2007	₱4,864,692,000	₱1,592,615,799	₱733,610,450	₱1,741,413	₱1,372,390,597	(₱20,664,588)	(₱5,790,016)	₱8,538,595,655
At January 1, 2006	₱1,250,000,000	₱–	₱733,610,450	₱–	₱4,171,668,411	₱–	₱–	₱6,155,278,861
Loss for the year recognized directly in equity	–	–	–	(546,035)	–	–	–	(546,035)
Net income	–	–	–	–	1,962,499,293	–	–	1,962,499,293
Total income and expense for the year	–	–	–	(546,035)	1,962,499,293	–	–	1,961,953,258
Stock dividends	3,000,000,000	–	–	–	(3,000,000,000)	–	–	–
Cash dividends - ₱0.46 a share	–	–	–	–	(1,089,540,602)	–	–	(1,089,540,602)
Property dividends	–	–	–	–	(104,467,068)	–	–	(104,467,068)
	3,000,000,000	–	–	–	(4,194,007,670)	–	–	(1,194,007,670)
At December 31, 2006	₱4,250,000,000	₱–	₱733,610,450	(₱546,035)	₱1,940,160,034	₱–	₱–	₱6,923,224,449

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,522,745,546**	₱3,451,730,992	₱3,014,341,617
Adjustments for:			
Depreciation and amortization (Note 23)	**478,595,734**	418,760,008	412,403,819
Net pension expense (Notes 24 and 25)	**116,186,298**	131,400,335	73,834,854
Interest income from bank deposits and short-term investments (Note 5)	**(68,732,583)**	(71,762,331)	(12,697,551)
Loss (gain) on sale of property and equipment and investment properties (Note 26)	**(30,632,485)**	828,095	465,236
Other noncash expenses - net	**18,757,505**	12,141,144	13,898,254
Amortization of software costs (Notes 14 and 23)	**16,670,009**	12,660,849	9,724,154
Interest expense and financing charges on short-term loans (Note 15)	**9,092,572**	23,130,092	38,029,562
Unrealized foreign exchange loss (gain)	**(7,805,559)**	29,296,408	(4,701,248)
Equity in net losses of associates and joint ventures (Note 10)	**6,958,589**	3,228,728	10,395,732
Dividend income (Note 26)	**(58,082)**	(2,618,418)	(5,038,580)
Reversal of long-outstanding liabilities and accruals (Note 26)	**–**	(17,209,507)	(44,575,703)
Reversal of allowance for impairment loss on investment properties (Note 13)	**–**	(4,353,538)	–
Mark-to-market gain on derivatives and financial assets through profit or loss (Note 26)	**–**	–	(6,844,877)
Operating income before working capital changes	**4,061,777,544**	3,987,232,857	3,499,235,269
Program rights usage (Notes 7 and 22)	**486,107,804**	624,703,967	581,546,752
Sick and vacation leaves expense (Note 24)	**48,833,357**	49,549,493	42,650,259
Provision for doubtful accounts (Notes 6 and 23)	**22,171,088**	122,003,748	4,168,622
Impairment (reversal of allowance for impairment) of program rights carried at perpetuity (Notes 7 and 26)	**–**	(160,305)	1,794,047
Decrease (increase) in:			
Trade and other receivables	**284,624,726**	(1,056,961,397)	(728,331,369)
Program rights (Note 7)	**(502,163,943)**	(410,616,152)	(613,326,282)
Prepaid expenses and other current assets	**3,225,469**	(18,448,196)	(6,521,440)
Increase (decrease) in:			
Trade payables and other current liabilities	**(126,752,112)**	174,230,440	(141,627,168)
Obligations for program rights	**15,839,854**	(90,535,514)	(164,256,738)
Pension liability	**(101,497,024)**	(143,743,777)	(26,316,924)
Cash generated from operations	**4,192,166,763**	3,237,255,164	2,449,015,028
Income taxes paid	**(1,249,464,065)**	(1,155,230,429)	(1,026,223,943)
Net cash provided by operating activities	**2,942,702,698**	2,082,024,735	1,422,791,085

(Forward)

	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 11)	**(₱852,955,607)**	(₱628,218,477)	(₱514,768,749)
Investment properties (Note 13)	**(21,497,788)**	–	9,036,266
Decrease (increase) in:			
Short-term investments	**840,404**	223,445,609	(226,352,970)
Investments and advances (Note 10)	**(50,038,035)**	(1,909,812)	(23,032,231)
Other noncurrent assets - net	**27,337,970**	(32,633,341)	(38,237,617)
Interest received	**65,377,217**	70,788,225	13,154,358
Proceeds from sale of property and equipment and investment properties	**34,801,030**	10,950,431	2,041,863
Additions to land at revalued amounts (Note 12)	**(8,048,312)**	(8,121,828)	(7,080,300)
Cash dividends received (Note 26)	**58,082**	2,618,418	5,038,580
Net cash used in investing activities	**(804,125,039)**	(363,080,775)	(780,200,800)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Note 18)	**(1,212,598,292)**	(2,500,000,000)	(1,089,540,602)
Notes payable	**(310,700,000)**	(566,400,000)	(535,900,000)
Collection of subscriptions receivable	**58,932,086**	–	–
Interest and financing charges paid	**(10,434,239)**	(23,681,864)	(42,255,427)
Acquisitions of:			
Treasury stock (Note 18)	**(7,818,583)**	(20,664,588)	–
Philippine deposit receipts (Note 18)	**–**	(5,790,016)	–
Net proceeds from issuance of common stock (Note 18)	**–**	1,832,307,799	–
Proceeds from availments of notes payable	**–**	300,000,000	836,400,000
Net cash used in financing activities	**(1,482,619,028)**	(984,228,669)	(831,296,029)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**12,438,063**	(21,605,308)	4,701,248
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**668,396,694**	713,109,983	(184,004,496)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,019,710,422**	306,600,439	490,604,935
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱1,688,107,116**	₱1,019,710,422	₱306,600,439

See accompanying Notes to Consolidated Financial Statements.

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

1. **Corporate Information**

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

GMA Network, Inc. is the ultimate parent company of the Group.

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

The accompanying consolidated financial statements of the Group as of and for the years ended December 31, 2008, 2007 and 2006 were authorized for issue in accordance with a resolution by the Board of Directors (BOD) on April 2, 2009.

2. **Basis of Preparation**

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

Statement of Compliance
The accompanying consolidated financial statements of the Group have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) issued by the Financial Reporting Standards Council.

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

- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*, requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholders of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent. As the Group has no such transaction, the adoption of this interpretation has no impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, covers contractual arrangements arising from public-to-private service concession arrangements if control of the assets remains in public hands but the private sector operator is responsible for construction activities, as well as for operating and maintaining the public sector infrastructure. No member of the Group is an operator and, therefore, this interpretation has no impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 14, *PAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*. The Group's defined benefit plan has been in deficit, therefore the adoption of this interpretation has no impact on its financial position or performance.

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

- PFRS 2, *Share-based Payment (Revised)*, will become effective for financial years beginning on or after January 1, 2009. It restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In case the award does not vest as result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, it must be accounted for as a cancellation. As the Group has no such transaction, the revised standard will have no impact on the consolidated financial statements.

- PFRS 3, *Business Combinations (Revised)*, and PAS 27, *Consolidated and Separate Financial Statements (Revised)*, will become effective for financial years beginning on or after July 1, 2009. The revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The revised PAS 27 requires that a change in the ownership interest of a subsidiary be accounted for as an equity transaction. Therefore, such a change will have no impact on 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 introduced by the revised standards must be applied prospectively and will affect future acquisitions and transactions with minority interests. The changes in the standards will have no impact on the consolidated financial statements.

- PFRS 8, *Operating Segments*, will replace PAS 14, *Segment Reporting*, and will become effective for financial years beginning on or after January 1, 2009. It adopts a management approach in reporting segment information. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the consolidated balance sheets and consolidated statements of income and companies will need to provide explanations and reconciliations of the differences. The Group will assess the impact of this standard to its current manner of reporting segment information when it adopts the standard on January 1, 2009.

- PAS 1, *Presentation of Financial Statements (Revised)*, will become effective for financial years beginning on or after January 1, 2009. It separates owner and non-owner changes in equity. The consolidated statements of changes in stockholders' equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income, which presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The Group is currently assessing the impact of this revised standard on the consolidated financial statements.

- PAS 23, *Borrowing Costs (Revised)*, will become effective for financial years beginning on or after January 1, 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transition requirements of the standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs, if any, will be capitalized on qualifying assets starting January 1, 2009.

