COVER SHEET

5 2 1 3

S.E.C. Registration Number

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

(Company's Full Name)

E D S A c o r n e r T i m o g

A v e n u e Q u e z o n C i t y

ATTY. ROBERTO O. PAREL

Contact Person

816-3716 to 19

Month *Day*

Fiscal Year

17 - 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

S T A M P S

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, 2009**

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

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

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

6. [ ] (SEC Use Only)
Industry Classification Code:

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

8. **(632) 982 7777**
Issuer's telephone number, including area code

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**3,361,047,000**
Preferred Stock	**7,499,507,184**

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

Yes [√] No [ ]

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

PHILIPPINE STOCK EXCHANGE/ COMMON STOCK

12. Check whether the issuer:

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

Yes [√]   No [ ]

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

Yes [√]   No [ ]

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

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

Market Value = PhP 35.392 B (as of April 14, 2010)

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.

In 2009, GMA Network, Inc. continued its strong financial performance, attributed to the robust performance of its television business and growing contributions of its radio, regional and international operations, among others. By the end of 2009, GMA remained the most profitable TV network in the country, with net income 19% higher than the previous year.

GMA programs sustained their high ratings especially in Mega Manila and in Total Urban Luzon, which comprises 50% and 77% respectively, of the country's total TV household population. In viewer-rich Mega Manila, GMA Network garnered an average audience share of 37%, up by 3 percentage points. GMA Network programs likewise topped their respective formats or genres. By the close of 2009, GMA captured 52% of the Top 20 advertisers' TV adspend allocation. The Network, its programs and personalities have likewise reaped various local and international awards within the year.

GMA Network's international operations posted significant accomplishments for the year. In particular, the Network improved the penetration of GMA Pinoy TV and GMA Life TV in its biggest market, the United States by signing a corporate agreement with Time Warner Cable and expanding into more Comcast system, thereby contributing significantly to the Company's consolidated revenues.

The Network likewise completed its infrastructure upgrades in key market areas outside Mega Manila. Four regional satellite stations, located in the cities of Naga, Bacolod, Cagayan De Oro and General Santos, started their operations in 2009. TV-5 Mt. Amuyao, Mountain Province, GMA's newest VHF TV relay station, went on test broadcast in October 2009. GMA also completed ten UHF TV stations which brings GMA's total to 47 VHF, 13 UHF and 1 affiliate station by the end of 2009. The Company broadcasts extensively throughout the Philippines, its signal reaching approximately 96.7% of the Urban TV Households.

All these resulted in the continued improvement of GMA's financial position which allowed the company to fulfill its commitment to provide significant returns to its shareholders. In May 2009, the Company was able to pay its shareholders 35 centavos per share or a total of over ₱1.7 billion in dividends, which was 72% of its net income after tax in 2008.

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, 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, 2009:

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	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.	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 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.*

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		2009 Ratings & Audience Share		
			Mega Manila	Urban Luzon	Urban National
GMA		Household Ratings	17.0%	15.8%	14.1%
		Audience Share	39.8%	38.4%	34.3%
ABS-CBN	Radio and TV broadcasting network and multimedia company. Founded in 1953, and is the first television station in the Philippines. The main broadcast facilities are located at The ABS-CBN Broadcast Center in Mother Ignacia St., Diliman, Quezon City.	Household Ratings	13.7%	14.4%	16.8%
		Audience Share	32.0%	35.1%	40.9%
QTV	GMA Network's sister channel. It is programmed by GMA.	Household Ratings	1.1%	0.9%	0.8%
		Audience Share	2.7%	2.2%	1.9%
TV5	Third-oldest TV network in the country, with main broadcast facilities in Novaliches, Quezon City. On March 2, 2010, Mediaquest acquired 100 percent	Household Ratings	4.0%	3.6%	3.0%

Network	Description		2009 Ratings & Audience Share		
			Mega Manila	Urban Luzon	Urban National
	ownership of the Associated Broadcasting Company and Primedia Inc., the broadcasting firm's major block airtimer.	Audience Share	9.3%	8.7%	7.3%
SOLAR TV (RPN)	Radio Philippines Network (RPN 9) is a Philippines 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.	Household Ratings	1.2%	1.1%	1.0%
		Audience Share	2.9%	2.7%	2.5%
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	0.5%	0.6%	0.7%
		Audience Share	1.2%	1.4%	1.7%
National Broadcasting Network	Official government TV, formerly called Maharlika Broadcasting System, Inc. and later the People's Television Network, Inc. (PTV). NBN studios and transmitter are located at Broadcast Complex, Visayas Avenue, Diliman, Quezon City.	Household Ratings	0.4%	0.3%	0.3%
		Audience Share	0.8%	0.7%	0.6%
Intercontinental Broadcasting Corporation (IBC 13)	IBC-13 is a VHF TV station of the Government Communications Group. Launched in 1975 by Roberto Benedicto, IBC 13 studios are located at Broadcast City, Capitol Hills Diliman, Quezon City and transmitter at San Francisco Del Monte, Quezon City.	Household Ratings	0.2%	0.1%	0.1%
		Audience Share	0.4%	0.4%	0.3%
Southern Broadcasting Network (ETC on SBN)	SBN has its main broadcast facilities at Summit One Bldg, Shaw Boulevard, Mandaluyong City. On January 1, 2008, Solar Entertainment Corporation's entertainment channel ETC aired on this station.	Household Ratings	0.2%	0.2%	0.1%
		Audience Share	0.5%	0.4%	0.3%
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, with headquarters in Makati. Solar is also programming 2nd Ave.	Household Ratings	0.0%	0.0%	0.0%
		Audience Share	0.1%	0.0%	0.0%

INTERNATIONAL DISTRIBUTION

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

GMA PINOY TV

The Company operates GMA Pinoy TV through which it offers subscription-based programs internationally. GMA Pinoy TV, launched in 2005, 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 the United States, Canada, Singapore, Japan, Guam, 49 countries in Europe, Saipan, Papua New Guinea, the British Indian Territory of Diego Garcia, 16 countries in the Middle East 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 2009, GMA Pinoy TV's subscriber base closed at 235,587 -- a 16 % increase over the 2008 closing subscriber number of 203,573. GMA Pinoy TV has been registered as a "Pioneer Enterprise" by the Philippine Board of Investments, which entitles the Company to a tax holiday on revenues generated by GMA Pinoy TV for a period of four years from January 1, 2007.

GMA LIFE TV

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, 16 countries in the Middle East, 11 countries in North Africa, and 49 countries in Europe.

As of December 2009, GMA Life TV's subscriber base closed at 107,496.

CONVERGING TECHNOLOGY

GMA New Media, Inc. (GMA-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 GMANews.tv and Pep.ph that have average monthly page views of 37 million and 23.21, respectively. On the broadcast side, it produces breakthrough real-time special effects for GMA. Anticipating the changing media landscape on a global scale, NMI is venturing into digital TV through its Internet TV and Internet Protocol TV (IPTV) offerings, which allows global audiences to access GMA content and also customize it to their liking.

By 2009, NMI started to take advantage of social media by integrating and assimilating it with gmanews.tv's real-time video streaming, to provide a more interactive platform for internet viewers. Towards the end of the year, NMI inked a partnership with Google-owned YouTube for myGMA.com.ph, the Network's Internet TV service. Soon, YouTube will have three sub-channels created under the GMA Kapuso channel, namely, GMANEWS, iGMA and WMN, each showcasing a full video episode page powered by YouTube.

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 2009, GMA Films adopted a direction that leverages on the shared strengths of partnerships; co-producing **When I Met You (**with Regal Films), **Sundo** (with VKI), **Yaya and Angelina: The Spoiled Brat** movie (with APT Ent.), **Patient X** (with Viva Films), and **Ang Panday** (with Imus Productions).

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 the network's top contract artists and has partnered with sister company GMA Films and other major film production outfits to release its films on DVD. Likewise, it has introduced the network's top rating programs and blockbuster tele-series into the home video market worldwide.

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 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 Society of Authors, Composers and Publishers.

Stage Design

Scenarios, Inc. was incorporated in July 1996 and is engaged in staging services which include design, construction, set-up, dismantling and maintenance of sets props for television programs, stage plays, concerts and other media events.

In September 2003, Scenarios, Inc. introduced a new transportation, hauling and trucking services to further fulfill the needs of its clients. Other business units of Scenarios are band/audio equipment rental, warehousing services and facility support services to various GMA departments. In 2007, Scenarios continued to expand its capability in stage and set construction to include not only fabrication but also design through the creation of a Design Team.

Audiovisual Production

Alta Productions was established in 1988 as a production house primarily to provide production services for the Network. Until the late 1990s, it operated a satellite studio in Makati and produced award-winning News and Public Affairs Programs for GMA Channel 7 such as **Firing Line** which won Gold in the New York Film and Video Festival. Alta Productions likewise provided post-production services for entertainment programs.

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

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

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

MARKETING AND SALES OF COMMERCIAL AIRTIME

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

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

EMPLOYEES

As of December 31, 2009, the Company has 1,708 regular and probationary employees, a 3.16% growth from 2008. The Company also engaged 2,253 talents, a 20% reduction from the previous year. GMA Network, Inc. recognizes one labor union, the GMA Network, Inc. Employees Union. The negotiations for the new Collective Bargaining Agreement (CBA) for the cycle 2009-2014, were concluded in July 2009.

RISKS RELATING TO THE COMPANY

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

Item 2. Properties

As of December 31, 2009, the Company's total property and equipment and real property amounted to ₱4,427.1 million. The property and equipment had a book value of ₱3,024.0 million, while its real property had a fair market value of ₱1,403.1 million.

The following are the principal properties of the Company:

- The Channel 7 compound located in Barangay South Triangle, Diliman, Quezon City, which contains several buildings, including the GMA Network Center building;
- The GMA Network Center Studios, a four-storey building with an area of 4,053 square meter property adjacent to the GMA Network Center at GMA Network Network Studios cor. EDSA, Diliman Quezon City which houses two big studios, technical facilities and production offices;
- The GMA-7 Antenna Tower in Tandang Sora Avenue, Barangay Culiat, Diliman Quezon City, which contains the TV and FM Transmitter building and the Satellite Uplink building;
- Land located on the east corner of Mother Ignacia Avenue and Sergeant Esguerra Avenue, Barangay South Triangle, Diliman Quezon City which houses the GMA Fleet Center; and
- Properties in the key areas across different regions:

Luzon

- Land in Barangay Malued, Dagupan City, where the Company's radio and television studios are located;
- A 51,135 square meter property in Panghulo, Obando, Bulacan, where an AM transmitter site, a two-storey building, a genset house, and an AM tower are situated; and,
- A 2,000 square meter property in Barangay Concepcion Pequeña, Naga City, where a TV relay transmitter site is located.

Visayas

- Land located in Nivel Hills, Barangay Lahug, Cebu City, containing a multilevel building which houses radio and television operation facilities;
- Land in Barangay Tamborong, Jordan, Guimaras where a radio and television transmitter is located;
- Land in Alta Tierra, Jaro, Iloilo City where radio and television studios and a building are located;
- Land in Barangay Jibao-an, Pavia, Iloilo where an AM transmitter site and building are located;
- Land in Barangay Sta. Monica, Puerto Princesa City, Palawan where a television relay transmitter site and building are located; and,
- Land in Barangay Bulwang, Numancia, Aklan where a television relay transmitter site and a building are located.

Mindanao

- Land in Bo. Matina Hills, Davao City where an FM and television transmitter building and studio complex are located;
- Land in Barangay San Isidro, General Santos City where a television relay transmitter site and a building are located; and,
- Land in Barangay Cabatangan, Zamboanga City where a television relay transmitter site and a building are located.

The properties owned by the Company are currently unencumbered and are free from any existing liens. The Company also leases land, building and studio space in various locations around the Philippines under lease agreements for periods of between three and 25 years. The lease agreements may be cancelled at the Company's option. The aggregate rental expense of the Company for the year ended December 31, 2009 amounted to ₱693.4 million**.**

Local and Regional Properties

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

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

LIST OF GMA's OPERATING TV STATIONS

NO.	STATION	ADDRESS	CONTACT NUMBER
	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 City	(02) 931-9183 / (02) 924-2497
2	TV-5 Ilocos Norte	Brgy. San Lorenzo, San Nicolas, Ilocos Norte	0919-6082302 / 0918-5328580 / 0906-8215258
3	TV-10 Benguet	Mt. Sto. Tomas, Tuba, Benguet	0917-4273614 / 0916-8777410
	TV-22 Benguet (UHF)	Mt. Sto. Tomas, Tuba, Benguet	0917-4273614 / 0916-8777410

NO.	STATION	ADDRESS	CONTACT NUMBER
4	TV-10 Olongapo	Upper Mabayuhan, Olongapo City	0918-3650294 / 0927-2570496
	TV-26 Olongapo (UHF)	Upper Mabayuhan, Olongapo City	0918-3650294 / 0927-2570496
5	TV-12 Batangas	Mt. Banoy, Batangas City	0921-4937234 / 0918-5485867
	TV-26 Mt Banoy (UHF)	Mt. Banoy, Batangas City	0921-4937234 / 0918-5485867
6	TV-7 Naga	Brgy. Concepcion, Pequeña, Naga City	0919-4480290
	TV-28 Naga (UHF)	Brgy. Concepcion, Pequeña, Naga City	0919-4480290
7	TV-12 Legaspi	Mt. Bariw, Estanza, Legaspi City	0921-2002697 / 0919-8566463
	TV-27 Legaspi (UHF)	Mt. Bariw, Estanza, Legaspi City	0921-2002697 / 0919-8566463
8	TV-12Puerto Princesa,Palawan	Brgy. Sta. Monica, Puerto Princesa, Palawan	0919-8230994
9	TV-6 Brooke's Point, Palawan	Poblacion, Brooke's Point, Palawan	0926-2080832 / 0929-5157327
10	TV-7 Masbate	Brgy. Pinamurbuhan, Mobo, Masbate	0916-8768166 / 0906-9778080
11	TV-13 Catanduanes	Barrio Palnab, Virac, Catanduanes	0926-4035588 / 0906-7524547
12	TV-13 Occ. Mindoro	Brgy. Mapaya, San Jose, Occidental Mindoro	0910-4548937
13	TV-5 Nueva Vizcaya	Bo. La-Torre, Bayombong, Nueva Vizcaya	0929-3079070 / 0929-3184754
14	TV-5 Aurora	Purok 3, Brgy. Buhangin, Baler, Aurora	0920-2603590/0921-2107498
15	TV-7 Abra	Brgy. Lusuac, Peñarrubia, Abra	0918-2221611 / 0910-4328878
16	TV-13 Aparri, Cagayan	Hi-Class Bldg., De Rivera St., Poblacion, Aparri, Cagayan	0920-2110258 / 0919-8930674
17	TV-7 Tuguegarao, Cagayan	Phil. Lumber Bldg., Washington St., Tug., Cagayan	0918-3304321 / 0919-6325143 / 0919-3966536
18	TV-8 Coron, Palawan	Tapias Hill, Coron, Palawan	0920-4003954 / 0929-6982107
19	TV-7 Batanes	Brgy. Kayvaluganan, Basco, Batanes	P.C.O. 533-3456 / 0919-6914991 / 0910-9392245
20	TV-7 Romblon	Triple Peak, Sta. Maria, Tablas, Romblon	0919-6194241 / 0921-5781475
21	TV-7 Quirino	Brgy. San Marcos, Capitol Hills, Cabarroguis, Quirino	0908-3342433 / 0919-8870879
22	TV-5 Mountain Province	Mt Macalana, Barlig. Mt. Province	0916-4325659
	VISAYAS		
23	TV-7 Cebu City	Bonbon, Cebu City	(032) 231-3012, 231-4829; 0921-2002690 / 0918-9071367
	TV-27 Cebu City (UHF)	Bonbon, Cebu City	0921-2002690
24	TV-6 Iloilo	Bo. Tamburong, Jordan, Guimaras	(033) 581-3363 / 0927-4689166 / 0906-4847112
	TV-28 Iloilo (UHF)	Alta Tierra GMA Studio, Iloilo City	0906-5208426 / 0906-4847112
25	TV-11 Bohol	Mt. Mayana, Jagna, Bohol	0919-7815833 / 0919-3278107
26	TV-10 Tacloban City	Basper, Tigbao, Tacloban City	0921-7484310 / 0919-3899212 / 0921-6699185
27	TV-12 Isabel, Leyte	Isabel, Leyte	0916-6507595
28	TV-8 Borongan	Poblacion, Borongan, Eastern Samar	0927-4171547 / 0927-7191386
29	TV-5 Roxas City	Brgy. Lawa-an, Roxas City, Capiz	0920-2628783 / 0921-9978181
30	TV-5 Dumaguete	Barrio Looc, Sibulan, Negros Oriental	0920-5681686
31	TV-10 Sipalay	Sipalay Municipal Building, Sipalay, Negros Occidental	0929-4301411 / 0915-3202486
32	TV-5 Calbayog City	Brgy. Matobato, Calbayog City, Western Samar	0921-6048685 / 0919-6694375
33	TV-8 Kalibo	New Busuanga, Numancia, Aklan	0920-9003463 / 0929-4356922
34	TV-10 Bacolod City	Security Bank Bldg., Rizal St. cor. Locsin St., Bacolod City	0907-7566379 / 0918-3973562
	MINDANAO		
35	TV-5 Davao	Shrine Hills, Matina, Davao City	(082) 299-3403 / 0918-9194941
	TV-27 Davao (UHF)	Shrine Hills, Matina, Davao City	(082) 299-3403 / 0918-9194941
36	TV-12 Mt. Kitanglad	Mt. Kitanglad, Bukidnon	0919-6260634 / 0921-2045939
37	TV-12 Cagayan De Oro	Malasag Heights, Brgy. Cugman, Cagayan de Oro City	0919-8608868
	TV-35 Cagayan de Oro (UHF)	Malasag Heights, Brgy. Cugman, Cagayan de Oro City	0919-8608868
38	TV-8 General Santos	Nuñez St., Brgy. San Isidro, General Santos City	0918-2176935 / 0919-5788292
	TV-26 Gen. Santos (UHF)	Nuñez St., Brgy. San Isidro, General Santos City	0918-2176935 / 0919-5788292
39	TV-12 Cotabato	Regional Government Center, Cotabato City	0916-5326950 / 0920-3537395
	TV-27 Cotabato (UHF)	Regional Government Center, Cotabato City	0916-5326950 / 0920-3537395
40	TV-9 Zamboanga	Brgy. Cabatangan, Zamboanga City	0921-2002689 / 0918-5602062
	TV-21 Zamboanga (UHF)	Brgy. Cabatangan, Zamboanga City	0921-2002689 / 0918-5602062
41	TV-5 Ozamis	Bo. Malaubang, Ozamis City, Misamis Occidental	0918-5250766 / 0927-3453437
42	TV-4 Dipolog	Bo. Sicayab, Dipolog, Zamboanga del Norte	0920-8668705 / 0918-3594361
43	TV-10 Surigao	Lipata Hills, Surigao City	0920-2952515 / 0919-8095052
44	TV-12 Jolo, Sulu	2/F, Evermall Bldg., HJI, Buto St. Jolo, Sulu	0928-5930547
45	TV-2 Tandag, Surigao del Sur	Capitol Hill, Brgy. Telaje, Tandag, Surigao del Sur	0927-3316371 / 0920-2952515
46	TV-3 Pagadian	Mt. Palpalan, Pagadian City	0920-8320307
47	TV-11 Iligan	3/F Kimberly Bldg., A. Bonifacio cor. Isidoro Emilia Ave., Tibanga Hi-Way, Iligan City	0915-9948791 / 0921-3384319
	AFFILIATE TV STATION		
48	TV-7 Butuan City	SJIT Bldg., Montilla Blvd., Butuan City	(085) 342-9571 / 342-7073

