GMA NETWORK

13 June 2012

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department
3rd Floor, Philippine Stock Exchange Plaza
Ayala Avenue, Makati City

Gentlemen:

Please find the revised 2011 Annual Report (SEC Form 17-A) of GMA Network Inc. in compliance with the SEC's letter dated May 18, 2012 received by our office on the 28th of May 2012.

Thank you.

Very truly yours,

AYAHL ARI AUGUSTO P. CHIO
Vice President
Investor Relations and Compliance

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
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Company Information

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Company Type	Stock Corporation

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GMA
NETWORK

June 13, 2012

Corporation Finance Department
Securities and Exchange Commission
SEC Building, EDSA,
Greenhills, Mandaluyong City

Attention: *Justina F. Callangan*
Director

Re : *GMA Network, Inc.'s*
Amended Annual Report (SEC Form 17-A)

Gentlemen:

GMA Network, Inc. (the "Company") filed its 2011 Annual Report (SEC Form 17-A) on April 27, 2012. In your letter dated May 18, 2012, which we received May 29, 2012, you directed us to amend the same in accordance with the remarks in the checklist attached to the letter. The required disclosures in the checklist were not reflected in the Company's original filing since it adopted the format of its previous submissions.

Thus, in compliance with your letter dated May 18, 2012, we hereby submit the Company's Amended 2011 Annual Report (SEC Form 17-A), with the amendments thereto underlined for your convenience.

Thank you very much.

Very truly yours,

RONALDO P. MASTRILI
Vice-President for Finance

COVER SHEET

"A"

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S.E.C. Registration Number

G M A N E T W O R K I N C.

(Company's Full Name)

G M A N E T W O R K C E N T E R
E D S A C O R N E R T I M O G A V E.
D I L I M A N Q U E Z O N C I T Y

Atty. Roberto O. Parel

Contact Person

816-3716

Amended
2012 ANNUAL REPORT

Month Day
Fiscal Year

1 7 - A
FORM TYPE

Month Day
Annual Meetings

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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, 2011**
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 Outstanding	Number of Shares of Common Stock Outstanding and Amount of Debt
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 [v] No [ ]

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

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 [v] No [ ]

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

Yes [v] 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 = PhP47.04 B (as of April 19, 2012)

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. GMA Network has 46 VHF (45 GMA owned and 1 affiliate) and 27 UHF TV stations throughout the Philippines with its signal reaching approximately 97% of the country's Urban TV Households (Source: 2011 AGB Nielsen Total Philippines Establishment Survey).

In 2011, GMA Network, Inc. grabbed and maintained leadership in nationwide TV ratings. The Company's historic TV ratings triumph, however, was not enough to boost its financial performance as GMA posted decreases in both gross revenues and net income.

GMA Network garnered a nationwide average household audience share of 34.2%, up by 3.1 percentage points over its nearest competitor. GMA likewise maintained its TV ratings dominance in its traditional bailiwick areas of Mega Manila and Urban Luzon in 2011. The Network, its programs and personalities also reaped various local and international awards within the year.

GMA Network's international operations continued to expand during the year. GMA Pinoy TV closed 2011 with 291,309 subscribers, up by 7% over 2010. In September 2011, GMA launched its third international channel, GMA News TV International.

GMA SUBSIDIARIES, JOINT VENTURE 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, online gaming, post production services, and marketing, which complement the Company's core television and radio broadcasting business.

The following table shows the Company's holdings in its principal subsidiaries and affiliates as of December 31, 2011:

COMPANY	OWNERSHIP	PRINCIPAL ACTIVITIES
Subsidiaries		
GMA New Media, Inc. (NMI)	100%	Converging Technology
Citynet Network Marketing and Productions, Inc.	100%	Television entertainment production
GMA Network Films, Inc.	100%	Film production

GMA Worldwide (Philippines), Inc.	100%	International marketing, handling foreign program acquisitions and international syndication of the Company's programs
RGMA Marketing and Productions, Inc. (GMA Records)	100%	Music recording, publishing and video distribution
Scenarios, Inc.	100%	Design, construction and maintenance of sets for TV, stage plays and concerts
Script2010, Inc. (formerly Capitalex Holdings, Inc.)*	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
Affiliates		
INQ7 Interactive, Inc.	50%	A joint multimedia news and information delivery company of the Philippine Daily Inquirer, Inc. and GMA
Philippine Entertainment Portal, Inc. (PEP)**	50%	Operation of Pep.ph, an entertainment Portal
X-Play Online Games, Inc. (X-Play)**	50%	A partnership between IPVG Corp. and GMA New Media, Inc. which focuses on designing, operating and maintaining casual online gaming and casual online gaming-related portals
Mont-Aire Realty and Development Corp.***	49%	A real estate holding company
RGMA Network, Inc.	49%	General management programming, research and event management services for the Company's radio stations

Notes:

* *Indirectly owned through Citynet Network Marketing and Productions, Inc.*

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

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

PUBLICLY ANNOUNCED NEW PRODUCT OR SERVICE

Apart from launching GMA News TV International overseas in the second half of 2011 (p.8), the Company had no new publicly-announced product or service during the fiscal year covered by this report.

COMPETITION

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 Following table presents major broadcasting networks in the country:

Network	Description		2011 Ratings & Audience Share (Total day; 6AM-12MN)		
			Mega Manila	Urban Luzon	Urban National
GMA		Household Ratings	16.2	15.6	14.1
		Audience Share	38.7	37.8	34.2
ABS-CBN	Radio and TV broadcasting network and multimedia company. Founded in 1953, and is the first television station in the Philippines.	Household Ratings	10.4	10.9	12.8
		Audience Share	24.9	26.4	31.1
GNTV/ QTV *	GMA Network's sister channel. It is programmed by GMA. * QTV was re-launched as GMANEWS TV (GNTV) on February 28, 2011	Household Ratings	1.6	1.4	1.2
		Audience Share	3.8	3.4	2.9
TV5	Third-oldest TV network in the country, with main broadcast facilities in Novaliches, Quezon City. On March 2, 2010, Mediaquest acquired 100 percent ownership of the Associated Broadcasting Company and Primedia Inc., the broadcasting firm's major block airtimer.	Household Ratings	7.4	6.9	6.4
		Audience Share	17.6	16.8	15.6
ETC (RPN)/ SOLAR TV (RPN) **	Radio Philippines Network (RPN 9) is a Philippine VHF television network of the Government Communications Group. On November 29, 2009, the network re-branded again under the new name Solar TV on RPN. **Solar TV went off air on February 26, 2011 and was relaunched as ETC (RPN) on March 2, 2011.	Household Ratings	0.3	0.3	0.3
		Audience Share	0.8	0.8	0.7

Network	Description		2011 Ratings & Audience Share (Total day: 6AM-12MN)		
			Mega Manila	Urban Luzon	Urban National
Studio 23	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.	Household Ratings	1.4	1.6	1.8
		Audience Share	3.4	3.9	4.4
National Broadcasting Network	Official government TV, formerly called Maharlika Broadcasting System, Inc. and later the People's Television Network, Inc. (PTV).	Household Ratings	0.2	0.2	0.2
		Audience Share	0.5	0.5	0.5
Intercontinental Broadcasting Corporation (IBC 13)	IBC-13 is a VHF TV station of the Government Communications Group launched in 1975 by Roberto Benedicto,	Household Ratings	0.5	0.4	0.4
		Audience Share	1.1	0.9	0.9
Southern Broadcasting Network TALK TV (SBN)/ (ETC on SBN) ***	On January 1, 2008, Solar Entertainment Corporation's entertainment channel ETC aired on this station. ***SBN was launched as Talk TV (SBN) on March 3, 2011.	Household Ratings	0	0.1	0
		Audience Share	0.1	0.1	0.1
RJTV (2nd Ave.)	RJTV is a UHF, free to air television channel owned and operated by Rajah Broadcasting Network, Inc. owned by Ramon "RJ" Jacinto. Solar is also programming 2nd Ave.	Household Ratings	0	0	0
		Audience Share	0.1	0.1	0.1

NOTE: Ratings data are based on the Nielsen Television Audience Measurement (TAM)

RELATIVE SIZE AND FINANCIAL AND MARKET STRENGTH OF COMPETITORS

The Company considers ABS-CBN as its longest and prime competitor, followed by TV5. ABS-CBN is the largest broadcasting company in the Philippines in terms of product and service range and financial asset base. Its broadcasting operations contribute less than 60% of its total revenue generated, followed by its cable and satellite businesses with a share of nearly 40%. Its other businesses, which comprise movie production, new media ventures, publishing and other consumer products and services, make up about 5% of total sales. In comparison, GMA is the second largest and oldest broadcasting company in the region and derives more than 80% of its business from broadcasting. The Company's international operations provides close to 10% of gross revenues while other businesses which includes film production, new media services, and other services fill in the remaining 5%.

In more recent years, a third major player came into the picture in TV 5 which was formerly known as ABC 5. It was re-launched in 2008 as TV 5 after reaching a partnership with MPB Primedia, Inc. (MPB), a local company backed by Media Prima Berhad of Malaysia – with MPB producing and sourcing most of the entertainments programs of the channel. On October 20, 2009, Media Prima divested its share in TV5, selling it to Mediaquest Holdings Inc., the broadcasting division owned by the Beneficial Trust Fund of the Philippine Long Distance Telephone Company (PLDT). In the first half of 2010, along with dramatic changes in programming, TV 5 branded itself as the "Kapatid" network parallel to ABS-CBN's "Kapamilya" and GMA's "Kapuso" brands.

GMA effectively competes with these two main competitors and the rest of the industry players by enriching the lives of the Filipinos everywhere with superior Entertainment and the responsible delivery of News and Information. The Company prides itself in launching the first ever free-to-air news channel with the launch of GMA News TV under Channel 11 during the first quarter of the year. The Company has likewise proven its competitiveness by grabbing the number one spot in nationwide TV ratings since early 2010, maintaining its lead up to present, thus providing the much needed leverage to generate advertising revenues. Financial-wise, the Company leads both competitors in most key financial indicators, from gross profit margins, net income margins, to debt-equity ratios, with GMA remaining debt free for the past couple of years.

INTERNATIONAL DISTRIBUTION

The Company's television programs are distributed outside the Philippines in two ways. One is through its subscription-based international channels – GMA Pinoy TV, GMA Life TV, and GMA News TV International – and the other is through GMA Worldwide (Philippines), Inc. (GWI), a wholly-owned subsidiary of the Company. GWI distributes GMA's locally produced programs through worldwide syndication sales to broadcasters/companies in China, Southeast Asia, Africa, and Europe.

GMA PINOY TV

The Company operates GMA Pinoy TV through which it offers subscription-based programs internationally. Launched in 2005, GMA Pinoy TV delivers to an international audience the Company's most popular news and public affairs and general entertainment programs.

GMA Pinoy TV is currently available in 50 states in the U.S. including Alaska and Hawaii, plus Puerto Rico and Washington DC; Canada; Japan; Guam; 49 countries in Europe; Saipan; Hong Kong; Singapore; Papua New Guinea; Australia; New Zealand; the British Indian Territory of Diego Garcia; Madagascar; Malaysia; 16 countries in the Middle East including the key territories of the Kingdom of Saudi Arabia, United Arab Emirates, Qatar, Bahrain, and Kuwait; and 11 countries in 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 and Productions, Inc. (GMPI). GMPI also participates in joint promotions with various carriers for the marketing of GMA Pinoy TV.

As of December 2011, GMA Pinoy TV's subscriber base closed at 291,309 – a 7 % increase over the 2010 closing subscriber number of 273,317.

GMA LIFE TV

Three years after the success of GMA Pinoy TV, GMA Life TV, GMA Network's second international channel, was launched. More than just offering mainstream entertainment, GMA Life TV engages 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, Madagascar, Malaysia, 16 countries in the Middle East, 11 countries in North Africa, and 49 countries in Europe. As of December 2011, GMA Life TV's subscriber base closed at 114,471.

GMA NEWS TV INTERNATIONAL

In September 2011, GMA Network began distributing GMA News TV International in order to provide overseas Filipinos with the latest, most comprehensive, and most credible news coverage from the Philippines. It offers internationally acclaimed and award-winning news and public affairs programs with 7 to 8 hours of original content daily.

It is now available in Guam, Japan, Australia, New Zealand, the UAE, and Madagascar. In 2012, it is expected to be launched in North America.

CONVERGING TECHNOLOGY

GMA New Media, Inc. (NMI) is the digital media arm of GMA Network, Inc. Since its inception in July 2000, it has launched category-breaking projects in multiple platforms, including mobile, internet, and digital TV. It owns the celebrity mobile phone portal, Fanatxt, and powers all the SMS-TV campaigns of GMA.

It has a major stake in some of the Philippines' most successful online properties such as GMA News Online and PEP.ph that have average monthly page views of 20.6 million and 28.9 million, respectively. In 2011, PEP.ph was awarded the Best Entertainment Website in the Digital Filipino Web Awards, a feat it also achieved the year before.

In collaboration with GMA Network's Program Support Department, News and Public Affairs, Entertainment, GMA International, GMA Radio, Kapuso Foundation, GMA Films, GMA Records, GMA Artist Center, GMA Corporate (Investor Relations), NMI launched late last year www.gmanetwork.com, the umbrella site for all things GMA. This move further enhances GMA's connection with its audience online by providing news, entertainment, information, community, and public service at their fingertips, anytime, anywhere. The portal also allows users to get quick and easy access to all of the Network's web properties.

NMI assumed an active role in the online publishing industry at the start of 2011 by organizing some of the Philippines' leading media companies to collaborate toward the adoption of global standards and best practices in online publishing, beginning with the appointment of a common provider for their third-party audience measurement system. The online publishers that took part in the initiative were: ABS-CBN Interactive, Inc., BusinessWorld Publishing Corp., NMI, Inquirer Interactive, Inc., Philippine Entertainment Portal, PhilStar Global Corp., and Summit Publishing Co., Inc.

NMI spearheaded the initiative in recognition of the need for a common measurement standard to help the industry to grow, given that the Internet audience is both global and fragmented. Likewise, it aims to give the industry a boost by providing advertisers with reliable and independent metrics to aid them in their media planning decisions. The group chose Effective Measure (EM), an Australian company, as its preferred audience measurement solutions provider.

2011 also saw NMI deepen its partnership with YouTube, Google's online video-sharing portal. Initially sealed in 2009, the deal to create an official GMA Channel on YouTube was the first of its kind in Asia. This partnership was recently expanded to include long-form catch-up content and secure live streaming. This means viewers in selected territories will soon be able to watch at their leisure full episodes of their favorite entertainment and news programs, as well as catch the live broadcast of certain shows of the Kapuso network. GMA content will be made available through Google Services on all platforms, including mobile, tablets and Smart TVs.

In its mobile technology business, NMI unveiled in March m.GMANews.tv, a light version of www.GMANews.tv (http://www.gmanews.tv/) designed for easy viewing on mobile phones, as a growing number of Filipinos access the website while on-the-go. The company also developed two new applications for mobile, enabling users to download the latest news at their convenience. GMA News Online applications are now available for Android smartphones and tablets and for iPhone users as well. This makes GMANews.tv the only local news website to have its own applications for both Android and iPhone operating systems.

On the broadcast side, NMI produces breakthrough real-time special effects for GMA. In collaboration with the Office of the President and GMA Engineering, NMI is involved in the development of GMA's Digital TV strategy. Efforts are underway to conduct testing for the service soon.

MOVIE PRODUCTION

GMA Network Films, Inc. 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. In 2011, GMA Films co-produced with Regal Films the Valentine movie, **My Valentine Girls.** Other movies produced in 2011 were **Temptation Island**, **Tween Academy Class of 2012** (with SMDC) and **The Road** which was picked up for North American theatrical release and digital distribution. GMA Films' Metro Manila Film Festival movie entries were **Panday 2** (with Imus Productions) and **My Househusband** (with Regal Films).

MUSIC AND VIDEO RECORDING

RGMA Marketing and Productions, Inc. (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 operations, GMA Records has leveraged the Company's talent and media resources, releasing albums of various artists. It also partnered with sister company GMA Films and other major film production outfits to release their films on DVD. Likewise, it has introduced the network's top rating programs and blockbuster TV series into the home video market worldwide through GWI.

GMA Records works with GMA New Media and other local-based content providers and aggregators to take advantage of new revenue streams, particularly in the emerging market of digital music downloads. The company also secured non-exclusive mobile, web and kiosk-based deals with different content providers worldwide to continuously exploit the potentials of its music and video assets.

GMA Records publishes music and administers copyrights on behalf of composers. GMA Records is also actively pursuing publishing deals, building on its current catalog of original compositions. GMA Records serves as a clearing house and a source of music for the Company's television and film productions. It is also a member of FILSCAP, the Filipino Society of Composers, Authors and Publishers.

STAGE DESIGN

Scenarios, Inc. was incorporated in July 1996 and is engaged in transportation and warehousing services.

Script2010, Inc. was formally established in early 2010 as a subsidiary of Citynet Network Marketing and Productions, Inc. It engages in conceptual design and design execution through fabrication, construction, set-up and dismantling of sets, and creation of props. It also provides other related services such as live performances and events management, sales activation and promotion, and tradeshow exhibits.

Script2010, Inc. is also engaged in transportation, hauling and trucking services to further fulfill the needs of its clients. Other business units of **Script2010, Inc.** are band/audio equipment rental, and facility support services to various GMA departments.

POST PRODUCTION

Alta Productions Group, Inc. 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, producing award-winning News and Public Affairs Programs for GMA Channel 7.

Today, Alta Productions Group's core business is audio dubbing and mixing for broadcast. Its fully digital audio recording and mixing studios is in sync with the Network's production requirements and broadcast standards. Aside from dubbing foreign content into the local vernacular for airing on the Network, Alta Productions Group also dubs station-produced content into English for international consumption.

In addition, Alta Productions Group's shoot and video post-production department produces TVCs, broadcast content, and documentaries for both local and international clients. Its creative group also provides concept development, staging, and activation services for various clients' on-ground activities.

Alta Productions Group is proud to be one of the few production houses capable of servicing the complete spectrum of shoot and post-production requirements all under one roof. From conceptualization, creatives, shoot, post-production, all the way to execution.

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 the advertisers and advertising agencies.

GMPI provides the Company's clients with services such as multi-media local and global media packages, promotional programs and materials, and creative products. Part of GMPI's sales and marketing strategies are the integrated multi-platform packages, customized on-air and on-ground media solutions, branded entertainment, and other advertising and media-led promotional campaigns.

DEPENDENCE UPON CUSTOMERS

The broadcasting business of the Company generates revenues mainly from the sale of regional and national advertising time to agencies/advertisers and other blocktime producers. No single customer accounts for twenty (20%) percent or more of the Company's total consolidated revenues. The top 30 agencies/advertisers comprise less than 60% of the Company's business with the top advertiser accounting for less than 8% of revenues. The Company is not critically dependent upon a single or few customers to provide and ensure sustainability of its operations and financial viability. Major existing contracts include airtime sales with regular agencies and advertisers such as Unilever Philippines, Inc., Nestle Philippines, Inc., P&G Distributing (Phils.) Inc., Unilab Group, Monde Nissin Corporation, Starcom, Mediavest, Starlink Communication Services, Masscom, Inc., Zenith Optemedia, Mediacom, Maxus and Mindshare Philippines.

TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES

Please refer to **Item 12** of the report (p.54).

FRANCHISE, LICENSES AND GOVERNMENT APPROVALS

The Company is a grantee of a congressional franchise to construct, install, operate and maintain for commercial purposes and in the public interest radio and television broadcasting stations in the Philippines. Its franchise was granted through Republic Act No. 7252 and has a term of twenty-five (25) years from the date of its approval or from March 20, 1992. The Company also operates and maintains various radio/TV stations nationwide under licenses/permits issued by the National Telecommunications Commission.

The Company has also applied for registration of its service marks (visible signs capable of distinguishing its services) with the Intellectual Property Office (IPO) and has complied with the provisions of Republic Act No. 8293 on the law on service marks for this purpose. A Certificate of Registration of Service Marks granted in favour of the Company remains in force for 20 years.

Similarly, the Company has applied for copyright registration with the IPO of its (a) published (b) unpublished works under Republic Act No. 8294 and Presidential Decree No. 49. A Certificate of Copyright Registration has a term of protection of Fifty (50) years from publication of the work.

The Company has also entered into several license agreements for its business of producing television programs aired over its local and international channels and producing television series based on a licensed property. The said license agreements are for periods between three to five years.

EFFECT OF GOVERNMENT REGULATIONS ON BUSINESS

The foregoing franchise, licenses or permits, service marks, copyright registration and government approvals were obtained by the Company in accordance with the requirements of applicable laws and rules of regulatory agencies.

The Company's compliance with the above-mentioned government regulations are indispensable to its businesses, which are primarily, radio and television broadcasting, recording, film production and other information and entertainment business.

AMOUNT SPENT ON DEVELOPMENT ACTIVITIES

The total capitalized cost for the Company's Media Asset Management System (MAMS) which will enable identified operating groups to access, share, and archive content in pure data form and allow the Network to deliver content to a multiplicity of distribution platforms in varying formats, amounted to about P200 million as of december 31, 2011.

Furthermore, the company approved specific budget for the operation/maintenance and upgrade of the following stations in 2011:

New Stations for 2011	Approved Budget (PhP)
TV-44 Jala-jala	28.5M
TV-48 Mt. Caniao	33.82M
13 low power UHF	22.334M
Total	84.654M

Upgraded Stations in 2011	Approved Budget (PhP)
TV-2 Kalibo	12.16M
TV-12 Batangas	16.7M
TV-13 Virac	10.53M
TV-7 Santiago	9.97M
TV-7 Naga	40.68M
Total	90.04M

COSTS AND EFFECTS OF COMPLIANCE WITH ENVIRONMENTAL LAWS

GMA Network complies with various environmental laws such as R.A 8749 (Philippine Clean Air Act of 1999), R.A 6969 (Toxic Substance and Hazardous Wastes) under DENR and R.A. 9275 (Philippine Clean Water Act) under the Laguna Lake Development Authority.

Following are the details of the Company's compliance with the abovementioned environmental laws:

1. R.A 8749 – The Company has a Permit to Operate for the generator set installed in the GMA Network Center. The permit costs around P 12, 500.00, valid for five (5) years. As a requirement in the permit, the Company submits quarterly self monitoring reports on the consumed fuel of the generator sets. In addition, all generator sets undergo annual emission tests conducted by DENR's accredited 3rd party group. The emission tests cost around P75, 000.00 for the 5 units.

2. R.A. 6969 – All generated hazardous wastes such as used engine oils, busted fluorescent lamp (BFL), empty paint cans, contaminated rags and others are treated, recycled and appropriately disposed of with the DENR's accredited 3rd party hazardous waste treatment group. The annual cost for the treatment of hazardous waste is around P64, 500.00.

3. R.A 9275 – GMA has a Discharge Permit from the Laguna Lake Development Authority (LLDA) to operate its Sewage Treatment Facility (STP) in the GMA Network Center. The annual permit costs P 26, 000.00.

In addition, the Company incurred approximately Php110,000 in costs for other permits and licenses required by governmental regulations such as, but not limited to, special land use permits, DENR-EMB permits, etc.

EMPLOYEES

As of December 31, 2011, the Company has 2,157 regular and probationary employees, a 12.28% growth from 2010. The Company also engaged 2,993 talents in 2011, a 14.37% increase from the previous year. GMA Network, Inc. recognizes one labor union, the GMA Network, Inc. Employees Union. The Collective Bargaining Agreement (CBA) for the 5 year cycle covering 2009-2014 took effect in July 2009. Economic benefits were negotiated based on a 3 year and 2 year period. The economic benefit for the last two years is due for negotiation in June 2012.