- PAS 32, *Financial Instrument: Presentation*, and PAS 1, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)*, will become effective for financial years beginning on or after January 1, 2009. The amendment to PAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to PAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Group expects that the amendments will have no impact on its financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items (Amendment)*, will become effective for financial years beginning on or after July 1, 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a 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 amendment will not have any impact on the consolidated financial statements as the Group has not entered into any such hedges.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, will become effective for financial years beginning on or after July 1, 2008. It requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore, part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group expects that this interpretation will have no impact on the consolidated financial statements as no such schemes currently exist.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, will become effective for financial years beginning on or after January 1, 2012. The interpretation is to be applied retroactively. It clarifies when and how revenue and related expenses from the sale of real estate should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*. The interpretation will not have an impact on the consolidated financial statements because the Group does not have such activity.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in Foreign Operations*, will become effective for financial years beginning on or after October 1, 2008. It provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The interpretation will have no impact on the consolidated financial statements.

Improvements to Existing Accounting Standards

The Group did not early adopt the following improvements to existing accounting standards that have been approved but are not yet effective. The Group is currently assessing the impact of the following improvements to existing standards but anticipates that the changes will have no material effect on the consolidated financial statements.

- PFRS 7, *Financial Instruments: Disclosures*, removes the reference to “total interest income” as a component of finance costs.

- PAS 1, *Presentation of Financial Statements*, provides that assets and liabilities classified as held for trading in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, are not automatically classified as current in the consolidated balance sheets.

- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, clarifies that only the implementation guidance that is an integral part of a PFRS is mandatory when selecting accounting policies.

- PAS 10, *Events after the Balance Sheet Date*, clarifies that dividends declared after the end of reporting period are not obligations.

- PAS 16, *Property, Plant and Equipment*, replaces the term “net selling price” with “fair value less costs to sell”. It further clarifies that items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventory when rental ceases and they are held for sale.

- PAS 18, *Revenue*, replaces the term “direct costs” with “transaction costs” as defined in PAS 39, *Financial Instruments: Recognition and Measurement*.

- PAS 19, *Employee Benefits*, revises the definition of past service costs, return on plan assets and short-term and long-term employee benefits. Amendments to plans that result in reduction in benefits related to future services are accounted for as curtailment. It deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

- PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, provides that loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Various terms were revised to be consistent with other PFRS.

- PAS 23, *Borrowing Costs*, revises the definition of borrowing costs to consolidate the two types of items that are considered components of borrowing costs into one – the interest expense calculated using the effective interest method calculated in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*.

- PAS 27, *Consolidated and Separate Financial Statements*, states that when a parent entity accounts for a subsidiary in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- PAS 28, *Investment in Associates*, establishes that if an associate is accounted for at fair value in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

- PAS 29, *Financial Reporting in Hyperinflationary Economies*, revises the reference to the exception to measure assets and liabilities at historical costs, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Various terms were revised to be consistent with other PFRS.

- PAS 31, *Interest in Joint Ventures*, provides that if a joint venture is accounted for at fair value in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, only the requirement of PAS 31 to disclose the commitments of the venturer and the joint venture as well as summary financial information about the assets, liabilities, income and expense will apply.

- PAS 34, *Interim Financial Reporting*, requires that earnings per share be disclosed in interim financial reports if an entity is within the scope of PAS 33, *Earnings per Share*.

- PAS 36, *Impairment of Assets*, provides that if discounted cash flows are used to estimate "fair value less costs to sell", additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate "value in use."

- PAS 38, *Intangible Assets*, requires that expenditure on advertising and promotional activities be recognized as an expense when the Group has either the right to access the goods or has received the services.

- PAS 39, *Financial Instruments: Recognition and Measurement*, changes in circumstances relating to derivatives are not reclassification and therefore maybe either removed from, or included in, the "fair value through profit or loss" (FVPL) classification after initial recognition. It removes the reference to a segment when determining whether an instrument qualifies as a hedge. It further requires the use of the revised effective interest rate when re-measuring a debt instrument on the cessation of fair value hedge accounting.

- PAS 40, *Investment Property*, revises the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time that fair value can be determined or construction is complete. It revises the conditions for a voluntary change in accounting policy to be consistent with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, and clarifies that the carrying amount of investment property held under lease is the valuation obtained, increased by any recognized liability.

- PAS 41, *Agriculture*, removes the reference to the use of pre-tax discount rate to determine fair value. It likewise removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Furthermore, it replaces the term "point-of-sale costs" with "costs to sell".

Basis of Consolidation

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

	Country of Incorporation	Percentage of Ownership 2008	2007
Entertainment Business:			
Citynet Network Marketing and Productions, Inc.	Philippines	100	100
GMA Network Films, Inc.	- do -	100	100
GMA New Media, Inc. (GNMI)	- do -	100	100
GMA Worldwide (Philippines), Inc.	- do -	100	100
RGMA Marketing and Productions, Inc.	- do -	100	100
Scenarios, Inc.	- do -	100	100
Advertising Business:			
Alta Productions Group, Inc. (Alta)	- do -	100	100
GMA Marketing & Productions, Inc. (GMPI)	- do -	100	100
Others:			
MediaMerge Corporation*	- do -	100	100
Ninja Graphics, Inc. (Ninja)**	- do -	51	51

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

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

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

The minority interest in Ninja as of December 31, 2008, 2007 and 2006 has been reduced to zero because Ninja is in a net capital deficiency position in those years.

3. Significant Accounting Judgments, Estimates and Assumptions

The Group's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Operating Leases. The Group has entered into various lease agreements as a lessee. The lease agreements are accounted for as operating leases, with the lessors retaining all the significant risks and rewards of ownership of the properties.

Rent expense charged to operations amounted to ₱573.39 million, ₱533.32 million and ₱582.31 million in 2008, 2007 and 2006, respectively (see Notes 22 and 23).

Functional Currency. The Group has determined that its functional currency is the Philippine peso. It is the currency of the primary economic environment in which the Group operates.

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

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

Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱4,460.40 million and ₱4,759.45 million as of December 31, 2008 and 2007, respectively (see Note 6).

Amortization of Program Rights. The Group estimates the amortization of program rights with finite lives based on the manner and pattern of usage of the acquired program rights. The Group estimates that programs are more marketable in their initial airing as compared to the succeeding airings. In addition, estimation of the amortization of program rights is based on industry practice and experience with such rights. The Group also estimates residual values on program rights carried at perpetuity at an amount set by management, which is a certain percentage of the acquisition cost. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Program rights, net of accumulated impairment loss, amounted to ₱833.19 million and ₱817.13 million as of December 31, 2008 and 2007, respectively (see Note 7).

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

The carrying value of AFS financial assets amounted to ₱99.77 million and ₱99.44 million as of December 31, 2008 and 2007, respectively (see Notes 9 and 31).

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

Property and equipment, net of accumulated depreciation and amortization, amounted to ₱3,023.03 million and ₱2,680.59 million as of December 31, 2008 and 2007, respectively (see Note 11). Investment properties, net of accumulated depreciation and accumulated impairment in value, amounted to ₱63.91 million and ₱41.46 million as of December 31, 2008 and 2007, respectively (see Note 13).

Asset Retirement Obligation. Determining asset retirement obligation requires estimation of the cost of dismantling, installation and restoring leased properties to their original condition. The Group determined that there are no significant asset retirement obligations as of December 31, 2008 and 2007.

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

The revalued amount of land amounted to ₱1,403.12 million and ₱1,380.01 million as of December 31, 2008 and 2007, respectively (see Note 12).

Impairment of Nonfinancial Assets. For property and equipment and other long-lived assets, impairment testing is performed whenever there is an indication that the assets are impaired. Determining the net recoverable value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

The aggregate amount of program rights, investments and advances, property and equipment, land and investment properties amounted to ₱5,729.06 million and ₱5,281.92 million as of December 31, 2008 and 2007, respectively (see Notes 7, 10, 11, 12 and 13).

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

Deferred tax assets amounted to ₱225.64 million and ₱245.95 million as of December 31, 2008 and 2007, respectively (see Note 28).

Pension Benefits. The determination of the Group's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 25 and include, among others, discount rate, expected rate of return on plan assets and expected rate of salary increase. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in such future periods.

Net pension liability amounted to ₱288.83 million and ₱274.15 million as of December 31, 2008 and 2007, respectively. Unrecognized actuarial losses amounted to ₱307.84 million and ₱248.08 million as of December 31, 2008 and 2007, respectively (see Note 25).

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

The fair value of financial assets and liabilities are enumerated in Note 31.

Contingencies. The Group currently has various legal claims. The Group's estimates of the probable costs for the resolution of these claims have been developed in consultation with in-house, as well as outside counsel handling the prosecution and defense of these cases and are based upon an analysis of potential results. The Group currently does not believe these legal claims will have a material adverse effect on its consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings (see Note 32).

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.

Short-term Investments

Short-term investments include highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than three months but less than one year from the dates of acquisition and are subject to an insignificant risk of change in value.

Financial Assets and Liabilities

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

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

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

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

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

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

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 consolidated statements of income.

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

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

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

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

The Group has no financial assets classified under this category as of December 31, 2008 and 2007.