GMA's RADIO STATIONS

AREA	FREQ.	CALL SIGN	POWER		ADDRESS
LUZON					
METRO MANILA	97.1 mhz.	DWLS	FM	35K	GMA Complex, EDSA cor. Timog Ave., Diliman, Quezon City
	594 khz.	DZBB	AM	50K	
BAGUIO	92.7 mhz.	DWRA	FM	10K	2/F Baguio Midland Courier Bldg. 16 Kisad Rd., Baguio City
DAGUPAN	93.5 mhz.	DWTL	FM	10K	4/F De Vera Bldg., Arellano Ave. Dagupan City, Pangasinan
LEGASPI	96.3 mhz.	DWCW	FM	10K	3rd level A.Bichara Silversreen Entertainment Center, Magallanes St., Legazpi City
LUCENA	91.1 mhz.	DWQL	FM	10K	3/F Ancon Bldg., Merchan Street , Lucena City
NAGA	101.5 mhz.	DWQW	FM		4/F DMG Bldg., Penafrancia St. Naga City, Camarines Sur
PALAWAN	909 khz.	DYSP	AM	5K	Solid Road, San Manuel Puerto Princesa City, Palawan
	97.5 mhz.	DYHY	FM	5K	
TUGUEGARAO	89.3 mhz.	DWWQ	FM	10K	4/F Villablanca Hotel Pattaui St. cor Pallua Rd., Ugac Norte Tuguegarao, Cagayan
VISAYAS					
BACOLOD	107.1mhz.	DYEN	FM	10K	2/F Jomabo Centre Penthouse Rizal cor. Lacson Sts., Bacolod City
CEBU	999 khz.	DYSS	AM	10K	GMA Skyview Complex Nivel Hills, Lahug, Cebu City
	99.5 mhz.	DYRT	FM	25K	
ILOILO	1323 khz	DYSI	AM	10K	Phase 5, Alta Tierra Village Jaro, Iloilo City
	93.5 mhz.	DYMK	FM	10K	
KALIBO	92.9 mhz.	DYRU	FM	5K	Torres-Olivia Bldg. Roxas Ave. Extension, Kalibo, Aklan
MINDANAO					
CAGAYAN DE ORO	100.7 mhz.	DXLX	FM	10K	2/F Marel Realty Bldg., Pabayo corner Hayes St. Cagayan de Oro City, Misamis Oriental
ILIGAN	90.1 mhz.	DXND	FM	10K	3/F Kimberly Bldg., A. Bonifacio cor. Isidoro Emilia Ave. Iligan, Lanao del Norte
DAVAO	1125 khz.	DXGM	AM	10K	Penthouse, Amesco Bldg. Damaso Suazo St., Uyanguren Davao City
	103.5 mhz.	DXRV	FM	10K	
GENERAL SANTOS	102.3 mhz.	DXCJ	FM	10K	3/F PBC Bldg., Cagampang St. Gen. Santos City

Item 3. Legal Proceedings

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

None of the Company's affiliates, or their property, namely, RGMA Network, Inc., Philippine Entertainment Portal, Inc. and Mont-Aire Realty and Development Corporation, are involved in any material pending litigation as of December 31, 2009.

Tax Cases

The Company filed a Petition for Review on September 22, 2004 against the Commissioner of Internal Revenue ("CIR") to dispute its assessment for deficiency taxes for the year 2000 in the total amount of ₱18.8 million based on the alleged failure by the Company to remit and withhold Value Added Tax ("VAT") due on income payments to foreign suppliers and for deficiency in final withholding taxes, failure to pay withholding tax on dividends and interest thereon and failure to pay in full the interest on withholding tax deficiency on payment of interest on foreign loans. The Company raised the defense of prescription, arguing that the dividends declared to individuals in the year 2000 came from retained earnings for the year 1997. The Company also argued that it had already paid its liability for the alleged deficiency for withholding tax on payments to foreign companies on program rights and deficiency for final withholding tax on interest and foreign loans.

The Court of Tax Appeals ("CTA") promulgated an adverse decision on July 26, 2007. The Company has moved for reconsideration of the decision and has filed an application for abatement with the BIR and has paid the amounts required under the said application.

Labor Cases

On March 21, 2002, Dan Albert De Padua filed a complaint against the Company and Felipe L. Gozon with the NLRC, alleging constructive and illegal dismissal by the Company and claiming reinstatement, damages and attorney's fees, in the amount of ₱26 million and 25% of the judgment award. At the time of his dismissal, Mr. De Padua was the Vice President of the Company for Network Operations and Programming. The Labor Arbiter and the National Labor Relations Commission ("NLRC") dismissed the complaint. The Petition filed by Mr. De Padua with the Court of Appeals was similarly dismissed in a Decision dated June 30, 2009.

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, 13^{th-}month pay, night shift differential and service incentive leave pay. The complainants claim that by virtue of this ruling, they are entitled to payment of a total of approximately ₱1.5 million as of March 2007. The case is presently pending before the Supreme Court on appeal of the Company.

Infringement Cases

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

The respondents were 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. The Company filed a motion for reconsideration which is still pending with the DOJ. With respect to the charge for infringement, DOJ Secretary Gonzalez granted the Company's petition for review and ordered the dismissal of the criminal charges against Ms. Dela Peña-Reyes and Mr. Manalastas. While the criminal aspect of the case has been dismissed, the civil aspect is still pending.

Libel Cases

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

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

Civil Cases

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

A separate case for damages arising from the same incident was filed by Dolores Domingo, a BOC employee, against the Company, Miguel Enriquez, Carmela Tiangco and Arnold Clavio. The complaint seeks damages in the same amounts as those sought by Chito Orbeta. The case is currently pending before the Regional Trial Court of Manila for the presentation of defendants' evidence.

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

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 PhP5.5 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 case is currently scheduled for pre-trial.

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**. Plantiff prayed for damages in the amount of about half a million in damages. The case is scheduled for pre-trial before the RTC of Iloilo City.

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

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

Stock Prices GMA7

Period in 2009	Highest Actual	Lowest Actual
1Q	4.40	3.35
2Q	7.40	4.20
3Q	8.80	6.00
4Q	8.50	7.60

Stock Prices GMAP

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

The price information as of the close of the latest practicable trading date, April 14, 2010; GMA7's closing price is ₱ 7.30 for GMA 7 and ₱7.20 for GMAP (PDRs)

Holders

There are approximately 1,952 holders of common equity as of March 31, 2010. 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.	878,866,000	26.15%
Group Management & Development, Inc.	789,813,389	23.50%
FLG Management & Development Corp	656,044,009	19.52%
M.A. Jimenez Enterprises Inc.	453,882,095	13.50%
Television International Corp	334,378,037	9.95%
PCD Nominee Corp.	204,782,021	6.09%
Gozon Development Corp.	13,905,954	0.41%
Gozon Foundation Inc.	4,514,361	0.13%
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%
Felipe S. Yalong	1,025,000	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%
Laya, Jaime	294,000	0.01%
Joel Marcelo Jimenez	292,000	0.01%

The following are the top 20 holders of the Company's preferred shares as of March 31, 2010:

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.	2,181,067,908	29.0828%
M.A. Jimenez Enterprises	1,508,978,826	20.1210%
Television International Corp.	1,111,661,610	14.8231%
Gozon Development Corp.	46,245,306	0.6166%
Gozon Foundation Inc.	15,020,670	0.2003%
Alegria F. Sibal	2,623,806	0.0350%
Jose P. Marcelo	1,203,594	0.0160%

Name of Shareholders	No. of Preferred Shares	Percentage of Ownership of Total Preferred Shares
Rose Laurel-Avancena	830,736	0.0111%
Sotero H. Laurel	830,706	0.0111%
Nita Laurel Yupangco	830,706	0.0111%
Jose C. Laurel V	830,706	0.0111%
Juan Miguel Laurel	830,706	0.0111%
Susana Laurel-Delgado	830,706	0.0111%
Ma. Asuncion Laurel-Uichico	830,706	0.0111%
Horacio P. Borromeo	784,164	0.0105%
Francis F. Obana	105,120	0.0014%
Eduardo Morato	38,028	0.0005%
Antonio Gomez	30,420	0.0004%
Jose N. Morales	30,420	0.0004%

The information presented does 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

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

Recent Sales of Unregistered or Exempt Securities

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

Item 6. Management's Discussion and Analysis of Financial Conditions and Results of Operations for the Year Ended December 31, 2009 and 2008.

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 asses 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 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, forms the benchmark for measuring the success of these services. The Company makes internal assessments to determine the market potential for each new initiative and sets a subscriber count target accordingly.

Cost control

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

FINANCIAL AND OPERATIONAL RESULTS

For the Year Ended December 31, 2009

GMA Network, Inc. remained resilient in 2009. Faced with the prospect of a continued global economic downturn, the Company braced itself for a challenging year ahead. But, buoyed up by revenue from election-related ads and a lower statutory income tax rate, the Company ultimately weathered the year to finish with the best results it has had to date.

Gross revenues in 2009 grew to ₱13,771 million, 10% or ₱1,274 million higher than last year. With the increase in total operating expenses kept at 9% or ₱680 million over last year, net income settled at ₱ 2,818 million, up by 19% versus the bottom line in 2008.

Income data	2009 *(in millions Php)*	2008 *(in millions Php)*	Inc/(Dec) *(in millions Php)*	%
Revenue				
Television and radio airtime	**12,691.6**	11,653.5	1,038.1	9%
Production and others	**1,079.3**	843.2	236.1	28%
	13,770.9	12,496.7	1,274.2	10%
Less: Revenue Deductions				
Agency and marketing commissions	**1,960.8**	1,784.7	176.1	10%
Co-producers' share	**210.4**	162.3	48.1	30%
	2,171.2	1,947.0	224.2	12%
Net Revenue	**11,599.7**	10,549.7	1,050.0	10%
Production Costs	**4,389.5**	4,102.9	286.7	7%
Gross Profit	**7,210.2**	6,446.9	763.3	12%
General and Administrative Expenses	**(3,452.0)**	(3,058.9)	393.1	13%
Interest Expense and Financing Charges	**(8.9)**	(9.1)	(0.2)	(2%)
Interest Income	**57.8**	68.7	(11.0)	(16%)
Other Income	**31.9**	75.2	(43.3)	(58%)
Income Before Income Tax	**3,838.9**	3,522.7	316.2	9%
Provision for Income Tax	**1,020.6**	1,153.8	(133.2)	(12%)
Net Income	**2,818.3**	2,368.9	449.3	19%
Earnings Per Share				
Basic	**0.580**	0.487		
Diluted	**0.580**	0.487		

Revenues

Gross revenues, consisting of airtime revenues from television and radio, subscription revenue from international operations, and other revenues from subsidiaries, closed at ₱13,771 million, improving by 10% or ₱1,274 million, up from ₱12,497 million in 2008.

Revenues	2009 (in millions Php)	2008 (in millions Php)	Inc/(Dec) (in millions Php)	%
Television and radio airtime	**12,691.6**	11,653.5	1,038.1	9%
Production and others	**1,079.3**	843.2	236.1	28%
Gross revenues	**13,770.9**	12,496.7	1,274.2	10%

Airtime revenues from TV and radio, which made up 92% of total revenues, grew by ₱1,038 million or 9% year-on-year, including ₱629 million in ads geared toward the coming elections. While Channel 7's airtime revenues, which grew 8% or ₱913 million, remained the Company's bread and butter with an 85% share in the total top line, other business segments provided the impetus for the future. QTV Channel 11, the Network's second VHF platform, posted a revenue increase of 10% or ₱41 million boosted by the robust sales of **American Idol**. Radio likewise grew its top line by 14% or ₱46 million. Revenues from international operations and other sources, on the other hand, grew to ₱1,079 million, an increase of 28% or ₱236 million versus last year, driven by the sustained growth in subscriber base for GMA Pinoy TV as well as GMA Life TV, the second international channel. At the close of 2009, GMA Pinoy TV's subscribers numbered 235,587, up 16% from last year, while GMA Life TV reached 107,496 subscribers, more than double its 2008 level.

Expenses

In anticipation of what had been projected to be a challenging year, the Company strived to keep a tight rein on cost. Total operating expenses, which include production cost and general and administrative expenses, increased by 9% or P680 million to ₱7,842 million in 2009 compared to last year's ₱7,162 million.

Production-related expenses went up 7% or ₱287 million from last year's ₱4,103 million to ₱4,390 million in 2009. Cash production cost showed a 5% or ₱159 million increase as station-made programs featured upgraded production values to engage the audience, consequently incurring higher talent fees and rental charges for locations, special effects and others.

Non-cash production cost likewise increased, growing 21% or ₱128 million. Depreciation of facilities and equipment used directly in program production and transmission, notably the GMA Network Studios inaugurated in late 2008, rose ₱90 million. Amortization of program rights increased 8% or ₱38 million with the higher number and cost of adaptations of drama series and local versions of game/reality shows in 2009.

Production Costs	2009 (in millions Php)	2008 (in millions Php)	Inc/(Dec) (in millions Php)	%
Talent fees	**2,101.1**	1,995.7	105.5	5%
Rentals and outside services	**613.1**	507.9	105.1	21%
Other program expenses	**944.3**	996.3	(52.0)	(5%)
Sub-total - cash production cost	**3,658.5**	3,500.0	158.6	5%
Program rights amortization	**524.4**	486.1	38.3	8%
Depreciation	**206.6**	116.8	89.8	77%
Sub-total - non-cash production cost	**731.0**	602.9	128.1	21%
Total production cost	**4,389.5**	4,102.9	286.7	7%

Meanwhile, consolidated general and administrative expenses (GAEX) amounted to ₱3,452 million, reflecting an increase of 13% or ₱393 million versus last year.

General & Administrative Expenses	**2009** *(in millions Php)*	2008 *(in millions Php)*	Inc/(Dec) *(in millions Php)*	%
Personnel costs	**1,612.1**	1,241.3	370.8	30%
Outside services	**512.2**	520.5	(8.3)	(2%)
Facilities costs	**349.0**	325.2	23.8	7%
Taxes and licenses	**191.4**	155.9	35.6	23%
Other cash GAEX	**419.6**	437.6	(18.1)	(4%)
Subtotal - Cash GAEX	**3,084.2**	2,680.5	403.8	15%
Depreciation and amortization	**367.7**	378.4	(10.7)	(3%)
Total GAEX	**3,452.0**	3,058.9	393.1	13%

Personnel costs amounted to ₱1,612 million, up 30% from 2008. The spike resulted largely from the non-recurring signing bonus related to the three-year collective bargaining agreement approved this year, on top of necessary increases in manpower count and ensuing employee benefits.

Outside services, consisting of advertising and promotions, management and professional fees, and sales incentives, dipped 2% or ₱8 million. The decline resulted primarily from the shift to a collection-based scheme for recognizing sales incentives.

With the GMA Network Studios in operation for a full twelve months in 2009 in contrast to only the last quarter in 2008, facilities cost – composed of utilities and repairs and maintenance – closed 7% or P24 million higher year-on-year.

Taxes and licenses increased 23% from ₱156 million to ₱191 million due to the increase in royalty tax aligned with the improvement in GMA International's subscription revenue.

Other cash GAEX, on the other hand, declined to ₱420 million, 4% or ₱18 million lower than last year. A reduction in spending for transportation and travel, and representation expense, aligned with fiscal belt-tightening, mainly accounted for the decrease.