The classification of the Company's employees, including the number of employees it anticipates to have in the ensuing twelve (12) months, are presented below:

EMPLOYEE DISCLOSURE

	AS OF DEC. 31, 2011	2012 Estimated addtl	Total Y2012
Rank and File *	1,215	137	1,352
Non-Rank and File	887	186	1,073
Officers	55	2	57
TOTAL	**2,157**	**325**	**2,482**

** Covered by Collective Bargaining Agreement (CBA)*

LABOR DISPUTES

There were no strikes nor observed strikes and disputes between the labor and management in the past three (3) years.

MAJOR RISKS INVOLVED IN THE BUSINESSES OF THE COMPANY AND ITS SUBSIDIARIES

Please refer to the discussion under Risk Management, Part IV of the report (p.59).

Item 2. Properties

As of December 31, 2011, the Company's total property and equipment and real property amounted to P4,662.2 million. The property and equipment had a book value of P3,252.6 million, while its real properties had a fair market value of P1,409.6 million (based on an independent appraisal report as of December 31, 2009).

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 Drive cor. EDSA, Diliman Quezon City which houses two state-of-the-art studios, technical facilities and 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;
- The GMA Fleet Center located on the east corner of Mother Ignacia Avenue and Sergeant Esguerra Avenue, Barangay South Triangle, Diliman Quezon City; 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;
- A 2,000 square meter property in Barangay Concepcion Pequeña, Naga City, where a TV relay transmitter and an FM transmitter site are located; and
- A 10,000 square meter property in La Trinidad, Benguet where an FM transmitter site and a one storey building are situated.
- A 2000 square meter property in Bayubay Sur, San Vicente, Ilocos Sur where a building for TV Station will be constructed.

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 an FM radio and television transmitter is located;
- Land in Alta Tierra, Jaro, Iloilo City where radio and television studios 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/office 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. Rental expense of the Company related to this amounted to P15.3 million for the year ended December 31, 2011.

Regional Broadcast Stations

GMA owns regional broadcast stations in various parts of the country. Originating TV stations are stand alone transmitter, studio and production facilities capable of producing and airing live and/or taped programs as well as plugs and advertising within their (local) service area/s independent of, or in conjunction with the national feed. Satellite TV stations are similar to originating TV stations except that they are not equipped with live production capability outside of news bulletins. Satellite TV stations are also capable of broadcasting local plugs or advertising within their respective (local) service areas either independent of, or in conjunction with national program feeds. TV relay stations are limited to transmitter and signal receiving facilities and only re-broadcast programs/content received from originating or satellite TV stations with which they are associated; either via satellite or other receiving methods.

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

LIST OF GMA's OPERATING TV STATIONS

NO	STATION	ADDRESS	CONTACT NUMBER
	LUZON		**TEL. NO./ MOBILE PHONE**
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	(02) 931-9183 / (02) 924-

		City	2497
2	TV-5 Ilocos Norte	Brgy. San Lorenzo, San Nicolas, Ilocos Norte	0918-5328580
	TV-27 Ilocos Norte (UHF)	Brgy. San Lorenzo, San Nicolas, Ilocos Norte	0918-5328580
3	TV-48 Ilocos Sur	Mt. Caniao, Bantay, Ilocos Sur	0915-8632841
4	TV-10 Benguet	Mt. Sto. Tomas, Tuba, Benguet	0915-4417080
	TV-22 Benguet (UHF)	Mt. Sto. Tomas, Tuba, Benguet	0915-4417080
5	TV-10 Olongapo	Upper Mabayuhan, Olongapo City	0927-2570496
	TV-26 Olongapo (UHF)	Upper Mabayuhan, Olongapo City	0927-2570496
6	TV-12 Batangas	Mt. Banoy, Bo. Talumpok East, Batangas City	0915-8632860
	TV-26 Batangas (UHF)	Mt. Banoy, Bo. Talumpok East, Batangas City	0915-8632860
7	TV-7 Naga	Brgy. Concepcion Pequeña, Naga City	0915-4417071
	TV-28 Naga (UHF)	Brgy. Concepcion Pequeña, Naga City	0915-4417071
8	TV-12 Legaspi	Mt. Bariw, Estanza, Legaspi City	0915-8632867
	TV-27 Legaspi (UHF)	Mt. Bariw, Estanza, Legaspi City	0915-8632867
9	TV-12 Puerto Princesa, Palawan	Mitra Rd., Brgy. Sta. Monica, Puerto Princesa, Palawan	0939-2755280
	TV-27 Puerto Princesa, Palawan (UHF)	Mitra Rd., Brgy. Sta. Monica, Puerto Princesa, Palawan	0939-2755280
10	TV-6 Brooke's Point, Palawan	Poblacion, Brooke's Point, Palawan	0939-2755280
11	TV-7 Masbate	Brgy. Pinamurbuhan, Mobo, Masbate	0909-2405510
	TV-27 Masbate (UHF)	Brgy. Pinamurbuhan, Mobo, Masbate	0909-2405510
12	TV-13 Catanduanes	Brgy. Sto. Niño, Virac, Catanduanes	0906-7524547
13	TV-13 Occ. Mindoro	Bonifacio St., San Jose, Occidental Mindoro	0921-3524271
	TV-26 Occ. Mindoro (UHF)	Bonifacio St., San Jose, Occidental Mindoro	0921-3524271
14	TV-5 Aurora	Purok 3, Brgy. Buhangin, Baler, Aurora	0920-2603590
15	TV-7 Abra	Brgy. Lusuac, Peñarrubia, Abra	0999-4473166

16	TV-13 Aparri, Cagayan	Hi-Class Bldg., De Rivera St., Poblacion, Aparri, Cagayan	0908-3846771
17	TV-7 Tuguegarao, Cagayan	Phil. Lumber Bldg., Washington St., Tuguegarao, Cagayan	0929-5603195
18	TV-8 Coron, Palawan	Tapias Hill, Coron, Palawan	0929-6982107
19	TV-7 Batanes	Brgy. Kayvaluganan, Basco, Batanes	0928-7433472 / 09292804278
20	TV-7 Romblon	Triple Peak, Sta. Maria, Tablas, Romblon	0929-4812061
21	TV-7 Isabela	Heritage Commercial Complex, Maharlika Hi-way, Brgy. Malvar, Santiago City, Isabela	0915-6727845
22	TV-5 Mountain Province	Mt Amuyao, Barlig. Mountain Province	0915-4416450
23	TV-44 Jalajala	Mt. Landing, Jalajala, Rizal	0915-8632874
	VISAYAS		
24	TV-7 Cebu	Bonbon, Cebu City	0915-4417075
	TV-27 Cebu (UHF)	Bonbon, Cebu City	0915-4417075
25	TV-6 Iloilo	Bo. Tamburong, Jordan, Guimaras	0915-4417084
	TV-28 Iloilo (UHF)	Alta Tierra Subdivision, Jaro, Iloilo	0915-4417084
26	TV-11 Bohol	Banat-I Hills, Brgy. Bool, Tagbilaran City	0918-2502675
27	TV-10 Tacloban	Basper, Tigbao, Tacloban City	0919-3899212
	TV-26 Tacloban (UHF)	Basper, Tigbao, Tacloban City	0919-3899212
28	TV-12 Ormoc, Leyte	Brgy. Alta Vista, Ormoc City	0912-8660646
29	TV-8 Borongan	Poblacion, Borongan, Eastern Samar	0921-2602154
30	TV-5 Roxas City	Brgy. Milibili, Roxas City, Capiz	0921-9978181 / 0949-4912879
	TV-27 Roxas City (UHF)	Brgy. Milibili, Roxas City, Capiz	0921-9978181 / 0949-4912879
31	TV-5 Dumaguete	Barrio Looc, Sibulan, Negros Oriental	0906-5229490
	TV-28 Dumaguete (UHF)	Barrio Looc, Sibulan, Negros Oriental	0906-5229490
32	TV-10 Sipalay	Sipalay Municipal Building, Sipalay,	0999-6932317

		Negros Occidental	
33	TV-5 Calbayog City	Purok 2 San Mateo St. Brgy. Matobato, Calbayog City, Western Samar	0948-7095868
34	TV-2 Kalibo	New Busuanga, Numancia, Aklan	0929-4356922
	TV-27 Kalibo (UHF)	New Busuanga, Numancia, Aklan	0929-4356922
35	TV-13 Bacolod	Security Bank Bldg., Rizal St. cor. Locsin St., Bacolod City	0915-8632864
	MINDANAO		
36	TV-5 Davao	Shrine Hills, Matina, Davao City	0915-4417082 / 0929-3292480
	TV-27 Davao (UHF)	Shrine Hills, Matina, Davao City	0915-4417082 / 0929-3292480
37	TV-12 Mt. Kitanglad	Mt. Kitanglad, Bukidnon	0915-8632863
38	TV-12 Cagayan De Oro	Malasag Heights, Brgy. Cugman, Cagayan de Oro City	0915-8632875
	TV-35 Cagayan de Oro (UHF)	Malasag Heights, Brgy. Cugman, Cagayan de Oro City	0915-8632875
39	TV-8 General Santos	Nuñez St., Brgy. San Isidro, General Santos City	0915-8632871
	TV-26 Gen. Santos (UHF)	Nuñez St., Brgy. San Isidro, General Santos City	0915-8632871
40	TV-12 Cotabato	Regional Government Center, Cotabato City	0920-3537395
	TV-27 Cotabato (UHF)	Regional Government Center, Cotabato City	0920-3537395
41	TV-9 Zamboanga	Brgy. Cabatangan, Zamboanga City	0915-8632870
	TV-21 Zamboanga (UHF)	Brgy. Cabatangan, Zamboanga City	0915-8632870
42	TV-5 Ozamis	Bo. Malaubang, Ozamis City, Misamis Occidental	0928-6278996
	TV-22 Ozamis (UHF)	Bo. Malaubang, Ozamis City, Misamis Occidental	0928-6278996
43	TV-4 Dipolog	Linabo Peak, Dipolog City, Zamboanga Del Norte	0921-4406867
	TV-26 Dipolog (UHF)	Linabo Peak, Dipolog City, Zamboanga Del Norte	0921-4406867

44	TV-10 Surigao	Lipata Hills, Surigao City	0919-8095052
	TV-27 Surigao (UHF)	Lipata Hills, Surigao City	0919-8095052
45	TV-12 Jolo	Ynawat Bldg., Hadji Butu St., Jolo, Sulu	0918-7923420 / 0926-7629292
46	TV-2 Tandag	Capitol Hill, Brgy. Telaje, Tandag, Surigao del Sur	0920-2952515
47	TV-3 Pagadian	Mt. Palpalan, Pagadian City	0908-6888017
	TV-26 Pagadian (UHF)	Mt. Palpalan, Pagadian City	0908-6888017
48	TV-11 Iligan	3/F Kimberly Bldg., A. Bonifacio cor. Isidoro Emilia Ave., Tibanga Hi-Way, Iligan City	0921-3384319
		AFFILIATE STATION	
1	TV-7 Butuan*	SJT Bldg., Montilla Blvd., Butuan City	(085) 342-9571/342-7073

**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.*

GMA's RADIO STATIONS

AREA	FREQ.	CALL SIGN	POWER		ADDRESS
		LUZON			
METRO MANILA	97.1 mhz. 594 khz.	DWLS DZBB	FM AM	35kW 50kW	GMA Complex, EDSA cor. Timog Ave., Diliman, Quezon City
BAGUIO	92.7 mhz.	DWRA	FM	10kW	2/F Baguio Midland Courier Bldg. 16 Kisad Rd., Baguio City
DAGUPAN	93.5 mhz.	DWTL	FM	10kW	Claveria Road, Malued District Dagupan City, Pangasinan
LEGASPI	96.3 mhz.	DWCW	FM	10kW	3rd level A.Bichara Silversreen Entertainment Center, Magallanes St., Legazpi City
LUCENA	91.1 mhz.	DWQL	FM	10kW	3/F Ancon Bldg., Merchan Street , Lucena City
NAGA	101.5 mhz.	DWQW	FM	10kW	4/F DMG Bldg., Penafrancia St. Naga City, Camarines Sur
PALAWAN	909 khz.	DYSP	AM	5kW	Solid Road, San Manuel Puerto Princesa City, Palawan

	97.5 mhz.	DYHY	FM	5kW	
TUGUEGARAO	89.3 mhz.	DWWQ	FM	10kW	4/F Villablanca Hotel Pattaui St. cor Pallua Rd., Ugac Norte Tuguegarao, Cagayan
		VISAYAS			
BACOLOD	107.1mhz.	DYEN	FM	10kW	2/F Jomabo Centre Penthouse Rizal cor. Lacson Sts., Bacolod City
CEBU	999 khz. 99.5 mhz.	DYSS DYRT	AM FM	10kW 25kW	GMA Skyview Complex Nivel Hills, Lahug, Cebu City
ILOILO	1323 khz	DYSI	AM	10kW	Phase 5, Alta Tierra Village Jaro, Iloilo City
	93.5 mhz.	DYMK	FM	10kW	
KALIBO	92.9 mhz.	DYRU	FM	5kW	Torres-Olivia Bldg. Roxas Ave. Extension, Kalibo, Aklan
		MINDANAO			
CAGAYAN DE ORO	100.7 mhz.	DXLX	FM	10kW	2/F Marel Realty Bldg., Pabayo corner Hayes St. Cagayan de Oro City, Misamis Oriental
ILIGAN	Relayed over DZBB				
DAVAO	103.5 mhz. 1125 khz	DXRV DXGM	FM AM	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

PROPERTIES INTENDED FOR ACQUISITION

As of the present, the Company does not intend to acquire any predetermined property within the next twelve (12) months.

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, 2011.

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 filed a Petition for Review with the Supreme Court questioning the said CTA decision. However, the Supreme Court denied the Petition. The Company filed a motion for reconsideration which was likewise denied by the Supreme Court. In the meantime, the Company's application for abatement with the BIR has been denied. Thus, the Company was constrained to pay to the BIR its corresponding tax liabilities for year 2000.

On 12 September 2011, the Bureau of Internal Revenue (BIR) issued a Certificate of Approval, certifying that the Company's application for abatement/cancellation (based on Section 2.7 of the Revenue Regulations No. 13-2001) of the Delinquency Interest in the total amount of P10,313,655.46 on its Final Withholding Tax on Dividends for the Taxable Year 2000 has been accepted and approved.

Labor Cases

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. However, we have contested the computed award for Mr. Vinluan before 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, 13th-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.

There is also a case for illegal dismissal filed against GMA Marketing and Productions, Inc. ("GMPI"), another wholly-owned subsidiary of GMA Network, and its officers, Lizelle Maralag and Leah Nuyda initiated by Corazon Guison, a former Sales Director of GMPI. The complainant claimed that she was unceremoniously terminated from her employment sometime in May 2010 and is entitled to reinstatement as well as payment of full backwages, unpaid commissions and salaries, moral and exemplary damages and attorney's fees. On January 31, 2011, the Labor Arbiter rendered a decision finding for complainant Guison and ordered the respondents to pay P807,007.50 as backwages and P1,691,000.00 as separation pay, as well as attorney's fees. The respondents timely filed their appeal before the National Labor Relations Commission (NLRC) in March 11, 2011. In a Decision dated November 15, 2011, the NLRC reversed the Labor Arbiter's decision and dismissed the complaint of Guison.

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 charged 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. On August 1, 2005, the DOJ reversed the fiscal's resolution finding probable cause against Mr. dela Peña-Reyes and Mr. Manalastas and directed the fiscal to withdraw the Information. ABS-CBN filed a motion for reconsideration. Meanwhile, the DOJ issued a Resolution dated September 15, 2005 denying the Company's Petition for Review and ruling that ABS-CBN's officers and employees did not commit libel. The Company filed a motion for reconsideration.

On June 29, 2010, the DOJ issued a Resolution granting both the Company's and ABS-CBN's Motion for Reconsideration, and directing the filing of Information against ABS-CBN's officers and employees for libel as well as the filing of information for infringement against the Company's officers and employees.

The Company elevated the DOJ's June 29, 2010 Resolution directly to the Court of Appeals via a Petition for Certiorari docketed as CA-G.R. SP No. 115751. On November 9, 2010, the Court of Appeals issued a decision granting the Company's Petition for Certiorari and reversing the DOJ Resolution dated June 29, 2010 and reinstating the DOJ Resolution dated August 1, 2005 which ordered the withdrawal of Information for copyright infringement. ABS-CBN filed a motion for reconsideration with the Court of Appeals, which was denied. ABS-CBN filed a Petition with the Supreme Court and which is still pending, to date.

Libel Case

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 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 civil case has been withdrawn by plaintiffs and ordered dismissed by the RTC of Quezon City.

Civil Cases

A complaint for damages was filed by Dolores Domingo, 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 plaintiff 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 ruled in favor of the Company and dismissed the complaint by plaintiff.

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 RTC of Caloocan ruled in favor of the Company and dismissed the complaint by plaintiff. Plaintiff has appealed the trial court's decision to the Court of Appeals.

On June 25, 2008, Mary the Queen Hospital filed a case for damages against the Company, Mike Enriquez as well as certain other members of the show, **Imbestigador**. The hospital alleged that the show damaged its reputation by falsely accusing them of illegally detaining a patient for failure to settle hospital bills. The hospital claimed a total of ₱ 5.5 million in moral, exemplary and temperate damages, as well as costs of the suit. The plaintiff is in the process of presenting its evidence.

Another case involved the Company and members of the show **Imbestigador**, stemmed from a story involving a police officer allegedly extorting money from arrested drug dependents, which ultimately led to his arrest. On September 4, 2008, the complaint sought to enjoin the airing of the story relating to his arrest by filing a case for injunction. However, the plaintiff's application for restraining order was denied by the RTC of Quezon City. Plaintiff then filed an amended complaint to include a claim for damages. The plaintiff is still presenting evidence before the trial court.

A petition for indirect contempt with damages was filed against GMA DYSI Super Radyo and other individual respondents alleging that they violated the sub judice rule by commenting on issues in an ongoing case on **Saksi sa Gab-I**. Petitioner prayed for damages in the amount of about half a million in damages. However, petitioner has relented and withdrawn the Petition for contempt as against the Company. Thus, the trial court dismissed the Petition.

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

Market Information

Stock Prices GMA7

Period in 2011	Highest Closing	Lowest Closing

1Q	7.08	6.50
2Q	7.18	6.67
3Q	6.99	6.47
4Q	6.68	6.20

Stock Prices GMAP

Period in 2011	Highest Closing	Lowest Closing
1Q	7.01	6.52
2Q	7.10	6.70
3Q	7.10	6.39
4Q	6.55	6.03

The Company's common shares and Philippine Deposit Receipts have been listed with the Philippine Stock Exchange since 2007. The price information as of the close of the latest practicable trading date April 16, 2012; GMA7's closing price is ₱ 9.10 for GMA 7 and ₱8.92 for GMAP (PDRs)

Holders

There are 1,870 holders of common equity as of March 31, 2012. 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.	861,558,300	25.61%
Group Management & Development, Inc.	789,813,389	23.47%
FLG Management & Development Corp.	663,929,027	19.73%
M.A. Jimenez Enterprises, Inc.	453,882,095	13.49%
Television International Corp.	334,378,037	9.94%
PCD Nominee Corp.	216,414,966	6.43%
Gozon Development Corp.	14,033,954	0.42%
Gozon Foundation Inc.	4,514,361	00.13%
Gilberto R. Duavit, Jr.	4,007,006	0.12%
Alegria F. Sibal	1,093,252	0.03%
Anna Teresa Gozon-Abrogar	1,058,000	0.03%

Name of Shareholders	No. of Common Shares	Percentage of Ownership of Total Common Shares
Felipe S. Yalong	1,025,000	0.03%
Jose Mari L. Chan	872,000	0.03%
Judith Duavit Vazquez	588,000	0.02%
Jose P. Marcelo	501,498	0.01%
Nita Laurel Yupangco	346,127	0.01%
Jose C. Laurel V	346,127	0.01%
Susana Laurel -Delgado	346,127	0.01%
Horacio P. Borromeo	326,735	0.01%
Jaime C. Laya	294,000	0.01%

The following are the top 20 holders of the Company's preferred shares as of March 31, 2012:

Name of Shareholders	No. of Preferred Shares	Percentage of Ownership of Total Preferred Shares
Group Management & Development Inc.	2,625,805,308	35.0130%
FLG Management & Development Corp.	2,181,898,644	29.0939%
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%
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%
Paul Sim	30,420	0.0004%

The information presented does not 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. The Company has no contractual restrictions which would limit its ability to declare any dividend.

Dividend History of the Company

Year	Amount	Date Declared	Type of Dividend
2005	₱ 218,521,203.5	February 17, 2005	Cash and Property
2005	₱ 3,000,000,000.0	October 11, 2005	Stock
2006	₱ 1,150,000,000.0	June 13, 2006	Cash and Property
2007	₱ 1,500,000,000.0	March 19, 2007	Cash
2007	₱ 375,000,000.0	April 26, 2007	Stock
2007	₱ 1,000,000,000.0	July 2, 2007	Cash
2008	₱ 1,214,163,001.0	May 21, 2008	Cash
2009	₱ 1,701,069,453.0	April 2, 2009	Cash
2010	₱ 2,187,089,296.56	March 25, 2010	Cash
2010	₱ 1,215,049,069.20	October 28, 2010	Cash
2011	₱ 2,187,089,296.56	March 11, 2011	Cash
2012	₱ 1,944,079,374.72	March 28, 2012	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 Discussion and Analysis of Financial Condition and Results of Operations for the Years Ended December 31, 2011 and 2010

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

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

KEY PERFORMANCE INDICATORS

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

Ratings

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

Load Factor

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

Signal reach/coverage

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

Subscriber count

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

Cost control

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

FINANCIAL AND OPERATIONAL RESULTS

<u>For the Year Ended December 31, 2011</u>

The objective in grabbing the much coveted leadership in the national ratings game was finally attained by the first quarter of 2011 – a fitting reward to the unrelenting efforts poured into via a multitude of regional synergy initiatives and in continuously striving to delight our customers with innovative programming. This upper hand was instrumental in mitigating the adverse impact of developments in the international market particularly in the second half of the year which led to significant cutback in ad spend by major advertisers.

The Company ended the year with consolidated gross revenues of ₱13,083 million, translating into a 7% growth from regular advertising and other revenue sources vs. a year ago, after stripping the impact of some ₱2,054 million worth of political advocacies and advertisements in 2010's top line. Inclusive of the windfall from the 2010 national and local elections, consolidated gross revenues fell short by 9% year-on-year. The absence of this considerable contribution from prior year's election campaign coupled with cost increases drove consolidated net income to settle at ₱1,715 million or slightly over a billion less than comparable period.