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

Classified as loans and receivables are the Group’s cash and cash equivalents, short-term investments, trade and other receivables and guarantee and other deposits. The carrying values of financial assets under this category amounted to ₱6,164.57 million and ₱5,793.48 million as of December 31, 2008 and 2007, respectively (see Note 31).

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

The Group has no investments classified as HTM as of December 31, 2008 and 2007.

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

The Group has investments in various quoted and unquoted shares of stocks classified under this category. The carrying values of financial assets classified under this category amounted to ₱99.77 million and ₱99.44 million as of December 31, 2008 and 2007, respectively (see Note 31).

Financial Liabilities

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

The Group has no financial liabilities classified under this category as of December 31, 2008 and 2007.

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

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

This category includes notes payable, trade payables and other current liabilities (excluding payable to government agencies), obligations for program rights and dividends payable. The carrying values of financial liabilities under this category amounted to ₱1,112.59 million and ₱1,400.44 million as of December 31, 2008 and 2007, respectively (see Note 31).

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Embedded Derivatives
An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired.

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

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

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

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

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

Offsetting Financial Instruments

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

Program Rights

Program rights with finite lives are stated at amortized cost less any impairment in value. The cost is: (1) charged directly to income on the first airing of the program if program cost is below a certain amount set by management; or (2) amortized to the extent of 70% on the first airing and 30% on the second airing if program cost exceeds the amount set by management (70-30 amortization rule).

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

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

For rights carried at perpetuity, the 70-30 amortization rule shall apply on the amount, net of residual value.

Materials and Supplies Inventory

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

Investments in Associates

The Group's investments in associates are accounted for under the equity method. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group. The investments in associates are carried in the consolidated balance sheets at cost plus post-acquisition changes in the Group's share in the net assets of the associates, less any impairment in value. The consolidated statements of income include the Group's share in the results of operations of the associates. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associates, against the investments in the associates. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

Advances to Associates

Advances to associates are stated at face value less allowance for any uncollectible accounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable.

Interests in Joint Ventures

The Group's interests in joint ventures are accounted for using the equity method, similar to investments in associates described above.

Property and Equipment

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

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

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

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

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

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

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

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

Land

Following initial recognition at cost, land used in operations is carried at revalued amount, which is the fair value at the date of the revaluation, less any subsequent accumulated impairment losses. Fair value was determined by an independent firm of appraisers on December 23, 2008 and January 5, 2009. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The revaluation increment resulting from the revaluation, net of deferred tax liability, is credited to the "Revaluation increment in land" account included in the stockholders' equity section of the consolidated balance sheets.

Upon disposal, the revaluation increment relating to the asset being sold is transferred to retained earnings. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of income in the year the asset is derecognized.

Investment Properties

Investment properties consist of real estate held for capital appreciation. Investment properties, except land, are measured at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value.

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

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statements of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the Group's occupation or commencement of development with a view to sale.

Investment in Artworks

Investment in artworks (included under "Other noncurrent assets" account in the consolidated balance sheets) is stated at cost less any impairment in value.

Software Costs

Costs incurred in the acquisition and customization of new software (included under "Other noncurrent assets" account in the consolidated balance sheets) are capitalized and amortized on a straight-line basis over three years.

Impairment of Nonfinancial Assets

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

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

Provisions

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

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Treasury Stock

Own equity instruments which are reacquired are deducted from stockholders' equity. No gain or loss is recognized in the consolidated statements of income on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

Revenue Recognition

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

Airtime revenue is recognized in the period the advertisement is aired.

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

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

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

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

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

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

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

Research Costs

Research costs are expensed as incurred.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Pension Costs

The Parent Company and some of its subsidiaries have funded, noncontributory retirement plans covering their permanent employees. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plans at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The past service cost, if any, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, pension plans, past service cost is recognized immediately.

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

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

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

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

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

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

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

<u>Foreign Currency Transactions</u>
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate at balance sheet date. All differences are taken to the consolidated statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

<u>Taxes</u>

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

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

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

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

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

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

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

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

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

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

Income tax relating to the items recognized directly in stockholders' equity is recognized in the consolidated statements of changes in stockholders' equity and not in the consolidated statements of income.

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

Sales Tax. Revenue, expenses and assets are recognized net of the amount of sales tax, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of "Trade and other receivables" or "Trade payables and other current liabilities" in the consolidated balance sheets.

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

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

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

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

Segment Reporting
The Group considers television operations as the major business segment. This accounts for about 95% of the Group's gross revenue, net income, assets and liabilities. Other operations account for less than 5% of the Group's gross revenue, net income, assets and liabilities.

5. Cash and Cash Equivalents

This account consists of:

	2008	2007
Cash on hand and in banks	**₱403,803,438**	₱828,220,662
Short-term placements	**1,284,303,678**	191,489,760
	₱1,688,107,116	₱1,019,710,422

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

Interest income, net of final tax, earned from cash and cash equivalents and short-term investments amounted to ₱68.73 million, ₱71.76 million and ₱12.70 million in 2008, 2007 and 2006, respectively.

6. Trade and Other Receivables

This account consists of:

	2008	2007
Trade (see Note 20)	**₱4,515,649,223**	₱4,800,107,880
Others	**145,039,633**	137,455,955
	4,660,688,856	4,937,563,835
Less allowance for doubtful accounts	**200,284,459**	178,113,371
	₱4,460,404,397	₱4,759,450,464

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

Other receivables are noninterest-bearing and are normally collected throughout the financial year.

As of December 31, 2008 and 2007, trade receivables amounting to ₱200.28 million and ₱178.11 million, respectively, were impaired. The movements in the allowance for doubtful accounts for trade receivables are as follows:

	2008	2007
Balance at beginning of year	**₱178,113,371**	₱56,109,623
Provision for the year (see Note 23)	**22,171,088**	122,003,748
Balance at end of year	**₱200,284,459**	₱178,113,371

As of December 31, 2008 and 2007, the aging analysis of trade receivables that were not impaired follows:

	2008	2007
Neither past due nor impaired	**₱2,685,896,872**	₱3,551,154,666
Past due but not impaired:		
< 30 days	**496,748,575**	433,043,426
31–60 days	**220,090,144**	196,877,256
61–90 days	**194,655,761**	91,383,367
91–180 days	**219,286,858**	207,414,915
181–365 days	**75,362,194**	54,117,015
Over one year	**423,324,360**	88,003,864
	₱4,315,364,764	₱4,621,994,509

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

7. Program Rights

The movements in program rights are as follows:

	2008	2007
Cost		
Balance at beginning of year	**₱819,834,723**	₱1,033,922,538
Additions	**502,163,943**	410,616,152
Program rights usage (see Note 22)	**(486,107,804)**	(624,703,967)
Balance at end of year	**835,890,862**	819,834,723
Accumulated Impairment Loss		
Balance at beginning of year	**2,702,260**	2,862,565
Reversals (see Note 26)	**–**	(160,305)
Balance at end of year	**2,702,260**	2,702,260
Net Book Value	**₱833,188,602**	₱817,132,463

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2008	2007
Prepaid production costs	**₱85,290,285**	₱112,316,523
Materials and supplies inventory at cost	**88,948,023**	80,921,342
Prepaid expenses	**78,770,987**	46,187,422
Others	**37,054,781**	50,493,080
	₱290,064,076	₱289,918,367

Prepaid production costs represent costs related to unaired programs, such as talent fees of artists and production staff and other costs directly attributable to production. These costs are charged to income upon airing of the related programs.

9. Available-for-Sale Financial Assets

This account consists of investments in quoted and unquoted shares of stock amounting to ₱16.51 million and ₱83.26 million, respectively, as of December 31, 2008 and ₱16.18 million and ₱83.26 million, respectively, as of December 31, 2007. There were no additions or disposals in 2008 and 2007 (see Note 31).

The Group has no intention to dispose its investments in unquoted shares of stock in the near future.

In 2008, AFS financial assets include unrealized gain amounting to ₱2.63 million. This amount, net of deferred tax liabilities amounting to ₱0.79 million, is deferred under the stockholders' equity section of the consolidated balance sheets.

In 2007, AFS financial assets include unrealized gain amounting to ₱2.68 million. This amount, net of deferred tax liabilities amounting to ₱0.94 million, is deferred under the stockholders' equity section of the consolidated balance sheets.