Non-cash GAEX was 3% or ₱11 million lower than last year with the full depreciation of some non-production-oriented facilities and equipment, such as vehicles and office furniture, that are still in use.

Interest and financing charges on short-term loans

Interest expense and financing charges this year reached ₱8.9 million, equivalent to a reduction of ₱0.2 million or 2% compared with last year's ₱9.1 million. The decrease was due to the Company's reduced short-term borrowings. Since the end of August 2009, the Company has no short-term loans.

Interest income from short-term investments

While the Company consistently maintained a solid net cash position, interest income from short-term investments decreased by 16% to ₱58 million from last year's ₱69 million on account of generally lower interest rates for money market placements in 2009.

Other Income

Other income ended at ₱32 million, down by 58% from ₱75 million in 2008 mainly reflective of the fewer asset sales/disposals this year. The decline in the US dollar-to-peso conversion rate also took a toll resulting in a ₱9.2 million net foreign exchange loss.

Provision for Income Tax

Despite the increase in pre-tax income, the provision for income tax dropped to ₱1,021 million in 2008, 12% or ₱133 million lower than last year due to the lowering of the corporate income tax rate from 35% to 30% starting January 1, 2009.

Net Income

With the upswing in revenues during the year coupled with a conscious effort to manage costs and the reduction in the statutory income tax rate, net income improved by 19% over last year. Thus, by December 31, 2009 the bottom line settled at ₱2,818 million, ₱449 million higher versus 2008's ₱2,369 million.

Balance Sheet Accounts

Consolidated assets totaled ₱13,763 million, representing an increase of 10% over last year. Cash and short-term investments rose by 32% to ₱2,224 million from end-2008 level driven mainly by solid cash flows generated from operations. As trade receivables grew by 19% or ₱850 million due to the surge in revenues particularly in the fourth quarter, trade days-sales-outstanding (DSO) likewise increased from 141 days at end-2008 to 149 days at the close of 2009.

The substantial growth in net income caused return on assets to improve to 20% from last year's 19%, while return on equity likewise improved to 26% versus last year's 24%.

Cash Flows	**2009** *(in millions Php)*	2008 *(in millions Php)*
Net cash provided by operating activities	**2,787.6**	2,930.5
Net cash used in investing activities	**(567.5)**	(791.9)
Net cash used in financing activities	**(1,700.7)**	(1,482.6)
Effect of exchange rate changes on cash and cash equivalents	**(7.2)**	12.4
Net increase (decrease) in cash and cash equivalents	**512.1**	668.4
Cash and cash equivalents, beginning of year	**1,688.1**	1,019.7
Cash and cash equivalents, end of year	**2,200.2**	1,688.1

Operating Activities

Net cash from operations registered at ₱2,788 million this year. This resulted from the pre-tax income of ₱3,839 million and income tax payments of ₱1,129 million, adjusted mainly by depreciation expense of ₱559 million and changes in working capital of ₱451 million. The primary components of the changes in working capital were the ₱849 million increase in trade and other receivables, the ₱203 million decrease in program rights as usage of licensed material exceeded acquisitions, and the ₱330 million increase in trade payables and other current liabilities.

Investing Activities

Net cash used in investing activities amounted to ₱568 million. The ₱609 million addition to property and equipment was the primary driver, aligned with the continuous expansion in the regions. These were offset by the ₱56 million interest earned from cash placements.

Financing Activities

Net cash used in financing activities amounted to ₱1,701 million, with the ₱1,699 million cash dividend payout as the foremost component.

FINANCIAL AND OPERATIONAL RESULTS

For the Year Ended December 31, 2008

GMA Network, Inc. remained resilient in 2008. It recorded improvements in most key financial indicators despite the absence of political ads during the first half of the year and the global economic setbacks felt towards the tail end of 2008. Effective cost management enabled the Company to weather the prevailing weak market condition.
Gross revenues for the twelve-month period of ₱12, 497 million grew by 4%, P440 million higher than last year's which included political ads of more than ₱500 million. With the increase in total operating expenses kept at 4% or ₱290 million over last year, net income settled at ₱2, 369 million, up by 3% versus net income recorded in 2007.

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

Revenues

Gross revenues, consisting of airtime revenues from television and radio, subscription revenue from international operations, and other revenues from subsidiaries, improved by 4% or ₱440 million, sealing

2008 top-line performance at ₱12,497 million from ₱12,057 million in 2007.

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

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

Expenses

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

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

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

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

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

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

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

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

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

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

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

Interest and financing charges on short-term loans

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

Interest income from short-term investments

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

Other Income

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

Provision for Income Tax

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

Net Income

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

Balance Sheet Accounts

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

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

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

Operating Activities

Net cash from operations registered at ₱2,943 million this year. This resulted from the income before income tax of ₱3,523 million adjusted by depreciation expense of P479 million, program rights usage of ₱486 million, and provision for retirement benefits of ₱116 million apart from the changes in working capital. The primary components of the changes in working capital include the ₱502 million increase in program rights, as the Company accumulated more format and story rights in its inventory vis-à-vis the degree of usage, the decrease in pension liability of P101 million due to actual funding of the retirement fund and the decrease in trade payables and other current liabilities of ₱127 million. On the other hand, these were partly mitigated by trade and other receivables, which, despite the increase in revenues, decreased by ₱285 million resulting from the aggressive collection efforts implemented by the Company especially for long-outstanding accounts.

Investing Activities

Net cash used in investing activities amounted to ₱804 million. The ₱853 million additions to property and equipment was the primary driver, with the completion of the state-of-the-art GMA Studios and continuous expansion in the regions. Another ₱50 million was attributed to investments and advances as the Company, through its subsidiary New Media, Inc., entered into a joint venture agreement with IPVG for X-play, a form of online gaming. Increases in investment properties of ₱21 million and additions to land at revalued amounts of ₱8 million further comprised the cash used for investing activities. These were offset by the ₱65 million interest earned from cash placements as well as from the ₱35 million proceeds from sale of property and equipment and investment properties.

Financing Activities

Net cash used in financing activities amounted to ₱1,483 million, with the ₱1,213 million cash dividend payout as the foremost component. Financing activities further consisted of the payment of ₱311 million in short term loans during the year, interest and financing charges of P10 million and reacquisition of treasury shares worth ₱8 million. These were partly reduced by the collection of subscriptions receivable amounting to ₱59 million.

KEY VARIABLE AND OTHER QUALITATIVE OR QUANTITATIVE FACTORS

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

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

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

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

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

   There were no 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 2010, the parent company has allotted ₱717 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, 2009, there were no significant elements of income or loss that did not arise from the issuer's continuing operations.

vii. Causes for Material Changes in the Financial Statements

Balance Sheet (December 31, 2009 vs. December 31, 2008)

- Cash and short-term investments increased by 32% to ₱2,224 million due to cash generated from normal operations being higher than cash used for investing and financing activities.
- Program rights decreased by 24% to ₱640 million mainly due to lower usage vis-à-vis higher acquisitions.
- Net book value of property and equipment held steady at ₱3,024 million as capital expenditures kept pace with asset retirements and depreciation.
- There were no outstanding interest-bearing loans as of end-December 2008 and 2009.
- Trade payables and other current liabilities increased 20% to ₱1,961 million mainly due to higher payable to government agencies and accrued expenses at year-end as against 2008.
- The 20% drop in income tax payable is mainly the result of the legislated reduction in income tax rate.
- Obligation for program rights decreased by 44% to ₱61 million as total payments made exceeded acquisitions on account during the year.
- Pension liability dipped by 3% to ₱281 million as provisions for retirement booked in 2009 were lower compared to actual contributions to the fund for the same period.

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

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

Item 7. Financial Statements

Refer to attached copy.

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

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

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

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

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors, Officers and Senior Management

Under the Articles of Incorporation of the Company, the Board of Directors of the Company comprises nine directors, two of whom are independent. The Board is responsible for the overall management and direction of the Company and meets regularly every quarter and other times as necessary, to be provided with updates on the business of the Company and consulted on the Company's material decisions. The directors have a term of one year and are elected annually at the Company's stockholders meeting. A director who was elected to fill a vacancy holds the office only for the unexpired term of his predecessor. As of the February 28, 2010, the Company's Board of Directors and Senior Management are composed of the following:

Board of Directors				Senior Management		
Directors and Senior Management	**Nationality**	**Position**	**Year Position was Assumed**	**Position**	**Year Position was Assumed**	**Age**
Felipe L. Gozon	Filipino	Chairman/ Director	1975	President/Chief Executive Officer	2000	70
Judith D. Vazquez	Filipino	Director	1988	N/A	N/A	47
Gilberto R. Duavit, Jr.	Filipino	Director	1999	Executive Vice President/Chief Operating Officer	2000	46
Anna Teresa G. Abrogar	Filipino	Director/ Assistant Corporate Secretary	2000	N/A	N/A	38
Joel Marcelo G. Jimenez	Filipino	Director	2002	N/A	N/A	45
Laura J. Westfall	Filipino	Director	2002	N/A	N/A	42
Felipe S. Yalong	Filipino	Director/ Corporate Treasurer	2002	Senior Vice President Corporate Services Group	2001	53
Roberto O. Parel	Filipino	Corporate Secretary	1993	N/A	N/A	54
Wilma V. Galvante	Filipino	N/A	N/A	Senior Vice President, Entertainment TV	2004	57
Marissa L. Flores	Filipino	N/A	N/A	Senior Vice President, News and Public Affairs	2004	45
Miguel C. Enriquez	Filipino	N/A	N/A	Senior Vice President, Radio	1995	58
Artemio V. Panganiban	Filipino	Independent Director	2007	N/A	2007	73
Jaime C. Laya	Filipino	Independent Director	2007	N/A	2007	71

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

Felipe L. Gozon, Filipino, 70 years old, has been the Chairman of the Board of Directors of the Company since 1975. He is the Chairman, President, and Chief Executive Officer of the Company, positions which he has held since October 2000. He is a Senior Partner at the Belo Gozon Elma Parel Asuncion & Lucila Law firm. Aside from GMA Network, Inc., he is also Chairman and CEO of GMA Marketing and Productions, Inc. and GMA New Media, Inc.; Chairman and President of FLG Management and Development Corp.; Chairman of Alta Productions Group, Inc., Citynet Network Marketing and Productions, Inc., Mont-Aire Realty and Development Corp. Philippine Entertainment Portal, Inc., and RGMA Network, Inc.; Vice Chairman of Malayan Savings and Mortgage Bank; Director of, among other companies, Gozon Development Corp., Justitia Realty and Management Corp., Antipolo Agri-Business and Land Development Corp., Sagittarius Condominium Corp. and President of Lex Realty, Inc. He is Vice President of the Philippine Chamber of Commerce and Industry and also serves as Chairman of the Board of Trustees of GMA Kapuso Foundation, Inc., Kapwa Ko Mahal Ko Foundation, Inc., and The Potter and Clay Christian School Foundation, Inc.; Chairman and President of Gozon Foundation; Director of The Nova Foundation for Differently Abled Persons, Inc.; and Trustee of Bantayog ng mga Bayani Foundation.

He was named CEO of the Year by UNO Magazine in 2004 and Master Entrepreneur of the Year (Philippines) 2004 by SGV/Ernst & Young in 2005. People Asia Magazine included him in the list of People of the Year 2005. The international magazine BizNews Asia bestowed on him the Business Icon Gold Award in 2008 and Business Excellence Award in 2009.

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

Gilberto R. Duavit, Jr., Filipino, 46 years old, has been a Director of the Company since 1999. He is currently the Chairman of the Company's Executive Committee. He has been the Executive Vice President and Chief Operating Officer of the Company since the year 2000. 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., and Film Experts, Inc. and Dual Management and Investments, Inc. President and Director of Mediamerge Corp., Citynet Network Marketing and Productions, Inc.; Director of RGMA Network, Inc., GMA New Media, Inc., Alta Productions Group, Inc., Optima Digital, Inc., Monte-Aire Realty and Development Corp. and Pacific Heights Sports and Resort, Inc.; Executive Vice President and Director of Group Management and Development, Inc. He also serves as the President of the Board of Trustees of GMA Foundation, Inc. and as a Trustee of Guronasyon Foundation, Inc. (formerly LEAF).

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

Judith D. Vazquez, Filipino, 47 years old, has been a Director of the Company since 1988. She is a member of the following Special Committees: Audit & Risk Management Committee and Compensation & Remuneration Committee. Moreover, she sits on the boards of the following GMA7 subsidiaries: GMA New Media, Inc., RGMA Network, Inc. and Citynet Network Marketing and Productions, Inc. She is a member of the Board of Trustees of GMA Kapuso Foundation, Inc.

Ms. Vazquez is the Founder and Chairman/CEO of PHCOLO, Inc. -- the premier interconnection site for 22 telecommunications and Internet Service Provider companies on four platforms: fixed-line fiber, cable, wireless and satellite. She is Chairman/CEO of Vigil Investments Inc. and The Peak Tower Condominium Corporation. She sits on the Board of Governors of the Management Association of the Philippines, and is a Senior Lecturer for Entrepreneurship at the College of Business Administration, University of the Philippines Diliman. She is a member of the World Presidents' Organization.

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

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

Anna Teresa G. Abrogar, Filipino, 38 years old, has been a Director of the Company since 2000. Atty. Abrogar is also a Director of GMA New Media, Inc.; Director and Corporate Secretary of Mont-Aire Realty and Development Corp., and FLG Management and Development Corp.; and President of GMA Worldwide, Inc. and GMA Network Films, Inc. She is a Junior Partner at Belo Gozon Elma Parel Asuncion & Lucila Law firm.

Atty. Abrogar graduated *cum laude*, with a Bachelor of Science degree in Management Engineering from Ateneo de Manila University and obtained a Bachelor of Laws degree from the University of the Philippines where she graduated valedictorian, *cum laude*. She later obtained a Master of Laws degree from Harvard University. Atty. Abrogar was an Associate Professor at the University of the Philippines, College of Law where she taught Taxation Law.

Joel G. Jimenez, Filipino, 45 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 Group, Inc. He is a Director of RGMA Network, Inc., GMA New Media, Inc., Scenarios, Inc., and GMA Worldwide, Inc., and a member of the Board 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 obtained his Bachelor's Degree in Business Administration from Loyola Marymount University in Los Angeles, California. He also finished Master's Degree in Management from the Asian Institute of Management.

Laura J. Westfall, Filipino, 42 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 and Bronzeoak Clean Energy, Inc. She also serves as Board Member and Treasurer of the Museo Pambata Foundation and USA Girl Scouts – Philippines.

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

Felipe S. Yalong, Filipino, 53 years old, has been a Director of the Company since 2002. He has been the Senior Vice President for Corporate Services Group of the Company since 2001. Aside from GMA Network, Inc., he also serves as Director and Corporate Treasurer of GMA Holdings, Inc., Scenarios, Inc., and GMA Network Films, Inc.; Director of Unicapital, Inc., Majalco Finance and Investments, Inc., and GMA Marketing and Productions, Inc.; Corporate Treasurer of RGMA Network, Inc., Mediamerge Corp.; Executive Vice President of RGMA Marketing and Productions, Inc.; and Corporate Treasurer of the Board of Trustees of GMA Kapuso Foundation, Inc.

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

Roberto O. Parel, Filipino, 53 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, Rohm and Haas Philippines, Inc., Ipilan Nickel Corporation, Nickel Laterite Resources, Inc., Berong Nickel Corporation, Ulugan Nickel Corporation, Ulugan Resources Holdings, Inc., Nickeline Resources Holdings, Inc., Skyway O and M Corporation, and Assetvalues Holding Company, Inc.; Director and Corporate Treasurer of Selenga Mining Corporation; Corporate Secretary of Alta Productions Group, Inc., Scenarios, Inc., RGMA Network, Inc., Citynet Network Marketing and Productions, Inc., and GMA Kapuso Foundation, Inc.

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.

Artemio V. Panganiban, Filipino, 73 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 First Philippine Holdings Corp., Metro Pacific Investments Corp., Manila Electric Company, Robinson Land Corp., GMA Holdings, Inc. Manila North Tollways Corp., Tollways Management Corp., He is also a Senior Adviser for Metropolitan Bank, Independent Adviser for Philippine Long Distance Telephone Co. and a consultant for Pfizer Philippines, Inc. Chief Justice Panganiban is likewise Chairman, Board of Advisers of Metrobank Foundation; Chairman of the Board of Philippine Dispute Resolution Center, Inc.; and Member, Advisory Board of the World Bank and of the Asian Institute of Management RVR-CVS Governance Council. He also is a column writer of *The Philippine Daily Inquirer.*

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

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

Jaime C. Laya, Filipino, 71 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 Victorias Milling Company, Inc., Philippine AXA Life Insurance Company, Inc. and Philippine Ratings Services Corporation. He also serves as Chairman of Don Norberto Ty Foundation, Inc., CIBI Foundation, Inc., and Dual Tech Foundation, Inc.; Trustee of De la Salle University - Taft, St. Paul University - Quezon City, Cultural Center of the Philippines, Metropolitan Museum of Manila, Yuchengco Museum and Fundacion 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. He founded the J.C. Laya & Co., Ltd, now called Laya Mananghaya & Co., and served as chairman of the firm 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.

Wilma V. Galvante, Filipino, 56 years old, has been the Senior Vice President for Entertainment TV of the Company since 2004. . She worked for RPN-9 as a radio and TV production manager before joining the Company as an executive producer in 1993. Ms. Galvante was promoted to Vice President for Production of the Company in 1993.

In 2005, she was awarded Most Outstanding Alumna of the Pamantasan ng Lungsod ng Maynila.