Income Data	2011 *(in millions Php)*	2010 *(in millions Php)*	Inc/(Dec) *(in millions Php)*	%
Gross Revenues				
Television and radio airtime	11,881.2	13,192.7	(1,311.5)	-10%
Production and others	1,201.6	1,106.8	94.8	9%
	13,082.8	14,299.5	(1,216.7)	-9%
Less: Revenue Deductions				
Agency and marketing commissions	1,894.1	2,204.4	(310.4)	-14%
Co-producers' share	31.7	80.0	(48.3)	-60%
	1,925.8	2,284.4	(358.6)	-16%
Net Revenues	11,157.0	12,015.1	(858.1)	-7%
Production Costs	5,105.0	4,593.2	511.7	11%
Gross Profit	6,052.1	7,421.9	(1,369.8)	-18%
General and Administrative Expenses	(3,879.3)	(3,732.6)	(146.7)	4%
Interest Expense and Financing Charges	(11.5)	(3.8)	(7.7)	203%
Interest Income	28.6	77.2	(48.7)	-63%
Other Income	56.1	31.4	24.7	79%
Income Before Income Tax	2,246.0	3,794.2	(1,548.2)	-41%
Provision for Income Tax	530.9	973.4	(442.5)	-45%
Net Income	1,715.1	2,820.8	(1,105.7)	-39%
Earnings Per Share				
Basic	0.353	0.580		
Diluted	0.353	0.580		

Revenues

Consolidated gross revenues for the year, comprised of airtime revenues from television and radio, subscription revenues from international operations, and other revenues from subsidiaries, climbed ₱837 million or 7% more than the ₱12,246 million top line generated from recurring advertisements and other sources a year ago.

Gross Revenues	2011 (in millions Php)	2010 (in millions Php)	Inc/(Dec) (in millions Php)	%
Gross Revenues				
Television and radio airtime	11,881.2	11,138.9	742.3	7%
Production and others	1,201.6	1,106.8	94.8	9%
	13,082.8	12,245.7	837.1	7%
Add: Political advertisements	-	2,053.8	(2,053.8)	-100%
	13,082.8	14,299.5	(1,216.7)	-9%

Airtime revenues ended at ₱11,881 million for 2011 up 7% than 2010's top line from regular advertising. Inclusive of political ads in 2010 however, a 9% drop equivalent to ₱1,217 million was reflected in total gross revenues for this year.

Core channel, GMA-7 posted an improvement in its regular advertising revenues of 8% or ₱828 million vs. same period in 2010. Regional TV sales were likewise upbeat in 2011 with the lead in nationwide ratings giving the much needed push. Thus, RTV ended with a 21% hike year-on-year on recurring ad placements. Not to be left behind, Radio operations once again proved its steadfastness growing regular sales by 15%, likewise benefitting from the improvement in ratings standing in the radio broadcast industry. Lastly, the newly reformatted Ch-11 (from QTV to GNTV) also steadily gained ground as it solidified the main competence of the Network as a reputable source and provider of balanced news and information.

Meanwhile, revenues from international operations, subsidiaries and other sources finished off with a 9% climb vs. last year. GMA's international channels, led by GMA Pinoy TV, GMA Life TV and the recently launched third channel GMA News TV recorded an increase in subscriber take up of 7% with more than 290,000 subscribers by the end of 2011. Of this number, some 115,000 are also subscribers of GLTV.

Expenses

Spending-wise consolidated operating expenses reached ₱8,984 million for the year, climbing 8% or ₱658 million compared to 2010. Total direct costs (cash and non-cash production costs) escalated by 11% while general and administrative expenses (GAEX) grew by only 4%.

Total direct cost for 2011 reached ₱5,105 million, ₱512 million or 11% higher vs. last year. Cash production cost hiked by ₱644 million or 16% over last year coming from the following: a.) generally higher costs of in-house produced soaps, in particular *Captain Barbell* and the trailblazer epic-serye *Amaya*; b.) annualization of an additional daily soap in the afternoon replacing co-produced program *Daisy Siete*; c.) reformatting of Ch-11 from QTV to GNTV entailing more station-produced shows vis-à-vis rented materials; and general increases in talent fees.

Production Costs	2011 (in millions Php)	2010 (in millions Php)	Inc/(Dec) (in millions Php)	%
Talent fees	2,776.4	2,330.5	445.9	19%
Rentals and outside services	763.3	658.9	104.4	16%
Other program expenses	1,023.6	929.5	94.1	10%
Sub-total - Cash production costs	4,563.2	3,918.9	644.4	16%
Program rights amortization	317.5	463.9	(146.3)	-32%
Depreciation and amortization	224.2	210.5	13.7	7%
Sub-total - Non-cash production costs	541.7	674.3	(132.6)	-20%
Total production costs	5,105.0	4,593.2	511.7	11%

The hike in cash production costs was partly offset by the reduction in non-cash production cost by ₱133 million or 20% between comparable periods. In particular, program rights amortization dropped by ₱146 million or close to one-third of 2010 cost resulting from the aforementioned repackaging of Ch-11 to mostly station-produced shows.

General and Administrative Expenses	2011 (in millions Php)	2010 (in millions Php)	Inc/(Dec) (in millions Php)	%
Personnel costs	1,714.2	1,626.1	88.1	5%
Outside services	667.0	667.3	(0.3)	-0.05%
Facilities costs	458.0	443.0	15.1	3%
Taxes and licenses	211.4	191.3	20.1	11%
Others	484.2	457.5	26.7	6%
Subtotal - Cash GAEX	3,534.9	3,385.2	149.6	4%
Depreciation and amortization	294.2	296.5	(2.3)	-1%
Amortization of software costs	25.7	20.2	5.5	27%
Provision for doubtful accounts	24.5	30.6	(6.0)	-20%
Subtotal - Non-cash GAEX	344.4	347.3	(2.9)	-1%
Total GAEX	3,879.3	3,732.6	146.7	4%

On the other hand, the increase in consolidated GAEX was kept at bay at ₱147 million or only 4%. Personnel cost was the main driver for this year's climb, ending at 5% or ₱88 million more vs. last year. The annual salary adjustments from the collective bargaining agreements (CBA) of rank and file employees and merit increases of confidential employees as well as the augmentation in manpower complement during the year accounted from the principal reasons for the growth in the account.

Outside services comprised of advertising and promotions, management and professional fees and sales incentives finished on par with last year. Additional spending in advertising and consultancy fees were negated by the decline in sales incentives attuned to the reduction in the top line this year.

Utilities and repairs and maintenance which made up Facilities costs inched up by 3% or ₱15 million between comparable periods. The constant escalation in power rate not only in Metro Manila but in the regions coupled with increase in consumption due to full utilization of the Company's facilities were tempered by the reduction in charges for corrective maintenance and replacement of machine/broadcast equipment parts.

Taxes and licenses were moderately higher by ₱20 million or 11% vis-à-vis same period a year ago. The growth in local franchise tax using the 2010 political ads-laden revenues as base influenced the increase in the account, coupled with a one-time payment for prior year's tax assessment.

Other cash GAEX also ended up by ₱27 million or 6% mainly owing to aggregate increases in research and survey, rental fees and subscription and renewal to various software licenses and agreements.

Meanwhile, non-cash GAEX for the year dipped by ₱3 million or 1% year-on-year. The increase in amortization of software costs was negated by the decline in depreciation and lower provision for doubtful accounts on trade receivables.

Interest and financing charges on short-term loans

Interest expense and financing charges totaled ₱11 million, compared to ₱4 million in 2010, translating into an additional interest expense of ₱8 million from a year ago. Short-term borrowing during the year was mainly used to bridge the timing difference between cash inflows and operating expenses.

Interest income from short-term investments

In the meantime, interest income from short-term investments significantly declined to ₱29 million, down 63% or ₱49 million from last year's ₱77 million. The resulting decline in interest income was mainly on account of the reduced cash position and short-term placement during the year brought about by lower net income.

Net Income

The year ended with earnings before income, taxes, depreciation, and amortization of ₱3,090 million, and net income after tax of ₱1,715 million.

Balance Sheet Accounts

Consolidated assets totaled ₱12,381 million, equivalent to a 5% reduction from last year's ₱13,042 million. Considerable decline was seen in Trade and other receivables-net from ₱5,532 million in 2010 to ₱4,191 million at the end of this year. The ₱1,341 million or 24% drop in the account was a combination of the slowdown in revenues compounded by aggressive collection efforts this year.

Trade days-sales-outstanding (DSO) improved to 120 days at end-2011 vs. 145 days at the close of 2010.

The decline in net income pulled down financial indicators of the Company to a lower level this year falling between 6 to 10 percentage points, but nevertheless remaining competitive industry-wide.

Equity settled at ₱9,827 million as of December this year, 5% lower than last year's ₱10,299 million resulting from the lower bottom line recorded during this year.

Cash Flows	2011 *(in millions Php)*	2010 *(in millions Php)*
Net cash provided by operating activities	3,104.3	2,703.7
Net cash used in investing activities	(934.4)	(259.8)
Net cash used in financing activities	(2,199.1)	(3,403.8)
Effect of exchange rate changes on cash and cash equivalents	4.8	(7.9)
Net increase (decrease) in cash and cash equivalents	(24.4)	(967.8)
Cash and cash equivalents at beginning of year	1,232.4	2,200.2
Cash and cash equivalents at end of year	**1,208.0**	1,232.4

Operating Activities

Net cash from operations registered at ₱3,104 million this year. This resulted from income before income tax of ₱2,246 million adjusted mainly by depreciation expense of ₱518 million, pension expense of ₱71 million, interest income from bank deposits and short-term investments of ₱29 million and amortization of software costs of ₱26 million apart from the changes in working capital. The primary components of the changes in working capital include the ₱1,339 million reduction in trade and other receivables owing to lower top line compounded with more aggressive collection efforts, partly offset by the ₱172 million rise in program and other rights from higher acquisition vis-à-vis usage, as the reformatted Ch-11 concentrated on station-produced programs vice a mix of in-house and canned shows and ₱90 million hike in prepaid expenses.

Investing Activities

Net cash used in investing activities amounted to ₱934 million, coming primarily from the ₱903 million additions to property and equipment and ₱35 million worth of software costs. These were offset by the ₱12 million decrease in other noncurrent assets as well as the ₱24 million proceeds from sale of property and equipment and investment properties.

Financing Activities

Net cash used in financing activities amounted to ₱2,199 million basically for the cash dividend payout amounting to ₱2,188 million during the year plus some ₱11 million in interest expense.

For the Year Ended December 31, 2010

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

It was yet another challenging year for the Company in 2010, with financial results soaring during the election season and later on experiencing setbacks in the face of advertising rate negotiations and ratings challenges. While the Company steadily regained its foothold towards the end of the year, obstacles encountered during the third quarter took its toll as year-to-date consolidated net income settled only a tad higher than 2009's performance.

Income Data	2010 (in millions Php)	2009 (in millions Php)	Inc/(Dec) (in millions Php)	%
Gross Revenues				
Television and radio airtime	13,192.7	12,691.6	501.1	4%
Production and others	1,106.8	1,079.3	27.5	3%
	14,299.5	13,770.9	528.6	4%
Less: Revenue Deductions				
Agency and marketing commissions	2,204.4	2,060.0	144.4	7%
Co-producers' share	80.0	210.4	(130.4)	-62%
	2,284.4	2,270.4	14.0	1%
Net Revenue	12,015.1	11,500.5	514.6	4%
Production Costs	4,593.2	4,290.4	302.9	7%
Gross Profit	7,421.9	7,210.2	211.8	3%
General and Administrative Expenses	(3,732.6)	(3,452.0)	(280.6)	8%
Interest Expense and Financing Charges	(3.8)	(8.9)	5.1	-57%
Interest Income	77.2	57.8	19.5	34%
Other Income	31.4	31.9	(0.4)	-1%
Income Before Income Tax	3,794.2	3,838.9	(44.7)	-1%
Provision for Income Tax	973.4	1,020.6	(47.3)	-5%
Net Income	2,820.8	2,818.3	2.6	0.1%
Earnings Per Share				
Basic	0.580	0.580		
Diluted	0.580	0.580		

Revenues

Consolidated gross revenues for 2010, comprised of airtime revenues from television and radio, subscription revenues from international operations, and other revenues from subsidiaries, wrapped up at ₱14,300 million, more than half a billion or 4% higher than the ₱13,771 million recorded in 2009.

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

Airtime revenues drove the increase buoyed by political advertisements during election period which totaled ₱2,054 million across all platforms in contrast to ₱636 million in political advocacies booked in 2009. Channel 7 remained the lifeblood of the Company, contributing 85% of total revenues. Airtime contribution from this platform slightly improved by 3% year-on-year. Radio's airtime revenues on the other hand jumped 43% driven by political ad placements and sustained revenue growth even towards the end of the year. International operation's top line which has steadily provided an additional source of revenues grew by 8%, backed by the continuing build up of subscriber base. The revenue growth would have been higher at 14% stripping the impact of the appreciation of the peso during the year. GMA's international channels – GMA Pinoy TV (GPTV) and GMA Life TV (GLTV) – both recorded double-digit growth in subscriber base by end-2010. GPTV's subscribers were over 273,000 as of the mentioned period, up 16 percent year-on-year. Of this number, 125,000 are also subscribers of GLTV, increasing subscriber take-up by 17 percent from 2009.

Expenses

Total operating expenses grew by ₱583 million or 8% year-on-year, ending at ₱8,326 million vs. ₱7,742 million in 2009. The climb was mainly propelled by the increase in production costs and advertising and promotions particularly in the regions.

Production-related expenses hiked 7% or ₱303 million with cash production costs increasing by ₱360 million or 10%. Non-cash production costs partly mitigated the rise by ending 8% or ₱57 million lower. The growth in cash production costs was mainly on account of the non-recurring election coverage expenses. Apart from this, additional programs were produced, particularly in the weekday late afternoon grid, replacing canned materials and the long-running co-produced program *Daisy Siete* by mid-year. Moreover, the Network took a big leap in refurbishing its weekend flagship entertainment variety program, *Party Pilipinas* replacing *S.O.P.*, which eventually clinched higher ratings against its rival program. The weekday *telebabad* block likewise carried higher costing programs vis-à-vis their counterparts last year. In 2010, *Survivor Philippines* featured celebrity castaways with an equally new host in the person of Richard Gutierrez, entailing higher cost than 2009's *Survivor* edition.

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

Production Costs	2010 (in millions Php)	2009 (in millions Php)	Inc/(Dec) (in millions Php)	%
Talent fees	**2,330.5**	2,101.1	229.3	11%
Rentals and outside services	**658.9**	613.1	45.8	7%
Other program expenses	**929.5**	845.1	84.4	10%
Sub-total - Cash production costs	3,918.9	3,559.3	359.6	10%
Program rights amortization	**463.9**	524.4	(60.6)	-12%
Depreciation and amortization	**210.5**	206.6	3.9	2%
Sub-total - Non-cash production costs	674.3	731.0	(56.7)	-8%
Total production costs	4,593.2	4,290.4	302.9	7%

Meanwhile, consolidated general and administrative expenses (GAEX) sealed the 2010 ₱3,733 million, ₱281 million or 8% more than in 2009. The spike in advertising and promotions due to the continued promotional blitz in the regions accounted for more than one third of the escalation in GAEX. The hike in sales incentives owing to 2010's election revenues likewise added to the increase in general and administrative expenses.

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

Personnel costs amounted to ₱1,626 million, almost at par with 2009's spending. Despite growth in manpower base and salary adjustments, the negligible movement in personnel costs in 2010 was due to the presence of a non-recurring signing bonus in 2009 resulting from the three-year collective bargaining agreement and higher bonus rate in 2009.

Outside services, consisting of advertising and promotions, management and professional fees, and sales incentives, soared by ₱155 million or 30% compared to prior year. Extensive promotional efforts particularly in the regions in the pursuit of gaining nationwide leadership in ratings drove advertising and promotions to grow by 39% or ₱112 million more than in 2009. Sales incentive likewise shot up attuned to the influx of political ad placements earlier in 2010.

Utilities and repairs and maintenance which comprised Facilities costs rose 27% or ₱94 million in 2010. The jump in utilities consumption mainly resulted from the power rate hike not only in Metro Manila but in the regions as well. The signal-strengthening enhancements in regional infrastructure likewise necessitated additional power consumption.

Taxes and licenses ended flat at ₱191 million year-on-year. The growth in franchise tax and increase in royalty tax aligned with the improvement in GMA International's subscription revenue were offset by the reduction in real property tax payments and one-time adjustment in annual NTC supervision fee.

Other cash GAEX was likewise up by ₱46 million or 11% compared to 2009, ending at ₱458 million vs. ₱411 million. The growth was influenced by higher fees incurred in research and survey services and increases in security and janitorial fees.

Meanwhile, non-cash GAEX for the 2010 dropped 8% or ₱29 million wrapping up at ₱347 million on the back of lower depreciation. Major broadcast equipment were fully amortized this year causing the reduction. This was partly negated by booking additional provision for doubtful accounts in 2010.

Interest and financing charges on short-term loans

Interest expense and financing charges dipped by 57% to a mere ₱4 million in 2010 from 2009's ₱9 million. Short-term borrowings in 2010 was significantly trimmed down as the Company was awash with cash especially during the earlier part of that year from political advertisements and was able to sustain its operations with internally generated funds.

Interest income from short-term investments

While interest and financing charges dropped, interest income from short-term investments grew to ₱77 million, up ₱19 million or 34% from 2009. Short-term placements were relatively higher boosted by higher collections due to pay-before broadcast policy for election-related placements.

Net Income

The impact of total operating costs outpacing the growth in revenues was mitigated by additional contributions coming from non-operating income in 2010. Thus, bottom line settled ahead of 2009, albeit by barely 0.1% at ₱2,821 million compared to ₱2,818 million in 2009.

Balance Sheet Accounts

Consolidated assets totaled ₱13,042 million, equivalent to a 5% reduction from 2009's ₱ 13,684 million. Cash and short-term investments were down 44%, declining from ₱2,200 million by end-2009 to ₱1,232 million as of year-end. The significant drop resulted from a second tranche of cash dividend payout of ₱0.25 per share to all shareholders amounting to ₱1,215 million in December 2010, apart from the regular dividend distributed in May of the same year -- another milestone for the Company.

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

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

Equity settled at ₱10,299 million as of December 2010, 5% lower than 2009's ₱10,880 million caused by the aforementioned higher dividend payout during the year.

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

Operating Activities

Net cash from operations registered at ₱2,704 million in 2010. This resulted from the income before income tax of ₱3,794 million adjusted by depreciation expense of ₱507 million, pension expense of ₱94 million and interest income from bank deposits and short-term investments of ₱ 77 million apart from the changes in working capital. The primary components of the changes in working capital include the ₱225 million increase in trade and other receivables and ₱218 million climb in prepaid expenses which were partly offset by the net movement resulting in a drop of ₱82 million in program rights as the Company's program rights usage for the year was higher compared to the level of acquisitions made.

Investing Activities

Net cash used in investing activities amounted to ₱260 million, arising mainly from the ₱428 million additions to property and equipment followed by ₱31 million worth of software costs. These were offset by the ₱97 million decrease in other noncurrent assets as well as the ₱59 million representing collection of advances to associates and joint ventures and ₱50 million proceeds from sale of property and equipment and investment properties.

Financing Activities

Net cash used in financing activities amounted to ₱3,404 million basically for the record-high cash dividend payout amounting to ₱3,400 million during the year.

KEY VARIABLE AND OTHER QUALITATIVE OR QUANTITATIVE FACTORS

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

As of December 31, 2011, there were no known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

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

As of December 31, 2011, there were no events which may trigger a direct or contingent financial obligation that is material to the Company.

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

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

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

For 2012, the parent company has allotted ₱679 million for capital expenditures. This will be financed by internally-generated funds.

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

GMA Network's results of operations depend largely on the ability to sell airtime for advertising. The Company's business may be affected by the general condition of the economy of the Philippines.

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

As of December 31, 2011, there were no significant elements of income or loss that did not arise from the issuer's continuing operations.

vii. Causes for Material Changes in the Financial Statements

Balance Sheet (December 31, 2011 vs. December 31, 2010)

- Cash and short-term investments dropped 2% to ₱1,208 million at year-end which is attributed to this year's result of operation.
- Program rights increased by 31% to ₱730 million mainly due to higher acquisitions vis-à-vis usage.
- Net book value of property and equipment up by 13% to ₱3,253 million as additions to fixed assets went beyond asset retirements and depreciation.

- There were no outstanding interest-bearing loans as of end-December 2010 and 2011.
- Trade payables and other current liabilities slightly decreased by 4% to ₱1,819 million year-on-year.
- The 61% drop in income tax payable resulted from lower provisions for income tax made during the year attuned to lower income earned during the year.
- Obligation for program rights dropped by 47% to ₱40 million as total payments made were higher than acquisitions on account during the year.
- Pension liability increased by 24% to ₱313 million as contribution to retirement fund in 2011 was lower vs. the same period last year.

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

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

Interim Periods

The Company currently cannot make available the financial information for the first quarter of 2012. The Company however, undertakes to submit its SEC Form 17-Q on or before May 15, 2012 and to make the same available upon request during the Company's Annual Stockholders' Meeting.

Item 7. Financial Statements

Refer to attached copy.

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

The Audit Committee reviews the fee arrangements with the external auditor and recommends the same to the Board of Directors. The Company's Audit Committee was formed in 2007 and was formally organized during the latter portion of that year. The members of the Audit Committee are as follows:

Dr. Jaime C. Laya (Chairman)

Chief Justice Artemio V. Panganiban

Anna Teresa M. Gozon-Abrogar

Judith D. Vasquez

Laura J. Westfall

The Audit Committee has recommended the appointment of Sycip Gorres Velayo and Co., as the external auditor of the Company. The Sycip Gorres Velayo & Co. has acted as the Company's external auditors since 1994. The same accounting firm is being recommended for re-election at the scheduled annual meeting.

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 nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. 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.

AUDIT AND AUDITED RELATED FEES

The aggregate fees billed for each of the last two years for professional services rendered by Sycip Gorres Velayo and Co., amounted to P6.0 million both in 2011 and 2010 (these included the fees related to financial audit and services for general tax compliance).

TAX FEES

There was no specific engagement availed by the Company for purely tax accounting. The total fees of P6.0 million already included basic tax review.

ALL OTHER FEES

Other than the foregoing services, no other product or service was provided by the external auditor to the Company.

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 March 31, 2012, 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	Chief Executive Officer	2000	72
Judith D. Vazquez	Filipino	Director	1988	N/A	N/A	49
Gilberto R. Duavit, Jr.	Filipino	Director	1999	President/Chief Operating Officer	2010	48
Anna Teresa M. Gozon-Abrogar	Filipino	Director/ Assistant Corporate Secretary	2000	N/A	N/A	40
Joel Marcelo G. Jimenez	Filipino	Director	2002	N/A	N/A	47
Laura J. Westfall	Filipino	Director	2002	N/A	N/A	44
Felipe S. Yalong	Filipino	Director/ Corporate Treasurer	2002	Executive Vice President	2011	55
Roberto O. Parel	Filipino	Corporate Secretary	1993	N/A	N/A	56
Marissa L. Flores	Filipino	N/A	N/A	Senior Vice President, News and Public Affairs	2004	47
Artemio V. Panganiban	Filipino	Independent Director	2007	N/A	2007	75
Jaime C. Laya	Filipino	Independent Director	2007	N/A	2007	73

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

Felipe L. Gozon, Filipino, 72 years old, is the Chairman of the Board of Directors and the Network's Chief Executive Officer.

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

School Foundation, Inc.; Chairman and President of Gozon Foundation; and Trustee of Bantayog ng mga Bayani Foundation.