10. Investments and Advances

This account consists of:

	2008	2007
Investments in shares of stocks accounted under the equity method	**₱250,504,780**	₱207,463,369
Advances to associates and joint ventures (see Note 20)	**155,300,901**	155,262,866
	₱405,805,681	₱362,726,235

The movements in the above amounts follow:

	2008	2007
Investments in shares of stock accounted for under the equity method		
Acquisition cost:		
Balance at beginning of year	**₱268,788,343**	₱100,788,343
Additional investments during the year	**50,000,000**	168,000,000
Balance at end of year	**318,788,343**	268,788,343
Accumulated equity in net losses:		
Balance at beginning of year	**(61,324,974)**	(58,096,246)
Equity in net losses during the year	**(6,958,589)**	(3,228,728)
Balance at end of year	**(68,283,563)**	(61,324,974)
	250,504,780	207,463,369
Advances to associates and joint ventures:		
Balance at beginning of year	**155,262,866**	96,019,370
Additional advances during the year	**38,035**	1,909,812
Reclassifications during the year	**–**	57,333,684
Balance at end of year	**155,300,901**	155,262,866
Advances to related parties:		
Balance at beginning of year	**–**	225,333,684
Conversion of advances into equity investments during the year	**–**	(168,000,000)
Reclassifications during the year	**–**	(57,333,684)
Balance at end of year	**–**	–
Total investments and advances	**₱405,805,681**	₱362,726,235

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

	Percentage of Ownership		Country of
	2008	2007	Incorporation
Associates:			
Real Estate -			
Mont-Aire Realty and Development Corporation (Mont-Aire)	**49.0**	49.0	Philippines
Advertising Business -			
RGMA Network, Inc. (RGMA)	**49.0**	49.0	- do -
Joint ventures -			
Internet Publishing:			
INQ7 Interactive, Inc. (INQ7)	**50.0**	50.0	- do -
Philippine Entertainment Portal, Inc. (PEP)	**50.0**	50.0	- do -
Casual Online Interactive Games -			
X-Play Online Games Incorporated (X-Play)	**50.0**	–	- do -

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

	2008		
	Investments	**Advances** (see Note 20)	**Total**
Associates:			
RGMA	**₱170,794,550**	**₱59,281,531**	**₱230,076,081**
Mont-Aire	**38,350,619**	**84,475,370**	**122,825,989**
Joint ventures:			
X-Play	**47,683,654**	**–**	**47,683,654**
INQ7	**(8,933,713)**	**11,544,000**	**2,610,287**
PEP	**2,609,670**	**–**	**2,609,670**
	₱250,504,780	**₱155,300,901**	**₱405,805,681**

	2007		
	Investments	Advances (see Note 20)	Total
Associates:			
RGMA	₱169,485,771	₱59,243,496	₱228,729,267
Mont-Aire	38,331,617	84,475,370	122,806,987
Joint ventures:			
INQ7	(8,933,713)	11,544,000	2,610,287
PEP	8,579,694	–	8,579,694
	₱207,463,369	₱155,262,866	₱362,726,235

On February 21, 2006, the BOD approved the conversion to equity of the advances made by the Parent Company to RGMA amounting to ₱168.00 million. The net effect of the conversion is for the Parent Company to hold or own 49% interest in RGMA. The conversion of the Parent Company's advances to RGMA to equity was approved by the Philippine Securities and Exchange Commission (SEC) on February 6, 2007.

Following are the condensed financial information of the associates:

		Total Assets	Total Liabilities	Revenue	Net Income (Loss)
RGMA	2008	₱122,844,618	₱121,444,289	₱107,567,161	₱2,670,981
	2007	117,694,937	118,965,589	111,590,201	(899,091)
Mont-Aire	2008	160,136,147	94,460,607	1,412,799	38,779
	2007	160,214,339	94,577,576	1,482,688	31,176

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

	INQ		PEP		X-Play
	2008	2007	**2008**	2007	**2008**
Current assets	**₱7,699,079**	₱7,699,079	**₱15,377,868**	₱9,105,304	**₱29,198,860**
Noncurrent assets	**2,182,230**	2,182,230	**2,611,406**	425,395	**24,756,276**
Current liabilities	**29,032,924**	29,032,924	**15,379,603**	951,004	**6,449,273**
Noncurrent liabilities	**–**	–	**–**	–	**–**
Revenue	**–**	–	**7,090,681**	2,378,266	**6,434,852**
Expenses	**–**	809,781	**13,060,705**	6,298,572	**8,751,199**
Net loss	**–**	809,781	**5,970,024**	3,920,306	**2,316,347**

11. Property and Equipment at Cost

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

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

	2007				
	January 1, 2007	Additions	Disposals	Reclassifications	December 31, 2007
Cost:					
Buildings, towers and improvements	₱1,612,646,108	₱14,658,228	(₱1,135,887)	₱12,040,869	₱1,638,209,318
Antenna and transmitter systems and broadcast equipment	3,361,887,917	61,982,252	(23,262,541)	172,548	3,400,780,176
Communication and mechanical equipment	373,253,151	11,847,872	(5,009,441)	19,016,697	399,108,279
Transportation equipment	277,548,137	87,153,715	(39,629,905)	6,208,036	331,279,983
Furniture, fixtures and equipment	161,198,413	30,289,053	(1,986,012)	(10,983,063)	178,518,391
Total (Carried Forward)	5,786,533,726	205,931,120	(71,023,786)	26,455,087	5,947,896,147

	2007				
	January 1, 2007	Additions	Disposals	Reclassifications	December 31, 2007
Total (Brought Forward)	₱5,786,533,726	₱205,931,120	(₱71,023,786)	₱26,455,087	₱5,947,896,147
Accumulated depreciation and amortization:					
Buildings, towers and improvements	572,006,134	81,048,316	(234,684)	1,306,811	654,126,577
Antenna and transmitter systems and broadcast equipment	2,496,981,361	213,381,983	(22,769,360)	(2,181,386)	2,685,412,598
Communication and mechanical equipment	244,309,618	42,737,983	(3,571,232)	19,250,439	302,726,808
Transportation equipment	141,802,621	53,977,439	(33,527,953)	–	162,252,107
Furniture, fixtures and equipment	108,799,822	26,187,364	(3,967,531)	(17,553,439)	113,466,216
	3,563,899,556	417,333,085	(64,070,760)	822,425	3,917,984,306
Construction in progress and equipment for installation	299,535,409	422,287,357	–	(71,144,335)	650,678,431
Net book value	₱2,522,169,579	₱210,885,392	(₱6,953,026)	(₱45,511,673)	₱2,680,590,272

No borrowing cost was capitalized in 2008 and 2007.

Depreciation and amortization charged to operations amounted to ₱476.81 million, ₱417.33 million and ₱410.27 million in 2008, 2007 and 2006, respectively. These amounts include amortization of capitalized borrowing costs amounting to ₱10.08 million in 2008, 2007 and 2006 and amortization of customs duties and taxes amounting to ₱0.62 million in 2006.

12. Land at Revalued Amounts

This account consists of:

	2008	2007
Cost		
Balance at beginning of year	**₱331,991,264**	₱323,869,436
Additions	**8,048,312**	8,121,828
Balance at end of year	**340,039,576**	331,991,264
Revaluation Increment		
Balance at beginning of year	**1,048,014,928**	1,048,014,928
Additions	**15,067,961**	–
Balance at end of year	**1,063,082,889**	1,048,014,928
	₱1,403,122,465	₱1,380,006,192

As mentioned in Note 4, land used in operations were appraised by an independent firm of appraisers on December 23, 2008 and January 5, 2009.

13. Investment Properties

The movements in investment properties follow:

	2008		
	Land and Improvements	**Buildings and Improvements**	**Total**
Cost			
Balance at beginning of year	**₱36,626,199**	**₱31,595,721**	**₱68,221,920**
Additions	**–**	**21,497,788**	**21,497,788**
Disposals	**(604,800)**	**–**	**(604,800)**
Reclassifications		**14,712,959**	**14,712,959**
Balance at end of year	**36,021,399**	**67,806,468**	**103,827,867**
Accumulated Depreciation			
Balance at beginning of year	**–**	**19,721,648**	**19,721,648**
Additions	**–**	**1,789,807**	**1,789,807**
Reclassifications		**11,366,787**	**11,366,787**
Balance at end of year	**–**	**32,878,242**	**32,878,242**
Accumulated Impairment in Value			
Balance at beginning and end of year	**–**	**7,035,392**	**7,035,392**
Net Book Value	**₱36,021,399**	**₱27,892,834**	**₱63,914,233**

	2007		
	Land and Improvements	Buildings and Improvements	Total
Cost			
Balance at beginning of year	₱41,426,199	₱31,765,721	₱73,191,920
Disposals	(4,800,000)	(170,000)	(4,970,000)
Balance at end of year	36,626,199	31,595,721	68,221,920
Accumulated Depreciation			
Balance at beginning of year	–	18,439,225	18,439,225
Additions	–	1,426,923	1,426,923
Disposals	–	(144,500)	(144,500)
Balance at end of year	–	19,721,648	19,721,648
Accumulated Impairment in Value			
Balance at beginning of year	–	11,388,930	11,388,930
Reversals	–	(4,353,538)	(4,353,538)
Balance at end of year	–	7,035,392	7,035,392
Net Book Value	₱36,626,199	₱4,838,681	₱41,464,880

The fair value of certain investment properties with carrying values of ₱65.33 million as of December 31, 2005 amounted to ₱124.45 million, which was determined based on valuations performed by independent appraisers in November 2005.