She graduated from the *Pamantasan ng Lungsod ng Maynila* with a Communication Arts degree, major in Advertising and Public Relations.

Marissa L. Flores, Filipino, 45 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 and was awarded as one of The Outstanding Young Men (TOYM) in 2004, 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 --widely considered as broadcasting and cable's equivalent of the Pulitzer prize.

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

Miguel C. Enriquez, Filipino, 57 years old, is Senior Vice-President for Radio and President of RGMA Network, Inc. He also serves as the Chairman of the Board of Trustees of La Salle Greenhills.
In addition to his executive functions in the Company, Mr. Enriquez also anchors ***24 Oras***, Channel 7's flagship newscast and ***Imbestigador***, a highly rated primetime investigative program. He also hosts an early morning news and current affairs program on the Company's flagship radio station, DZBB.

He is a recipient of various broadcasting awards, both in the Philippines and abroad, most recent are Gandingan Award for Best Investigative Program Host, Students' Choice For Male News and Public Affairs Host, 5^{th} USTV Students' Choice Awards and Most Admired Male TV personality, Anak TV awards.

He earned his Bachelor's Degree in Liberal Arts and Commerce from De La Salle University.

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

Significant Employees

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

Family Relationships

Judith D. Vazquez is the sister of Gilberto R. Duavit, Jr., and Joel Marcelo G. Jimenez and Laura J. Westfall are siblings. Anna Teresa G. Abrogar is the daughter of Felipe L. Gozon. Felipe L. Gozon's sister, Carolina L. Gozon Jimenez, is the mother of Joel Marcelo G. Jimenez and Laura J. Westfall.

Involvement in Certain Legal Proceedings

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

- Any filing of an insolvency or bankruptcy petition by or against any business of which such person was a general partner or executive officer, either at the time of the insolvency or within two years prior to that time;
- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, of any such person, excluding traffic violations and other minor offenses;
- Any final and executory order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, against any such person, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and
- Any final and executory judgment of any such person by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

Resignation of Directors

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

Item 10. Executive Compensation

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

Name and Position	
Felipe L. Gozon	Chairman, President and CEO
Gilberto R. Duavit, Jr.	Executive Vice President and COO
Felipe S. Yalong	Senior Vice President, Corporate Services Group
Marissa L. Flores	Senior Vice President, News and Public Affairs

Wilma V. Galvante	Senior Vice President, Entertainment TV
Miguel C. Enriquez	Senior Vice President, Radio Operations

	Year	Annual salaries (in Thousands)	13th Month & Bonuses (in Thousands)	Total (in Thousands)
6 highest compensated officers	2007	67,211.8	57,328.3	124,540.1
	2008	74,206.8	67,411.4	141,618.1
	2009	76,616.1	80,711.3	157,327.4
	2010 (estimate)	84,277.8	88,782.4	173,060.2
Aggregate compensation paid to all officers and directors as a group	2007	103,182.8	97,776.5	200,959.3
	2008	106,247.7	105,073.4	211,321.1
	2009	112,662.3	127,930.9	240,593.2
	2010 (estimate)	123,928.5	140,724.0	264,652.5

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

Security Ownership of Certain Beneficial Owners

The security ownership of certain record and beneficial owners of more than 5% as of March 31, 2010 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. [1] Unit 5D Tower One, One McKinley Place, Bonifacio Global City	Filipino	PCD Nominee Corporation	880,516,000	26.20%

[1] 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 have authorized Felipe L. Gozon and/or Gilberto R. Duavit, Jr. to vote on the company's shares in GMA Holdings, Inc.

Common	Group Management & Development Inc. [2] 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[3] Unit 2, 2/F, Building 2, 9th Avenue, Bonifacio Global City, Taguig, Metro Manila	Filipino	The Record Owner is the Beneficial Owner	662,425,009	19.71%
Common	M.A. Jimenez Enterprises, Inc. 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City[4]	Filipino	The Record Owner is the Beneficial Owner	453,882,095	13.50%
Common	Television International Corporation[5] 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 **3,121,014,530** **92.86%**					
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%
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	2,181,067,908	29.08%
Preferred	M.A. Jimenez Enterprises, Inc. 2/F Sagittarius Condominium, H. V. De la Costa St., Salcedo Village, Makati City	Filipino	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 **7,427,513,652** **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.

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

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

[4] The Board of Directors of M.A. Jimenez Enterprises, Inc. have 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.

[5] The Board of Directors of Television International Corporation have 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.

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, 2010

As of March 31, 2010, the Company's directors and senior officers owned an aggregate of 26,813,373 common shares of the Company, equivalent to 0.80% 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 G. Abrogar	Director/Assistant Corporate Secretary	Filipino	R/B	1,058,003	0.03%	6	0.00%
Gilberto R. Duavit Jr.	Director/EVP and COO	Filipino	R/B	4,007,006	0.12%	12	0.00%
Felipe L. Gozon	Director/ Chairman, President and CEO	Filipino	R/B	6,117,199	0.18%	26,880	0.00%
Joel Marcelo G. Jimenez	Director	Filipino	R/B	11,000,003	0.33%	6	0.00%
Judith D. Vazquez	Director	Filipino	R/B	588,158	0.02%	378	0.00%
Laura J. Westfall	Director	Filipino	R/B	2	0.00%	6	0.00%
Felipe S. Yalong	Director/Senior Vice President-Corporate Services Group	Filipino	R/B	1,025,000	0.03%	6	0.00%
Jaime C. Laya	Independent Director	Filipino	R/B	294,001	0.01%	0	0.00%
Artemio V. Panganiban	Independent Director	Filipino	R/B	588,001	0.02%	0	0.00%
Wilma V. Galvante	Senior Vice President-Entertainment TV	Filipino	R/B	533,000	0.02%	0	0.00%
Marissa L. Flores	Senior Vice President – News and Public Affairs	Filipino	R/B	674,000	0.02%	0	0.00%

Miguel C. Enriquez	Senior Vice President- Radio Operations	Filipino	R/B	929,000	0.03%	0	0.00%

Voting Trust Holders of 5% or more

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

Changes in Control

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

Item 12. Certain Relationships and Related Transactions

Advances to Affiliates

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

As of December 31, 2009, Alta Tierra Resources, Inc. had advances owing to the Company in the amount of ₱4 million. AltaTierra Resources, Inc. is a real estate holding company. Alta Tierra's outstanding shares are 8.2% owned by Majent Management and Development Corporation, and 91.8% by Group Management and Development, Inc.

As of December 31, 2006, the Company made advances to RGMA in the amount of ₱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. Advances for working capital as of December 31, 2009 and 2008 were ₱ 59.3M and ₱ 59.3M respectively.

The Company also made advances to Mont-Aire in the amount of approximately ₱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, 2009, Mont-Aire has had advances owing to the Company in the amount of ₱84.5 million.

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

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

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

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

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

With the resignation of Manuel P. Quiogue as President and COO of GMA Marketing and Productions, Inc. effective December 31, 2009, the consultancy agreement with 3LM Koblenz is deemed also terminated.

Belo Gozon Elma Parel Asuncion & Lucila Law Office

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

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

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.

Our Board of Directors, led by our 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 a Vice President, Atty. Eduardo P. Santos. The Compliance Officer is responsible for monitoring compliance by the Company with the provisions and requirements of good corporate governance.

Board of Directors

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

Board Performance

Directors attend regular meetings of the Board, which are held every quarter and other times as necessary, and the Annual Stockholders' Meeting (ASM). In its meetings, the Board reviews the performance of the Company and its subsidiaries, approve plans, budgets and financial statements, sets policies and guidelines for management, and discusses matters requiring Board attention and approval. The Board met five times in 2009. 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	
Gilberto R. Duavit,Jr.	5	
Joel Marcelo G. Jimenez	5	
Felipe S. Yalong	5	
Anna- Teresa M. Gozon- Abrogar	4	1
Judith D. Vazquez	5	
Laura J. Westfall	4	1
Artemio V. Panganiban	5	
Jaime C. Laya	5	

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

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

Committees and Meetings of the Board of Directors

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

Executive Committee

The Executive Committee (Excom) consists of three members which includes the Chairman of the Board, President and CEO Felipe L. Gozon, Executive Vice President and COO Gilberto R. Duavit, Jr. and Director Joel G. Jimenez. Mr. Gilberto R. Duavit, Jr. serves as Chairman of the Committee. It acts on matters delegated to it by the Board of Directors. The Excom acts by a majority vote and in accordance with the authority granted by the Board. All actions of the Excom are reported to the Board at the meeting immediately following such action and are subject to revision and alteration by the Board provided that no rights or acts of third parties shall be affected by any such revision or alteration.

Nomination Committee

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

Compensation and Remuneration Committee

The Compensation and Remuneration Committee consists of Judith D. Vazquez who serves as Chairperson, Laura J. Westfall, Vice Chairperson, Anna Teresa G. Abrogar and former Chief Justice Artemio V. Panganiban, 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 G. Abrogar, Judith D. 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 six meetings in 2009 wherein the Committee reviewed and approved, among others, the Company's 2008 Consolidated Audited Financial Statements as prepared by the external auditors.

Management

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

The CEO is accountable to the Board for the development and recommendation of strategies and the execution of strategic directions set by the Board. The CEO is guided by the Company's Mission, Vision, and Core Value statements, and with the assistance of the COO and the Senior Executives, is responsible for the day-to- day management of the Company and the implementation of the Board's policies and decisions.

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

Employee Relations

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

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

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

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

Risk Management

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

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

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

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.

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.

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

The consolidated financial statements of GMA Network and its subsidiaries have been prepared in accordance with Philippine Financial Reporting Standards which are aligned with International Financial Reporting Standards. The financial statements are audited by external auditors and reviewed by the Audit

Committee (with the support of the Internal Audit Group) to ensure that they fairly present, in all material respects, the financial position and results of the Company's operations before these are presented to the Board of Directors for approval.

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

Prompt Disclosures and Timely Reporting

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

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

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

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

April 2009
a] Cash Dividend declaration, Record date and Payment date
b] Approval of 2008 FS
c] Presentation materials used during the Analysts' briefing
d] GMA's Payment of Corporate Income Tax for 2008
e] GMA posts double digit gains in TV adload in March

May 2009
a] Presentation materials of the 1Q briefing
b] Press Release and additional disclosures made during the 1Q briefing
c] Results of ASM/Board reorganization meeting
d] President's ASM speech
e] Press Release – GMA Network posts double digit net income growth in Q1 2009
f] Announcement of Live Streaming of ASM via www.gmanetwork.com/ir

June 2009

a] General Information Sheet for 2009
b] Press Release – GMA Network breaches PhP 1B Net Income mark in the first 5 months of 2009

July 2009
a] Press Release – GMA Network Marketing Head to retire by year end

August 2009
a] Appointment of External Auditor
b] Press Release – GMA Network posts 20% hike in 1st Half Net Income
c] Presentation materials used during the Analysts/Investors briefing

November 2009
a] Board Meeting – Buyback Program, additional disclosures from the 3Q Financial briefing and Press Release – 3Q Results
b] 3Q Presentation Materials

December 2009
a] GMA Pinoy TV Scores a Knockout Year!
b] Clarification on news article: GMA Network seen to exceed PhP 2.8B Net Income

January 2010
a] Results of Board Meeting - Date of ASM – May 19, 2010 with a Record date of April 20
b] Press Release - Appointment of GMPI President/COO

February 2010
a] Press Release: GMA Network keeps stronghold of Mega Manila TV Ratings Lead
b] Material Information discussed during the interview of Mary Ann Reyes (Philippine Star) with JRD

March 2010
a] Presentation Materials used during the Analysts'/Investors' Briefing re: 2009 Financial Results
b] Press Release: "GMA Network marks another banner year with PhP 2.8B Net Income in 2009"
c] Board Approval of 2009 Consolidated FS and Cash Dividend declaration
d] Press Release: "GMA Network posts 44% hike in revenues for the first two months of 2010"

SIGNATURES

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

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

MAKATI CITY

APR 22 2010

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

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Gilberto R. Duavit, Jr.	ZZ214134	March 29, 2007	DFA, Manila
Felipe L. Gozon	XX17461898	August 3, 2008	DFA, Manila
Ronaldo P. Mastrili	UU0377974	January 10, 2007	DFA, Manila
Roberto O. Parel	MM787808	March 30, 2007	DFA, Manila
Felipe S. Yalong	XX1232901	May 27, 2008	DFA, Manila

Notary Public

DOC NO. 174
PAGE NO. 36
BOOK NO. XII
SERIES OF 2010

ATTY. GERVACIO B. ORTIZ JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2010
PTR NO. 2075548 JAN. 04, 2010 MAKATI CITY
IBP NO. 656155-LIFETIME MEMBER
APPT. M-84/2010 ROLL NO. 40091

GMA NETWORK

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

March 25, 2010

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

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

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

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

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

Signed under oath by the following:

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

FELIPE S. YALONG
Senior Vice President
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 5th day of April 2010 at MAKATI CITY, affiants exhibited to me their (Felipe L. Gozon) TIN 106-174-605 and (Felipe S. Yalong) TIN 102-874-054. and their respective Passport as follows: (Gozon)-XX17461898 issued on Aug. 3, 2008 in Manila; (Yalong)-XX1232901 issued on May 27, 2008 in Manila.

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Book No. 7
Series of 2010

CHRISTINE F BIO
Appointment No. M-132
Notary Public ... City
Until December 31, 2011
Roll No. 64285
PTR No. 2092001 / 01-06-2010 / Makati City
IBP No. 8052929 / 01-06-2010 ...
MCLE Compliance No. III-0003203 ...
... Condominium
H.V. dela Costa St., Salcedo Village
Makati City

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

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

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

SYCIP GORRES VELAYO & CO.

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

March 25, 2010

GMA NETWORK, INC. AND SUBSIDIARIES

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

GMA NETWORK, INC. AND SUBSIDIARIES

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2009

Unappropriated consolidated retained earnings, at beginning of year	₱2,527,155,258
Less: Accumulated earnings of subsidiaries	37,524,539
Unappropriated retained earnings of the Parent Company, as adjusted to available for dividend declaration, beginning	2,489,630,719
Consolidated net income actually earned during the year	2,818,250,808
Add: Equity in net losses of subsidiaries	23,566,304
Net income actually earned by the Parent Company during the year, as reported	2,841,817,112
Less: Unrealized foreign exchanges gain - net of tax	1,611,014
Net income actually earned by the Parent Company during the year, as adjusted	2,840,206,098
Unappropriated retained earnings of the Parent Company, as adjusted, before dividend declaration during the year	5,329,836,817
Less: Dividend declarations during the year	1,701,069,453
Treasury shares	28,483,171
Underlying shares of the acquired Philippine Deposit Receipts	5,790,016
	1,735,342,640
Unappropriated retained earnings of the Parent Company as adjusted to available for dividend declaration, at end of year	₱3,594,494,177

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

Name of Issuing Entity and Association of Each Issue	Amount Shown in the Balance Sheet	Income Received and Accrued
Short-term placements (included under "Cash and cash equivalents" account in the balance sheet)		
Peso Placements		
Abacus Capital & Investment Corporation	₱217,468,804	₱14,373,534
Union Bank of the Philippines	201,670,313	5,567,230
United Coconut Planters Bank	180,137,778	2,903,339
Malayan Bank	142,734,916	4,755,926
Land Bank of the Philippines	145,000,000	3,182,480
Philippine Bank of Communications	133,069,782	4,752,655
Metropolitan Bank and Trust Company	110,000,000	805,261
Philippine National Bank	73,529,339	3,487,273
Eastwest Bank	61,283,990	2,918,040
Unicapital, Inc.	40,314,287	3,254,353
Export and Industry Bank	6,506,535	5,324,924
J. P. Morgan Chase Bank	837,103	33,656
Paypal	26,130	–
Asia United Bank	–	124,613
Banco De Oro	–	1,351,525
	1,312,578,977	52,834,809
Dollar Placements		
Eastwest Bank	68,044,088	1,579,359
Union Bank of the Philippines	37,260,010	109,584
Asia United Bank	6,254,616	177,718
United Coconut Planters Bank	–	16,210
	111,558,714	1,882,871
	₱1,424,137,691	₱54,717,680

Short-term investments		
Eastwest Bank	₱19,623,675	₱265,969
Union Bank of the Philippines	1,555,818	51,296
Malayan Bank	2,280,819	12,066
	₱23,460,312	₱329,331

Schedule I. Capital Stock

Type of Stock	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common	5,000,000,000	3,361,047,000*	–	2,240,525,530	26,813,373	1,093,708,097
Preferred	7,500,000,000	7,499,507,184**	–	7,427,513,652	27,294	71,966,238

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

COVER SHEET

5	2	1	3

SEC Registration Number

GMA NETWORK, INC. AND SUBSIDIARIES

(Group's Full Name)

GMA Network Center, Timog Avenue corner EDSA, Quezon City

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

Mr. Felipe S. Yalong

(Contact Person)

982-7777

(Group Telephone Number)

12 **31**

Month *Day*

(Fiscal Year)

AACFS

(Form Type)

05 **19**

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Domestic	Foreign
–	–

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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GMA Network, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2009 and 2008
and Years Ended December 31, 2009, 2008 and 2007

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

SGV & Co
Ernst & Young

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

SYCIP GORRES VELAYO & CO.