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

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

Gilberto R. Duavit, Jr., Filipino, 48 years old, is the President and Chief Operating Officer of the Network. He has been a Director of the Company since 1999 and is currently the Chairman of the Network's Executive Committee. Aside from GMA Network, Inc. he is the Chairman of the Board of GMA Network Films, Inc. and GMA Worldwide, Inc. and Vice Chairman of the Board of GMA Marketing and Productions, Inc. He also serves as President and CEO of GMA Holdings, Inc., Scenarios, Inc., RGMA Marketing and Productions, Inc., Film Experts, Inc., and Dual Management and Investments, Inc. He is the President/COO and Director of Group Management and Development, Inc.; President and Director of MediaMerge Corp., Citynet Network Marketing and Productions, Inc.; Director of RGMA Network, Inc., GMA New Media, Inc., Alta Productions Group, Inc., Optima Digital, Inc., Monte-Aire Realty and Development Corp., and Pacific Heights Sports and Resort, Inc. He also serves as the President and a Trustee of GMA Kapuso Foundation, Inc., President of Guronasyon Foundation, Inc. (formerly LEAF) and is a Trustee of the HERO Foundation.

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

Joel Marcelo G. Jimenez, Filipino, 47 years old, has been a Director of the Company since 2002. He is currently the Senior Vice President of GMA Marketing and Productions, Inc., and the Chief Executive Officer of Alta Productions, Inc. He is a Director of RGMA Network, Inc., GMA New Media, Inc., Scenarios, Inc., and GMA Worldwide, Inc., besides also being a member of the Board of Directors of Malayan Savings and Mortgage Bank, and Unicapital Securities, Inc. He is also a Director of Nuvoland Philippines, a real-estate development company. He is a Trustee of GMA Kapuso Foundation, Inc.

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

Felipe S. Yalong, Filipino, 55 years old, is the Executive Vice President and Head of the Corporate Services Group of GMA Network, Inc. He has been a Director of the Company since

2002. Aside from GMA Network, Inc., he also serves as Director and Corporate Treasurer of GMA Holdings, Inc., Scenarios, Inc., and GMA Network Films, Inc.; Director of Unicapital, Inc., Majalco Finance and Investments, Inc., and GMA Marketing and Productions, Inc.; Corporate Treasurer of RGMA Network, Inc., Mediamerge Corp.; Executive Vice President of RGMA Marketing and Productions, Inc.; and Corporate Treasurer of the Board of Trustees of GMA Kapuso Foundation, Inc.

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

Atty. Anna Teresa G. Abrogar, Filipino, 40 years old, has been a Director of the Company since 2000. Atty. Anna Teresa M. Gozon-Abrogar graduated valedictorian from grade school and high school at Colegio San Agustin. She graduated cum laude, BS Management Engineering from Ateneo de Manila University and obtained her Bachelor of Laws degree from the University of the Philippines where she graduated valedictorian, cum laude. She later obtained her Master of Laws from Harvard University.

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

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

Judith Duavit Vazquez, Filipino, 49 years old, has been a Director of the Company since 1988. She is a member of the following special committees: Audit & Risk Committee and Compensation & Remuneration Committee. Moreover, she sits on the boards of the following GMA7 subsidiaries: RGMA, Inc., GMA New Media, Inc., GMA Worldwide, Inc., and GMA Films,Inc. She is a member of the Board of Trustees of the GMA Kapuso Foundation, Inc.

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

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

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

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

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

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

Laura J. Westfall, Filipino, 44 years old, has been a Director of the Company since 2000. She held the following positions in the Company — Senior Vice President of Corporate and Strategic Planning and Senior Vice President for Finance. In addition, she has served as Chairperson and President of GMA New Media. Prior to joining the Company, she worked for BDO Seidman – Los Angeles, an international audit and management consulting firm. She currently holds various positions in the Majent Group of Companies and serves as Board Member of Coffee Bean and Tea Leaf Philippines, Bronzeoak Clean Energy, Inc., and Malayan Bank. She also serves as Board Member and Treasurer of the Museo Pambata Foundation.

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

Chief Justice Artemio V. Panganiban, Filipino, 75 years old, has been an Independent Director of the Company since 2007. In 1995, he was named a Justice of the Supreme Court and in 2005, he was appointed Chief Justice of the Philippines — a position he held until December 2006. At present, he is also an Independent Director of these listed firms: First Philippine Holdings Corp., Metro Pacific Investments Corp., Manila Electric Company, Robinsons Land Corp., GMA Holdings, Inc., Metro Pacific Tollways Corp., Petron Corporation, Bank of the Philippine Islands, Asian Terminals, and Jollibee Foods Corporation. He is also a Senior Adviser of Metropolitan Bank, Independent Adviser of Philippine Long Distance Telephone Co., Chairman, Board of Advisers of Metrobank Foundation, Chairman of the Board of Philippine Dispute Resolution Center, Inc., and Member, Advisory Board of the World Bank and of the Asian Institute of Management Governance Council. He also is a column writer of The Philippine Daily Inquirer.

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

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

Dr. Jaime C. Laya, Filipino, 73 years old, has been an independent Director of GMA Network, Inc. since 2007. He is the Chairman of Philippine Trust Company (Philtrust Bank), Director of Philippine Ratings Services Corporation, Philippine AXA Life Insurance Company, Inc., Ayala Land, Inc., and Manila Polo Club, Inc. He also serves as Chairman of Don Norberto Ty Foundation, Inc.; Trustee of De la Salle University – Taft, St. Paul University-Quezon City, Cultural Center of the Philippines, Metropolitan Museum of Manila, Yuchengco Museum and Fundación Santiago, Inc.

He was Minister of Budget, 1975-1981; Minister of Education, Culture and Sports, 1984-86; Chairman of the Monetary Board and Governor, Central Bank of the Philippines, 1981-1984; Chairman, National Commission for Culture and the Arts, 1996-2001. He was faculty member of the University of the Philippines, 1957-1978 and Dean of the College of Business Administration, 1969-1974. In 1986, he founded J.C. Laya & Co., Ltd. (Certified Public Accountants and Management Consultants) later the Philippine member firm of KPMG International; he served as the firm's Chairman until his retirement in 2004.

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

Atty. Roberto O. Parel, Filipino, 56 years old, has been the Corporate Secretary of the Company since 1993. He is a Partner at the Law Firm of Belo Gozon Elma Parel Asuncion & Lucila. His practice areas include labor relations, natural resources and intellectual property. He is a Director of Time-Life International Philippines, Capitalex Holdings Philippines, Ipilan Nickel Corporation, Nickel Laterite Resources, Inc., Berong Nickel Corporation, Ulugan Nickel Corporation, Ulugan Resources Holdings, Inc., Nickeline Resources Holdings, Inc., TMM Management Inc., Skyway O and M Corporation, and Assetvalues Holding Company, Inc.; Director and Corporate Treasurer of Selenga Mining Corporation; Corporate Secretary of Alta Productions Group, Inc., Scenarios, Inc., Citynet Network Marketing and Productions, Inc., GMA Kapuso Foundation, Inc., Hinoba Holdings (Philippines), Inc. and Hinoba-an & Sipalay Holdings, Inc.

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

Marissa L. Flores, Filipino, 48 years old, is the Senior Vice President for News and Public Affairs since 2004. She joined the Company in 1987 as a researcher for public affairs documentaries and special reports and held the positions of Assistant Vice President for Public Affairs, Vice President for Production – News and Public Affairs before her appointment to her current position.

The Rotary Club of Manila recognized her as Television News Producer of the Year in 1996 In 2004, she was awarded the prestigious TOYM (The Outstanding Young Men) for Broadcast Management.

The News and Public Affairs group under Ms. Flores continues to be the recipient of international awards, notably the New York Festivals, US International Film and Video Festival Awards, Asian TV Awards. GMA News and Public Affairs remains as the only Philippine broadcast network which has won highly-coveted Peabody Award (two Peabody awards as of 2010) — widely considered as broadcasting and cable's equivalent of the Pulitzer prize.

Besides overseeing news and public affairs programs in GMA Channel 7, it is also under Ms. Flores' leadership that GMA News Online was put up in 2007, and GMA News TV (GMA Network's news and public affairs channel on free TV) was launched in February 2011.

She earned her Bachelor's degree at the University of the Philippines, where she studied Journalism.

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 and up to date, 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

(a) CEO and Top 6 Compensated Executive Officers:

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

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

	Year	Annual salaries (in	13th Month & Bonuses (in	Other Compensation (in	Total (in

[1] Ms. Galvante retired from the Company on February 24, 2012

[2] Mr. Enriquez retired from the Company on September 29, 2011

		Thousands)	Thousands)	thousands	Thousands)
6 highest compensated officers	2009	76,616.1	80,711.3	0	157,327.4
	2010	79,172.2	70,954.1	0	150,126.4
	2011	80,585.7	53,642.4	0	134,228.1
	2012 (estimate)	83,003.3	55,251.7		138,254.9
Aggregate compensation paid to all officers and directors as a group	2009	112,662.3	127,930.9	0	240,593.2
	2010	119,163.7	117,828.8	0	236,992.5
	2011	117,612.5	84,338.5	0	201,951.0
	2012 (estimate)	122,317.0	87,712.0		210,029.0

(a) 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")

The Company has no outstanding options or warrants held by its CEO, the named executive officers, and all officers and directors as a group.

Item 11. Security Ownership of Certain Beneficial Owners and Management

The security ownership of certain record and beneficial owners of more than 5% as of March 31, 2012 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. [3] Unit 5D Tower One, One McKinley Place, Bonifacio Global City	Filipino	PCD Nominee Corporation	861,588,300	25.63%
Common	Group Management & Development Inc. [4] No. 5 Wilson St., San Juan, Metro Manila	Filipino	The Record Owner is the Beneficial Owner	789,813,389	23.50%
Common	FLG Management & Development Corporation[5] Unit 2, 2/F, Building 2, 9th Avenue, Bonifacio Global City, Taguig, Metro Manila	Filipino	The Record Owner is the Beneficial Owner	663,929,027	19.75%
Common	M.A. Jimenez Enterprises, Inc. 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City[6]	Filipino	The Record Owner is the Beneficial Owner	453,882,095	13.50%
Common	Television International Corporation[7] 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City	Filipino	The Record Owner is the Beneficial Owner	334,378,037	9.95%
	Total Common Shares **3,103,590,848** **92.34%**				
Preferred	Group Management & Development Inc. No. 5 Wilson St., San Juan, Metro Manila	Filipino	The Record Owner is the Beneficial Owner	2,625,805,308	35.01%

[3] The Board of Directors of GMA Holdings, Inc. has the power to decide how the shares owned in the Company are to be voted and has authorized Felipe L. Gozon and/or Gilberto R. Duavit, Jr. to vote on the company's shares in GMA Network, Inc.

[4] The Board of Directors of Group Management & Development, Inc. has authorized Gilberto R. Duavit, Jr. to vote on the common and preferred shares of the company in GMA Network, Inc.

[5] The Board of Directors of FLG Management & Development Corporation has authorized Felipe L. Gozon to vote on the common and preferred shares of the company in GMA Network, Inc.

[6] The Board of Directors of M.A. Jimenez Enterprises, Inc. has authorized Joel Marcelo G. Jimenez and/or Laura J. Westfall to vote on the common and preferred shares of the company in GMA Network, Inc.

[7] The Board of Directors of Television International Corporation has authorized Joel Marcelo G. Jimenez and/or Laura J. Westfall to vote on the common and preferred shares of the company in GMA Network, Inc.

Preferred	FLG Management & Development Corporation Unit 2, 2/F, Building 2, 9th Avenue, Bonifacio Global City, Taguig, Metro Manila	Filipino	The Record Owner is the Beneficial Owner	2,181,898,644	29.09%
Preferred	M.A. Jimenez Enterprises, Inc. 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City	Filipino	The Record Owner is the Beneficial Owner	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	The Record Owner is the Beneficial Owner	1,111,661,610	14.82%
Total Preferred Shares **7,428,344,388** **99.04%**					

GMA Holdings, Inc. is 99% owned by Gilberto R. Duavit, Jr., Felipe L. Gozon and Joel Marcelo G. Jimenez. The shares of the Company owned by GMA Holdings, Inc. are covered by Philippine Deposit Receipts ("PDR") which give the holder the right to delivery or sale of the underlying share. The PDRs are listed with the Philippine Stock Exchange.

Group Management and Development, Inc., FLG Management and Development Corporation, M.A. Jimenez Enterprises, Inc. and Television International Corporation are significant shareholders of the Company.

Security Ownership of Management as of March 31, 2012

As of March 31, 2012, the Company's directors and senior officers owned an aggregate of 7,888,356 common shares of the Company, equivalent to 0.23% 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/Pres. and COO	Filipino	R/B	4,007,006	0.12%	12	0.00%
Felipe L. Gozon	Director/Chairman and CEO	Filipino	R/B	3,181	0.00%	26,880	0.00%
Joel Marcelo G. Jimenez	Director	Filipino	R/B	325,003	0.01%	6	0.00%
Judith D. Vazquez	Director	Filipino	R/B	588,158	0.02%	378	0.00%
Laura J. Westfall	Director	Filipino	R/B	2	0.00%	6	0.00%
Felipe S. Yalong	Director/Executive Vice-President	Filipino	R/B	1,025,002	0.03%	6	0.00%
Jaime C. Laya	Independent Director	Filipino	R/B	294,000	0.01%	0	0.00%
Artemio V. Panganiban	Independent Director	Filipino	R/B	588,001	0.02%	0	0.00%
Marissa L. Flores	Senior Vice President – News and Public Affairs	Filipino	R/B	none	none	none	none

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, 2011, Alta Tierra Resources, Inc. had advances owing to the Company in the amount of ₱4 million. Alta Tierra 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 Network, Inc. in the amount of ₱225.3 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 ₱168 million into 7,205,882 shares of RGMA with a par value of ₱1.00 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. There were no advances for working capital as of December 31, 2010 and 2011.

The Company also made advances to Mont-Aire in the amount of ₱121.4 million as of December 31, 2004. Of such advances, the Company converted the amount of P38.3 million into ₱38.3 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 ₱23.5 million made by them to Mont-Aire into ₱23.5 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, 2010 and 2011, Mont-Aire has had advances owing to the Company in the amount of ₱84.5 million. Please see Note 19 of the Company's Financial Statements.

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

The Company has an existing agreement with RGMA for the latter 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. Please see Note 19 of the Company's Financial Statements.

Agreements with 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. Please see Note 19 of the Company's Financial Statements.

The Law Firm of Belo Gozon Elma Parel Asuncion & Lucila

The Company and the Law Firm of Belo Gozon Elma Parel Asuncion & Lucila ("BGEPAL") entered into a retainer agreement in 1993 under which BGEPAL was engaged by the Company as its external counsel. As such external counsel, the Law Firm of 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 the Law Firm of Belo Gozon Elma Parel Asuncion & Lucila as the Company's external counsel. Please see Note 19 of the Company's Financial Statements.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

GMA Network, Inc. is committed to the principles of good governance and recognizes their importance in safeguarding shareholders' interests and in enhancing shareholder value. The Company has adopted a Manual on Corporate Governance to institutionalize the Company's adherence to these principles. This Manual clearly sets out the principles of good management and defines the specific responsibilities of the Board, the Board Committees, and management within the over-all governance framework.

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

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

Board of Directors

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

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

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

The Board comprises the following members:

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

Board Performance

Directors attend regular meetings of the Board, which are held every quarter and other times as necessary, and the Annual Stockholders' Meeting (ASM). In its meetings, the Board reviews the performance of the Company and its subsidiaries, approves plans, budgets and financial statements, sets policies and guidelines for management, and discusses matters requiring Board attention and approval. The Board met five (5) times in 2011. The attendance of the individual directors at these meetings is duly recorded as follows:

Director's Name	Regular and Special Meetings	
	Present	*Absent*
Felipe L. Gozon	5	0

Gilberto R. Duavit,Jr.	5	0
Joel Marcelo G. Jimenez	5	0
Felipe S. Yalong	5	0
Anna Teresa M. Gozon- Abrogar	5	0
Judith D. Vazquez	5	0
Laura J. Westfall	5	0
Artemio V. Panganiban	5	0
Jaime C. Laya	5	0

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

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

Board Remuneration

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

Committees and Meetings of the Board of Directors

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

Executive Committee

The Executive Committee (Excom) consists of three members which includes the Chairman of the Board and CEO Felipe L. Gozon, President and COO Gilberto R. Duavit, Jr. and Director Joel G. Jimenez. Mr. Gilberto R. Duavit, Jr. serves as Chairman of the Committee. It acts on matters delegated to it by the Board of Directors. The Excom acts by a majority vote and in accordance with the authority granted by the Board. All actions of the Excom are reported to the Board for ratification at the meeting immediately following such action.

Nomination Committee

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

Compensation and Remuneration Committee

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

Audit Committee

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

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

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

The Audit Committee held five (5) meetings in 2011 wherein the Committee reviewed and approved, among others, the Company's 2010 Consolidated Audited Financ`ial Statements as prepared by the external auditors.

Management

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

The CEO is accountable to the Board for the development and recommendation of strategies and the execution of strategic directions set by the Board, while the COO is responsible for the day-to-day management of the Company and the implementation of the directives provided by the CEO and the Board's policies and decisions. Both the CEO and COO are guided by the Company's Mission, Vision and Core Values.

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

Employee Relations

Employees are provided an employee handbook which contains the policies, guidelines for the duties and responsibilities of an employee of GMA Network, Inc. The Handbook also details the benefits and privileges accruing to all regular employees.

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

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

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

Risk Management

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

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

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

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

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

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

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

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

Prompt Disclosures and Timely Reporting

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

The Company, through the Investor Relations and Compliance Division, holds regular Analysts' and Investors' briefings that are attended by the Company's Chief Executive Officer, Chief Operating Officer, Chief Finance Officer as well as other high ranking officers. Meetings with

Fund Managers, Investment, Financial and Research Analysts are likewise handled by the IRCD.

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

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits

Exhibit 1 - Financial Statements

(b) Reports on SEC Form 17-C

- Results of Board Meeting – ASM on May 18, Record Date on April 20 and approval to convert 34,420 preferred shares into 6,884 common shares
- Press Release: GMA New Media, Manila Jockey ink deal to boost horse racing industry
- Current performance, plans and outlook for 2011 – interview with FLG during the GMA News TV trade launch
- Press Release: GMA Nets PhP 2.82 Billion on PhP 14.299 Billion Gross Revenues in 2010
- Presentation Materials for the 2010 Full Year Briefing
- Results of Board Meeting: Declaration of Cash Dividends and approval of 2010 FS
- Press Release: GMA Network posts 18% growth in regular advertising and subscription accounts in Q1 2011 and 2011 Net Income target
- Presentation Materials used during the Analyst's Briefing
- CEO's 2010 Report during the ASM (May 18, 2011)
- GMA Results of ASM and Organizational Board Meeting
- Clarification of News Article (GMA raises 2011 guidance)
- Reply to the PSE: Clarification of news article – GMA7 dunned for PhP 823 million in business taxes, rap denied
- GMA Network challenges the Quezon City Treasurer's tax assessment; Broadcast giant not liable to pay taxes

- Results of operations for 1H 2011
- Presentation Materials used during the 2Q Briefing
- Clarification of the news article "NTC fines GMA on lapsed permits"
- Subscription Agreement between GMA New Media and IP E- Game Ventures Inc
- Material information discussed during the ambush interview with Atty. Gozon
- 3rd Quarter Performance and net income target for 2011
- Materials used during the 3Q financial briefing
- Appointment of Officer (Philip Yalong as EVP)
- Information discussed during interview with officer
- Addendum to previous disclosure re: Information discussed during interview with officer
- Clarification of reports – offer to buy GMA7

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 APR 04 2012 on ________, 2012

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

APR 04 2012

SUBSCRIBED AND SWORN to before me this _____ day of ________ 2012 affiants exhibiting to me their Passport Numbers, as follows:

Names	Passport/SSS No.	Date of Issue	Place of Issue
Felipe L. Gozon	XX17461898	August 4, 2008	DFA, Manila
Gilberto R. Duavit, Jr.	EA0030704	Feb. 15, 2010	DFA, Manila
Felipe S. Yalong	XX1282901	May 27, 2008	DFA, Manila
Ronaldo P. Mastrili	EA0020825	January 6, 2010	DFA, Manila
Roberto O. Parel	03-6637759-0		

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Book No. I
Series of 2012

PAOLO CARLO C. TOLENTINO
NOTARY PUBLIC
Notary public for Makati City
Until December 31, 2012
Roll No. 59290
Admitted to the Bar April 2011
PTR No. 3184333/1-10-2012/Makati City
IBP No. 869779/1-05-2012/Camarines Sur
16/F Sagittarius Condominium
H.V. dela Costa St., Salcedo Village
Makati City

GMA
NETWORK

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

March 28, 2012

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

The management of GMA Network, Inc. is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

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

FELIPE L. GOZON
Chairman of the Board
Chief Executive Officer

GILBERTO R. DUAVIT, JR.
President
Chief Operating Officer

FELIPE S. YALONG
Executive Vice President
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this APR 04 2012 day of ____ at QUEZON CITY, affiants exhibited to me their (Felipe L. Gozon) TIN 106-174-605, (Gilberto R. Duavit, Jr.) TIN 158-147-748 and (Felipe S. Yalong) TIN 102-874-052.