While fair values of the investment properties were not determined as of December 31, 2008 and 2007, the Group's management believes that there were no conditions present in 2008 and 2007 that would significantly reduce the fair value of the investment properties from that determined in 2005.

The Parent Company also owns several vacant lots in various remote areas in the Philippines with an aggregate area of 5,028 square meters and a carrying value of ₱5.00 million. There were no available fair values for these properties. Consequently, the lots are carried at acquisition costs. Management, however, believes that there has not been a significant reduction in the fair values of these lots.

14. Other Noncurrent Assets

This account consists of:

	2008	2007
Tax credits	**₱46,209,219**	₱85,899,170
Guarantee and other deposits (see Notes 30 and 31)	**31,584,299**	35,282,242
Software costs - net	**30,958,081**	32,851,044
Investment in artworks	**18,886,410**	10,406,257
Others	**33,210,418**	36,165,367
	₱160,848,427	₱200,604,080

Tax credits represent claims of the Parent Company from the government arising from airing of government commercials and advertisements.

The movements in software costs follow:

	2008	2007
Cost:		
Balance at beginning of year	**₱92,690,300**	₱67,140,982
Additions	**14,777,046**	25,549,318
Balance at end of year	**107,467,346**	92,690,300
Accumulated amortization:		
Balance at beginning of year	**59,839,256**	47,178,407
Additions (see Note 23)	**16,670,009**	12,660,849
Balance at end of year	**76,509,265**	59,839,256
Net book value	**₱30,958,081**	₱32,851,044

15. Notes Payable

The balance of the account in 2007 primarily consists of unsecured peso-denominated short-term borrowings obtained from various financial institutions, with fixed interest rates ranging from 5.25% to 6.00%.

16. Trade Payables and Other Current Liabilities

This account consists of:

	2008	2007
Trade (see Note 20)	**₱429,940,000**	₱301,790,923
Payable to government agencies	**630,576,248**	706,257,479
Accrued expenses	**298,453,558**	336,534,009
Accrued sick and vacation leaves	**179,024,098**	157,307,245
Due to related parties (see Note 20)	**–**	145,082,590
Others	**93,152,367**	63,753,842
	₱1,631,146,271	₱1,710,726,088

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

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

Accrued expenses, accrued sick and vacation leaves, due to related parties and others are noninterest-bearing and are generally settled throughout the financial year.

17. Obligations for Program Rights

This account represents liabilities to foreign and local film suppliers for program rights purchased by the Group. The liabilities are noninterest-bearing and are generally payable in equal monthly or quarterly installments over a period of one to two years. The amounts presented in the consolidated balance sheets as of December 31, 2008 and 2007 represent the face amounts of the obligations, net of the unamortized difference between the face amounts and the fair values of the obligations upon initial recognition (the “unamortized discounts”). There are no unamortized discounts as of December 31, 2008 and 2007.

18. **Stockholders' Equity**

a. Capital Stock

The composition of capital stock as of December 31, 2008 and 2007 follows:

	Number of Preferred Shares		Number of Common Shares	
	2008	2007	**2008**	2007
Authorized - ₱0.20 par value per preferred share /₱1.00 par value per common share	**7,500,000,000**	7,500,000,000	**5,000,000,000**	5,000,000,000
Subscribed and issued at beginning of year	**7,500,000,000**	7,500,000,000	**3,364,692,000**	2,750,000,000
Stock dividends	**–**	–	**–**	375,000,000
Issuance through initial public offering (IPO)	**–**	–	**–**	182,692,000
Subscriptions through employee stock ownership plan (ESOP)	**–**	–	**–**	57,000,000
Subscribed and issued at end of year	**7,500,000,000**	7,500,000,000	**3,364,692,000**	3,364,692,000

On April 26, 2007, the BOD and stockholders approved the increase in the Parent Company's authorized capital stock from ₱5,000 million to ₱6,500 million, divided into 5,000 million common shares with ₱1.00 par value and 7,500 million preferred shares with ₱0.20 par value. On the same date, the BOD and stockholders approved the declaration of stock dividends amounting to ₱375 million representing 375 million common shares to all stockholders of record as of April 25, 2007. The stock dividends will be taken from the increase in authorized capital stock. The increase in the Parent Company's authorized capital stock was approved by the SEC on May 10, 2007.

The preferred shares are of equal rank, preference and priority and are identical in all respect regardless of series. Preferred shares are participating at the rate of one fifth (1/5th) of the dividend paid to common shares, which rate is adjusted proportionately by the Parent Company's BOD consequent to any stock split or stock dividend declaration affecting the common shares and preferred shares. Preferred shares are convertible at the option of the shareholders at the rate of five (5) preferred shares to one (1) common share, based on par value.

Preferred shares enjoy priority over common shares in the distribution of assets of the Parent Company in the event of dissolution and liquidation, at such rates, terms and conditions as the BOD may determine. Each preferred share is entitled to one vote and shall have the same voting rights as the common shares.

The Parent Company's BOD may specify other terms and conditions, qualifications, restrictions and privileges of the preferred shares or series/classes thereof, insofar as such terms, conditions, qualifications, restrictions and privileges are not inconsistent with the articles of incorporation and any applicable law or regulation.

IPO

The BOD of the PSE, in its regular meeting on June 27, 2007, approved the Parent Company's application to list its common shares with the PSE. On July 16, 2007, the SEC declared the Parent Company's Registration Statement in respect of the IPO effective and issued the "Certificate of Permit to Offer Securities for Sale" in respect of the offer shares.

On July 30, 2007, the Parent Company completed its IPO of 91,346,000 common shares, at an offer price of ₱8.50 a share, from its authorized and unissued capital stock by way of a primary offer (the Domestic Share Offer). In addition, 822,115,000 Philippine Deposit Receipts (PDRs), at an issue price of ₱8.50 per PDR, were issued by GMA Holdings, Inc. (GHI), an affiliate. Of the PDRs issued by GHI, 91,346,000 PDRs covered 91,346,000 common shares of the Parent Company (the Primary PDR Offer) and 730,769,000 PDRs covered 730,769,000 common shares of certain shareholders of the Parent Company (the Secondary PDR Offer).

The total gross proceeds from the Domestic Share Offer and Primary PDR Offer amounted to ₱1,552.88 million while the total gross proceeds for the Secondary PDR Offer amounted to ₱6,211.54 million. The Parent Company did not receive any proceeds from the Secondary PDR Offer. The net proceeds from the Domestic Share Offer and Primary PDR Offer were intended to be used primarily for improvements to existing facilities, investments in capacity expansion and general corporate purposes. Direct costs incurred relative to the IPO amounting to ₱135.00 million were charged against the corresponding additional paid-in capital arising therefrom.

ESOP

On April 26, 2007, the Parent Company's BOD and shareholders approved the Parent Company's ESOP. The Parent Company allocated a maximum of 57.00 million shares from its unissued common shares to be made available to its regular employees, talents and consultants under the terms of the ESOP. The purpose of the ESOP is to allow regular employees of the Group, as well as qualified Filipino consultants and talents, to be part owners of the Parent Company and to share in its profits by giving them the opportunity to own common shares.

Under the terms of the ESOP, regular employees with at least three years of service with the Group are allowed to subscribe to a maximum number of shares equivalent to six times of their gross monthly salary at the offer price. Employees with less than three years of service are allowed to subscribe to a maximum of three times their gross monthly salary at the offer price during listing. The shares to be subscribed by the employees, however, cannot be less than the minimum number of shares set by the Parent Company. In the event that the total number of shares applied for by all the employees exceeded the number of shares made available under the ESOP, the number of shares applied for by each employee will be reduced proportionately.

At least 25% of the subscription had to be paid while the balance will be payable over maximum period of one and a half years in 36 equal semi-monthly installments through payroll deductions, without interest. In the case of talents and consultants, the number of shares allotted shall be determined by the Parent Company.

The ESOP is administered by a board of administrators consisting of five members who are appointed by the Parent Company's BOD. The board of administrators oversees the implementation of the ESOP and decides on any matters which may arise regarding its implementation. The Parent Company's Executive Committee has the authority to modify the terms of the ESOP as it may deem necessary or beneficial for the Parent Company.

As of December 31, 2007, the ESOP was fully subscribed.

Subscriptions receivable amounted to ₱11.16 million and ₱70.09 million as of December 31, 2008 and 2007, respectively. The increase in additional paid-in capital was due to collection of subscriptions receivable amounting to ₱58.93 million in 2008.

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

In 2007, the Parent Company reacquired common shares totaling 2,645,000 at acquisition cost of ₱20.66 million.

The Parent Company likewise acquired 750,000 PDRs at acquisition cost of ₱5.79 million in 2007.

b. Retained Earnings

The retained earnings account is restricted for the payment of dividends to the extent of ₱34.27 million and ₱26.45 million as of December 31, 2008 and 2007, respectively, representing the cost of shares held in treasury amounting to ₱28.48 million in 2008 and ₱20.66 million in 2007 and underlying shares of the acquired PDRs amounting to ₱5.79 million in 2008 and 2007.