Ramon D. Dizon

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

March 25, 2010

GMA NETWORK, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 29 and 30)	**₱2,200,193,818**	₱1,688,107,116
Short-term investments (Notes 29 and 30)	**23,460,312**	2,066,957
Trade and other receivables (Notes 7, 19, 29 and 30)	**5,310,223,152**	4,460,404,397
Program rights (Note 8)	**640,175,411**	842,748,126
Prepaid expenses and other current assets (Note 9)	**385,985,665**	290,064,076
Total Current Assets	**8,560,038,358**	7,283,390,672
Noncurrent Assets		
Available-for-sale financial assets (Notes 10, 29 and 30)	**104,906,848**	97,206,647
Investments and advances (Notes 11 and 19)	**394,327,610**	405,805,681
Property and equipment at cost (Note 12)	**3,024,036,141**	3,023,028,026
Land at revalued amounts (Note 13)	**1,403,122,465**	1,403,122,465
Investment properties (Note 14)	**59,716,748**	63,914,233
Deferred tax assets - net (Note 27)	**42,173,115**	35,971,633
Other noncurrent assets (Note 15)	**175,132,835**	153,848,427
Total Noncurrent Assets	**5,203,415,762**	5,182,897,112
	₱13,763,454,120	₱12,466,287,784

LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables and other current liabilities (Notes 16, 19, 29 and 30)	**₱1,961,301,659**	₱1,631,146,271
Income tax payable	**407,847,673**	509,903,736
Obligations for program rights (Notes 17, 29 and 30)	**61,475,710**	110,459,407
Dividends payable (Notes 29 and 30)	**3,367,963**	1,564,709
Total Current Liabilities	**2,433,993,005**	2,253,074,123
Noncurrent Liabilities		
Pension liability (Note 24)	**280,534,771**	288,834,807
Deferred tax liabilities - net (Note 27)	**168,806,513**	169,255,508
Total Noncurrent Liabilities	**449,341,284**	458,090,315
Total Liabilities	**2,883,334,289**	2,711,164,438
Equity		
Capital stock (Note 18)	**4,864,692,000**	4,864,692,000
Additional paid-in capital (Note 18)	**1,659,035,196**	1,651,547,885
Revaluation increment in land - net of tax (Note 13)	**744,158,022**	744,158,022
Unrealized gain on available-for-sale financial assets - net of tax (Note 10)	**2,171,187**	1,843,368
Retained earnings (Note 18)	**3,644,336,613**	2,527,155,258
Treasury stock (Notes 18 and 28)	**(28,483,171)**	(28,483,171)
Underlying shares of the acquired Philippine Deposit Receipts (Notes 18 and 28)	**(5,790,016)**	(5,790,016)
Total Equity	**10,880,119,831**	9,755,123,346
	₱13,763,454,120	₱12,466,287,784

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2009	2008	2007
GROSS REVENUES (Note 20)	**₱13,770,876,643**	₱12,496,701,664	₱12,056,924,402
LESS			
Agency and marketing commissions	**1,960,813,562**	1,784,690,688	1,748,344,331
Co-producers' share	**210,362,995**	162,272,741	121,781,011
	2,171,176,557	1,946,963,429	1,870,125,342
NET REVENUES	**11,599,700,086**	10,549,738,235	10,186,799,060
PRODUCTION COSTS (Note 21)	**4,389,547,633**	4,102,875,264	3,949,507,416
GROSS PROFIT	**7,210,152,453**	6,446,862,971	6,237,291,644
GENERAL AND ADMINISTRATIVE EXPENSES (Note 22)	**3,451,969,170**	3,058,911,870	2,921,865,664
OTHER INCOME (EXPENSES)			
Interest income from bank deposits and short-term investments (Note 6)	**57,755,029**	68,732,583	71,762,331
Equity in net losses of associates and joint ventures (Note 11)	**(11,478,071)**	(6,958,589)	(3,228,728)
Interest expense and financing charges on short-term loans	**(8,904,803)**	(9,092,572)	(23,130,092)
Others (Note 25)	**43,340,160**	82,113,023	90,901,501
	80,712,315	134,794,445	136,305,012
INCOME BEFORE INCOME TAX	**3,838,895,598**	3,522,745,546	3,451,730,992
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**1,026,777,448**	1,134,845,527	1,210,602,378
Deferred	**(6,132,658)**	18,972,357	(66,101,949)
	1,020,644,790	1,153,817,884	1,144,500,429
NET INCOME	**2,818,250,808**	2,368,927,662	2,307,230,563
OTHER COMPREHENSIVE INCOME			
Unrealized gain on available-for-sale financial assets - net of tax (Note 10)	**327,819**	101,955	2,287,448
Revaluation increment in land - net of tax (Notes 13 and 27)	–	10,547,572	–
	327,819	10,649,527	2,287,448
TOTAL COMPREHENSIVE INCOME	**₱2,818,578,627**	₱2,379,577,189	₱2,309,518,011
Basic Earnings Per Share (Note 28)	**₱0.580**	₱0.487	₱0.502
Diluted Earnings Per Share (Note 28)	**₱0.580**	₱0.487	₱0.502

See accompanying Notes to Consolidated Financial Statements.

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

	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Revaluation Increment in Land - Net of Tax (Note 13)	Unrealized Gain (Loss) on Available-for-sale Financial Assets - Net of Tax (Note 10)	Retained Earnings (Note 18)	Treasury Stock (Notes 18 and 28)	Underlying Shares of the Acquired Philippine Deposit Receipts (Notes 18 and 28)	Total Equity
Balances at January 1, 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**
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**
Balances at December 31, 2009	**₱4,864,692,000**	**₱1,659,035,196**	**₱744,158,022**	**₱2,171,187**	**₱3,644,336,613**	**(₱28,483,171)**	**(₱5,790,016)**	**₱10,880,119,831**
Balances at January 1, 2008	₱4,864,692,000	₱1,592,615,799	₱733,610,450	₱1,741,413	₱1,372,390,597	(₱20,664,588)	(₱5,790,016)	₱8,538,595,655
Total comprehensive income	–	–	10,547,572	101,955	2,368,927,662	–	–	2,379,577,189
Cash dividends - ₱0.25 a share	–	–	–	–	(1,214,163,001)	–	–	(1,214,163,001)
Collection of subscriptions receivable	–	58,932,086	–	–	–	–	–	58,932,086
Acquisition of treasury stock	–	–	–	–	–	(7,818,583)	–	(7,818,583)
Balances at December 31, 2008	₱4,864,692,000	₱1,651,547,885	₱744,158,022	₱1,843,368	₱2,527,155,258	(₱28,483,171)	(₱5,790,016)	₱9,755,123,346
Balances at January 1, 2007	₱4,250,000,000	₱–	₱733,610,450	(₱546,035)	₱1,940,160,034	₱–	₱–	₱6,923,224,449
Total comprehensive income	–	–	–	2,287,448	2,307,230,563	–	–	2,309,518,011
Issuance of common stock - net of subscriptions receivable amounting to ₱70,093,655	239,692,000	1,727,596,345	–	–	–	–	–	1,967,288,345
Cash dividends - ₱0.54 a share	–	–	–	–	(2,500,000,000)	–	–	(2,500,000,000)
Stock dividends	375,000,000	–	–	–	(375,000,000)	–	–	–
Stock issuance costs	–	(134,980,546)	–	–	–	–	–	(134,980,546)
Acquisition of treasury stock	–	–	–	–	–	(20,664,588)	–	(20,664,588)
Acquisition of Philippine Deposit Receipts	–	–	–	–	–	–	(5,790,016)	(5,790,016)
Balances at December 31, 2007	₱4,864,692,000	₱1,592,615,799	₱733,610,450	₱1,741,413	₱1,372,390,597	(₱20,664,588)	(₱5,790,016)	₱8,538,595,655

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,838,895,598**	₱3,522,745,546	₱3,451,730,992
Adjustments for:			
Depreciation and amortization (Notes 21 and 22)	**558,686,905**	478,595,734	418,760,008
Interest income from bank deposits and short-term investments (Note 6)	**(57,755,029)**	(68,732,583)	(71,762,331)
Amortization of software costs (Note 22)	**15,661,449**	16,670,009	12,660,849
Other noncash expenses	**12,158,113**	18,757,505	12,141,144
Equity in net losses of associates and joint ventures (Note 11)	**11,478,071**	6,958,589	3,228,728
Loss (gain) on sale of property and equipment and investment properties (Note 25)	**(10,158,900)**	(30,632,485)	828,095
Interest expense and financing charges on short-term loans	**8,904,803**	9,092,572	23,130,092
Movements in pension liability	**(8,300,036)**	14,689,274	(12,343,442)
Discount on tax credit certificates (Note 25)	**(7,408,499)**	(5,223,668)	(12,130,583)
Unrealized foreign exchange loss (gain)	**4,945,923**	(7,805,559)	29,296,408
Dividend income (Note 25)	**(22,691)**	(58,082)	(2,618,418)
Reversal of allowance for impairment loss on investment properties (Note 25)	**–**	–	(4,353,538)
Operating income before working capital changes	**4,367,085,707**	3,955,056,852	3,848,568,004
Decreases in:			
Trade and other receivables	**–**	306,795,814	–
Prepaid expenses and other current assets	**–**	3,225,469	–
Program rights (Note 8)	**202,572,715**	–	213,927,510
Trade payables and other current liabilities	**–**	(77,918,755)	–
Obligations for program rights	**(47,250,815)**	–	(90,535,514)
Increases in:			
Trade and other receivables	**(848,589,975)**	–	(932,457,649)
Prepaid expenses and other current assets	**(87,581,462)**	–	(18,448,196)
Program rights	**–**	(23,056,139)	–
Trade payables and other current liabilities	**330,155,388**	–	206,570,426
Obligations for program rights	**–**	15,839,854	–
Net cash generated from operations	**3,916,391,558**	4,179,943,095	3,227,624,581
Income taxes paid	**(1,128,833,511)**	(1,249,464,065)	(1,155,230,429)
Net cash provided by operating activities	**2,787,558,047**	2,930,479,030	2,072,394,152

(Forward)

	Years Ended December 31		
	2009	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Note 12)	**(₱609,232,201)**	(₱852,955,607)	(₱628,218,477)
Short-term investments	**(21,393,355)**	–	–
Software costs (Note 15)	**(13,611,584)**	(14,777,046)	(25,549,318)
Available-for-sale financial assets	**(7,890,201)**	–	–
Investment properties (Note 14)	**(79,018)**	(21,497,788)	–
Interest in joint ventures (Note 11)	**–**	(50,000,000)	–
Land (Note 13)	**–**	(8,048,312)	(8,121,828)
Interest received	**56,294,921**	65,377,217	70,788,225
Proceeds from sale of property and equipment and investment properties	**37,309,465**	34,801,030	10,950,431
Increase in other noncurrent assets	**(9,760,895)**	–	–
Cash dividends received	**822,586**	58,082	118,418
Additions to advances to associates and joint ventures (Note 11)	**–**	(38,035)	(1,909,812)
Proceeds from disposal of short-term investments	**–**	840,404	223,445,609
Decrease in other noncurrent assets	**–**	54,338,684	5,046,560
Net cash used in investing activities	**(567,540,282)**	(791,901,371)	(353,450,192)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Note 18)	**(1,699,266,199)**	(1,212,598,292)	(2,500,000,000)
Notes payable	**(500,000,000)**	(310,700,000)	(566,400,000)
Proceeds from availments of notes payable	**500,000,000**	–	300,000,000
Interest and financing charges paid	**(8,904,803)**	(10,434,239)	(23,681,864)
Collection of subscriptions receivable	**7,487,311**	58,932,086	–
Acquisitions of:			
Treasury stock (Note 18)	**–**	(7,818,583)	(20,664,588)
Philippine Deposit Receipts (Note 18)	**–**	–	(5,790,016)
Net proceeds from issuance of common stock (Note 18)	**–**	–	1,832,307,799
Net cash used in financing activities	**(1,700,683,691)**	(1,482,619,028)	(984,228,669)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(7,247,372)**	12,438,063	(21,605,308)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**512,086,702**	668,396,694	713,109,983
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,688,107,116**	1,019,710,422	306,600,439
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱2,200,193,818**	₱1,688,107,116	₱1,019,710,422

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

The accompanying consolidated financial statements of the Group as of and for the years ended December 31, 2009, 2008 and 2007 were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 25, 2010.

2. Basis of Preparation

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

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with PFRS. PFRS consists of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) starting January 1, 2009, except when otherwise indicated:

New Standards and Interpretations

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, effective July 1, 2008
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*, effective October 1, 2008
- PFRS 8, *Operating Segments*, effective January 1, 2009
- Philippine Interpretation IFRIC 18, *Transfer of Assets from Customers*, effective July 1, 2009

Amendments to Standards

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

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

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

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

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

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

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

- Improvements to PFRS (2008)

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

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

- PAS 18, *Revenue*, adds guidance to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

    i. has primary responsibility for providing the goods or services
    ii. has inventory risk
    iii. has discretion in establishing prices
    iv. bears the credit risk

    The Group has assessed its revenue arrangements against these criteria. The Group's revenue recognition policy has been updated accordingly.

- PFRS 7, *Financial Instruments: Disclosures*, requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The fair value measurement disclosures are presented in Note 30. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 29.

- PFRS 8, *Operating Segments*, replaced PAS 14, *Segment Reporting*, upon its effective date. The Group concluded that the operating segments determined in accordance with PFRS 8 are the same as the business segments previously identified under PAS 14. PFRS 8 diclosures are shown in Note 5, including the related revised comparative information.

Future Changes in Accounting Policies
The Group did not early adopt the following revised PFRS, improvements to PFRS and Philippine Interpretations that have been approved but are not yet effective:

New Standard and Interpretation

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

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

Amendments to Standards

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

New Interpretation Effective in 2012

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

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

	Country of Incorporation	Percentage of Ownership	
		2009	2008
Entertainment Business:			
Citynet Network Marketing and Productions, Inc.	Philippines	**100**	100
GMA Network Films, Inc.	- do -	**100**	100
GMA New Media, Inc. (GNMI)	- do -	**100**	100
GMA Worldwide (Philippines), Inc.	- do -	**100**	100
RGMA Marketing and Productions, Inc. (GMA Records)	- do -	**100**	100
Scenarios, Inc. (Scenarios)	- do -	**100**	100
Advertising Business:			
Alta Productions Group, Inc. (Alta)	- do -	**100**	100
GMA Marketing & Productions, Inc. (GMPI)	- do -	**100**	100
Others:			
MediaMerge Corporation*	- do -	**100**	100
Ninja Graphics, Inc. (Ninja)**	- do -	**51**	51

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

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

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

The minority interest in Ninja as of December 31, 2009, 2008 and 2007 has been reduced to zero because Ninja is in a net capital deficiency position in those years.

3. Summary of Significant Accounting and Financial Reporting Policies

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

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

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated balance sheets when it becomes a party to the contractual provisions of the instrument. In the case of regular way purchases or sales of financial assets are recognized on the trade date, which is the date the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established on regulation or convention in the market place.

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

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

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

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

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

Financial Assets

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

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

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

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

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

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

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

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

Classified as loans and receivables are the Group's cash and cash equivalents, short-term investments, trade and other receivables and guarantee and other deposits. The carrying values of loans and receivables amounted to ₱7,438.72 million and ₱6,119.97 million as of December 31, 2009 and 2008, respectively (see Note 30).

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

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

AFS Financial Assets. AFS financial assets are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. These are purchased and held indefinitely and may be sold in response to changes in market conditions. After initial recognition, AFS financial assets are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets are recognized as "Unrealized gain on available-for-sale financial assets" in the other comprehensive income until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously recognized as other comprehensive income is reclassified to other income or other expense in the profit or loss as a reclassification adjustment. Interest earned on holding AFS financial assets is recognized in the profit or loss using the effective interest rate. Assets under this category are classified as current assets if the expected realization of the investment is within 12 months from reporting date and as noncurrent assets if maturity is more than a year from reporting date.

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

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

The Group has investments in various quoted and unquoted shares of stocks classified as AFS financial assets. The carrying values of AFS financial assets amounted to ₱104.91 million and ₱97.21 million as of December 31, 2009 and 2008, respectively (see Note 10).

Financial Liabilities

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

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

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

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

This category includes trade payables and other current liabilities (excluding payable to government agencies), obligations for program rights and dividends payable. The carrying values of financial liabilities under this category amounted to ₱1,242.95 million and ₱1,112.59 million as of December 31, 2009 and 2008, respectively (see Note 30).

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

Impairment of Financial Assets
The Group assesses at each reporting date whether a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial

reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry and past due status.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in payment status or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

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

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

AFS Financial Assets. The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS financial assets, evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the in the profit of loss - is removed from other comprehensive income and recognized in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in fair value after impairment are recognized directly as other comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss. Future interest income is based on the reduced carrying amount of the asset and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. If, in a subsequent year, the fair value of a debt instrument increase and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

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

Program Rights
Program rights with finite lives are stated at amortized cost less any impairment in value. The cost is amortized on accelerated method based on the manner and pattern of usage of the acquired program rights. Programs rights are fully amortized on the date of expiry. Amortization expense is shown as program usage in Note 8.

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

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

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

Prepaid Production Costs
Prepaid production costs, included under "Prepaid expenses and other current assets" account in the consolidated balance sheets, 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 balance sheets) is stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the current replacement cost.

Investment and Advances

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

The Group's investments in associates are accounted for under the equity method. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group. The investments in associates are carried in the consolidated balance sheets at cost plus post-acquisition changes in the Group's share in the net assets of the associates, less any impairment in value. The consolidated statements of comprehensive income include the Group's share in the results of operations of the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statements of changes in equity.

The reporting dates of the associates and the Parent Company are identical and the associates' accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associates, against the investments in the associates. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

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

A joint venture is a contractual arrangement whereby two or more parties (venturers) undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers. A jointly controlled entity is a joint venture that involves the establishment of a company, partnership or other entity to engage in economic activity that the Group jointly controls with its fellow venturer.