Doc. No. 210
Page No. 43
Book No. II
Series of 2012

EDWARD ALLAN PAZ LIM
Notary Public for Quezon City
Until December 31, 2012
Commission No. NP-160
PTR No. 6116446 - Jan 12, 2012 - QC
IBP No. 822900 - Jan 02, 2012 - QC
Roll No. 55745

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)

1 2	3 1
Month	Day

(Fiscal Year)

AACFS

(Form Type)

0 5	1 6
Month	Day

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

₱—	₱—
Domestic	Foreign

1,923

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of GMA Network, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

SGV & Co
Ernst & Young

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GMA Network, Inc. and its subsidiaries as at December 31, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Ramon D. Dizon
Partner
CPA Certificate No. 46047
SEC Accreditation No. 0077-AR-2 (Group A),
February 4, 2010, valid until February 3, 2013
Tax Identification No. 102-085-577
BIR Accreditation No. 08-001998-17-2009,
June 1, 2009, valid until May 31, 2012
PTR No. 3174592, January 2, 2012, Makati City

March 28, 2012

GMA NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 29 and 30)	₱1,207,976,123	₱1,232,351,840
Trade and other receivables (Notes 7, 19, 29 and 30)	4,191,137,923	5,531,971,950
Program and other rights (Note 8)	729,998,151	558,072,593
Prepaid expenses and other current assets (Note 9)	695,040,559	605,301,733
Asset classified as held for sale (Note 11)	26,432,472	–
Total Current Assets	6,850,585,228	7,927,698,116
Noncurrent Assets		
Available-for-sale financial assets (Notes 10, 29 and 30)	105,796,848	104,966,848
Investments and advances (Notes 11 and 19)	320,500,720	341,913,803
Property and equipment at cost (Note 12)	3,252,582,543	2,872,001,158
Land at revalued amounts (Note 13)	1,409,585,706	1,403,122,465
Investment properties (Note 14)	68,029,711	63,343,706
Deferred tax assets (Note 27)	240,349,803	215,769,845
Other noncurrent assets (Note 15)	134,406,627	113,380,042
Total Noncurrent Assets	5,531,251,958	5,114,497,867
	₱12,381,837,186	₱13,042,195,983
LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables and other current liabilities (Notes 16, 19, 29 and 30)	₱1,755,563,632	₱1,819,281,172
Income tax payable	93,651,733	241,184,421
Obligations for program and other rights (Notes 17, 29 and 30)	39,843,815	75,594,128
Dividends payable (Notes 29 and 30)	4,942,280	5,493,035
Total Current Liabilities	1,894,001,460	2,141,552,756
Noncurrent Liabilities		
Pension liability (Note 25)	312,970,846	252,641,013
Deferred tax liabilities (Note 27)	347,426,327	349,369,736
Total Noncurrent Liabilities	660,397,173	602,010,749
Total Liabilities	2,554,398,633	2,743,563,505
Equity		
Capital stock (Note 18)	4,864,692,000	4,864,692,000
Additional paid-in capital (Note 18)	1,659,035,196	1,659,035,196
Revaluation increment in land - net of tax (Note 13)	744,158,022	744,158,022
Net unrealized gain on available-for-sale financial assets (Note 10)	2,752,687	1,995,687
Retained earnings (Note 18)	2,591,073,835	3,063,024,760
Treasury stock (Notes 18 and 28)	(28,483,171)	(28,483,171)
Underlying shares of the acquired Philippine Deposit Receipts (Notes 18 and 28)	(5,790,016)	(5,790,016)
Total Equity	9,827,438,553	10,298,632,478
	₱12,381,837,186	₱13,042,195,983

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2011	2010	2009
NET REVENUES (Note 20)	₱11,157,043,539	₱12,015,137,416	₱11,500,506,964
PRODUCTION COSTS (Note 21)	5,104,966,899	4,593,221,701	4,290,354,511
GROSS PROFIT	6,052,076,640	7,421,915,715	7,210,152,453
GENERAL AND ADMINISTRATIVE EXPENSES (Note 22)	3,879,277,659	3,732,554,234	3,451,969,170
OTHER INCOME			
Interest income (Note 6)	28,567,427	77,221,603	57,755,029
Interest expense and financing charges on short-term loans	(11,479,294)	(3,785,282)	(8,904,803)
Equity in net earnings (losses) of associates and joint ventures (Note 11)	5,019,389	6,867,724	(11,478,071)
Others - net (Note 24)	51,083,876	24,545,162	43,340,160
	73,191,398	104,849,207	80,712,315
INCOME BEFORE INCOME TAX	2,245,990,379	3,794,210,688	3,838,895,598
PROVISION FOR INCOME TAX (Note 27)			
Current	557,448,374	966,402,642	1,026,777,448
Deferred	(26,596,367)	6,980,993	(6,132,658)
	530,852,007	973,383,635	1,020,644,790
NET INCOME	1,715,138,372	2,820,827,053	2,818,250,808
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) on available-for-sale financial assets - net of tax (Note 10)	757,000	(175,500)	327,819
TOTAL COMPREHENSIVE INCOME	₱1,715,895,372	₱2,820,651,553	₱2,818,578,627
Basic/Diluted Earnings Per Share (Note 28)	₱0.353	₱0.580	₱0.580

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Revaluation Increment in Land - Net of Tax (Note 13)	Unrealized Gain on Available-for-sale Financial Assets - Net of tax (Note 10)	Retained Earnings (Note 18)	Treasury Stock (Notes 18 and 28)	Underlying Shares of the Acquired Philippine Deposit Receipts (Notes 18 and 28)	Total Equity
Balances at January 1, 2011	₱4,864,692,000	₱1,659,035,196	₱744,158,022	₱1,995,687	₱3,063,024,760	(₱28,483,171)	(₱5,790,016)	₱10,298,632,478
Net income	–	–	–	–	1,715,138,372	–	–	1,715,138,372
Other comprehensive income	–	–	–	757,000	–	–	–	757,000
Total comprehensive income	–	–	–	757,000	1,715,138,372	–	–	1,715,895,372
Cash dividends - ₱0.45 a share	–	–	–	–	(2,187,089,297)	–	–	(2,187,089,297)
Balances at December 31, 2011	₱4,864,692,000	₱1,659,035,196	₱744,158,022	₱2,752,687	₱2,591,073,835	(₱28,483,171)	(₱5,790,016)	₱9,827,438,553
Balances at January 1, 2010	₱4,864,692,000	₱1,659,035,196	₱744,158,022	₱2,171,187	₱3,644,336,613	(₱28,483,171)	(₱5,790,016)	₱10,880,119,831
Net income	–	–	–	–	2,820,827,053	–	–	2,820,827,053
Other comprehensive income	–	–	–	(175,500)	–	–	–	(175,500)
Total comprehensive income	–	–	–	(175,500)	2,820,827,053	–	–	2,820,651,553
Cash dividends - ₱0.45 a share	–	–	–	–	(2,187,089,297)	–	–	(2,187,089,297)
Cash dividends - ₱0.25 a share	–	–	–	–	(1,215,049,609)	–	–	(1,215,049,609)
	–	–	–	–	(3,402,138,906)	–	–	(3,402,138,906)
Balances at December 31, 2010	₱4,864,692,000	₱1,659,035,196	₱744,158,022	₱1,995,687	₱3,063,024,760	(₱28,483,171)	(₱5,790,016)	₱10,298,632,478
Balances at January 1, 2009	₱4,864,692,000	₱1,651,547,885	₱744,158,022	₱1,843,368	₱2,527,155,258	(₱28,483,171)	(₱5,790,016)	₱9,755,123,346
Net income	–	–	–	–	2,818,250,808	–	–	2,818,250,808
Other comprehensive income	–	–	–	327,819	–	–	–	327,819
Total comprehensive income	–	–	–	327,819	2,818,250,808	–	–	2,818,578,627
Cash dividends - ₱0.35 a share	–	–	–	–	(1,701,069,453)	–	–	(1,701,069,453)
Collection of subscriptions receivable	–	7,487,311	–	–	–	–	–	7,487,311
	–	7,487,311	–	–	(1,701,069,453)	–	–	(1,693,582,142)
Balances at December 31, 2009	₱4,864,692,000	₱1,659,035,196	₱744,158,022	₱2,171,187	₱3,644,336,613	(₱28,483,171)	(₱5,790,016)	₱10,880,119,831

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2011	2010	2009
OPERATING ACTIVITIES			
Income before income tax	₱2,245,990,379	₱3,794,210,688	₱3,838,895,598
Non-cash adjustments to reconcile income before income tax to net cash flows:			
Depreciation and amortization (Notes 12 and 14)	518,357,818	506,969,581	558,686,905
Movement in pension liability	60,329,833	(27,893,758)	(8,300,036)
Interest income (Note 6)	(28,567,427)	(77,221,603)	(57,755,029)
Amortization of software costs (Note 15)	25,711,619	20,213,004	15,661,449
Gain on sale of property and equipment (Note 24)	(16,040,347)	(13,853,541)	(10,158,900)
Interest expense and financing charges on short-term loans	11,479,294	3,785,282	8,904,803
Equity in net losses (earnings) of associates and joint ventures (Note 11)	(5,019,389)	(6,867,724)	11,478,071
Reversal of impairment loss in buildings and improvements (Note 14)	(4,990,219)	–	–
Net unrealized foreign currency exchange loss (gain)	(3,312,399)	7,688,256	4,945,923
Dividend income (Note 24)	(41,529)	(58,957)	(22,691)
Other noncash expenses	–	16,538,765	12,158,113
Discount on tax credit certificates (Note 24)	–	(2,670,692)	(7,408,499)
Working capital adjustments:			
Decreases (increases) in:			
Short-term investments	–	23,460,312	(21,393,355)
Trade and other receivables	1,339,249,381	(224,740,570)	(769,254,628)
Program and other rights	(171,925,558)	82,102,818	202,572,715
Prepaid expenses and other current assets	(89,738,826)	(217,511,262)	(87,581,462)
Increases (decreases) in:			
Trade payables and other current liabilities	(63,717,540)	(142,020,487)	250,820,041
Obligations for program and other rights	(37,221,513)	14,360,475	(47,250,815)
Cash generated from operations	3,780,543,577	3,756,490,587	3,894,998,203
Interest received	28,754,764	80,260,737	56,294,921
Income taxes paid	(704,981,062)	(1,133,065,894)	(1,128,833,511)
Net cash flows from operating activities	3,104,317,279	2,703,685,430	2,822,459,613
INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 12)	(903,454,640)	(428,438,349)	(609,232,201)
Software costs (Note 15)	(34,675,997)	(30,761,933)	(13,611,584)
Land at revalued amounts (Note 13)	(6,463,241)	–	–
Investment properties (Note 14)	(2,815,163)	(6,188,853)	(79,018)
Available-for-sale financial assets	–	(250,000)	(7,890,201)
Proceeds from sale of property and equipment	23,675,161	49,558,559	37,309,465
Decrease (increase) in other noncurrent assets	(12,062,207)	96,989,471	(9,760,895)
Cash dividends received	1,438,838	11,595	822,586
Collection of advances to associates and joint ventures (Note 11)	–	59,281,531	–
Net cash flows used in investing activities	(934,357,249)	(259,797,979)	(602,441,848)

(Forward)

	Years Ended December 31		
	2011	2010	2009
FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Note 18)	(₱2,187,640,052)	(₱3,400,013,834)	(₱1,699,266,199)
Short-term loans	(950,000,000)	(300,000,000)	(500,000,000)
Interest and financing charges	(11,479,294)	(3,785,282)	(8,904,803)
Proceeds from availments of short-term loans	950,000,000	300,000,000	500,000,000
Collection of subscriptions receivable	–	–	7,487,311
Net cash flows used in financing activities	(2,199,119,346)	(3,403,799,116)	(1,700,683,691)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(29,159,316)	(959,911,665)	519,334,074
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	4,783,599	(7,930,313)	(7,247,372)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,232,351,840	2,200,193,818	1,688,107,116
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱1,207,976,123	₱1,232,351,840	₱2,200,193,818

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

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

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

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

The accompanying consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution of the BOD on March 28, 2012.

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

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS also includes Philippine Accounting Standards (PAS) and interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council.

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRSs and Philippine Interpretations which were adopted starting January 1, 2011:

- PAS 24 (Amended), *Related Party Disclosures*, effective for annual periods beginning on or after January 1, 2011
- PAS 32 (Amendment), *Financial Instruments: Presentation - Classification of Rights Issues*, effective for annual periods beginning on or after February 1, 2010
- Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement (Amendment)*, effective for annual periods beginning on or after January 1, 2011

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, effective for annual periods beginning on or after July 1, 2010

- Improvements to PFRSs (issued 2010)

Improvements to PFRSs (issued 2010). Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

- PFRS 3, *Business Combinations* - Measurement options available for non-controlling interest

- PFRS 3 (as revised in 2008), *Business Combinations* - Contingent consideration arising from business combination prior to adoption of PFRS 3

- PFRS 3, *Business Combinations* - Unreplaced and voluntarily replaced share-based payment awards PFRS 3, Business Combinations

- PFRS 7, *Financial Instruments - Disclosures*

- PAS 1, *Presentation of Financial Statements*

- PAS 27, *Consolidated and Separate Financial Statements*

- PAS 34, *Interim Financial Statements*

The adoption of the above interpretations and amendments and improvements to PFRSs did not have a significant impact on the consolidated financial statements.

Standards Issued but not yet Effective
Standards issued but not yet effective up to the date of issuance of the consolidated financial statements are listed below. The Group intends to adopt these standards when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on its consolidated financial statements.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income* - The amendments to PAS 1 changed the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the consolidated financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- PAS 12, *Income Taxes - Recovery of Underlying Assets* - The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 should always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

- PAS 19, *Employee Benefits* (Amendment) - Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 27, *Separate Financial Statements (as revised in 2011)* - As a consequence of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)* - As a consequence of the new PFRS 11, *Joint Arrangements*, and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* - These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements* - The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011.

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

    a. The gross amounts of those recognized financial assets and recognized financial liabilities;
    b. The amounts that are set-off in accordance with the criteria in PAS 32 when determining; the net amounts presented in the statement of financial position;
    c. The net amounts presented in the statement of financial position;

d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:

   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and

e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013.

- PFRS 9, *Financial Instruments: Classification and Measurement* - PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected in 2012. The adoption of the first phase of PFRS 9 will not have an effect on the classification and measurement of the Company's financial assets and financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. The standard is effective for annual periods beginning on or after January 1, 2015.

- PFRS 10, *Consolidated Financial Statements* - PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC)-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements* - PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly-controlled entities that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Interests in Other Entities* - PFRS 12 includes all of the disclosures that were previously included in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement* - PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate* - This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Philippine Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* - This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2011.

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

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

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

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at December 31, 2011 and 2010, which are all incorporated in the Philippines:

	Principal Activities	Percentage of Ownership
Entertainment Business:		
Alta Productions Group, Inc. (Alta)	Pre- and post-production services	100
Citynet Network Marketing and Productions, Inc. (Citynet)	Television entertainment production	100
GMA Network Films, Inc.	Film production	100
GMA New Media, Inc. (GNMI)	Converging Technology	100

(Forward)

	Principal Activities	Percentage of Ownership
GMA Worldwide (Philippines), Inc.	International marketing, handling foreign program acquisitions and international syndication of the Parent Company's programs	100
RGMA Marketing and Productions, Inc. (GMA Records)	Music recording, publishing and video distribution	100
Scenarios, Inc. (Scenarios)	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation services	100
Script2010, Inc. (Script2010)*	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation and manpower services	100
Advertising Business:		
GMA Marketing & Productions, Inc. (GMPI)	Exclusive marketing and sales arm of GMA's airtime	100
Digify, Inc. (Digify)**	Crafting, planning and handling advertising and other forms of promotion including multi-media productions	100
Others:		
MediaMerge Corporation**	Business development and operations for the Parent Company's online publishing/advertising initiatives	100
Ninja Graphics, Inc. (Ninja)***	Ceased commercial operations in 2001	51

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

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

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

3. Summary of Significant Accounting Policies

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from acquisition date and that are subject to insignificant risk of change in value.

Financial Assets

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

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

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

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

As at December 31, 2011 and 2010, the Group does not have any financial asset at FVPL, HTM investments or derivatives designated as hedging instruments.

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

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

- Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortization is included in interest income in profit or loss. The losses arising from impairment are recognized under "General and administrative expenses" account in the statements of comprehensive income.

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

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

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

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

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

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

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

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

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; or

- Either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

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

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

Financial Liabilities

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

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

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

The Group's financial liabilities include trade payables and other current liabilities (excluding payable to government agencies), obligations for program and other rights and dividends payable.

As at December 31, 2011 and 2010, the Group does not have financial liabilities at FVPL.

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

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

The Group's interest-bearing short-term loans are availed and paid within each financial reporting year.

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

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

Offsetting of Financial Instruments

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

Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting period is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

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

Program and Other Rights

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

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

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

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

Prepaid Production Costs

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

Materials and Supplies Inventory

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

Tax Credits

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

As at December 31, 2011 and 2010, the Group does not have tax credits classified as noncurrent.

Asset Classified as Held for Sale
Asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Investments and Advances

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

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

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

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

The Group's share in profit (loss) of the associates are shown on the face of the consolidated statements of comprehensive income, which is the profit (loss) attributable to equity holders of the associates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Agency and Marketing Commissions and Co-producers' Share
These are deducted from gross revenues in profit or loss in the period the advertisements are aired.

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

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

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

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

Pension Benefits
The Parent Company and one (1) of its subsidiaries have funded, noncontributory defined benefit retirement plans covering its permanent employees. The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plans at the end of the previous reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

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

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

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plans or reductions in the future contributions to the plans, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plans or reductions in the future contributions to the plans. 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, whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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

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

Foreign Currency-denominated Transactions

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

Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

- X-Play is available for immediate sale and can be sold to a potential buyer in its current condition.

- GNMI's BOD had entered into preliminary negotiations with a potential buyer.

- IP E-Games Ventures, Inc. (IPE) and GNMI subsequently executed an Option Agreement whereby GNMI was granted an option to sell its shareholdings in X-Play to IPE, which can be exercised within a period of one (1) year from execution date on October 19, 2011.

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

Rent expense charged to operations amounted to ₱851.93 million, ₱737.50 million and ₱693.40 million in 2011, 2010 and 2009, respectively (see Note 26).

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

Revenue from tax credits recognized in profit or loss amounted to ₱67.20 million, ₱84.00 million and ₱50.00 million in 2011, 2010 and 2009, respectively.

Estimates and Assumptions

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

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

Provision for doubtful accounts amounted to ₱24.55 million, ₱30.60 million and ₱8.17 million in 2011, 2010 and 2009, respectively. Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱4,191.14 million and ₱5,531.97 million as at December 31, 2011 and 2010, respectively (see Note 7).

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

Program and other rights, net of accumulated impairment loss, amounted to ₱730.00 million and ₱558.07 million as at December 31, 2011 and 2010, respectively (see Note 8).

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

The carrying value of AFS financial assets amounted to ₱105.80 million and ₱104.97 million as at December 31, 2011 and 2010, respectively (see Note 10). There were no impairment losses recognized on AFS financial assets in 2011, 2010 and 2009.

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

The carrying value of materials and supplies inventory amounted to ₱108.96 million and ₱108.99 million as at December 31, 2011 and 2010, respectively (see Note 9). There were no provisions for inventory losses in 2011, 2010 and 2009.

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

There has been no change in the Group's estimate of useful lives of its property and equipment, software costs and investment properties in 2011 and 2010.

Revaluation of Land. The Group engages an independent appraiser to determine the fair value of the land used in operations. Fair value is determined by reference to market-based evidence. The fair value amount would differ if the Group made different judgments and estimates or utilized a different basis for determining fair value.

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

The revalued amount of land amounted to ₱1,409.59 million and ₱1,403.12 million as at December 31, 2011 and 2010, respectively (see Note 13).

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

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

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

The balance of nonfinancial assets as at December 31 follows (see Notes 9, 11, 12, 14 and 15):

	2011	2010
Property and equipment	**₱3,252,582,543**	₱2,872,001,158
Investments and advances	**320,500,720**	341,913,803
Prepaid production costs	**219,404,918**	198,300,805
Tax credits	**118,368,267**	109,054,955
Investment properties	**68,029,711**	63,343,706
Software costs	**48,421,523**	39,457,145
	₱4,027,307,682	₱3,624,071,572

Estimating Realizability of Deferred Tax Assets. The Group's assessment on the recognition of deferred tax assets on nondeductible temporary differences and carryforward benefits of NOLCO and excess MCIT is based on the forecasted taxable income of the five (5) reporting periods. This forecast is based on the Group's future expectations on revenues and expenses.

Deferred tax assets amounted to ₱240.35 million and ₱215.77 million as at December 31, 2011 and 2010, respectively (see Note 27).

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

Pension liability amounted to ₱312.97 million and ₱252.64 million as at December 31, 2011 and 2010, respectively. Unrecognized actuarial gains (losses) amounted to ₱66.52 million and (₱39.35 million) as at December 31, 2011 and 2010, respectively (see Note 25).

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

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

5. Segment Information

Business Segments

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

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

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

Geographical Segments

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

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

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

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

Inter-segment Transactions

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

Business Segment Data

	Television and Radio Airtime			International Subscriptions			Other Businesses			Eliminations			Consolidated		
	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
Net Revenues															
External sales	₱9,647,183,840	₱10,689,581,553	₱10,270,300,569	₱960,227,636	₱922,786,835	₱850,796,640	₱549,632,063	₱402,769,028	₱379,409,755	₱–	₱–	₱–	₱11,157,043,539	₱12,015,137,416	₱11,500,506,964
Inter-segment sales	–	–	–	–	–	–	244,794,350	382,633,199	301,464,591	(244,794,350)	(382,633,199)	(301,464,591)	–	–	–
Total net revenues	₱9,647,183,840	₱10,689,581,553	₱10,270,300,569	₱960,227,636	₱922,786,835	₱850,796,640	₱794,426,413	₱785,402,227	₱680,874,346	(₱244,794,350)	(₱382,633,199)	(₱301,464,591)	₱11,157,043,539	₱12,015,137,416	₱11,500,506,964
Results															
Segment results	₱1,636,246,402	₱3,121,639,310	₱3,271,883,435	₱510,702,679	₱532,898,732	₱448,520,330	₱25,849,900	₱45,352,866	₱37,779,518	₱–	(₱10,529,427)	₱–	₱2,172,798,981	₱3,689,361,481	₱3,758,183,283
Interest income from bank deposits and short-term investments	27,501,787	76,230,704	56,438,486	–	–	–	1,065,640	990,899	1,316,543	–	–	–	28,567,427	77,221,603	57,755,029
Interest expenses and financing charges on short-term loans	(1,659,872)	(3,649,397)	(8,820,393)	–	–	–	(9,819,422)	(135,885)	(84,410)	–	–	–	(11,479,294)	(3,785,282)	(8,904,803)
Net foreign currency exchange gains (losses)	(6,052,422)	(24,897,530)	(10,075,874)	–	2,049	1,072,360	280,313	(616,180)	(172,871)	–	–	–	(5,772,109)	(25,511,661)	(9,176,385)
Equity in net earnings (losses) of associates and joint ventures	–	–	–	–	–	–	5,019,389	6,867,724	(11,478,071)	–	–	–	5,019,389	6,867,724	(11,478,071)
Other income - net	54,130,094	52,862,653	90,328,374	–	–	7,843	2,725,891	1,194,170	3,180,328	–	(4,000,000)	(41,000,000)	56,855,985	50,056,823	52,516,545
Provision for income tax	(522,319,174)	(958,515,150)	(1,007,537,449)	–	–	–	(8,532,833)	(14,868,485)	(13,107,341)	–		–	(530,852,007)	(973,383,635)	(1,020,644,790)
Net income	₱1,187,846,815	₱2,263,670,590	₱2,392,216,579	₱510,702,679	₱532,900,781	₱449,600,533	₱16,588,878	₱38,785,109	₱17,433,696	₱–	(₱14,529,427)	(₱41,000,000)	₱1,715,138,372	₱2,820,827,053	₱2,818,250,808
Assets and Liabilities															
Segment assets	₱11,039,738,827	₱11,759,280,302	₱12,839,868,329	₱ 858,686,844	₱829,061,722	₱555,401,291	₱815,479,756	₱714,526,464	₱640,837,088	(₱805,833,107)	(₱731,270,496)	(₱642,121,472)	₱11,908,072,320	₱12,571,597,992	₱13,393,985,236
Investments in associates and interests in joint ventures - at equity	233,415,063	228,395,675	213,825,504	–	–	–	–	26,432,471	34,134,918	–	–	–	233,415,063	254,828,146	247,960,422
Deferred tax assets	192,059,895	170,314,323	183,581,868	–	–	–	48,289,908	45,455,522	42,192,115	–	–	–	240,349,803	215,769,845	225,773,983
Total assets	₱11,465,213,785	₱12,157,990,300	₱13,237,275,701	₱858,686,844	₱829,061,722	₱555,401,291	₱863,769,664	₱786,414,457	₱717,164,121	(805,833,107)	(₱731,270,496)	(₱642,121,472)	₱12,381,837,186	₱13,042,195,983	₱13,867,719,641
Segment liabilities	₱2,157,785,941	₱2,370,237,159	₱2,557,528,061	₱19,886,601	₱7,096,567	₱16,839,952	₱911,153,510	₱812,686,252	₱769,439,449	(₱881,853,746)	(₱795,826,209)	(₱708,615,033)	₱2,206,972,306	₱2,394,193,769	₱2,635,192,429
Deferred tax liabilities	347,307,951	349,365,236	352,388,382	–	–	–	118,376	4,500	19,000	–	–	–	347,426,327	349,369,736	352,407,382
Total liabilities	₱2,505,093,892	₱2,719,602,395	₱2,909,916,443	₱19,886,601	₱7,096,567	₱16,839,952	₱911,271,886	₱812,690,752	₱769,458,449	(₱881,853,746)	(₱795,826,209)	(₱708,615,033)	₱2,554,398,633	₱2,743,563,505	₱2,987,599,811
Other Segment Information															
Capital expenditures:															
Property and equipment	₱238,726,421	₱403,866,267	₱598,655,409	₱7,318,113	₱6,904,559	₱1,551,406	₱657,410,106	₱17,667,523	₱9,025,386	₱–	₱–	₱–	₱903,454,640	₱428,438,349	₱609,232,201
Land at revalued amount	6,463,241	–	–	–	–	–	–	–	–	–	–	–	6,463,241	–	–
Intangible assets	496,117,080	402,624,186	335,815,089	–	–	–	28,004,890	9,896,283	12,214,773	–	–	(12,554,423)	524,121,970	412,520,469	335,475,439
Investment properties	664,163	6,188,853	79,018	–	–	–	2,151,000	–	–	–	–	–	2,815,163	6,188,853	79,018
Depreciation and amortization	842,303,103	951,449,174	1,068,724,517	6,455,694	23,715,018	13,843,643	12,831,055	15,879,747	16,216,764	–	–	–	861,589,852	991,043,939	1,098,784,924
Noncash expenses other than depreciation and amortization	–	–	–	11,761,460	9,606,610	10,508,849	–	–	–	(11,761,460)	(9,606,610)	(10,508,849)	–	–	–