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

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

On June 13, 2006, the BOD approved the Parent Company's declaration and distribution of property dividends totaling ₱60.46 million to the major stockholders of record as of the same date. The property dividends consist of investments in shares of stock of Image One Multi-Media Corporation (Image One) and Film Experts, Inc. and certain investment properties.

On June 13, 2006, the BOD likewise approved the Parent Company's declaration and distribution of cash dividend of ₱0.46 a share amounting to ₱1,089.54 million to all stockholders of record as of declaration date.

On February 17, 2006, the SEC approved the application of the Parent Company to increase its authorized capital stock from ₱2,000 million to ₱5,000 million, divided into 3,500 million common shares with par value of ₱1.00 each and 7,500 million preferred shares with par value of ₱0.20 each. The increase in authorized capital stock of ₱3,000 million, consisting of 1,500 million common shares and 7,500 million preferred shares, was subscribed by the Parent Company's stockholders by means of stock dividends.

Events After Balance Sheet Date
On April 2, 2009, the BOD approved the Parent Company's declaration and distribution of cash dividends totaling ₱1,701.33 million to all stockholders of record as of April 21, 2009.

19. Parent Company Dividends

Cash dividends declared per share amounted to ₱0.25, ₱0.54 and ₱0.46 in 2008, 2007 and 2006, respectively.

20. Related Party Disclosures

Transactions with related parties are as follows:

Related Party	Nature of Transaction	Year	Transactions During the Year	Due from Related Parties/ Advances	Due to Related Parties	Trade Receivables (Trade Payables)
INQ7, GMA Kapuso Foundation, Inc. (GMA Foundation) and Alta Tierra Resources, Inc. (Alta Tierra)	Grant of noninterest-bearing advances	**2008**	**₱14,081,026**	**₱11,544,000**	**₱–**	**₱2,631,968**
		2007	–	11,544,000	475,929	2,631,968
RGMA	Advances for working capital requirements, net of marketing commission expense	**2008**	**111,977,320**	**59,281,531**	**–**	**(14,538,295)**
		2007	1,909,812	59,243,496	–	(22,214,596)
Mont-Aire	Debt to equity conversion, grant of noninterest-bearing advances	**2008**	**–**	**84,475,370**	**–**	**–**
		2007	–	84,475,370	–	–
Image One	Collection remittance	**2008**	**4,300,103**	**–**	**–**	**(1,023,381)**
		2007	18,482,055	–	–	314,107
Belo, Gozon, Elma Law (BGE Law), FLG Management and Development Corporation (FLG), San Mateo Management Corporation (San Mateo), 3LM Koblenz Management Corporation (3LM Koblenz) and Majent Management and Development Corporation (Majent)	IPO proceeds, legal and retainers' fees and others	**2008**	**152,823,088**	**–**	**–**	**–**
		2007	18,840,511	–	144,606,661	–

GMA Foundation and Alta Tierra
The Parent Company and Alta Tierra have certain common stockholders. Some of the trustees of GMA Foundation are also the stockholders of the Parent Company.

RGMA
RGMA became an associate of the Parent Company in 2007. In previous years, the Parent Company and RGMA have certain common stockholders. The advances made by the Parent Company to RGMA were intended for future capital subscription.

Mont-Aire
Mont-Aire became an associate of the Parent Company in 2006. The advances made by the Parent Company to Mont-Aire in previous years were intended for future capital subscription.

Image One
In 2006, the Parent Company's investments in Image One were declared as property dividends to the major stockholders of the Parent Company.

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

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

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

FLG, San Mateo, 3LM Koblenz, Majent
These companies are owned or partly owned by some officers of the Parent Company and GMPI. GMPI employs the services of these related parties in sourcing and hiring competent and capable personnel and in conducting studies to improve GMPI's capability in providing efficient services to clients.

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

	2008	2007	2006
Salaries and other short-term benefits	**₱245,296,528**	₱231,880,504	₱212,296,605
Pension benefits	**38,413,229**	37,551,733	22,957,942
	₱283,709,757	₱269,432,237	₱235,254,547

21. Revenue

This account consists of:

	2008	2007	2006
Television and radio airtime	**₱11,653,548,484**	₱11,367,275,348	₱10,495,641,896
Production and others	**843,153,180**	689,649,054	575,986,101
	₱12,496,701,664	₱12,056,924,402	₱11,071,627,997

22. **Production Costs**

This account consists of:

	2008	2007	2006
Talent fees	**₱1,995,666,900**	₱1,894,648,497	₱1,745,631,197
Rental (see Note 27)	**507,935,577**	469,517,457	514,509,986
Tapes, sets and productions supplies	**493,135,713**	363,593,707	333,582,961
Program rights usage (see Note 7)	**486,107,804**	624,703,967	581,546,752
Transportation and communication	**145,873,439**	150,913,647	121,469,486
Facilities and others	**357,338,928**	347,902,863	406,081,665
	₱3,986,058,361	₱3,851,280,138	₱3,702,822,047

23. **General and Administrative Expenses**

This account consists of:

	2008	2007	2006
Personnel costs (see Note 24)	**₱1,241,295,607**	₱1,254,722,559	₱986,434,911
Depreciation and amortization (see Notes 11 and 13)	**478,595,734**	418,760,008	412,403,819
Advertising	**284,600,142**	224,245,664	203,677,674
Communication, light and water	**198,564,316**	195,963,540	198,582,120
Taxes and licenses	**155,859,059**	132,846,190	87,664,083
Professional fees (see Note 20)	**140,752,713**	128,745,715	172,685,122
Repairs and maintenance	**126,620,972**	134,065,265	150,219,791
Sales incentives	**95,142,200**	82,424,027	75,085,166
Transportation and travel	**87,751,787**	45,759,067	61,406,085
Rental (see Note 27)	**65,457,504**	63,802,482	67,801,508
Provision for doubtful accounts (see Note 6)	**22,171,088**	122,003,748	4,168,622
Materials and supplies	**21,212,500**	25,646,309	22,370,187
Insurance	**19,357,297**	18,269,974	16,189,107
Amortization of software costs (see Note 14)	**16,670,009**	12,660,849	9,724,154
Entertainment, amusement and recreation	**16,085,695**	10,751,876	14,417,118
Dues and subscriptions	**11,840,330**	16,051,276	27,694,199
Others	**193,751,820**	133,374,393	102,448,391
	₱3,175,728,773	₱3,020,092,942	₱2,612,972,057

24. **Personnel Costs**

This account consists of:

	2008	2007	2006
Salaries and wages	**₱754,598,181**	₱733,943,720	₱613,319,665
Employee benefits and allowances	**321,677,771**	339,829,011	256,630,133
Net pension expense (see Note 25)	**116,186,298**	131,400,335	73,834,854
Sick and vacation leaves expense	**48,833,357**	49,549,493	42,650,259
	₱1,241,295,607	₱1,254,722,559	₱986,434,911

25. **Pension Benefits**

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

Net pension expense consists of:

	2008	2007	2006
Current service cost	**₱69,579,899**	₱64,218,882	₱31,330,356
Interest cost	**54,574,690**	55,619,314	40,287,799
Expected return on plan assets	**(14,990,315)**	(163,631)	(107,231)
Actuarial losses recognized	**7,022,024**	11,725,770	2,323,930
	₱116,186,298	₱131,400,335	₱73,834,854

The details of net pension liability are as follows:

	2008	2007	2006
Fair value of the plan assets	**₱149,767,773**	₱131,559,055	₱1,487,557
Present value of defined benefit obligation	**(746,444,672)**	(653,787,108)	(672,369,032)
	(596,676,899)	(522,228,053)	(670,881,475)
Unrecognized actuarial losses	**307,842,092**	248,082,520	384,408,245
Net pension liability	**(₱288,834,807)**	(₱274,145,533)	(₱286,473,230)

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

	2008	2007	2006
Balance at beginning of year	**₱131,559,055**	₱1,487,557	₱1,340,378
Contribution during the year	**101,497,024**	143,743,777	26,316,924
Benefits paid	**(31,497,024)**	(13,743,777)	(26,316,924)
Expected return on plan assets	**14,990,315**	163,631	107,231
Actuarial gains (losses)	**(66,781,597)**	(92,133)	39,948
Balance at end of year	**₱149,767,773**	₱131,559,055	₱1,487,557
Actual return on plan assets	**(₱51,791,282)**	₱71,498	₱147,179

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

	2008	2007	2006
Balance at beginning of year	**₱653,787,108**	₱672,369,032	₱335,731,657
Current service cost	**69,579,899**	64,218,882	31,330,356
Interest cost	**54,574,690**	55,619,314	40,287,799
Benefits paid	**31,497,024**	(13,743,777)	(26,316,924)
Actuarial losses (gains)	**(62,994,049)**	(124,676,343)	291,336,144
Balance at end of year	**₱746,444,672**	₱653,787,108	₱672,369,032

The Group expects to contribute ₱80.00 million to its defined benefit pension plans in 2009.