The Group has interests in joint ventures which are jointly controlled entities. The Group's interests in joint ventures are accounted for using the equity method based on the percentage share of capitalization of the Group in accordance with the joint venture agreements. Under the equity method, the interests in joint ventures are carried in the consolidated balance sheets at cost plus the Group's share in post-acquisition changes in the net assets of the joint ventures, less any impairment in value. The consolidated statements of comprehensive income include the Group's share in the results of operations of the joint ventures.

When the Group's share of losses in joint ventures equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Where there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statements of changes in equity.

The reporting dates of the joint ventures and the Parent Company are identical and the joint ventures' accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances. Unrealized gains arising from transactions with the joint ventures are eliminated to the extent of the Group's interests in the joint ventures against the related investments. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment in the asset transferred.

The Group ceases to use the equity method of accounting on the date from which it no longer has joint control over, or significantly influence in the joint venture or when the interest becomes held for sale.

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

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

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

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

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

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

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

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

Land
Following initial recognition at cost, land used in operations is carried at revalued amount, which is the fair value at the date of the revaluation, less any subsequent accumulated impairment losses. Fair value was determined by an independent firm of appraisers on December 23, 2008 and January 5, 2009. Valuations are performed every 3 to 5 years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The revaluation increment resulting from the revaluation, net of deferred tax liability, is credited to the “Revaluation increment in land - net of tax” account included in the equity section of the consolidated balance sheets and other comprehensive income.

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

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

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

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

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

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

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

Tax Credits
Tax credits from government airtime sales availed under Presidential Decree (PD) No. 1362 are recognized in the books upon actual airing of government commercials and advertisements. Pursuant to PD No. 1362, these will be collected in the form of tax credits which the Group can use in paying for import duties and taxes on imported capital equipment. The tax credits cannot be used to pay for any other tax obligation to the government. These are included under “Other noncurrent assets” account in the consolidated balance sheets.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss 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.

The following criteria are also applied in assessing impairment of specific nonfinancial assets:

Investments in Associates. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's investment in the associate. The Group determines at each reporting date 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 being the difference between the recoverable amount of investment in associate and the acquisition cost and recognizes the amount in the consolidated statements of comprehensive income.

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 interests in joint ventures. The Group determines at each reporting date whether there is any objective evidence that the 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 interest in joint venture and the acquisition cost and recognizes the amount in the consolidated statements of comprehensive income.

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

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

Revenues
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

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

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

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

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

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

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

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

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

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

Agency and Marketing Commissions and Co-producers' Share
These represent adjustments from gross revenues in the consolidated statement of comprehensive income.

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

Marketing commissions to subsidiaries and affiliates for TV or radio sales are recognized at pre-determined rates based on revenue amount.

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

Research Costs
Research costs are expensed as incurred.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of the respective assets. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

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

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

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

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

<u>Leases</u>
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the agreement;

b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether the fulfillment is dependent on a specified asset; or

d. there is a substantial change to the asset.

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

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

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

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

<u>Foreign Currency-denominated Transactions</u>
Transactions in foreign currencies are initially recorded in the functional currency exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing exchange rate at financial reporting date. All differences are taken to profit or loss in the consolidated statement 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.

<u>Taxes</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Dividends on Common Shares of the Parent Company</u>
Dividends on common shares are recognized as liability and deducted from equity when approved by the shareholders of the Parent Company. Dividends for the year that are approved after reporting date are dealt with as an event after reporting date.

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

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

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes.

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

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

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

Rent expense charged to operations amounted to ₱693.40 million, ₱573.39 million and ₱533.32 million in 2009, 2008 and 2007, respectively (see Notes 21 and 22).

Estimates and Assumptions

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

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

Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱5,310.22 million and ₱4,460.40 million as of December 31, 2009 and 2008, respectively (see Note 7).

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

Program rights, net of accumulated impairment loss, amounted to ₱640.18 million and ₱842.75 million as of December 31, 2009 and 2008, respectively (see Note 8).

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

The carrying value of AFS financial assets amounted to ₱104.91 million and ₱97.21 million as of December 31, 2009 and 2008, respectively (see Note 10). There were no impairment of AFS financial assets in 2009 and 2008.

Estimating Allowance for Inventory Losses. The Company 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 ₱117.24 million and ₱88.95 million as of December 31, 2009 and 2008, respectively (see Note 9). There were no provisions for inventory losses in 2009 and 2008.

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

Property and equipment, net of accumulated depreciation and amortization, amounted to ₱3,024.04 million and ₱3,023.03 million as of December 31, 2009 and 2008, respectively (see Note 12). Investment properties, net of accumulated depreciation and accumulated impairment in value, amounted to ₱59.72 million and ₱63.91 million as of December 31, 2009 and 2008, respectively (see Note 14). Software costs, net of accumulated amortization, amounted to ₱28.91 million and ₱30.96 million as of December 31, 2009 and 2008, respectively (see Note 15).

Asset Retirement Obligation. Determining asset retirement obligation requires estimation of the cost of dismantling, installation and restoring leased properties to their original condition. The Group determined that there are no significant asset retirement obligations as of December 31, 2009 and 2008.

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

The revalued amount of land amounted to ₱1,403.12 million as of December 31, 2009 and 2008 (see Note 13).

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

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

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The aggregate amount of prepaid production costs (included under "Prepaid expenses and other current assets" account in the consolidated balance sheets), program rights, investments and advances, property and equipment, software costs, tax credits, land and investment properties amounted to ₱5,786.03 million and ₱5,901.08 million as of December 31, 2009 and 2008, respectively (see Notes 8, 9, 11, 12, 13, 14 and 15).

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

Deferred tax assets amounted to ₱225.77 million and ₱225.64 million as of December 31, 2009 and 2008, 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 24 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 ₱280.53 million and ₱288.83 million as of December 31, 2009 and 2008, respectively. Unrecognized actuarial gain amounted to ₱45.98 million as of December 31, 2009 and unrecognized actuarial losses amounted to ₱307.84 million and ₱248.08 million as of December 31, 2008 and 2007, respectively (see Note 24).

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

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

Contingencies. The Group currently has various legal claims. The Group's estimates of the probable costs for the resolution of these claims have been developed in consultation with in-house, as well as outside legal counsels handling the prosecution and defense of these cases and are based upon an analysis of potential results. The Group currently does not believe these legal claims will have a material adverse effect on its consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in estimates or in the effectiveness of strategies relating to these proceedings (see Note 31).

5. **Segment Reporting**

Segment information is prepared on the following basis:

Business Segments
For management purposes, the Group has determined three reportable segments that are organized and managed separately according to nature of business - the television and radio operation, international subscriptions and other businesses. These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

The television and radio segment is principally the Group's television and radio broadcasting activities which generates revenue from sale of national and regional advertising time. International subscription primarily involves subscription arrangements with international cable companies. Other businesses include movie production, consumer products and other services.

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

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

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

Business Segment Data

The following table presents revenue and expense information and certain asset and liability information regarding business segments for each of the three years in the period ended December 31, 2009:

	Television and radio airtime			International Subscriptions			Other Businesses			Eliminations			Consolidated		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Revenues															
External sales	**₱12,691,612,973**	₱11,653,548,484	₱11,367,275,348	**₱855,182,975**	₱588,498,836	₱414,298,902	**₱224,080,695**	₱254,654,344	₱275,350,152	**₱–**	₱–	₱–	**₱13,770,876,643**	₱12,496,701,664	₱12,056,924,402
Inter-segment sales	–	–	–	–	–	–	**513,641,503**	462,986,944	404,265,599	**(513,641,503)**	(462,986,944)	(404,265,599)	–	–	–
Total revenues	**₱12,691,612,973**	₱11,653,548,484	₱11,367,275,348	**₱855,182,975**	₱588,498,836	₱414,298,902	**₱737,722,198**	₱717,641,288	₱679,615,751	**(₱513,641,503)**	(₱462,986,944)	(₱404,265,599)	**₱13,770,876,643**	₱12,496,701,664	₱12,056,924,402
Results															
Segment results	**₱3,271,883,435**	₱3,078,680,238	₱2,987,316,531	**₱448,520,330**	₱263,411,227	₱258,676,845	**₱37,779,518**	₱45,859,636	₱69,432,604	**₱–**	₱–	₱–	**₱3,758,183,283**	₱3,387,951,101	₱3,315,425,980
Interest expenses and financing charges on short-term loans	**(8,820,393)**	(9,040,922)	(23,130,092)	–	–	–	**(84,410)**	(51,650)	–	–	–	–	**(8,904,803)**	(9,092,572)	(23,130,092)
Foreign exchange gains (losses)	**(10,075,874)**	(6,802,175)	(14,530,333)	**1,072,360**	5,519,952	(2,380,248)	**(172,871)**	1,629,661	(2,127,805)	–	–	–	**(9,176,385)**	347,438	(19,038,386)
Interest income from bank deposits and short-term investments	**56,438,486**	65,917,123	69,147,060	–	–	–	**1,316,543**	2,815,460	2,615,271	–	–	–	**57,755,029**	68,732,583	71,762,331
Equity in net losses of associates and joint ventures	–	–	–	–	–	–	**(11,478,071)**	(6,958,589)	(3,228,728)	–	–	–	**(11,478,071)**	(6,958,589)	(3,228,728)
Other income	**90,328,374**	74,884,565	127,933,603	**7,843**	(4,464)	–	**3,180,328**	9,885,484	7,006,284	**(41,000,000)**	(3,000,000)	(25,000,000)	**52,516,545**	81,765,585	109,939,887
Income tax	**(1,007,537,449)**	(1,129,976,716)	(1,117,235,303)	–	–	–	**(13,107,341)**	(23,841,168)	(27,265,126)	–	–	–	**(1,020,644,790)**	(1,153,817,884)	(1,144,500,429)
Net income	**₱2,392,216,579**	₱2,073,662,113	₱2,029,501,466	**₱449,600,533**	₱268,926,715	₱256,296,597	**₱17,433,696**	₱29,338,834	₱46,432,500	**(₱41,000,000)**	(₱3,000,000)	(₱25,000,000)	**₱2,818,250,808**	₱2,368,927,662	₱2,307,230,563
Assets and Liabilities															
Segment assets	**₱12,919,203,676**	₱11,346,881,913	₱11,132,812,985	**₱555,401,291**	₱822,818,263	₱307,261,008	**₱640,837,088**	₱559,006,469	₱486,713,102	**(₱642,121,472)**	(₱557,828,987)	(₱480,304,557)	**₱13,473,320,583**	₱12,170,877,658	₱11,446,482,538
Investments in associates and interests in joint ventures - at equity	**213,825,504**	209,145,169	198,883,675	–	–	–	**34,134,918**	50,293,324	8,579,694	–	–	–	**247,960,422**	259,438,493	207,463,369
Deferred tax assets	–	–	–	–	–	–	**42,173,115**	35,971,633	31,274,686	–	–	–	**42,173,115**	35,971,633	31,274,686
Total assets	**₱13,133,029,180**	₱11,556,027,082	₱11,331,696,660	**₱555,401,291**	₱822,818,263	₱307,261,008	**₱717,145,121**	₱645,271,426	₱526,567,482	**(₱642,121,472)**	(₱557,828,987)	(₱480,304,557)	**₱13,763,454,120**	₱12,466,287,784	₱11,685,220,593
Segment liabilities	**₱2,636,863,408**	₱2,485,075,562	₱2,944,420,472	**₱16,839,952**	₱7,261,468	₱26,235,440	**₱769,439,449**	₱669,412,872	₱573,937,269	**(₱708,615,033)**	(₱619,840,972)	(₱539,211,049)	**₱2,714,527,776**	₱2,541,908,930	₱3,005,382,132
Deferred tax liabilities	**168,806,513**	169,255,508	141,242,806	–	–	–	–	–	–	–	–	–	**168,806,513**	169,255,508	141,242,806
Total liabilities	**₱2,805,669,921**	₱2,654,331,070	₱3,085,663,278	**₱16,839,952**	₱7,261,468	₱26,235,440	**₱769,439,449**	₱669,412,872	₱573,937,269	**(₱708,615,033)**	(₱619,840,972)	(₱539,211,049)	**₱2,883,334,289**	₱2,711,164,438	₱3,146,624,938
Other Segment Information															
Capital expenditures:															
Property and equipment	**₱598,655,409**	₱809,432,969	₱585,553,421	**₱1,551,406**	₱22,501,975	₱–	**₱9,025,386**	₱21,020,663	₱42,665,056	**₱–**	₱–	₱–	**₱609,232,201**	₱852,955,607	₱628,218,477
Land and revalued amount	–	8,048,312	8,121,828	–	–	–	–	–	–	–	–	–	–	8,048,312	8,121,828
Investment properties	**79,018**	20,758,728	–	–	–	–	–	739,060	–	–	–	–	**79,018**	21,497,788	–
Interests in joint ventures	–	–	–	–	–	–	–	50,000,000	–	–	–	–	–	50,000,000	–
Intangible assets	**335,815,089**	511,185,037	423,432,436	–	–	–	**12,214,773**	12,755,952	12,733,034	**(12,554,423)**	–	–	**335,475,439**	523,940,989	436,165,470
Depreciation and amortization	**1,068,724,517**	936,155,102	991,838,714	**13,843,643**	6,005,733	36,725,196	**16,216,764**	39,212,712	27,560,914	–	–	–	**1,098,784,924**	981,373,547	1,056,124,824
Noncash expenses other than depreciation and amortization	–	–	–	**10,508,849**	17,000,526	8,989,862	–	–	–	**(10,508,849)**	(17,000,526)	(8,989,862)	–	–	–

Geographical Segment Data

The following table presents revenue information regarding geographical segments for each of the three years in the period ended December 31, 2009:

	Local														
	Television and radio airtime			Other Businesses			International Subscriptions			Eliminations			Consolidated		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Revenues															
External sales	**₱12,691,612,973**	₱11,653,548,484	₱11,367,275,348	**₱224,080,695**	₱254,654,344	₱275,350,152	**₱855,182,975**	₱588,498,836	₱414,298,902	**₱–**	₱–	₱–	**₱13,770,876,643**	₱12,496,701,664	₱12,056,924,402
Inter-segment sales	–	–	–	**513,641,503**	462,986,944	404,265,599	–	–	–	**(513,641,503)**	(462,986,944)	(404,265,599)	–	–	–
Total revenues	**₱12,691,612,973**	₱11,653,548,484	₱11,367,275,348	**₱737,722,198**	₱717,641,288	₱679,615,751	**₱855,182,975**	₱588,498,836	₱414,298,902	**(₱513,641,503)**	(₱462,986,944)	(₱404,265,599)	**₱13,770,876,643**	₱12,496,701,664	₱12,056,924,402

6. Cash and Cash Equivalents

This account consists of:

	2009	2008
Cash on hand and in banks	**₱776,056,127**	₱403,803,438
Short-term placements	**1,424,137,691**	1,284,303,678
	₱2,200,193,818	₱1,688,107,116

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

Short-term investments with original maturities of more than three months to one year are shown separately in the consolidated balance sheets.

Interest income, net of final tax, earned from bank deposits amounted to ₱57.44 million, ₱68.63 million and ₱71.64 million in 2009, 2008 and 2007, respectively, and ₱0.32 million, ₱0.10 million and ₱0.12 million in 2009, 2008 and 2007, respectively, earned from short-term investments.

7. Trade and Other Receivables

This account consists of:

	2009	2008
Trade:		
Television and radio airtime	**₱4,955,512,742**	₱4,140,731,771
Subscriptions	**206,094,669**	195,647,065
Others (see Note 19)	**145,360,381**	179,270,387
Nontrade:		
Advances to suppliers	**110,469,230**	44,601,844
Advances to officers and employees	**88,395,660**	50,222,868
Others	**12,843,132**	50,214,921
	5,518,675,814	4,660,688,856
Less allowance for doubtful accounts	**208,452,662**	200,284,459
	₱5,310,223,152	₱4,460,404,397

The terms and conditions of the above receivables are as follows:

Trade Receivables

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

Television and radio airtime receivables include unbilled airtime receivables, arising where 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 pay before broadcast amounting to ₱367.83 million and ₱436.89 million as of December 31, 2009 and 2008, respectively, since a right of offset exist between the pay before broadcast balance and the regular trade receivables with credit terms.

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

Subscriptions receivable, include unbilled subscriptions, where revenue has been accrued based on the rates in the subscription agreements multiplied by the estimated number of subscribers based on the latest report from the cable providers. Billing has been delayed due to 30-60 days lag in the submission of actual subscribers report from cable providers.

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

Advances to Suppliers

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

Advances to Officers and Employees and Other Nontrade Receivables

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

Allowance for Doubtful Accounts

As of December 31, 2009 and 2008, television and radio airtime receivables amounting to ₱208.45 million and ₱200.28 million, respectively, are impaired. The movement in the allowance for doubtful accounts is as follows:

	2009	2008
Balance at beginning of year	**₱200,284,459**	₱178,113,371
Provision for the year (see Note 22)	**8,168,203**	22,171,088
Balance at end of year	**₱208,452,662**	₱200,284,459

Provision for doubtful accounts in 2009 and 2008 are 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 and 2008 amounting to ₱56.91 million and ₱0.72 million, respectively.