Geographical Segment Data

	Local														
	Television and radio airtime			Other Businesses			International Subscriptions			Eliminations			Consolidated		
	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
Net Revenues															
External sales	₱9,647,183,840	₱10,689,581,553	₱10,270,300,569	₱549,632,063	₱402,769,028	₱379,409,755	₱960,227,636	₱922,786,835	₱850,796,640	₱–	₱–	₱–	₱11,157,043,539	₱12,015,137,416	₱11,500,506,964
Inter-segment sales	–	–	–	244,794,350	382,633,199	301,464,591	–	–	–	(244,794,350)	(382,633,199)	(301,464,591)	–	–	–
Total net revenues	₱9,647,183,840	₱10,689,581,553	₱10,270,300,569	₱794,426,413	₱785,402,227	₱680,874,346	₱960,227,636	₱922,786,835	₱850,796,640	(₱244,794,350)	(₱382,633,199)	(₱301,464,591)	₱11,157,043,539	₱12,015,137,416	₱11,500,506,964
Assets and Liabilities															
Segment assets	₱11,039,738,827	₱11,759,280,302	₱12,839,868,329	₱815,479,756	₱714,526,464	₱640,837,088	₱858,686,844	₱829,061,722	₱555,401,291	(₱805,833,107)	(₱731,270,496)	(₱642,121,472)	₱11,908,072,320	₱12,571,597,992	₱13,393,985,236
Segment liabilities	2,157,785,941	2,370,237,159	2,557,528,061	911,153,510	812,686,252	769,439,449	19,886,601	7,096,567	16,839,952	(881,853,746)	(795,826,209)	(708,615,033)	2,206,972,306	2,394,193,769	2,635,192,429
Other Segment Information															
Capital expenditures:															
Property and equipment	₱238,726,421	₱403,866,267	₱598,655,409	₱657,410,106	₱17,667,523	₱9,025,386	₱7,318,113	₱6,904,559	₱1,551,406	₱–	₱–	₱–	₱903,454,640	₱428,438,349	₱609,232,201
Land at revalued amount	6,463,241	–	–	–	–	–	–	–	–	–	–	–	6,463,241	–	–
Intangible assets	496,117,080	402,624,186	335,815,089	28,004,890	9,896,283	12,214,773	–	–	–	–	–	(12,554,423)	524,121,970	412,520,469	335,475,439
Investment properties	664,163	6,188,853	79,018	2,151,000	–	–	–	–	–	–	–	–	2,815,163	6,188,853	79,018

6. Cash and Cash Equivalents

	2011	2010
Cash on hand and in banks	**₱739,028,819**	₱708,365,390
Short-term deposits	**468,947,304**	523,986,450
	₱1,207,976,123	₱1,232,351,840

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Interest income, net of final tax, earned from bank deposits amounted to ₱28.57 million, ₱77.22 million and ₱57.76 million in 2011, 2010 and 2009, respectively.

7. Trade and Other Receivables

	2011	2010
Trade:		
Television and radio airtime	**₱3,631,453,604**	₱4,974,423,522
Subscriptions	**311,859,621**	267,676,284
Related party (see Note 19)	**60,622,219**	59,898,039
Others	**155,203,912**	117,289,926
Nontrade:		
Advances to suppliers	**199,978,803**	198,301,803
Advances to officers and employees	**34,738,409**	9,625,412
Others	**35,218,973**	118,145,159
	4,429,075,541	5,745,360,145
Less allowance for doubtful accounts	**237,937,618**	213,388,195
	₱4,191,137,923	₱5,531,971,950

Trade Receivables

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

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

Television and radio airtime receivables are presented net of payments received before broadcast amounting to ₱128.13 million and ₱145.87 million as at December 31, 2011 and 2010, respectively, since a right of offset exists between the advance payments and the regular trade receivables with credit terms.

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

Related Party. Terms and conditions of receivables to related party are discussed in Note 19.

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

Nontrade Receivables

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

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

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

	2011		
	Television and Radio Airtime	**Others**	**Total**
Balance at beginning of year	**₱210,840,896**	**₱2,547,299**	**₱213,388,195**
Provision for the year (see Note 22)	**23,799,588**	**749,835**	**24,549,423**
Balance at end of year	**₱234,640,484**	**₱3,297,134**	**₱237,937,618**

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

The allowance for doubtful accounts for television and radio airtime and other receivables in 2011 and 2010 are results of specific and collective impairment assessments performed by the Group as follows:

	2011	2010
Individually impaired	**₱226,067,516**	₱197,664,882
Collectively impaired	**11,870,102**	15,723,313
	₱237,937,618	₱213,388,195

As at December 31, 2011 and 2010, the aging analysis of receivables that were not impaired follows:

	2011					
	Trade					
	Television and Radio Airtime	Subscriptions	Related party	Others	Nontrade*	Total
Neither past due nor impaired	₱2,052,849,685	₱140,911,528	₱60,622,219	₱65,521,276	₱37,547,734	₱2,357,452,442
Past due but not impaired:						
1-30 days	260,640,826	89,404,778	–	5,128,207	7,801,413	362,975,224
31-60 days	259,043,565	21,046,947	–	20,254,421	4,660,658	305,005,591
61-90 days	18,179,674	16,755,356	–	4,606,401	4,697,818	44,239,249
91-180 days	74,829,169	23,664,791	–	2,247,745	5,524,317	106,266,022
181-365 days	237,536,716	14,583,349	–	19,509,362	4,625,353	276,254,780
Over one year	493,733,485	5,492,872	–	34,639,366	5,100,089	538,965,812
	₱3,396,813,120	₱311,859,621	₱60,622,219	₱151,906,778	₱69,957,382	₱3,991,159,120

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

	2010					
	Trade					
	Television and Radio Airtime	Subscriptions	Related party	Others	Nontrade*	Total
Neither past due nor impaired	₱3,046,277,536	₱174,784,481	₱59,898,039	₱29,716,962	₱16,537,655	₱3,327,214,673
Past due but not impaired:						
1-30 days	419,457,061	15,303,212	–	16,511,231	9,135,181	460,406,685
31-60 days	246,448,895	13,149,773	–	17,616,326	12,520,799	289,735,793
61-90 days	162,794,526	16,940,704	–	9,772,600	10,508,168	200,015,998
91-180 days	175,050,274	17,449,907	–	7,140,366	5,212,865	204,853,412
181-365 days	239,660,518	14,590,070	–	24,743,480	42,587,376	321,581,444
Over one year	473,893,816	15,458,137	–	9,241,662	31,268,527	529,862,142
	₱4,763,582,626	₱267,676,284	₱59,898,039	₱114,742,627	₱127,770,571	₱5,333,670,147

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

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

The Group's unbilled receivables amounted to ₱107.87 million and ₱136.76 million as at December 31, 2011 and 2010, respectively. These are included in trade receivables as "neither past due nor impaired" but with age of 31-60 days from date of airing.

8. Program and Other Rights

	2011			
	Program Rights	Story Format Rights	Film Rights	Total
Cost:				
Balance at beginning of year	₱452,015,772	₱89,563,129	₱19,195,952	₱560,774,853
Additions	440,091,709	21,354,264	28,000,000	489,445,973
	892,107,481	110,917,393	47,195,952	1,050,220,826
Program and other rights usage (see Note 21)	(273,054,958)	(39,425,457)	(5,040,000)	(317,520,415)
Balance at end of year	619,052,523	71,491,936	42,155,952	732,700,411
Accumulated impairment in value - Balance at beginning and end of year	(2,702,260)	–	–	(2,702,260)
	₱616,350,263	₱71,491,936	₱42,155,952	₱729,998,151

	2010			
	Program Rights	Story Format Rights	Film Rights	Total
Cost:				
Balance at beginning of year	₱545,370,858	₱77,447,289	₱20,059,524	₱642,877,671
Additions	313,352,327	59,406,209	9,000,000	381,758,536
	858,723,185	136,853,498	29,059,524	1,024,636,207
Program and other rights usage (see Note 21)	(406,707,413)	(47,290,369)	(9,863,572)	(463,861,354)
Balance at end of year	452,015,772	89,563,129	19,195,952	560,774,853
Accumulated impairment in value - Balance at beginning and end of year	(2,702,260)	–	–	(2,702,260)
	₱449,313,512	₱89,563,129	₱19,195,952	₱558,072,593

No impairment loss on program and other rights was recognized in 2011 and 2010.

9. Prepaid Expenses and Other Current Assets

	2011	2010
Prepaid production costs	**₱219,404,918**	₱198,300,805
Tax credits	**118,368,267**	109,054,955
Materials and supplies inventory at cost	**108,959,185**	108,989,821
Input VAT	**104,090,498**	81,793,312
Prepaid expenses	**85,194,126**	59,192,186
Creditable withholding taxes	**58,800,765**	47,780,854
Others	**222,800**	189,800
	₱695,040,559	₱605,301,733

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

10. Available-for-Sale Financial Assets

	2011	2010
Investments in shares of stock:		
Unquoted	**₱83,257,256**	₱83,257,256
Quoted	**22,539,592**	21,709,592
	₱105,796,848	₱104,966,848

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

AFS financial assets include net unrealized gain amounting to ₱2.75 million and ₱2.00 million, net of deferred tax liabilities amounting to ₱0.29 million and ₱0.21 million as at December 31, 2011 and 2010, respectively (see Note 27). The net unrealized gain on AFS financial assets are deferred and presented separately under the equity section of the consolidated statements of financial position. The movement in the net unrealized gain on AFS financial assets is presented under the consolidated statements of changes in equity. No portion of the net unrealized gain on AFS financial assets was transferred to profit in loss in 2011 and 2010.

11. Investments and Advances

	2011	2010
Investments in associates and interests in joint ventures accounted for under the equity method	**₱233,415,063**	₱254,828,146
Permanent advances to associates and joint ventures (see Note 19)	**87,085,657**	87,085,657
	₱320,500,720	₱341,913,803

The movements in the above amounts are as follows:

	2011	2010
Investments in associates and interests in joint ventures accounted for under the equity method		
Acquisition cost:		
Balance at beginning of year	**₱327,722,056**	₱327,722,056
Interest in joint venture classified as held for sale - net of subscription payable (see Note 4)	**(50,000,000)**	–
Balance at end of year	**277,722,056**	327,722,056
Accumulated equity in net losses:		
Balance at beginning of year	**(72,893,910)**	(79,761,634)
Accumulated equity in net losses associated with the asset held for sale	**23,567,528**	–
Equity in net earnings during the year	**5,019,389**	6,867,724
Balance at end of year	**(44,306,993)**	(72,893,910)
	233,415,063	254,828,146
Advances to associates and joint ventures:		
Balance at beginning of year	**87,085,657**	146,367,188
Collection of advances during the year	–	(59,281,531)
Balance at end of year	**87,085,657**	87,085,657
Total investments and advances	**₱320,500,720**	₱341,913,803

The ownership interests in associates and joint ventures which are all incorporated in the Philippines consist of the following:

		Percentage of Ownership	
	Principal Activities	2011	2010
Associates:			
RGMA Network, Inc. (RGMA)	Radio Broadcasting	**49.0**	49.0
Mont-Aire Realty and Development Corporation (Mont-Aire)	Real Estate	**49.0**	49.0
Joint Ventures:			
X-Play (see Note 4)	Casual Online Interactive Games	–	50.0
INQ7 Interactive, Inc. (INQ7)	Internet Publishing	**50.0**	50.0
Philippine Entertainment Portal, Inc. (PEP)	Internet Publishing	**50.0**	50.0

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

	2011		
	Investments	**Advances (see Note 19)**	**Total**
Associates:			
RGMA	₱195,064,444	₱–	₱195,064,444
Mont-Aire	38,350,619	84,475,370	122,825,989
Joint venture - INQ7	–	2,610,287	2,610,287
	₱233,415,063	₱87,085,657	₱320,500,720

	2010		
	Investments	Advances (see Note 19)	Total
Associates:			
RGMA	₱190,045,055	₱–	₱190,045,055
Mont-Aire	38,350,619	84,475,370	122,825,989
Joint ventures:			
X-Play (see Note 4)	26,432,472	–	26,432,472
INQ7	–	2,610,287	2,610,287
	₱254,828,146	₱87,085,657	₱341,913,803

X-Play

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

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

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

PEP

As at December 31, 2011 and 2010, accumulated equity in net losses of PEP exceeded the Group's interest in joint venture, thus, the carrying value of interest in joint venture with PEP has been reduced to zero. Unrecognized share of income (losses) in PEP amounted to ₱2.11 million, (₱0.03 million) and (₱3.27 million) in 2011, 2010 and 2009, respectively. The accumulated unrecognized share of losses in PEP amounted to ₱1.19 million and ₱3.30 million as at December 31, 2011 and 2010, respectively.

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

Establishment of a New Joint Venture
On March 22, 2012, the Group, through GNMI, executed a Shareholder's Agreement with Manila Jockey Club, Inc. for the establishment of a joint venture corporation namely Gamespan, Inc. The joint venture will be operational in 2012.

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

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

		Total Assets	Total Liabilities	Revenues	Net Income
RGMA	2011	₱126,139,501	₱75,172,507	₱146,714,016	₱10,243,651
	2010	105,255,491	64,568,415	167,385,748	29,735,040
Mont-Aire	2011	160,136,147	94,460,607	–	–
	2010	160,136,147	94,460,607	–	–

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

	INQ7		PEP		X-Play (see Note 4)	
	2011	2010	2011	2010	2011	2010
Current assets	₱7,699,079	₱7,699,079	₱18,959,186	₱17,875,121	₱–	₱10,484,469
Noncurrent assets	2,182,230	2,182,230	691,270	973,206	–	38,680,114
Current liabilities	29,032,924	29,032,924	21,734,766	23,039,948	–	22,732,111
Revenues	–	–	12,422,343	7,042,017	–	18,431,805
Expenses	–	–	10,315,032	12,562,019	–	26,134,251
Net income (losses)	–	–	2,107,311	(5,520,002)	–	(7,702,446)

12. Property and Equipment at Cost

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

	2010				
	January 1	Additions/ Depreciation (see Notes 21 and 22)	Disposals	Reclassifications	December 31
Cost:					
Buildings, towers and improvements	₱2,640,110,537	₱20,870,175	(₱4,800,342)	(₱195,747,664)	₱2,460,432,706
Antenna and transmitter systems and broadcast equipment	4,052,769,124	186,016,131	(52,760,835)	70,865,482	4,256,889,902
Communication and mechanical equipment	576,372,201	47,523,060	(13,293,958)	25,604,324	636,205,627
Transportation equipment	336,544,464	62,386,026	(77,715,320)	25,702,043	346,917,213
Furniture, fixtures and equipment	153,720,112	5,942,323	(945,980)	2,756,763	161,473,218
	7,759,516,438	322,737,715	(149,516,435)	(70,819,052)	7,861,918,666
Accumulated Depreciation and Amortization:					
Buildings, towers and improvements	856,089,394	110,615,311	(896,394)	1,116,067	966,924,378
Antenna and transmitter systems and broadcast equipment	3,175,013,821	244,043,554	(34,564,080)	(19,565,653)	3,364,927,642
Communication and mechanical equipment	417,191,279	70,114,291	(9,959,835)	478,256	477,823,991
Transportation equipment	204,385,626	67,733,582	(67,853,301)	(2,894)	204,263,013
Furniture, fixtures and equipment	118,243,299	11,900,948	(537,807)	(25,776)	129,580,664
	4,770,923,419	504,407,686	(113,811,417)	(18,000,000)	5,143,519,688
Construction in progress and equipment for installation	35,443,122	105,700,634	–	12,458,424	153,602,180
	₱3,024,036,141	(₱75,969,337)	(₱35,705,018)	(₱40,360,628)	₱2,872,001,158

Depreciation and amortization on property and equipment charged to operations amounted to ₱515.24 million, ₱504.41 million and ₱555.90 million in 2011, 2010 and 2009, respectively. These amounts include amortization of previously capitalized borrowing costs amounting to ₱10.08 million each year. No borrowing cost was capitalized in 2011 and 2010.

The cost of fully depreciated assets still used by the Group amounted to ₱3,641.83 million and ₱3,356.26 million as at December 31, 2011 and 2010, respectively.

Construction in progress pertains to the costs incurred for signals strengthening of transmitters nationwide and construction/improvement of studios in the regions and in the GMA Network Compound Annex Building.

13. Land at Revalued Amounts

	2011	2010
Cost:		
Balance at beginning of year	**₱340,039,576**	₱340,039,576
Additions	**6,463,241**	–
Balance at end of year	**346,502,817**	340,039,576
Revaluation increment -		
Balance at beginning and end of year	**1,063,082,889**	1,063,082,889
	₱1,409,585,706	₱1,403,122,465

Land used in operations were appraised by an independent firm of appraisers on December 23, 2008 and January 5, 2009.

While fair values of the land were not determined as at December 31, 2011 and 2010, the Group's management believes that there were no conditions present in 2011 and 2010 that would significantly reduce the fair value of the land from that was determined as at January 5, 2009.

In determining the fair value of the land, the independent appraisers considered the local market conditions, the extent, character and utility of the property, sales and holding prices of similar parcels of land and the highest and best use of the land.

14. Investment Properties

	2011		
	Land and Improvements	**Buildings and Improvements**	**Total**
Cost:			
Balance at beginning of year	₱33,399,381	₱71,326,338	₱104,725,719
Additions	576,000	2,239,163	2,815,163
Balance at end of year	33,975,381	73,565,501	107,540,882
Accumulated depreciation:			
Balance at beginning of year	–	34,346,621	34,346,621
Depreciation during the year (see Notes 21 and 22)	–	3,119,377	3,119,377
Balance at end of year	–	37,465,998	37,465,998
Accumulated impairment in value:			
Balance at beginning of year	–	7,035,392	7,035,392
Reversal during the year (see Note 24)	–	(4,990,219)	(4,990,219)
	–	2,045,173	2,045,173
	₱33,975,381	₱34,054,330	₱68,029,711

	2010		
	Land and Improvements	Buildings and Improvements	Total
Cost:			
Balance at beginning of year	₱33,399,381	₱65,137,485	₱98,536,866
Additions	–	6,188,853	6,188,853
Balance at end of year	33,399,381	71,326,338	104,725,719
Accumulated depreciation:			
Balance at beginning of year	–	31,784,726	31,784,726
Depreciation during the year (see Notes 21 and 22)	–	2,561,895	2,561,895
Balance at end of year	–	34,346,621	34,346,621
Accumulated impairment in value - Balance at beginning and end of year	–	7,035,392	7,035,392
	₱33,399,381	₱29,944,325	₱63,343,706

The reversal of previously recognized impairment loss in 2011 resulted from the increase in fair value of certain buildings and improvements of GMPI amounting to ₱4.99 million as determined by an independent appraiser as at December 31, 2011. The fair market value of investment properties owned by GMPI and Scenarios amounted to ₱25.75 million as at December 31, 2011 while the rest of the investment properties owned by the Parent Company and Alta amounted to ₱102.13 million as at December 31, 2005, as determined by independent appraisers. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's-length transaction at the date of valuation in accordance with International Valuation Standards.

While fair values of the majority of investment properties were not determined as at December 31, 2011 and 2010, the Group's management believes that there were no conditions present in 2011 and 2010 that would significantly reduce the fair value of the investment properties from that determined in 2005.

	2011	2010	2009
Rental income derived from investment properties	**₱2,175,581**	₱3,251,844	₱2,250,297
Direct operating expenses (including repairs and maintenance) from investment properties	**(3,097,803)**	(2,561,895)	(2,783,436)
	(₱922,222)	₱689,949	(₱533,139)

15. Other Noncurrent Assets

	2011	2010
Software costs	**₱48,421,523**	₱39,457,145
Deferred input VAT	**30,986,364**	26,346,896
Refundable deposits (see Notes 29 and 30)	**18,925,664**	14,132,084
Guarantee deposits	**18,086,984**	18,959,434
Investment in artworks	**10,406,255**	10,406,254
Video right and deferred production costs	**4,085,340**	3,708,732
Others	**3,494,497**	369,497
	₱134,406,627	₱113,380,042

The movements in software costs follow:

	2011	2010
Cost:		
Balance at beginning of year	**₱151,840,863**	₱121,078,930
Additions	**34,675,997**	30,761,933
Balance at end of year	**186,516,860**	151,840,863
Accumulated amortization:		
Balance at beginning of year	**112,383,718**	92,170,714
Amortization during the year (see Note 22)	**25,711,619**	20,213,004
Balance at end of year	**138,095,337**	112,383,718
	₱48,421,523	₱39,457,145

16. Trade Payables and Other Current Liabilities

	2011	2010
Trade:		
Suppliers	**₱301,091,337**	₱328,169,060
Related parties (see Note 19)	**19,331,690**	7,762,136

(Forward)

	2011	2010
Payable to government agencies	**₱756,299,280**	₱853,989,103
Accrued:		
Sick and vacation leaves	**222,224,516**	187,859,299
Production costs	**171,700,931**	197,203,867
Payroll and talent fees	**132,262,774**	125,505,014
Commission	**37,067,964**	28,688,244
Other general and administrative expenses	**91,456,382**	69,068,856
Others	**24,128,758**	21,035,593
	₱1,755,563,632	₱1,819,281,172

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

Terms and conditions of payables to related parties are discussed in Note 19.

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

Accrued sick and vacation leaves comprise of accumulated allowable credit leaves. Excess sick leaves over maximum credit leaves are reimbursed to the employees annually while excess vacation leaves are forfeited.

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

17. Obligations for Program and Other Rights

This account represents liabilities to foreign and local film suppliers for program and other rights purchased by the Group. The liabilities are noninterest-bearing and are generally payable in equal monthly or quarterly installments. The amounts presented in the consolidated statements of financial position as at December 31, 2011 and 2010 represent the face amounts of the obligations which are expected to be settled within the next 12 months.

18. Equity

a. Capital Stock

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

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

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

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

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

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

b. Retained Earnings

The retained earnings of the Parent Company is restricted for the payment of dividends to the extent of ₱34.27 million as at December 31, 2011 and 2010, representing the cost of shares held in treasury amounting to ₱28.48 million in 2011 and 2010 and underlying shares of the acquired PDRs amounting to ₱5.79 million in 2011 and 2010.