The plan assets are composed mainly of cash and cash equivalents, investments in government securities and other similar debt instruments.

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

	January 1, 2008	January 1, 2007	January 1, 2006
Discount rate	**8%**	8%	12%
Expected rate of return on plan assets	**9%**	11%	8%
Expected rate of salary increase	**6%**	6%	6%

The discount rate, expected rate of return on plan assets and expected rate of salary increase prevailing as of December 31, 2008 are 8%, 9% and 6%, respectively.

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

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

	2008	2007	2006
Defined benefit obligation	**₱746,444,672**	₱653,787,108	₱672,369,032
Plan assets	**149,767,773**	131,559,055	1,487,557
Deficit	**596,676,899**	522,228,053	670,881,475
Experience adjustments on plan liabilities	**–**	20,998,177	15,399,575
Experience adjustments on plan assets	**(66,781,597)**	92,133	(39,948)

26. **Other Income (Charges)**

This account consists of the following income (expenses):

	2008	2007	2006
Gain (loss) on sale of property and equipment and investment properties - net	**₱30,632,485**	(₱828,095)	(₱465,236)
Commissions from GMA Artists' Center	**12,642,990**	9,016,508	11,624,969
Foreign exchange gain (loss) - net	**347,438**	(19,038,386)	22,536,504
Dividends	**58,082**	2,618,418	5,038,580
Rental (see Note 27)	**4,508,623**	3,150,959	1,995,603
Reversal of allowance for impairment loss on investment properties (see Note 13)	**–**	4,353,538	–
Reversal of allowance (provision) for impairment of program rights (see Note 7)	**–**	160,305	(1,794,047)
Mark-to-market gain on derivatives	**–**	–	6,844,877
Others	**33,923,405**	91,468,254	87,685,050
	₱82,113,023	₱90,901,501	₱133,466,300

"Others" account includes reversal of long-outstanding liabilities and accruals amounting to ₱17.21 million and ₱44.58 million in 2007 and 2006, respectively.

27. **Lease Agreements**

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

Total rental expense amounted to ₱573.39 million, ₱533.32 million and ₱582.31 million in 2008, 2007 and 2006 respectively (see Notes 22 and 23).

The Group also leases out certain properties. Total rental income amounted to ₱4.51 million, ₱3.15 million and ₱2.00 million in 2008, 2007 and 2006 respectively (see Note 26).

The Parent Company entered into a non-cancelable lease which will expire in 2012. The rental rate is subject to 10% annual escalation rate commencing on the third year of the lease.

The future minimum rentals payable under the non-cancelable operating lease follow:

	2008	2007
	(In Millions)	
Within one year	**₱97.83**	₱88.93
After one year but not more than five years	**287.99**	385.82
	₱385.82	₱474.75

28. **Income Taxes**

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

	2008	2007
Deferred tax assets:		
Net pension liability	**₱63,208,154**	₱75,639,625
Allowance for doubtful accounts	**59,397,511**	61,827,575
Accrued sick and vacation leaves	**49,334,995**	50,599,905
Accrued rent	**15,079,796**	12,998,783
Unamortized past service costs	**1,300,461**	1,907,027
Discounting of long-term obligation for program rights	**635,659**	1,588,905
Unrealized foreign exchange loss	**–**	9,563,117
Others	**234,031**	305,115
	189,190,607	214,430,052
Deferred tax liabilities:		
Revaluation increment in land	**(318,924,867)**	(314,404,478)
Unamortized capitalized borrowing costs	**(36,781,608)**	(39,804,754)
Unrealized foreign exchange gain	**(2,097,911)**	–
Revaluation of AFS financial assets	**(641,729)**	(748,684)
Bifurcation of lease contracts	**–**	(714,942)
	(358,446,115)	(355,672,858)
	(₱169,255,508)	(₱141,242,806)

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

	2008	2007
Deferred tax assets:		
Net pension liability	**₱22,534,974**	₱19,638,996
Accrued sick and vacation leaves	**6,202,476**	5,702,223
NOLCO	**2,635,513**	212,284
Allowance for doubtful accounts	**2,341,447**	2,721,363
Allowance for impairment loss	**1,923,146**	1,893,812
MCIT	**805,979**	703,522
Unrealized foreign exchange loss	**2,910**	650,507
	36,446,445	31,522,707
Deferred tax liabilities:		
Unrealized foreign exchange gain	**(370,812)**	(36)
Revaluation of AFS financial assets	**(104,000)**	(189,000)
Deferred rental income	**–**	(58,985)
	(474,812)	(248,021)
	₱35,971,633	₱31,274,686

On May 24, 2005, Republic Act No. 9337 (R.A.) was enacted into law which took effect on November 1, 2005. The R.A. introduced changes in regular corporate income tax for domestic corporations, resident and non-resident foreign corporations from 32% to 35% beginning November 1, 2005 and from 35% to 30% beginning January 1, 2009.

The change in enacted tax rate effective January 1, 2009 was included in the computation of deferred tax assets and liabilities.

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

	2008	2007	2006
Statutory income tax rate	**35.00%**	35.00%	35.00%
Additions (deductions) in income tax rate resulting from:			
Income tax holiday	**(2.84)**	(1.65)	–
Interest income from short-term investments already subjected to final tax	**(0.68)**	(0.73)	(0.15)
Nonclaimable foreign tax credit	**0.41**	0.32	–
Equity in net losses of associates and joint ventures	**0.07**	0.03	0.12
Impairment losses on investments and program rights	–	–	0.02
Others - net	**(0.17)**	0.19	(0.15)
Effect of change in tax rate	**0.96**	–	0.05
Effective income tax rates	**32.75%**	33.16%	34.89%

29. EPS Computation

The computation of basic EPS follows:

	2008	2007	2006
Net income (a)	**₱2,368,927,662**	₱2,307,230,563	₱1,962,499,293
Less attributable to preferred shareholders	**731,072,620**	752,934,496	577,205,674
Net income attributable to common shareholders (b)	**₱1,637,855,042**	₱1,554,296,067	₱1,385,293,619
Common shares issued at the beginning of year	**3,364,692,000**	2,750,000,000	2,750,000,000
Effect of stock dividends	**–**	250,000,000	250,000,000
Issuance through IPO	–	76,121,667	–
Issuance through ESOP (see Note 18)	**–**	23,750,000	–
Treasury shares (see Note 18)	**(3,645,000)**	(2,645,000)	–
Underlying shares on acquired PDRs (see Note 18)	**(750,000)**	(750,000)	–
Weighted average number of common shares for basic EPS (c)	**3,360,297,000**	3,096,476,667	3,000,000,000
Basic EPS (b/c)	**₱0.487**	₱0.502	₱0.462

The computation of diluted EPS follows:

	2008	2007	2006
Net income (a)	**₱2,368,927,662**	₱2,307,230,563	₱1,962,449,293
Weighted average number of common shares	**3,360,297,000**	3,096,476,667	3,000,000,000
Effect of dilution - assumed conversion of preferred shares	**1,500,000,000**	1,500,000,000	1,250,000,000
Reacquired preferred shares	**(98,563)**	–	–
Weighted average number of common shares adjusted for the effect of dilution (d)	**4,860,198,437**	4,596,476,667	4,250,000,000
Diluted EPS (a/d)	**₱0.487**	₱0.502	₱0.462

As mentioned in Note 18, the SEC approved the increase in the Parent Company's authorized capital stock from ₱2,000 million to ₱5,000 million on February 17, 2006.

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

30. Financial Risk Management Objectives and Policies

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

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

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

The Group manages liquidity risk by maintaining a pool of credit lines from financial institutions that exceeds expected financing requirements for working capital. The Group likewise regularly evaluates other financing instruments and arrangements to broaden the Group's range of financing sources.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of December 31, 2008 and 2007:

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

** Excluding payable to government agencies amounting to ₱630.58 million, which is not considered a financial liability.*

	2007			
	On Demand	Less than 3 Months	3 to 12 Months	Total
Notes payable	₱10,840,438	₱303,500,000	₱–	₱314,340,438
Trade payables and other current liabilities*	328,992,403	156,778,044	518,698,162	1,004,468,609
Obligations for program rights	–	–	85,273,273	85,273,273
	₱339,832,841	₱460,278,044	₱603,971,435	₱1,404,082,320

** Excluding payable to government agencies amounting to ₱706.26 million, which is not considered a financial liability.*

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

The Group's foreign currency-denominated monetary assets and liabilities amounted to ₱213.39 million (US$4.49 million) and ₱122.66 million (US$2.58 million), respectively, as of December 31, 2008, and ₱263.57 million (US$6.38 million) and ₱98.90 million (US$2.40 million), respectively, as of December 31, 2007.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱47.52 to US$1.00 and ₱41.28 to US$1.00, the Philippine peso to U.S. dollar exchange rates as of December 31, 2008 and 2007, respectively.