The allowance for doubtful accounts for television and radio airtime in 2009 and 2008 are results of specific and collective impairment assessments performed by the Group as follows:

	2009	2008
Individually impaired	**₱188,160,194**	₱147,688,578
Collectively impaired	**20,292,468**	52,595,881
	₱208,452,662	₱200,284,459

As of December 31, 2009 and 2008, the aging analysis of receivables that were not impaired follows:

	2009				
	Trade				
	Television and Radio Airtime	Subscriptions	Others	Nontrade	Total
Neither past due nor impaired	₱3,065,136,691	₱113,683,756	₱31,846,106	₱4,752,822	₱3,215,419,375
Past due but not impaired:					
< 30 days	303,079,930	49,663,615	11,158,079	7,143,155	371,044,779
31–60 days	254,651,205	24,617,114	2,123,459	9,716,882	291,108,660
61–90 days	167,595,573	6,313,950	7,881,915	8,146,571	189,938,009
91–180 days	346,019,150	482,849	4,549,072	3,738,557	354,789,628
181–365 days	376,711,823	6,648,607	4,086,392	54,897,673	442,344,495
Over one year	235,962,710	4,684,778	81,618,356	12,843,132	335,108,976
	₱4,749,157,082	₱206,094,669	₱143,263,379	₱101,238,792	₱5,199,753,922

	2008				
	Trade				
	Television and Radio Airtime	Subscriptions	Others	Nontrade	Total
Neither past due nor impaired	₱2,546,531,250	₱122,127,561	₱17,238,060	₱–	₱2,685,896,871
Past due but not impaired:					
< 30 days	415,900,647	70,164,049	609,596	4,476,062	491,150,354
31–60 days	226,808,972	3,355,455	–	6,333,852	236,498,279
61–90 days	187,414,284	–	7,241,477	12,332,012	206,987,773
91–180 days	209,142,847	–	10,144,011	9,395,437	228,682,295
181–365 days	51,796,606	–	23,565,588	17,685,505	93,047,699
Over one year	305,145,461	–	118,178,900	50,214,921	473,539,282
	₱3,942,740,067	₱195,647,065	₱176,977,632	₱100,437,789	₱4,415,802,553

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 ₱123.25 million and ₱257.31 million as of December 31, 2009 and 2008, respectively. These are included in trade receivables as "neither past due nor impaired" but with age of 31-60 days from date of airing.

Restructured Airtime Receivables
In 2009, about ₱89.90 million of the Parent Company's 2009 and 2008 television and radio airtime receivables, which were already due, were restructured. Pursuant to the new terms, the customer will pay the receivables until 2010 with interest rate of 15% per annum.

8. Program Rights

The movements in program rights are as follows:

	2009			
	Program Rights	Story Format Rights	Film Rights	Total
Cost:				
Balance at beginning of year	₱710,021,245	₱125,869,617	₱9,559,524	₱845,450,386
Additions	264,094,458	47,269,397	10,500,000	321,863,855
Program usage (see Note 21)	(428,744,845)	(95,691,725)	–	(524,436,570)
Balance at end of year	545,370,858	77,447,289	20,059,524	642,877,671
Accumulated impairment in value -				
Balance at beginning and end of year	2,702,260	–	–	2,702,260
	₱542,668,598	₱77,447,289	₱20,059,524	₱640,175,411

	2008			
	Program Rights	Story Format Rights	Film Rights	Total
Cost:				
Balance at beginning of year	₱785,779,445	₱34,055,278	₱2,559,524	₱822,394,247
Additions	353,889,237	148,274,706	7,000,000	509,163,943
Program usage (see Note 21)	(429,647,437)	(56,460,367)	–	(486,107,804)
Balance at end of year	710,021,245	125,869,617	9,559,524	845,450,386
Accumulated impairment in value - Balance at beginning and end of year	2,702,260	–	–	2,702,260
	₱707,318,985	₱125,869,617	₱9,559,524	₱842,748,126

No impairment loss on program rights was recognized in 2009 and 2008.

9. Prepaid Expenses and Other Current Assets

This account consists of:

	2009	2008
Prepaid production costs	**₱166,239,697**	₱85,290,285
Materials and supplies inventory at cost	**117,243,036**	88,948,023
Prepaid expenses	**48,770,272**	78,770,987
Input VAT	**34,031,260**	22,805,796
Creditable withholding taxes	**19,487,540**	14,188,985
Others	**213,860**	60,000
	₱385,985,665	₱290,064,076

10. Available-for-Sale Financial Assets

This account consists of:

	2009	2008
Investments in shares of stock:		
Quoted	**₱21,649,592**	₱13,949,391
Unquoted	**83,257,256**	83,257,256
	₱104,906,848	₱97,206,647

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

AFS financial assets include unrealized gain amounting to ₱2.40 million and ₱2.63 million, net of deferred tax liabilities amounting to ₱0.23 million and ₱0.79 million as of December 31, 2009 and 2008, respectively, which are deferred under the equity section of the consolidated balance sheets.

11. **Investments and Advances**

This account consists of:

	2009	2008
Investments in associates and interests in joint ventures accounted for under the equity method	**₱247,960,422**	₱259,438,493
Advances to associates and joint ventures (see Note 19)	**146,367,188**	146,367,188
	₱394,327,610	₱405,805,681

The movements in the above amounts follow:

	2009	2008
Investments in associates and interests in joint ventures accounted for under the equity method		
Acquisition cost:		
Balance at beginning of year	**₱327,722,056**	₱268,788,343
Additional investments during the year	–	50,000,000
Reclassifications during the year	–	8,933,713
Balance at end of year	**₱327,722,056**	₱327,722,056
Accumulated equity in net losses:		
Balance at beginning of year	**(68,283,563)**	(61,324,974)
Equity in net losses during the year	**(11,478,071)**	(6,958,589)
Balance at end of year	**(79,761,634)**	(68,283,563)
	247,960,422	259,438,493
Advances to associates and joint ventures:		
Balance at beginning of year	**146,367,188**	155,262,866
Reclassifications during the year	–	(8,933,713)
Additional advances during the year	–	38,035
Balance at end of year	**146,367,188**	146,367,188
Total investments and advances	**₱394,327,610**	₱405,805,681

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

	Percentage of Ownership		Country of
	2009	2008	Incorporation
Associates:			
Advertising Business -			
RGMA Network, Inc. (RGMA)	**49.0**	49.0	Philippines
Real Estate -			
Mont-Aire Realty and Development Corporation (Mont-Aire)	**49.0**	49.0	- do -
Joint ventures:			
Casual Online Interactive Games -			
X-Play Online Games Incorporated (X-Play)	**50.0**	50.0	- do -
Internet Publishing:			
INQ7 Interactive, Inc. (INQ7)	**50.0**	50.0	- do -
Philippine Entertainment Portal, Inc. (PEP)	**50.0**	50.0	- do -

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

	2009		
	Investments	**Advances (see Note 19)**	**Total**
Associates:			
RGMA	**₱175,474,885**	**₱59,281,531**	**₱234,756,416**
Mont-Aire	**38,350,619**	**84,475,370**	**122,825,989**
Joint ventures:			
X-Play	**34,134,918**	**–**	**34,134,918**
INQ7	**–**	**2,610,287**	**2,610,287**
	₱247,960,422	**₱146,367,188**	**₱394,327,610**

	2008		
	Investments	Advances (see Note 19)	Total
Associates:			
RGMA	₱170,794,550	₱59,281,531	₱230,076,081
Mont-Aire	38,350,619	84,475,370	122,825,989
Joint ventures:			
X-Play	47,683,654	–	47,683,654
INQ7	–	2,610,287	2,610,287
PEP	2,609,670	–	2,609,670
	₱259,438,493	₱146,367,188	₱405,805,681

As of December 31, 2009, accumulated equity in net losses of PEP exceeds the Group's interest in joint venture; thus, carrying value of interest in joint venture of PEP has been reduced to zero. Losses of INQ7 recognized under the equity method in excess of the Group's interest were applied to its advances. INQ7 ceased operation in 2007.

Following are the condensed financial information of the associates:

		Total Assets	Total Liabilities	Revenues	Net Income
RGMA	**2009**	**₱109,881,047**	**₱98,929,013**	**₱124,766,694**	**₱9,551,705**
	2008	122,844,618	121,444,289	107,567,161	2,670,981
Mont-Aire	**2009**	**160,136,147**	**94,460,607**	**–**	**–**
	2008	160,136,147	94,460,607	1,412,799	38,779

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

	INQ7		PEP		X-Play	
	2009	2008	**2009**	2008	**2009**	2008
Current assets	**₱7,699,079**	₱7,699,079	**₱9,424,355**	₱15,377,868	**₱31,179,069**	₱29,198,860
Noncurrent assets	**2,182,230**	2,182,230	**1,657,121**	2,611,406	**33,582,293**	24,756,276
Current liabilities	**29,032,924**	29,032,924	**14,351,876**	15,379,603	**29,513,206**	6,449,273
Revenues	**–**	–	**9,015,345**	7,090,681	**12,723,203**	6,434,852
Expenses	**–**	–	**14,895,416**	13,060,705	**26,271,939**	8,751,199
Net losses	**–**	–	**5,880,071**	5,970,024	**13,548,736**	2,316,347

12. **Property and Equipment at Cost**

The rollforward analysis of property and equipment at cost follows:

	2009				
	January 1	**Additions/ Depreciation**	**Disposals**	**Reclassifications**	**December 31**
Cost					
Buildings, towers and improvements	**₱2,425,929,482**	**₱208,919,643**	**(₱865,262)**	**₱6,126,674**	**₱2,640,110,537**
Antenna and transmitter systems and broadcast equipment	**3,790,144,485**	**268,776,093**	**(27,845,281)**	**21,693,827**	**4,052,769,124**
Communication and mechanical equipment	**530,553,709**	**53,455,243**	**(15,566,410)**	**7,929,659**	**576,372,201**
Transportation equipment	**322,302,097**	**30,863,705**	**(19,109,676)**	**2,488,338**	**336,544,464**
Furniture, fixtures and equipment	**204,013,027**	**4,452,203**	**(55,707,127)**	**962,009**	**153,720,112**
	7,272,942,800	**566,466,887**	**(119,093,756)**	**39,200,507**	**7,759,516,438**
Accumulated Depreciation and Amortization					
Buildings, towers and improvements	**725,589,164**	**131,134,737**	**(616,806)**	**(17,701)**	**856,089,394**
Antenna and transmitter systems and broadcast equipment	**2,928,195,612**	**271,730,202**	**(27,099,913)**	**2,187,920**	**3,175,013,821**
Communication and mechanical equipment	**356,462,953**	**75,941,301**	**(15,212,975)**	**–**	**417,191,279**
Transportation equipment	**158,002,509**	**64,439,696**	**(18,056,579)**	**–**	**204,385,626**
Furniture, fixtures and equipment	**138,018,049**	**12,657,533**	**(32,449,985)**	**17,702**	**118,243,299**
	4,306,268,287	**555,903,469**	**(93,436,258)**	**2,187,921**	**4,770,923,419**
Construction in progress and equipment for installation	**56,353,513**	**42,765,314**	**–**	**(63,675,705)**	**35,443,122**
	₱3,023,028,026	**₱53,328,732**	**(₱25,657,498)**	**(₱26,663,119)**	**₱3,024,036,141**

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

No borrowing cost was capitalized in 2009 and 2008.

Depreciation and amortization on property and equipment charged to operations amounted to ₱555.90 million, ₱476.81 million and ₱417.33 million in 2009, 2008 and 2007, respectively. These amounts include amortization of previously capitalized borrowing costs amounting to ₱10.08 million each year.

Construction in progress pertains to the costs incurred for architectural and engineering design and other services for the development of GMA Network Studios.

13. **Land at Revalued Amounts**

This account consists of:

	2009	2008
Cost:		
Balance at beginning of year	**₱340,039,576**	₱331,991,264
Additions	**–**	8,048,312
Balance at end of year	**340,039,576**	340,039,576
Revaluation increment:		
Balance at beginning of year	**1,063,082,889**	1,048,014,928
Additions	**–**	15,067,961
Balance at end of year	**1,063,082,889**	1,063,082,889
	₱1,403,122,465	₱1,403,122,465

As mentioned in Note 3, land used in operations were appraised by an independent firm of appraisers on December 23, 2008 and January 5, 2009.

While fair values of the land were not determined as of December 31, 2009, the Group's management believes that there were no conditions present in 2009 that would significantly reduce the fair value of the land from that determined as of December 31, 2008.

14. **Investment Properties**

The rollforward analysis of investment properties follows:

	2009		
	Land and Improvements	**Buildings and Improvements**	**Total**
Cost:			
Balance at beginning of year	**₱33,399,381**	**₱70,428,486**	**₱103,827,867**
Additions	**–**	**79,018**	**79,018**
Disposals	**–**	**(5,370,019)**	**(5,370,019)**
Balance at end of year	**33,399,381**	**65,137,485**	**98,536,866**
Accumulated depreciation:			
Balance at beginning of year	**–**	**32,878,242**	**32,878,242**
Depreciation during the year	**–**	**2,783,436**	**2,783,436**
Disposals	**–**	**(3,876,952)**	**(3,876,952)**
Balance at end of year	**–**	**31,784,726**	**31,784,726**
Accumulated impairment in value - Balance at beginning and end of year	**–**	**7,035,392**	**7,035,392**
	₱33,399,381	**₱26,317,367**	**₱59,716,748**

	2008		
	Land and Improvements	Buildings and Improvements	Total
Cost:			
Balance at beginning of year	₱36,626,199	₱31,595,721	₱68,221,920
Additions	–	21,497,788	21,497,788
Disposals	(604,800)	–	(604,800)
Reclassifications	(2,622,018)	17,334,977	14,712,959
Balance at end of year	33,399,381	70,428,486	103,827,867
Accumulated depreciation:			
Balance at beginning of year	–	19,721,648	19,721,648
Depreciation during the year	–	1,789,807	1,789,807
Reclassifications		11,366,787	11,366,787
Balance at end of year	–	32,878,242	32,878,242
Accumulated impairment in value - Balance at beginning and end of year	–	7,035,392	7,035,392
	₱33,399,381	₱30,514,852	₱63,914,233

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

While fair values of the investment properties were not determined as of December 31, 2009 and 2008, the Group's management believes that there were no conditions present in 2009 and 2008 that would significantly reduce the fair value of the investment properties from that determined in 2005.

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

15. **Other Noncurrent Assets**

This account consists of:

	2009	2008
Tax credits	**₱69,509,397**	₱46,209,219
Guarantee and other deposits (see Notes 29 and 30)	**34,069,096**	31,584,299
Software costs	**28,908,216**	30,958,081
Deferred input VAT	**28,727,087**	30,411,556
Investment in artworks	**10,406,254**	11,886,410
Others	**3,512,785**	2,798,862
	₱175,132,835	₱153,848,427

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

The movements in software costs follow:

	2009	2008
Cost:		
Balance at beginning of year	**₱107,467,346**	₱92,690,300
Additions	**13,611,584**	14,777,046
Balance at end of year	**121,078,930**	107,467,346
Accumulated amortization:		
Balance at beginning of year	**76,509,265**	59,839,256
Amortization during the year (see Note 22)	**15,661,449**	16,670,009
Balance at end of year	**92,170,714**	76,509,265
	₱28,908,216	₱30,958,081

16. Trade Payables and Other Current Liabilities

This account consists of:

	2009	2008
Trade (see Note 19)	**₱503,325,775**	₱429,940,000
Payable to government agencies	**783,191,451**	630,576,248
Accrued expenses	**391,398,892**	298,453,558
Accrued sick and vacation leaves	**185,064,662**	179,024,098
Others	**98,320,879**	93,152,367
	₱1,961,301,659	₱1,631,146,271

The terms and conditions of the above liabilities are as follows:

- Trade payables are noninterest-bearing and are normally settled on terms ranging from 7-30 days.
- Payable to government agencies is remitted within 30 days after reporting date.
- Accrued expenses, accrued sick and vacation leaves and others are noninterest-bearing and are generally settled within the next financial year.

17. Obligations for Program Rights

This account represents liabilities to foreign and local film suppliers for program rights purchased by the Group. The liabilities are noninterest-bearing and are generally payable in equal monthly or quarterly installments. The amounts presented in the consolidated balance sheets as of December 31, 2009 and 2008 represent the face amounts of the obligations which are expected to be settled within the next 12 months.

18. **Equity**

a. Capital Stock

The composition of capital stock as of December 31, 2009 and 2008 follows:

	Number of Preferred Shares		Number of Common Shares	
	2009	2008	**2009**	2008
Authorized - ₱0.20 par value per preferred share /₱1.00 par value per common share	**7,500,000,000**	7,500,000,000	**5,000,000,000**	5,000,000,000
Subscribed and issued at beginning and end of year	**7,500,000,000**	7,500,000,000	**3,364,692,000**	3,364,692,000

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

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

Initial Public Offering (IPO)

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

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

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

Employee Stock Ownership Plan (ESOP)
On April 26, 2007, the Parent Company's BOD and shareholders approved the Parent Company's ESOP. The Parent Company allocated a maximum of 57 million shares from its unissued common shares to be made available to its regular employees, talents and consultants under the terms of the ESOP. The purpose of the ESOP is to allow regular employees of the Group, as well as qualified Filipino consultants and talents, to be part owners of the Parent Company and to share in its profits by giving them the opportunity to own common shares.

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

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

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

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

Subscriptions receivable of ₱11.16 million as of December 31, 2008 have been fully closed as of December 31, 2009. The increase in additional paid-in capital was due to collection of subscriptions receivable amounting to ₱7.49 million and ₱58.93 million in 2009 and 2008, respectively.

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

In 2007, the Parent Company reacquired 2,645,000 common shares at acquisition cost of ₱20.66 million and likewise acquired 750,000 PDRs at acquisition cost of ₱5.79 million.

b. Retained Earnings

The retained earnings account is restricted for the payment of dividends to the extent of ₱34.27 million as of December 31, 2009 and 2008, representing the cost of shares held in treasury amounting to ₱28.48 million in 2009 and 2008 and underlying shares of the acquired PDRs amounting to ₱5.79 million in 2009 and 2008.