Consolidated retained earnings include undeclared retained earnings of subsidiaries amounting to ₱54.80 million and ₱38.21 million as of December 31, 2011 and 2010, respectively. The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in SEC Memorandum Circular No. 11, amounted to ₱2,262.68 million and ₱2,774.60 million as at December 31, 2011 and 2010, respectively.

The BOD of the Parent Company approved the declaration of the following cash dividends, in 2011, 2010 and 2009:

Year	Declaration Date	Record Date	Cash Dividend Per Share	Total Cash Dividend Declared
2011	**March 11, 2011**	**April 8, 2011**	**₱0.45**	**₱2,187,089,297**
2010	March 5, 2010	April 14, 2010	₱0.45	₱2,187,089,297
	October 28, 2010	November 17, 2010	0.25	1,215,049,609
				₱3,402,138,906
2009	April 2, 2009	April 21, 2009	₱0.35	₱1,701,069,453

Events after Reporting Period
On March 28, 2012, the BOD approved the Parent Company's declaration and distribution of a cash dividend of ₱0.40 per share totaling ₱1,944.08 million to all stockholders of record as at April 16, 2012.

19. Related Party Disclosures

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

Terms and Conditions of Transactions with Related Parties
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash, except for cash advances intended for future capital subscription. There have been no guarantees provided or received for any related party receivable or payable. For the years ended December 31, 2011, 2010 and 2009, the Group did not make any provision for doubtful accounts relating to amounts owed by related parties. An assessment is undertaken at each financial year-end by examining the financial position of the related party and the market in which the related party operates.

Transactions with related parties are as follows:

Related Party	Relationship	Nature of Transaction	Year	Revenues	Expenses	Permanent Advances to Associates and Joint Ventures (see Note 11)	Trade Receivable (see Note 7)	Trade Payables (see Note 16)
RGMA	Associate	Airtime sales and commissions	**2011**	**₱60,561,323**	**₱85,022,107**	**₱–**	**₱60,622,219**	**₱14,488,308**
			2010	148,750,798	41,353,408	–	59,898,039	6,178,754
GMA Kapuso Foundation, Inc. (GMA Foundation)	Common stockholders	Grant of noninterest-bearing advances	**2011**	–	**1,702,205**	–	–	–
			2010	–	11,567,888	–	–	–
INQ7	Joint venture	Grant of noninterest-bearing advances	**2011**	–	–	**2,610,287**	–	–
			2010	–	–	2,610,287	–	–

(Forward)

Related Party	Relationship	Nature of Transaction	Year	Revenues	Expenses	Permanent Advances to Associates and Joint Ventures (see Note 11)	Trade Receivable (see Note 7)	Trade Payables (see Note 16)
Mont-Aire	Associate	Grant of noninterest-bearing advances	2011	₱–	₱–	₱84,475,370	₱–	₱–
			2010	–	–	84,475,370	–	–
Image One	Associate	Advertising fee	2011	–	–	–	–	1,023,382
			2010	–	–	–	–	1,023,382
Belo, Gozon, Elma Law (BGE Law),	The Parent Company's Chairman of the Board is a principal partner of BGE Law	Legal and retainers' fees	2011	–	10,769,120	–	–	–
			2010	–	6,498,421	–	–	–
Others	Common stockholders	Consulting fee and others	2011	–	3,820,000	–	–	3,820,000
			2010	–	1,439,829	–	–	560,000
			2011	₱60,561,323	₱101,313,432	₱87,085,657	₱60,622,219	₱19,331,690
			2010	148,750,798	60,859,546	87,085,657	59,898,039	7,762,136

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

Others

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

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

	2011	2010	2009
Salaries and other short-term benefits	₱247,631,477	₱252,212,804	₱283,394,894
Pension benefits	38,455,825	37,374,611	37,451,095
	₱286,087,302	₱289,587,415	₱320,845,989

20. Net Revenues

	2011	2010	2009
Television and radio airtime	₱11,881,201,505	₱13,192,728,856	₱12,691,612,973
Subscription income (see Note 26)	964,592,031	925,370,205	855,182,975
Production and others	237,012,535	181,417,798	224,080,695
	13,082,806,071	14,299,516,859	13,770,876,643
Agency commissions	(1,894,059,868)	(2,204,415,271)	(2,060,006,684)
Co-producers' shares	(31,702,664)	(79,964,172)	(210,362,995)
	(1,925,762,532)	(2,284,379,443)	(2,270,369,679)
	₱11,157,043,539	₱12,015,137,416	₱11,500,506,964

21. Production Costs

	2011	2010	2009
Talent fees and production personnel costs (see Note 23)	₱2,776,389,552	₱2,330,496,360	₱2,101,146,857
Rental (see Note 26)	763,296,407	658,905,787	613,057,118
Tapes, sets and production supplies	572,365,965	534,769,220	488,161,380
Program and other rights usage (see Note 8)	317,520,415	463,861,354	524,436,570
Facilities and production services	249,539,604	197,433,955	256,145,441
Depreciation and amortization (see Notes 12 and 14)	224,202,422	210,468,361	206,608,697
Transportation and communication	201,652,534	197,286,664	100,798,448
	₱5,104,966,899	₱4,593,221,701	₱4,290,354,511

22. General and Administrative Expenses

	2011	2010	2009
Personnel costs (see Note 23)	₱1,714,206,664	₱1,626,148,105	₱1,612,077,169
Advertising	425,348,586	401,373,131	289,620,121
Depreciation and amortization (see Notes 12 and 14)	294,155,396	296,501,220	352,078,208
Communication, light and water	270,459,169	240,967,848	203,915,007
Taxes and licenses	211,405,320	191,293,163	191,409,221
Repairs and maintenance	187,580,420	202,020,277	145,085,737
Professional fees	140,393,183	136,879,522	145,306,859
Research and surveys	112,664,696	105,380,684	96,084,168
Sales incentives	101,227,612	129,027,683	77,240,586
Rental (see Note 26)	88,633,501	78,591,408	80,347,252
Transportation and travel	63,559,183	68,532,979	68,937,835
Amortization of software costs (see Note 15)	25,711,619	20,213,004	15,661,449
Provision for doubtful accounts, net of reversal (see Note 7)	24,549,423	30,599,355	8,168,203
Insurance	21,872,912	18,631,682	15,263,455
Materials and supplies	19,745,493	20,890,902	20,032,851
Entertainment, amusement and recreation	14,372,425	13,996,511	11,318,261
Dues and subscriptions	11,036,693	11,391,554	11,345,758
Others	152,355,364	140,115,206	108,077,030
	₱3,879,277,659	₱3,732,554,234	₱3,451,969,170

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

23. Personnel Costs

	2011	2010	2009
Talent fees	₱2,660,734,083	₱2,216,418,735	₱1,993,248,283
Salaries and wages	1,268,569,522	1,165,840,843	1,022,555,260
Employee benefits and allowances	417,563,885	446,428,667	551,097,150
Sick and vacation leaves expense	72,680,965	33,634,836	31,153,159
Net pension expense (see Note 25)	71,047,761	94,321,384	115,170,174
	₱4,490,596,216	₱3,956,644,465	₱3,713,224,026

The above amounts were distributed as follows:

	2011	2010	2009
Production costs (see Note 21)	₱2,776,389,552	₱2,330,496,360	₱2,101,146,857
General and administrative expenses (see Note 22)	1,714,206,664	1,626,148,105	1,612,077,169
	₱4,490,596,216	₱3,956,644,465	₱3,713,224,026

24. Others

	2011	2010	2009
Gain on sale of property and equipment	₱16,040,347	₱13,853,541	₱10,158,900
Tax refund of GMA Pinoy TV	14,781,093	17,845,874	13,336,397
Merchandising license fees and others	6,781,724	1,076,674	1,661,697
Net foreign currency exchange loss	(5,772,109)	(25,511,661)	(9,176,385)
Reversal of impairment loss (see Note 14)	4,990,219	–	–
Commissions	4,011,520	3,515,842	4,036,479
Rental (see Note 26)	3,815,060	4,947,469	4,525,381
Income from mall shows	2,443,521	1,873,000	5,741,334
Sales of DVDs and integrated receiver-decoders	1,196,179	2,516,687	3,889,832
Dividends	41,529	58,957	22,691
Income from unreturned video tapes	34,925	508,106	1,241,144
Discount on tax credit certificates	–	2,670,692	7,408,499
Proceeds from insurance claims	–	–	412,555
Reversal of long-outstanding payables and reimbursement of IPO charges by selling shareholders	–	–	81,636
Others	2,719,868	1,189,981	–
	₱51,083,876	₱24,545,162	₱43,340,160

25. Pension Benefits

The following tables summarize the components of net pension expense recognized in the consolidated statements of comprehensive income and the funded status and amounts recognized in the consolidated statements of financial position for the plans:

Net pension expense (see Note 23)

	2011	2010	2009
Current service cost	**₱60,692,904**	₱64,975,622	₱61,736,161
Interest cost	**65,716,350**	79,841,216	62,345,036
Expected return on plan assets	**(55,423,986)**	(43,864,915)	(18,018,493)
Actuarial losses (gains) recognized	**62,493**	(6,630,539)	9,107,470
	₱71,047,761	₱94,321,384	₱115,170,174

Pension liability

	2011	2010	2009
Present value of defined benefit obligation	**(₱907,487,812)**	(₱828,936,473)	(₱721,781,243)
Fair value of plan assets	**527,997,996**	615,649,657	487,231,208
	(379,489,816)	(213,286,816)	(234,550,035)
Unrecognized actuarial losses (gains)	**66,518,970**	(39,354,197)	(45,984,736)
	(₱312,970,846)	(₱252,641,013)	(₱280,534,771)

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

	2011	2010	2009
Balance at beginning of year	**₱828,936,473**	₱721,781,243	₱746,444,672
Current service cost	**60,692,904**	64,975,622	61,736,161
Interest cost	**65,716,350**	79,841,216	62,345,036
Benefits paid	**(40,569,500)**	(37,661,608)	(22,594,803)
Actuarial gains	**(7,288,415)**	–	(126,149,823)
Balance at end of year	**₱907,487,812**	₱828,936,473	₱721,781,243

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

	2011	2010	2009
Balance at beginning of year	**₱615,649,657**	₱487,231,208	₱149,767,773
Contribution during the year	**4,898,620**	122,215,142	123,470,210
Benefits paid	**(40,569,500)**	(37,661,608)	(22,594,803)
Expected return on plan assets	**55,423,986**	43,864,915	18,018,493
Actuarial gains (losses)	**(107,404,767)**	–	218,569,535
Balance at end of year	**₱527,997,996**	₱615,649,657	₱487,231,208
Actual return (loss) on plan assets	**(₱51,980,781)**	₱43,850,809	₱236,588,028

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

The major categories of plan assets as percentage of fair value of total plan assets are as follows:

	2011	2010	2009
Equity securities	80%	82%	83%
Investments in government securities	17%	8%	12%
Cash and cash equivalents	3%	8%	1%
Others	0%	2%	4%
	100%	100%	100%

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

	2011	2010	2009
Discount rate	6-11%	10-11%	7-8%
Expected rate of return on plan assets	9-10%	9-10%	9%
Expected rate of salary increase	6%	6%	6%

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

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

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	(₱907,487,812)	(₱828,936,473)	(₱721,781,243)	(₱746,444,672)	(₱653,787,108)
Plan assets	527,997,996	615,649,657	487,231,208	149,767,773	131,559,055
Deficit	(379,489,816)	(213,286,816)	(234,550,035)	(596,676,899)	(522,228,053)
Experience adjustments on plan liabilities	–	–	126,149,823	–	124,676,343
Experience adjustments on plan assets	–	–	218,569,535	(66,781,596)	(92,133)

26. Agreements

Lease Agreements

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

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

Total rental expense amounted to ₱851.93 million, ₱737.50 million and ₱693.40 million in 2011, 2010 and 2009, respectively (see Notes 21 and 22).

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

	2011	2010
	(In Millions)	
Within one year	₱62.00	₱118.38
After one year but not more than five years	–	62.00
	₱62.00	₱180.38

Operating Lease - Group as Lessor. The Group also leases out certain properties for a period of one year, renewable annually. Total rental income amounted to ₱3.82 million, ₱4.95 million and ₱4.53 million in 2011, 2010 and 2009, respectively (see Note 24).

Subscription Agreements

The Parent Company entered into various subscription agreements with international cable providers for the airing of its programs and shows abroad. The agreements generally have terms of three (3) to five (5) years and are based on certain agreed service package rates.

Total subscription income amounted to ₱964.59 million, ₱925.37 million and ₱855.18 million in 2011, 2010 and 2009, respectively (see Note 20).

27. Income Taxes

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

	2011	2010	2009
Current income tax:			
RCIT	**₱556,410,645**	₱966,162,662	₱1,026,567,363
MCIT	**1,037,729**	239,980	210,085
	557,448,374	966,402,642	1,026,777,448
Deferred tax expense (benefit) relating to the origination and reversal of temporary difference	**(26,596,367)**	6,980,993	(6,132,658)
	₱530,852,007	₱973,383,635	₱1,020,644,790

Income tax related to the revaluation of AFS financial assets amounted to ₱0.07 million, ₱0.01 million, ₱0.52 million in 2011, 2010 and 2009, respectively.

Current Income Tax

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

	2011	2010	2009
Statutory income tax rate	**30.00%**	30.00%	30.00%
Additions (deductions) in income tax rate resulting from:			
Income tax holiday	**(6.82)**	(4.21)	(3.51)
Interest income already subjected to final tax	**(0.38)**	(0.61)	(0.45)
Nonclaimable foreign tax credit	**0.94**	0.54	0.52
Equity in net losses (earnings) of associates and joint ventures	**(0.07)**	(0.05)	0.09
Others - net	**(0.03)**	(0.02)	(0.06)
Effective income tax rates	**23.64%**	25.65%	26.59%

Deferred Income Tax
The components of deferred tax assets and liabilities follow:

	2011	2010
Deferred tax assets:		
Allowance for doubtful accounts	**₱72,705,756**	₱65,565,880
Accrued sick and vacation leaves	**68,670,434**	58,302,408
Pension liability	**92,970,893**	74,511,935
Accrued rent	**4,220,634**	10,970,867
MCIT	**1,093,681**	821,828
Discounting of long-term obligation for program and other rights	**635,659**	635,659
NOLCO	**40,226**	524,416
Unrealized foreign exchange loss	**12,520**	2,251,503
Allowance for impairment loss	**–**	1,923,146
Unamortized past service costs	**–**	262,203
	₱240,349,803	₱215,769,845
Deferred tax liabilities:		
Revaluation increment in land	**(₱318,924,867)**	(₱318,924,867)
Unamortized capitalized borrowing costs	**(27,208,313)**	(30,231,459)
Unrealized foreign exchange gain	**(1,006,737)**	–
Revaluation of AFS financial assets	**(286,410)**	(213,410)
	(₱347,426,327)	(₱349,369,736)

The components of unrecognized deferred tax assets of Scenarios, GMA Records and GMA Films follow:

	2011	2010
Allowance for doubtful accounts	**₱1,733,390**	₱1,508,440
NOLCO	**1,150,629**	–
Pension liability	**561,737**	330,017
Accrued sick and vacation leaves	**407,760**	313,791
MCIT	**30,016**	–
Unrealized foreign exchange loss	**–**	37,887
	₱3,883,532	₱2,190,135

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

As at December 31, 2011, the Group's MCIT and NOLCO are as follows:

Date Paid/Incurred	Carry forward Benefit Up To	MCIT	NOLCO
December 31, 2009	December 31, 2012	₱198,429	₱–
December 31, 2010	December 31, 2013	254,314	–
December 31, 2011	December 31, 2014	670,954	3,969,517
		₱1,123,697	₱3,969,517

Board of Investments (BOI) Regulation

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

On December 10, 2010, the BOI granted the Parent Company an additional one (1) year of tax holiday for its registered activity from February 19, 2011 to February 18, 2012.

The total tax incentives availed of in 2011, 2010 and 2009 amounted to ₱153.21 million, ₱159.87 million and ₱134.88 million, respectively.

28. EPS Computation

The computation of basic and diluted EPS follows:

	2011	2010	2009
Net income (a)	**₱1,715,138,372**	₱2,820,827,053	₱2,818,250,808
Less attributable to preferred shareholders	**529,519,974**	870,532,881	869,737,829
Net income attributable to common shareholders (b)	**₱1,185,618,398**	₱1,950,294,172	₱1,948,512,979
Common shares issued at the beginning of year	**3,364,692,000**	3,364,692,000	3,364,692,000
Treasury shares (see Note 18)	**(3,645,000)**	(3,645,000)	(3,645,000)
Underlying shares on acquired PDRs (see Note 18)	**(750,000)**	(750,000)	(750,000)
Weighted average number of common shares for basic EPS (c)	**3,360,297,000**	3,360,297,000	3,360,297,000
Weighted average number of common shares	**3,360,297,000**	3,360,297,000	3,360,297,000
Effect of dilution - assumed conversion of preferred shares	**1,500,000,000**	1,500,000,000	1,500,000,000
Reacquired preferred shares	**(98,563)**	(98,563)	(98,563)
Weighted average number of common shares adjusted for the effect of dilution (d)	**4,860,198,437**	4,860,198,437	4,860,198,437
Basic EPS (b/c)	**₱0.353**	₱0.580	₱0.580
Diluted EPS (a/d)	**₱0.353**	₱0.580	₱0.580

29. Financial Risk Management Objectives and Policies

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

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

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

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

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

	2011			
	On Demand	Less than 3 Months	3 to 12 Months	Total
Cash and cash equivalents	₱739,028,819	₱468,947,304	₱–	₱1,207,976,123
Trade receivables:				
Television and radio airtime	1,373,232,296	2,052,849,685	205,371,623	3,631,453,604
Subscriptions	170,948,093	140,911,528	–	311,859,621
Related party	–	60,622,219	–	60,622,219
Others	89,682,636	65,521,276	–	155,203,912
Nontrade receivables:				
Advances to officers and employees	12,465,421	22,272,988	–	34,738,409
Others	19,944,227	15,274,746	–	35,218,973
	₱2,405,301,492	₱2,826,399,746	₱205,371,623	₱5,437,072,861
Trade payables and other current liabilities*	280,410,680	432,488,052	286,365,620	999,264,352
Obligations for program and other rights	–	12,456,082	27,387,733	39,843,815
Dividends payable	4,942,280	–	–	4,942,280
	₱285,352,960	₱444,944,134	₱313,753,353	₱1,044,050,447

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

	2010			
	On Demand	Less than 3 Months	3 to 12 Months	Total
Cash and cash equivalents	₱708,365,390	₱523,986,450	₱–	₱1,232,351,840
Trade receivables:				
Television and radio airtime	1,870,127,906	3,046,277,536	58,018,080	4,974,423,522
Subscriptions	149,515,901	118,160,383	–	267,676,284
Related party	–	59,898,039	–	59,898,039
Others	97,765,251	19,524,675	–	117,289,926
Nontrade receivables:				
Advances to officers and employees	8,167,850	1,457,562	–	9,625,412
Others	103,065,066	15,080,093	–	118,145,159
	₱2,937,007,364	₱3,784,384,738	₱58,018,080	₱6,779,410,182

	2010			
	On Demand	Less than 3 Months	3 to 12 Months	Total
Trade payables and other current liabilities*	₱364,235,021	₱424,465,983	₱176,591,065	₱965,292,069
Obligations for program and other rights	–	56,536,850	19,057,278	75,594,128
Dividends payable	5,493,035	–	–	5,493,035
	₱369,728,056	₱481,002,833	₱195,648,343	₱1,046,379,232

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

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

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

	2011		2010	
Assets				
Cash and cash equivalents	**$5,781,923**	**₱253,479,504**	$7,899,864	₱346,330,038
Trade receivables	**7,269,030**	**318,674,275**	6,280,149	275,321,732
	$13,050,953	**₱572,153,779**	$14,180,013	₱621,651,770
Liabilities				
Trade payables	**$239,042**	**₱10,479,601**	$280,864	₱12,313,078
Obligations for program and other rights	**335,672**	**14,715,860**	1,545,242	67,743,409
	$574,714	**₱25,195,461**	$1,826,106	₱80,056,487

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rate used was ₱43.84 to US$1.00, the Philippine peso to U.S. dollar exchange rate as at December 31, 2011 and 2010.

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

	Appreciation (Depreciation) of ₱	Effect on Income before Income Tax
2011	**0.50**	**(₱6.24 million)**
	(0.50)	**6.24 million**
2010	0.50	(₱6.18 million)
	(0.50)	6.18 million

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

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

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

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax	
		2011	2010
Cash and cash equivalents	50	**₱5.97 million**	₱6.05 million
	(50)	**(5.97 million)**	(6.05 million)
Short-term loans	50	**(4.75 million)**	(1.50 million)
	(50)	**4.75 million**	1.50 million

Equity Price Risk. Equity price risk arises from the changes in the levels of equity indices and the value of the individual stocks traded in stock exchange. The Group's exposure to equity price risk arises from its investment in quoted equity shares. The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine its impact on its statement of financial position. As such, the Group's exposure to equity price risk is deemed minimal.

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

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

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

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

As at December 31, 2011 and 2010, the credit quality of the Group's financial assets is as follows:

	2011				
	Neither Past Due Nor Impaired		Past Due but not Impaired		
	High Grade	Standard Grade		Impaired	Total
Loans and receivables:					
Cash and cash equivalents*	₱1,193,084,345	₱–	₱–	₱–	₱1,193,084,345
Trade receivables:					
Television and radio airtime	107,874,576	1,202,591,926	2,086,346,618	234,640,484	3,631,453,604
Subscriptions	140,911,528	–	170,948,093	–	311,859,621
Related party	60,622,219	–	–	–	60,622,219
Others	–	65,521,276	86,385,502	3,297,134	155,203,912
Nontrade receivables:					
Advances to officers and employees	–	34,470,831	267,578	–	34,738,409
Others	–	3,076,903	32,142,070	–	35,218,973
Refundable deposits	18,925,664	–	–	–	18,925,664
	₱1,521,418,332	₱1,305,660,936	₱2,376,089,861	₱237,937,618	₱5,441,106,747

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

	2010				
	Neither Past Due Nor Impaired		Past Due		
	High Grade	Standard Grade	but not Impaired	Impaired	Total
Loans and receivables:					
Cash and cash equivalents*	₱1,209,617,365	₱–	₱–	₱–	₱1,209,617,365
Trade receivables:					
Television and radio airtime	1,489,990,113	1,556,287,423	1,717,305,090	210,840,896	4,974,423,522
Subscriptions	174,784,481	–	92,891,803	–	267,676,284
Related party	59,898,039	–	–	–	59,898,039
Others	–	19,671,202	95,071,425	2,547,299	117,289,926
Nontrade receivables:					
Advances to officers and employees	–	1,457,562	8,167,850	–	9,625,412
Others	3,523,807	11,556,286	103,065,066	–	118,145,159
Refundable deposits	14,132,084	–	–	–	14,132,084
	₱2,951,945,889	₱1,588,972,473	₱2,016,501,234	₱213,388,195	₱6,770,807,791

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

Capital Management

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

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

No changes were made in the objectives, policies or processes for the three years ended December 31, 2011, 2010 and 2009.