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

2008	
Increase (Decrease) in ₱ to US$ Rate	**Effect on Income Before Income Tax**
₱0.50	**(₱0.95 million)**
(0.50)	**0.95 million**

2007	
Increase (Decrease) in ₱ to US$ Rate	Effect on Income Before Income Tax
₱0.50	(₱1.99 million)
(0.50)	1.99 million

The increase in ₱ to US$ rate means stronger peso against the U.S. dollar while a decrease in ₱ to US$ means stronger U.S. dollar against the peso.

Interest Rate Risk. The Group's exposure to changes in interest rates is minimal and is attributed to cash and cash equivalents and notes payable.

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

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

2008	
Increase (Decrease) in Basis Points	**Effect on Income Before Income Tax**
50	**₱8.44 million**
(50)	**(8.44 million)**

2007	
Increase (Decrease) in Basis Points	Effect on Income Before Income Tax
50	₱5.10 million
(50)	(5.10 million)

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

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

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

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

As of December 31, 2008 and 2007, the credit quality of the Group's financial assets is as follows:

	2008			
	Neither Past Due Nor Impaired		**Past Due**	
	High Grade	**Standard Grade**	**But Not Impaired**	**Total**
Cash and cash equivalents	**1,688,107,116**	**₱–**	**₱–**	**₱1,688,107,116**
Short-term investments	**2,066,957**	**–**	**–**	**2,066,957**
Trade and other receivables	**1,684,960,521**	**1,145,975,984**	**1,629,467,892**	**4,460,404,397**
Guarantee and other deposits	**13,995,285**	**–**	**–**	**13,995,285**
AFS financial assets	**99,766,171**	**–**	**–**	**99,766,171**
	₱3,488,896,050	**₱1,145,975,984**	**₱1,629,467,892**	**₱6,264,339,926**

	2007			
	Neither Past Due Nor Impaired		Past Due	
	High Grade	Standard Grade	But Not Impaired	Total
Cash and cash equivalents	₱1,019,710,422	₱–	₱–	₱1,019,710,422
Short-term investments	2,907,361	–	–	2,907,361
Trade and other receivables	2,311,606,664	1,377,003,957	1,070,839,843	4,759,450,464
Guarantee and other deposits	11,408,161	–	–	11,408,161
AFS financial assets	99,435,171	–	–	99,435,171
	₱3,445,067,779	₱1,377,003,957	₱1,070,839,843	₱5,892,911,579

Capital Management

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

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

The Group monitors its capital gearing by measuring the ratio of interest-bearing debt to total stockholders' equity. Interest-bearing debt includes all short-term and long-term debt.

The Group's ratios of interest-bearing debt to total stockholders' equity as of December 31 follow:

	2008	2007
Total interest-bearing debt (a) - Notes payable	**₱–**	₱310,700,000
Total stockholders' equity (b)	**₱9,755,123,346**	₱8,538,595,655
Interest-bearing debt to total stockholders' equity (a/b)	**0%**	3.64%

31. Financial Assets and Liabilities

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

	2008		2007	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱1,688,107,116**	**₱1,688,107,116**	₱1,019,710,422	₱1,019,710,422
Short-term investments	**2,066,957**	**2,066,957**	2,907,361	2,907,361
Trade and other receivables - net	**4,460,404,397**	**4,460,404,397**	4,759,450,464	4,759,450,464
Guarantee and other deposits (included under "Other noncurrent assets" account in the consolidated balance sheets)	**13,995,285**	**13,447,654**	11,408,161	11,093,904
	6,164,573,755	**6,164,026,124**	5,793,476,408	5,793,162,151
AFS financial assets	**99,766,171**	**99,766,171**	99,435,171	99,435,171
	₱6,264,339,926	**₱6,263,792,295**	₱5,892,911,579	₱5,892,597,322
Financial Liabilities				
Other financial liablities:				
Notes payable	**₱–**	**₱–**	₱310,700,000	₱306,748,099
Trade payables and other current liabilities*	**1,000,570,023**	**1,000,570,023**	1,004,468,609	1,004,468,609
Obligations for program rights	**110,459,407**	**110,459,407**	85,273,273	85,273,273
Dividends payable	**1,564,709**	**1,564,709**	–	–
	₱1,112,594,139	**₱1,112,594,139**	₱1,400,441,882	₱1,396,489,981

** Excluding payable to government agencies amounting to ₱630.58 million and ₱706.26 million as of December 31, 2008 and 2007, respectively, the amounts of which are not considered financial liabilities.*

<u>Fair Value of Financial Instruments</u>
The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments and Trade and Other Receivables. The carrying values of cash and cash equivalents, short-term investments and trade and other receivables approximate fair values primarily due to the relatively short-term maturity of these financial instruments.

Guarantee and Other Deposits. The fair value of guarantee and other deposits is based on the present value of the future discounted cash flows. Discount rates used range from 6.10% to 6.21% as of December 31, 2008 and 4.91% to 5.66% as of December 31, 2007.

AFS Financial Assets. These are investments in quoted and unquoted shares of stock. The fair value of quoted shares is based on quoted market prices. In the absence of a reliable basis in determining fair values of unquoted shares, the investments are carried at cost, net of impairment in value.

Notes Payable. The fair value of notes payable with fixed interest rate is determined by discounting the future cash flows using the prevailing rate as of reporting date. Discount rates used range from 4.91% to 5.66% as of December 31, 2007.

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

32. Other Matters

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

   The total tax incentives availed of in 2008 and 2007 amounted to ₱100.16 million and ₱56.95 million, respectively.

b. The Parent Company is a defendant in certain legal cases for copyright infringement, injunctions and damages, which are still pending resolution in the Regional Trial Court (RTC). As of April 2, 2009, no resolution has been issued by the RTC. Complaints for recovery of retirement and other benefits and illegal dismissal of employees have also been filed against the Parent Company.

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

GMA NETWORK, INC. AND SUBSIDIARIES
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DECEMBER 31, 2008

A	Marketable securities (current marketable equity securities and other short-term cash investments)	Attached
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

Schedule A. Marketable Securities - (Current Marketable Equity Securities and Other Short-term Cash Investments)

Name of Issuing Entity and Association of Each Issue	Amount Shown in the Balance Sheet	Income Received and Accrued
Short-term placements (included under "Cash and cash equivalents" account in the balance sheet)		
Peso Placements		
Union Bank of the Philippines	₱342,327,727	₱27,032,064
Abacus Capital & Investment Corporation	169,038,681	12,239,732
Export and Industry Bank	111,120,490	4,072,157
Philippine National Bank	109,995,728	2,828,576
Metropolitan Bank and Trust Company	85,953,270	1,933,381
Eastwest Bank	80,348,958	1,824,922
Malayan Bank	67,062,981	3,121,923
Banco De Oro	61,200,445	3,403,638
Philippine Bank of Communications	50,251,879	982,192
Land Bank of the Philippines	41,510,505	1,250,085
United Coconut Planters Bank	41,498,716	804,984
Asia United Bank	40,488,139	2,651,799
J. P. Morgan Chase Bank	803,448	25,982
	1,201,600,967	62,171,435
Dollar Placements		
Eastwest Bank	50,752,382	1,477,186
Union Bank of the Philippines	20,968,269	213,904
Asia United Bank	6,202,823	547,746
United Coconut Planters Bank	4,779,237	849,240
	82,702,711	3,088,076
	₱1,284,303,678	₱65,259,511
Short-term investments		
Malayan Bank	₱2,066,957	₱22,398

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	5,000,000,000	3,361,047,000*	–	2,240,525,530	35,076,373	1,085,445,097
Preferred	7,500,000,000	7,499,507,184**	–	7,427,513,652	27,294	71,966,238

* *Net of treasury stock totaling 3,645,000 shares.*
** *Net of treasury stock totaling 492,816 shares.*

GMA Network, Inc. and Subsidiaries
GMA Network Center, Timog Avenue corner EDSA
Quezon City

Retained Earnings Available for Dividend Declaration
December 31, 2008

Retained earnings, January 1, 2008		₱1,372,390,597
Net income during the year	₱2,368,927,662	
Add non-actual/unrealized losses, net of applicable tax:		
Equity in net losses of associates and joint ventures	6,958,589	
Unrealized foreign exchanges losses (net of exchange differences attributable to cash and cash equivalents)	5,026,328	
	11,984,917	
Net income actually earned in 2008		2,380,912,579
Add (less):		
Cash dividends declared in 2008	(1,214,163,001)	
Cumulative net income of subsidiaries	(45,810,910)	
Treasury shares	(28,483,171)	
Underlying shares of the acquired Philippine deposit receipts	(5,790,016)	
Dividends received from subsidiaries	3,000,000	
		(1,291,247,098)
Retained earnings as of December 31, 2008 available for dividend declaration		₱2,462,056,078