The Group monitors its capital gearing by measuring the ratio of interest-bearing debt to total equity. Interest-bearing debt includes all short-term and long-term debt. The Group has no existing interest-bearing debt as at December 31, 2011 and 2010. The Group's total equity as at December 31, 2011 and 2010 amounted to ₱9,827.44 million and ₱10,298.63 million, respectively.

30. Financial Assets and Liabilities

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

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱1,207,976,123	₱1,207,976,123	₱1,232,351,840	₱1,232,351,840
Trade receivables:				
Television and radio airtime	3,396,813,120	3,396,813,120	4,763,582,626	4,763,582,626
Subscriptions	311,859,621	311,859,621	267,676,284	267,676,284
Related parties	60,622,219	60,622,219	59,898,039	59,898,039
Others	151,906,778	151,906,778	114,742,627	114,742,627
Nontrade receivables:				
Advances to officers and employees	34,738,409	34,738,409	9,625,412	9,625,412
Others	35,218,973	35,218,973	118,145,159	118,145,159
Refundable deposits	18,925,664	16,821,962	14,132,084	12,230,299
	5,218,060,907	5,215,957,205	6,580,154,071	6,578,252,286
AFS financial assets	105,796,848	105,796,848	104,966,848	104,966,848
	₱5,323,857,755	₱5,321,754,053	₱6,685,120,919	₱6,683,219,134
Financial Liabilities				
Loans and borrowings:				
Trade payables and other current liabilities*	₱999,264,352	₱999,264,352	₱965,292,069	₱965,292,069
Obligations for program and other rights	39,843,815	39,843,815	75,594,128	75,594,128
Dividends payable	4,942,280	4,942,280	5,493,035	5,493,035
	₱1,044,050,447	₱1,044,050,447	₱1,046,379,232	₱1,046,379,232

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

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

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

Refundable Deposits
The fair value of refundable deposits is based on the present value of the future discounted cash flows. Discount rates used range from 2.17% to 3.17% in 2011 and 3.43% to 4.10% in 2010.

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

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

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

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

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

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

The financial instruments carried at fair value only pertain to the Group's AFS financial assets, which consist of quoted equity securities and club shares. As at December 31, 2011 and 2010, these securities were categorized under Level 1 of the fair value hierarchy. The Group has no financial instruments categorized under Level 2 and Level 3. There were no transfer between levels of fair value measurement in 2011 and 2010.

31. Reclassifications

In 2011, the Group reclassified certain expense account. The 2010 and 2009 consolidated statements of financial position were revised to conform to the 2011 presentation and classification. The Group did not present a consolidated statement of financial position as at the beginning of the earliest comparative period since the reclassifications made were minimal and did not have an impact on the consolidated net income.

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BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

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 (the Group) as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 included in this Form 17-A, and have issued our report thereon dated March 28, 2012. 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 the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), 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 respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ramon D. Dizon

Ramon D. Dizon
Partner
CPA Certificate No. 46047
SEC Accreditation No. 0077-AR-2 (Group A),
February 4, 2010, valid until February 3, 2013
Tax Identification No. 102-085-577
BIR Accreditation No. 08-001998-17-2009,
June 1, 2009, valid until May 31, 2012
PTR No. 3174592, January 2, 2012, Makati City

March 28, 2012

GMA NETWORK, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AS AT DECEMBER 31, 2011

GMA NETWORK, INC. AND SUBSIDIARIES

I. SUPPLEMENTAL SCHEDULES REQUIRED BY ANNEX 68-E
AS AT DECEMBER 31, 2011

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and rates	Amount shown in the statements of financial position	Value based on market quotation at end of reporting period	Income received and accrued
Cash in Banks	–	**₱739,028,819**	–	**₱1,913,838**
Peso Placements				
Abacus Capital & Investment Corporation	–	₱133,607,322	–	₱12,602,034
Philippine National Bank	–	117,408,878	–	3,198,058
Land Bank of the Philippines	–	75,000,000	–	2,918,674
Malayan Bank	–	50,000,000	–	1,917,764
Unicapital, Inc.	–	32,001,150	–	1,398,626
Metrobank	–	2,498,007	–	–1
Philippine Bank of Communications	–	–	–	1,171,,249
Union Bank of the Philippines	–	–	–	1,091,915
Banco De Oro	–	–	–	1,089,502
Asia United Bank	–	–	–	198,319
	–		–	
Dollar Placements	–		–	
Asia United - Dollar Placement	–	6,098,019	–	113,938
Eastwest - Dollar Placement	–	29,565,215	–	480,964
UBP - Dollar Placement	–	22,768,713	–	472,546
Total Placements	–	**₱58,431,947**		**₱1,067,448**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and rates	Amount shown in the statements of financial position	Value based on market quotation at end of reporting period	Income received and accrued
AFS Financial Assets				
Philippine Long Distance Telephone Company (PLDT)	21,810	₱243,400	₱243,400	₱–
Manila Electric Company shares	45,108	7,467,200	7,467,200	–
Export - Industry Bank	5,545,000	2,107,100		–
Unicapital, Inc.		51,124,300		–
Manila Southwoods A	1	330,000	330,000	–
Royale Tagaytay (Tagaytay Country Club)	2	290,000	290,000	–
Metropolitan Club (Metroclub) A	8	1,150,000	1,150,000	–
Baguio Country Club	1	650,000	650,000	–
Ayala Alabang Country Club - A	1	1,800,000	1,800,000	–
Camp John Hay Golf Club	1	100,000	100,000	–
Mabuhay Philippines Satellite		29,000,000		–
Optima Studio		11,023,156		–
Others		511,692		–
		₱105,796,848	**₱12,030,600**	₱–

Schedule C. Amounts of Receivable from and Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
As at December 31, 2011

Alta Productions Company, Inc. (Alta)

			Deductions				
Account	January 1, 2011	Additions	Amount Collected	Amount Written Off	Current	Non Current	December 31, 2011
Trade Receivables	₱1,500,000	₱–	₱–	₱–	₱–	₱1,500,000	₱1,500,000
Trade payables	(2,696,632)	(39,503,709)	38,219,459	–	(3,980,882)	–	(3,980,882)
Due to Alta	–	(751,255)	–	–	(751,255)	–	(751,255)
Total	**(₱1,196,632)**	**(₱40,254,964)**	**₱38,219,459**	**₱–**	**(₱4,732,137)**	**₱1,500,000**	**(₱3,232,137)**

Citynet Network Marketing and Productions, Inc. (Citynet)

			Deductions				
Account	January 1, 2011	Additions	Amount Collected	Amount Written Off	Current	Non Current	December 31, 2011
Advances to Citynet	₱–	₱999,570	₱–	₱–	₱999,570	₱–	₱999,570
Trade Receivables	14,820	–	–	–	–	14,820	14,820
Due to Citynet	–	(4,547,370)	2,648,000	–	(1,899,370)	–	(1,899,370)
Total	**₱14,820**	**(₱3,547,800)**	**₱2,648,000**	**₱–**	**(₱899,800)**	**₱14,820**	**(₱884,980)**

GMA Network, Films, Inc. (GNFI)

			Deductions				
Account	January 1, 2011	Additions	Amount Collected	Amount Written Off	Current	Non Current	December 31, 2011
Advances to GNFI	₱79,472,938	₱551,268	(₱5,210,018)	₱–	₱551,268	₱74,262,920	₱74,814,188
Trade Receivables	10,447,097	–	–	–	–	10,447,097	10,447,097
Due from GNFI		49,702,877	–	–	49,702,877	–	49,702,877
Trade Payables	(100,294)	(17,719,426)	17,804,720	–	(15,000)	–	(15,000)
Total	**₱89,819,741**	**₱32,534,719**	**₱12,594,702**	**₱–**	**₱50,239,145**	**₱84,710,017**	**₱134,949,162**

GMA Marketing and Productions, Inc. (GMPI)

Account	January 1, 2011	Additions	Deductions: Amount Collected	Deductions: Amount Written Off	Current	Non Current	December 31, 2011
Trade Receivables	₱1,224,419	₱–	₱–	₱–	₱–	₱1,224,419	₱1,224,419
Due from GMPI	224,826	–	–	–	–	224,826	224,826
Trade Payables	(44,593,962)	(1,284,811,231)	1,303,374,843	–	–	(26,030,350)	(26,030,350)
Total	**(₱43,144,717)**	**(₱1,284,811,231)**	**₱1,303,374,843**	**₱–**	**₱–**	**(₱24,581,105)**	**(₱24,581,105)**

GMA New Media, Inc. (GNMI)

Account	January 1, 2011	Additions	Deductions: Amount Collected	Deductions: Amount Written Off	Current	Non Current	December 31, 2011
Advances to GNMI	₱99,053,726	₱14,999,999	₱–	₱–	₱–	₱114,053,725	₱114,053,725
Trade Receivables	32,748,657	–	–	–	–	32,748,657	32,748,657
Due from GNMI	746,871	17,002	–	–	17,002	746,871	763,873
Trade Payables	(20,795,943)	(102,685,137)	–	–	(26,939,465)	(20,795,943)	(47,735,408)
Total	**(₱111,753,311)**	**(₱87,668,136)**	**₱–**	**₱–**	**(₱26,922,463)**	**₱126,753,310**	**(₱99,830,847)**

GMA Worldwide (Philippines), Inc. (GWI)

Account	January 1, 2011	Additions	Deductions: Amount Collected	Deductions: Amount Written Off	Current	Non Current	December 31, 2011
Advances to GWI	₱8,116,077	₱–	₱–	₱–	₱–	₱8,116,077	₱8,116,077
Trade Receivables	42,964,702	22,748,057	(25,968,257)	–	–	39,744,502	39,744,502
Due from GWI	4,683,649	26,672,574	(25,320,605)	–	–	6,035,618	6,035,618
Trade Payables	(529,803)	(10,877,625)	10,877,625	–	–	(529,803)	(529,803)
Total	**(₱55,234,625)**	**(₱38,543,006)**	**(₱40,411,237)**	**₱–**	**₱–**	**₱53,366,394**	**₱53,366,394**

RGMA Marketing & Productions, Inc. (GMA Records)

Account	January 1, 2011	Additions	Deductions: Amount Collected	Deductions: Amount Written Off	Current	Non Current	December 31, 2011
Advances to GMA Records	₱21,897,269	₱–	(₱2,206,603)	₱–	₱–	₱19,690,666	₱19,690,666
Trade Receivables	3,156,562	–	–	–	–	3,156,562	3,156,562
Due from GMA Records	–	5,929,804	–	–	5,929,804	–	5,929,804
Total	**₱25,053,831**	**₱5,929,804**	**(₱2,206,603)**	**₱–**	**₱5,929,804**	**₱22,847,228**	**₱28,777,032**

Scenarios, Inc. (Scenarios)

Account	January 1, 2011	Additions	Deductions: Amount Collected	Deductions: Amount Written Off	Current	Non Current	December 31, 2011
Advances to Scenarios	₱798,216	₱–	₱–	₱–	₱–	₱798,216	₱798,216
Trade Receivables	24,542,979	–	(1,317,330)	–	–	23,225,649	23,225,649
Trade Payables	(330)	–	101	–	–	(229)	(229)
Due to Scenarios	(9,512,735)	(19,763,062)	7,668,974	–	–	(21,606,823)	(21,606,823)
Total	**(₱9,512,735)**	**(₱19,763,062)**	**(₱6,351,745)**	**₱–**	**₱–**	**₱2,416,813**	**₱2,416,813**

Script2010, Inc. (Script2010)

Account	January 1, 2011	Additions	Deductions: Amount Collected	Deductions: Amount Written Off	Current	Non Current	December 31, 2011
Trade Payables	(₱183,435)	(₱151,062,549)	₱150,862,456	₱–	₱–	(₱383,528)	(₱383,528)
Due from Script2010	7,907,166	7,061,524	(1,000,000)	–	–	13,968,690	13,968,690
Total	**(₱7,723,731)**	**(₱144,001,025)**	**(₱149,862,456)**	**₱–**	**₱–**	**₱13,585,162**	**₱13,585,162**

Media Merge Corporation (MM)

Account	January 1, 2011	Additions	Deductions: Amount Collected	Deductions: Amount Written Off	Current	Non Current	December 31, 2011
Due to MM	(₱8,998,863)	₱4,504,441	(₱4,489,789)	₱–	₱–	(₱8,984,211)	(₱8,984,211)

Schedule D. Intangible Asset - Other Asset

Description	Beginning balance	Additions at cost	Charge to cost and expenses	Charged to other accounts	Other charges additions (deduction)	Ending balance
Program rights	₱452,015,772	₱440,091,709	(₱273,054,958)	(₱2,702,260)	₱–	₱616,350,263
Story formal rights	89,563,129	21,354,264	(39,425,457)	–	–	71,491,936
Film rights	19,195,952	28,000,000	(5,040,000)	–	–	42,155,952
Software cost	39,457,145	34,675,997	(25,711,619)			48,421,523
	₱600,231,998	₱524,121,970	(₱343,232,034)	(₱2,702,260)	₱–	₱778,419,674

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statements of financial position 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	NA	3,103,590,848	7,888,356	249,567,796
Preferred	7,500,000,000	7,499,507,184	NA	7,428,344,388	27,294	71,135,502

GMA NETWORK, INC. AND SUBSIDIARIES

II. SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS
AS AT DECEMBER 31, 2011

I. List of Philippine Financial Reporting Standards (PFRSs) effective as at December 31, 2011

PFRSs	Adopted/Not adopted/Not applicable
PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*	Adopted
PFRS 2, *Share-based Payment*	Not applicable
PFRS 3, *Business Combinations*	Not applicable
PFRS 4, *Insurance Contracts*	Not applicable
PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*	Adopted
PFRS 6, *Exploration for and Evaluation of Mineral Resources*	Not applicable
PFRS 7, *Financial Instruments: Disclosures*	Adopted
PFRS 8, *Operating Segments*	Adopted
PAS 1, *Presentation of Financial Statements*	Adopted
PAS 2, *Inventories*	Adopted
PAS 7, *Statement of Cash Flows*	Adopted
PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*	Adopted
PAS 10, *Events after the Reporting Period*	Adopted
PAS 11, *Construction Contracts*	Not applicable
PAS 12, *Income Taxes*	Adopted
PAS 16, *Property, Plant and Equipment*	Adopted
PAS 17, *Leases*	Adopted
PAS 18, *Revenue*	Adopted
PAS 19, *Employee Benefits*	Adopted
PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*	Not applicable
PAS 21, *The Effects of Changes in Foreign Exchange Rates*	Adopted
PAS 23, *Borrowing Costs*	Adopted
PAS 24, *Related Party Disclosures*	Adopted
PAS 26, *Accounting and Reporting by Retirement Benefit Plans*	Adopted
PAS 27, *Consolidated and Separate Financial Statements*	Adopted
PAS 28, *Investments in Associates*	Adopted
PAS 29, *Financial Reporting in Hyperinflationary Economies*	Not applicable
PAS 31, *Interests in Joint Ventures*	Adopted

PFRSs	Adopted/Not adopted/Not applicable
PAS 32, *Financial Instruments: Presentation*	Adopted
PAS 33, *Earnings per Share*	Adopted
PAS 34, *Interim Financial Reporting*	Not applicable
PAS 36, *Impairment of Assets*	Adopted
PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*	Adopted
PAS 38, *Intangible Assets*	Adopted
PAS 39, *Financial Instruments: Recognition and Measurement*	Adopted
PAS 40, *Investment Property*	Adopted
PAS 41, *Agriculture*	Not applicable
Philippine Interpretation IFRIC–1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	Not applicable
Philippine Interpretation IFRIC–2, *Members' Shares in Co-operative Entities and Similar Instruments*	Not applicable
Philippine Interpretation IFRIC–4, *Determining whether an Arrangement contains a Lease*	Not applicable
Philippine Interpretation IFRIC–5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	Not applicable
Philippine Interpretation IFRIC–6, *Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*	Not applicable
Philippine Interpretation IFRIC–7, *Applying the Restatement Approach under* PAS 29, *Financial Reporting in Hyperinflationary Economies*	Not applicable
Philippine Interpretation IFRIC–9, *Reassessment of Embedded Derivatives*	Not applicable
Philippine Interpretation IFRIC–10, *Interim Financial Reporting and Impairment*	Not applicable
Philippine Interpretation IFRIC–12, *Service Concession Arrangements*	Not applicable
Philippine Interpretation IFRIC–13, *Customer Loyalty Programmes*	Not applicable
Philippine Interpretation IFRIC–14, PAS 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	Adopted
Philippine Interpretation IFRIC–16, *Hedges of a Net Investment in a Foreign Operation*	Not applicable
Philippine Interpretation IFRIC–17, *Distributions of Non-cash Assets to Owners*	Not applicable
Philippine Interpretation IFRIC–18, *Transfers of Assets from Customers*	Not applicable

PFRSs	Adopted/Not adopted/Not applicable
Philippine Interpretation IFRIC–19, *Extinguishing Financial Liabilities with Equity Instruments*	Not applicable
Philippine Interpretation SIC–7, *Introduction of the Euro*	Not applicable
Philippine Interpretation SIC–10, *Government Assistance - No Specific Relation to Operating Activities*	Not applicable
Philippine Interpretation SIC–12, *Consolidation - Special Purpose Entities*	Not applicable
Philippine Interpretation SIC–13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*	Not applicable
Philippine Interpretation SIC–15, *Operating Leases – Incentives*	Not applicable
Philippine Interpretation SIC–21, *Income Taxes - Recovery of Revalued Non-Depreciable Assets*	Adopted
Philippine Interpretation SIC–25, *Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*	Not applicable
Philippine Interpretation SIC–27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*	Adopted
Philippine Interpretation SIC–29, *Service Concession Arrangements: Disclosures*	Not applicable
Philippine Interpretation SIC–31, *Revenue - Barter Transactions Involving Advertising Services*	Adopted
Philippine Interpretation SIC–32, *Intangible Assets - Web Site Costs*	Adopted

II. List of New and Amended Standards and Interpretations and Improvements to PFRS that became effective as at January 1, 2011

PFRSs	Adopted/Not adopted/Not applicable
New and Amended Standards and Interpretations	
PAS 24 (Amended), *Related Party Disclosures*	Adopted
PAS 32, *Financial Instruments: Presentation* (Amendment) – Classification of Rights Issues	Adopted
Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*	Not applicable
PFRS 1, *First-time Adoption of IFRS* – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	Not applicable
Improvements to PFRS	
PFRS 1, *First-time Adoption of IFRS:* • Accounting policy changes in the year of adoption • Revaluation basis as 'deemed cost' • Use of 'deemed cost' for operations subject to rate regulation	Not applicable
PFRS 3, *Business Combinations:* • Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS. • Measurement of non-controlling interests • Un-replaced and voluntarily replaced share-based payment rewards	Not applicable
PFRS 7, *Financial Instruments: Disclosures* – Clarification of disclosures	Adopted
PAS 1, *Presentation of Financial Statements* – Clarification of statement of changes in equity	Adopted
PAS 27, *Consolidated and Separate Financial Statements* – Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements	Adopted
PAS 34, *Interim Financial Reporting* – Significant events and transactions	Not applicable
Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* – Fair value of award credits	Not applicable
Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*	Adopted

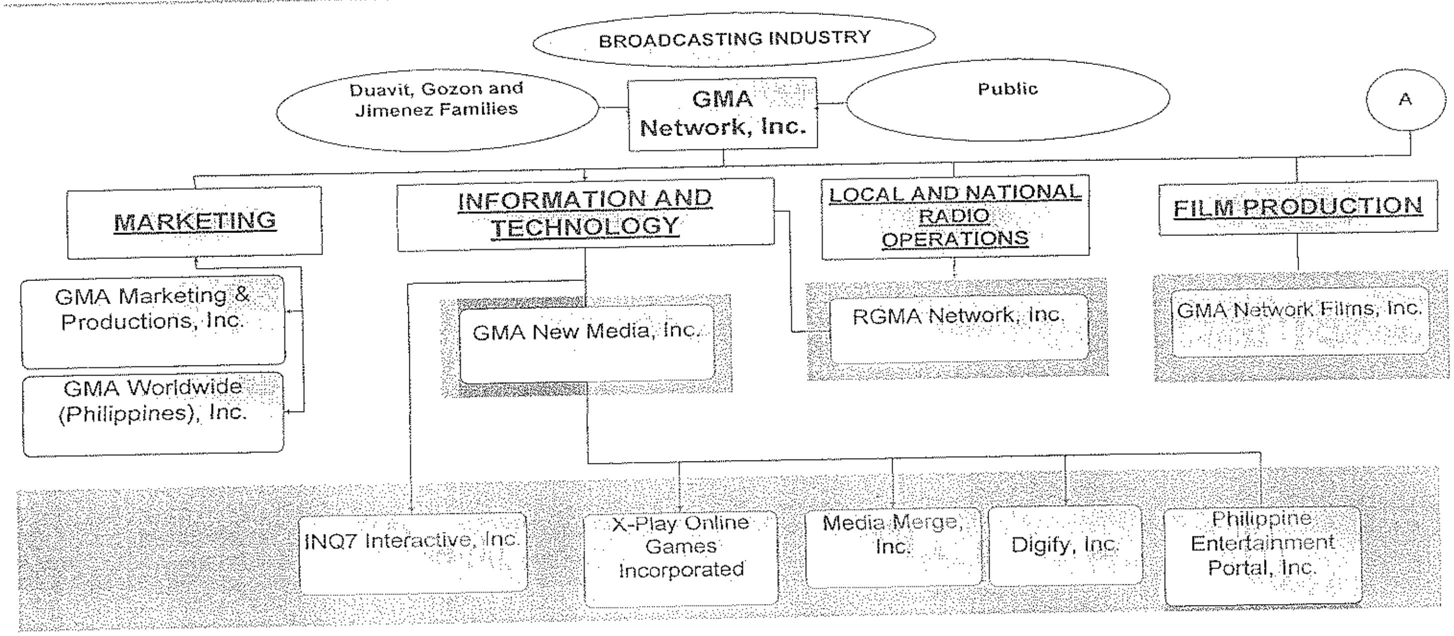
Note: The standards marked as "Not applicable" have been adopted by the entity but have no significant covered transactions as at and for the years then ended December 31, 2011, 2010 and 2009.

GMA NETWORK, INC. AND SUBSIDIARIES
III. SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2011

Unappropriated consolidated retained earnings, at beginning of year	₱3,063,024,760
Less: Accumulated earnings of subsidiaries	38,213,918
Beginning deferred tax assets	215,769,845
Unappropriated retained earnings of the Parent Company, as adjusted to available for dividend declaration, beginning	2,809,040,997
Consolidated net income actually earned during the year	1,715,138,372
Less: Equity in earnings of subsidiaries, associates and joint ventures	16,588,878
Net income actually earned by the Parent Company during the year, as reported	1,698,549,494
Add: Unrealized foreign exchanges loss - net of tax	1,029,840
Less: Effect of recognized deferred tax asset during the year	24,579,958
Net income actually earned by the Parent Company during the year, as adjusted	1,674,999,376
Unappropriated retained earnings of the Parent Company, as adjusted, before dividend declaration during the year	4,484,040,373
Less: Dividend declarations during the year	2,187,089,297
Treasury shares	28,483,171
Underlying shares of the acquired Philippine Deposit Receipts	5,790,016
	2,221,362,484
Unappropriated retained earnings of the Parent Company as adjusted to available for dividend declaration, at end of year	₱2,262,677,889

IV. MAP OF THE RELATIONSHIP OF THE COMPANY WITHIN THE GROUP

GMA Group Structure



GMA Group Structure