On April 2, 2009, the BOD approved the Parent Company's declaration and distribution of ₱0.35 per share cash dividends totaling ₱1,701.07 million to all stockholders of record as of April 21, 2009.

On May 21, 2008, the BOD approved the Parent Company's declaration and distribution of ₱0.25 per share cash dividends totaling to ₱1,214.16 million to all stockholders of record as of June 11, 2008.

On July 2, 2007 and March 19, 2007, the BOD approved the Parent Company's declaration and distribution of ₱0.54 per share cash dividends totaling to ₱2,500.00 million to all stockholders of record as of declaration dates.

Events after Reporting Date
On March 25, 2010, the BOD approved the Parent Company's declaration and distribution of ₱0.45 per share cash dividends totaling ₱2,187.09 million to all stockholders of record as of April 14, 2010.

19. **Related Party Disclosures**

Transactions with related parties are as follows:

Related Party	Nature of Transaction	Year	Transactions During the Year	Advances to Associates and Joint Ventures (see Note 11)	Trade Receivables (see Note 7)	Trade Payables (see Note 16)
INQ7 and GMA Kapuso Foundation, Inc. (GMA Foundation)	Grant of noninterest-bearing advances	**2009**	**₱1,037,200**	**₱2,610,287**	**₱–**	**₱–**
		2008	14,081,026	2,610,287	–	2,631,968
RGMA	Grant of noninterest-bearing advances	**2009**	**149,855,878**	**59,281,531**	**40,176,666**	**(11,750,147)**
		2008	111,977,320	59,281,531	–	(14,538,295)
Mont-Aire	Grant of noninterest-bearing advances	**2009**	**–**	**84,475,370**	**–**	**–**
		2008	–	84,475,370	–	–

(Forward)

Related Party	Nature of Transaction	Year	Transactions During the Year	Advances to Associates and Joint Ventures (see Note 11)	Trade Receivables (see Note 7)	Trade Payables (see Note 16)
Image One	Collection remittance	**2009**	**₱4,541,168**	**₱–**	**₱–**	**(₱987,028)**
		2008	4,300,103	–	–	(1,023,381)
Belo, Gozon, Elma Law (BGE Law), FLG Management and Development Corporation (FLG), San Mateo Management Corporation (San Mateo), 3LM Koblenz Management Corporation (3LM Koblenz) and Majent Management and Development Corporation (Majent)	IPO proceeds, legal and retainers' fees and others	**2009**	**24,572,116**	**–**	**–**	**(336,000)**
		2008	152,823,088	–	–	–
		2009	**₱180,006,362**	**₱146,367,188**	**₱40,176,666**	**(₱13,073,175)**
		2008	283,181,537	146,367,188	–	(12,929,708)

<u>GMA Foundation</u>
Some of the trustees of GMA Foundation are also the stockholders of the Parent Company.

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

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

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

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

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

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

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

	2009	2008	2007
Salaries and other short-term benefits	**₱283,394,894**	₱245,296,528	₱231,880,504
Pension benefits	**37,451,095**	38,413,229	37,551,733
	₱320,845,989	₱283,709,757	₱269,432,237

20. Revenues

This account consists of:

	2009	2008	2007
Television and radio airtime	**₱12,691,612,973**	₱11,653,548,484	₱11,367,275,348
Subscription income	**855,182,975**	588,498,836	414,298,902
Production and others	**224,080,695**	254,654,344	275,350,152
	₱13,770,876,643	₱12,496,701,664	₱12,056,924,402

21. Production Costs

This account consists of:

	2009	2008	2007
Talent fees	**₱2,101,146,857**	₱1,995,666,900	₱1,894,648,497
Rental (see Note 26)	**613,057,118**	507,935,577	469,517,457
Program rights usage (see Note 8)	**524,436,570**	486,107,804	624,703,967
Tapes, sets and productions supplies	**488,161,380**	493,135,713	363,593,707
Depreciation (see Notes 12 and 14)	**206,608,697**	116,816,903	98,227,278
Transportation and communication	**100,798,448**	145,873,439	150,913,647
Facilities and others	**355,338,563**	357,338,928	347,902,863
	₱4,389,547,633	₱4,102,875,264	₱3,949,507,416

22. General and Administrative Expenses

This account consists of:

	2009	2008	2007
Personnel costs (see Note 23)	**₱1,612,077,169**	₱1,241,295,607	₱1,254,722,559
Depreciation and amortization (see Notes 12 and 14)	**352,078,208**	361,778,831	320,532,730
Advertising	**289,620,121**	284,600,142	224,245,664
Communication, light and water	**203,915,007**	198,564,316	195,963,540
Taxes and licenses	**191,409,221**	155,859,059	132,846,190
Professional fees	**145,306,859**	140,752,713	128,745,715
Repairs and maintenance	**145,085,737**	126,620,972	134,065,265

(Forward)

	2009	2008	2007
Research and surveys	**₱96,084,168**	₱95,243,033	₱57,724,636
Rental (see Note 26)	**80,347,252**	65,457,504	63,802,482
Sales incentives	**77,240,586**	95,142,200	82,424,027
Transportation and travel	**68,937,835**	87,751,787	45,759,067
Materials and supplies	**20,032,851**	21,212,500	25,646,309
Amortization of software costs (see Note 15)	**15,661,449**	16,670,009	12,660,849
Insurance	**15,263,455**	19,357,297	18,269,974
Dues and subscriptions	**11,345,758**	11,840,330	16,051,276
Entertainment, amusement and recreation	**11,318,261**	16,085,695	10,751,876
Provision for doubtful accounts (see Note 7)	**8,168,203**	22,171,088	122,003,748
Others	**108,077,030**	98,508,787	75,649,757
	₱3,451,969,170	₱3,058,911,870	₱2,921,865,664

23. **Personnel Costs**

This account consists of:

	2009	2008	2007
Salaries and wages	**₱917,980,386**	₱754,598,181	₱733,943,720
Employee benefits and allowances	**547,773,450**	321,677,771	339,829,011
Net pension expense (see Note 24)	**115,170,174**	116,186,298	131,400,335
Sick and vacation leaves expense	**31,153,159**	48,833,357	49,549,493
	₱1,612,077,169	₱1,241,295,607	₱1,254,722,559

24. **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 balance sheets for the Group's plan:

Net pension expense consists of:

	2009	2008	2007
Current service cost	**₱61,736,161**	₱69,579,899	₱64,218,882
Interest cost	**62,345,036**	54,574,690	55,619,314
Expected return on plan assets	**(18,018,493)**	(14,990,315)	(163,631)
Actuarial losses recognized	**9,107,470**	7,022,024	11,725,770
Net pension expense (see Note 23)	**₱115,170,174**	₱116,186,298	₱131,400,335

The details of pension liability are as follows:

	2009	2008	2007
Fair value of plan assets	**₱487,231,208**	₱149,767,773	₱131,559,055
Present value of defined benefit obligation	**(721,781,243)**	(746,444,672)	(653,787,108)
	(234,550,035)	(596,676,899)	(522,228,053)
Unrecognized actuarial losses (gains)	**(45,984,736)**	307,842,092	248,082,520
Pension liability	**(₱280,534,771)**	(₱288,834,807)	(₱274,145,533)

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

	2009	2008	2007
Balance at beginning of year	**₱149,767,773**	₱131,559,055	₱1,487,557
Contribution during the year	**123,470,210**	101,497,024	143,743,777
Benefits paid	**(22,594,803)**	(31,497,025)	(13,743,777)
Expected return on plan assets	**18,018,493**	14,990,315	163,631
Actuarial gains (losses)	**218,569,535**	(66,781,596)	(92,133)
Balance at end of year	**₱487,231,208**	₱149,767,773	₱131,559,055
Actual return on plan assets	**₱236,588,028**	(₱51,791,281)	₱71,498

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

	2009	2008	2007
Balance at beginning of year	**₱746,444,672**	₱653,787,108	₱672,369,032
Current service cost	**61,736,161**	69,579,899	64,218,882
Interest cost	**62,345,036**	54,574,690	55,619,314
Benefits paid	**(22,594,803)**	(31,497,025)	(13,743,777)
Actuarial gains	**(126,149,823)**	–	(124,676,343)
Balance at end of year	**₱721,781,243**	₱746,444,672	₱653,787,108

The Group expects to contribute ₱110.00 million to its defined benefit pension plans in 2010.

The plan assets are composed mainly of cash and cash equivalents, equity securities, investments in government securities and other similar debt instruments. The major categories of plan assets as percentage of fair value of total plan assets are as follows:

	2009	2008	2007
Equity securities	**83%**	46%	–
Investments in government securities	**12%**	43%	1%
Cash and cash equivalents	**1%**	3%	99%
Others	**4%**	8%	–
	100%	100%	100%

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

	January 1, 2009	January 1, 2008	January 1, 2007
Discount rate	**8%**	8%	8%
Expected rate of return on plan assets	**9%**	9%	11%
Expected rate of salary increase	**6%**	6%	6%

The discount rate, expected rate of return on plan assets and expected rate of salary increase prevailing as of December 31, 2009 are 11%, 9% and 6%, respectively.

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

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

	2009	2008	2007	2006	2005
Defined benefit obligation	**₱721,781,243**	₱746,444,672	₱653,787,108	₱672,369,032	₱335,731,657
Plan assets	**487,231,208**	149,767,773	131,559,055	1,487,557	1,340,378
Deficit	**234,550,035**	596,676,899	522,228,053	670,881,475	334,391,279
Experience adjustments on plan liabilities	**126,149,823**	–	124,676,343	291,336,144	65,413,949
Experience adjustments on plan assets	**218,569,535**	(66,781,596)	(92,133)	(39,948)	(67,586)

25. **Other Income**

This account consists of the following income (expenses):

	2009	2008	2007
Tax refund of GMA Pinoy TV	**₱13,336,397**	₱8,644,667	₱–
Gain (loss) on sale of property and equipment and investment properties - net	**10,158,900**	30,632,485	(828,095)
Foreign exchange gain (loss) - net	**(9,176,385)**	347,438	(19,038,386)
Discount on tax credit certificates	**7,408,499**	5,223,668	12,130,583
Income from mall shows	**5,741,334**	1,307,979	–
Rental (see Note 26)	**4,525,381**	4,508,623	3,150,959
Commissions	**4,036,479**	12,805,388	9,016,508
Sales of DVDs and integrated receiver-decoders	**3,889,832**	1,873,601	744,557
Income from unreturned video tapes	**1,241,144**	1,749,880	1,192,131
Proceeds from insurance claims	**412,555**	788,544	12,676,131
Reversal of long-outstanding payables and reimbursement of IPO charges by selling shareholders	**81,636**	4,401,967	62,512,546
Dividends	**22,691**	58,082	2,618,418

(Forward)

	2009	2008	2007
Reversal of allowance for impairment loss on investment properties	**₱–**	₱–	₱4,353,538
Merchandising license fees and others	**1,661,697**	9,770,701	2,372,611
	₱43,340,160	₱82,113,023	₱90,901,501

26. **Lease Agreements**

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

Total rental expense amounted to ₱693.40 million, ₱573.39 million and ₱533.32 million in 2009, 2008 and 2007, respectively (see Notes 21 and 22).

The Group also leases out certain properties. Total rental income amounted to ₱4.53 million, ₱4.51 million and ₱3.15 million in 2009, 2008 and 2007, respectively (see Note 25).

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

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

	2009	2008
	(In Millions)	
Within one year	**₱107.61**	₱97.83
After one year but not more than five years	**180.38**	287.99
	₱287.99	₱385.82

27. **Income Taxes**

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

	2009	2008
Deferred tax assets:		
Allowance for doubtful accounts	**₱61,906,698**	₱59,397,511
Pension liability	**55,074,744**	63,208,154
Accrued sick and vacation leaves	**49,334,995**	49,334,995
Accrued rent	**14,492,759**	15,079,796
Unrealized foreign exchange loss	**1,346,967**	–
Unamortized past service costs	**658,961**	1,300,461
Discounting of long-term obligation for program rights	**635,659**	635,659
Others	**131,086**	234,031
Total (Carried Forward)	**183,581,869**	189,190,607

	2009	2008
Total (Brought Forward)	**₱183,581,869**	₱189,190,607
Deferred tax liabilities:		
Revaluation increment in land	**(318,924,867)**	(318,924,867)
Unamortized capitalized borrowing costs	**(33,254,605)**	(36,781,608)
Revaluation of AFS financial assets	**(208,910)**	(641,729)
Unrealized foreign exchange gain	–	(2,097,911)
	(352,388,382)	(358,446,115)
	(₱168,806,513)	(₱169,255,508)

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

	2009	2008
Deferred tax assets:		
Pension liability	**₱27,821,611**	₱22,534,974
Accrued sick and vacation leaves	**7,695,271**	6,202,476
Allowance for doubtful accounts	**2,232,261**	2,341,447
Allowance for impairment loss on investment properties	**1,923,146**	1,923,146
NOLCO	**1,441,707**	2,635,513
MCIT	**934,448**	805,979
Unrealized foreign exchange loss	**143,671**	2,910
	42,192,115	36,446,445
Deferred tax liabilities:		
Revaluation of AFS financial assets	**(19,000)**	(104,000)
Unrealized foreign exchange gain	–	(370,812)
	(19,000)	(474,812)
	₱42,173,115	₱35,971,633

The deferred tax assets of GMA Records and Scenarios amounted to ₱0.53 million and ₱2.38 million as of December 31, 2009, respectively, and ₱3.40 million and ₱2.05 million as of December 31, 2008, respectively. These were not recognized as management believes that future taxable income against which the deferred tax assets can be used may not be available.

Effective January 1, 2009, regular corporate income tax rate was reduced to 30% from 35% in accordance with Republic Act No. 9337. The change in enacted tax rate effective January 1, 2009 was included in the computation of deferred tax assets and liabilities.

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

	2009	2008	2007
Statutory income tax rate	**30.00%**	35.00%	35.00%
Additions (deductions) in income tax rate resulting from:			
Income tax holiday	**(3.51)**	(2.84)	(1.65)
Interest income already subjected to final tax	**(0.45)**	(0.68)	(0.73)

(Forward)

	2009	2008	2007
Nonclaimable foreign tax credit	**0.52%**	0.41%	0.32%
Equity in net losses of associates and joint ventures	**0.09**	0.07	0.03
Others - net	**(0.06)**	(0.17)	0.19
Effect of change in tax rate	–	0.96	–
Effective income tax rates	**26.59%**	32.75%	33.16%

28. **EPS Computation**

The computation of basic EPS follows:

	2009	2008	2007
Net income (a)	**₱2,818,250,808**	₱2,368,927,662	₱2,307,230,563
Less attributable to preferred shareholders	**869,737,829**	731,072,620	752,934,496
Net income attributable to common shareholders (b)	**₱1,948,512,979**	₱1,637,855,042	₱1,554,296,067
Common shares issued at the beginning of year	**3,364,692,000**	3,364,692,000	2,750,000,000
Treasury shares (see Note 18)	**(3,645,000)**	(3,645,000)	(2,645,000)
Underlying shares on acquired PDRs (see Note 18)	**(750,000)**	(750,000)	(750,000)
Effect of stock dividends	–	–	250,000,000
Issuance through IPO	–	–	76,121,667
Issuance through ESOP (see Note 18)	–	–	23,750,000
Weighted average number of common shares for basic EPS (c)	**3,360,297,000**	3,360,297,000	3,096,476,667
Basic EPS (b/c)	**₱0.580**	₱0.487	₱0.502

The computation of diluted EPS follows:

	2009	2008	2007
Net income (a)	**₱2,818,250,808**	₱2,368,927,662	₱2,307,230,563
Weighted average number of common shares	**3,360,297,000**	3,360,297,000	3,096,476,667
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)	–
Weighted average number of common shares adjusted for the effect of dilution (d)	**4,860,198,437**	4,860,198,437	4,596,476,667
Diluted EPS (a/d)	**₱0.580**	₱0.487	₱0.502

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

29. Financial Risk Management Objectives and Policies

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

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

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

	2009			
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Total**
Cash and cash equivalents	**₱776,056,127**	**₱1,424,137,691**	**₱–**	**₱2,200,193,818**
Short-term investments	**–**	**–**	**23,460,312**	**23,460,312**
Trade receivables:				
Television and radio airtime	**1,441,879,755**	**3,065,136,691**	**242,140,636**	**4,749,157,082**
Subscriptions	**92,410,913**	**113,683,756**	**–**	**206,094,669**
Others	**111,417,273**	**31,846,106**	**–**	**143,263,379**
Nontrade receivables:				
Advances to officers and employees	**83,642,838**	**4,752,822**	**–**	**88,395,660**
Others	**12,843,132**	**–**	**–**	**12,843,132**
	₱2,518,250,038	**₱4,639,557,066**	**₱265,600,948**	**₱7,423,408,052**
Trade payables and other current liabilities*	**₱428,881,271**	**₱391,398,892**	**₱357,830,045**	**₱1,178,110,208**
Obligations for program rights	**–**	**45,977,685**	**15,498,025**	**61,475,710**
Dividends payable	**3,367,963**	**–**	**–**	**3,367,963**
	₱432,249,234	**₱437,376,577**	**₱373,328,070**	**₱1,242,953,881**

** Excluding payable to government agencies amounting to ₱783.19 million, which is not considered as financial liability.*

	2008			
	On Demand	Less than 3 Months	3 to 12 Months	Total
Cash and cash equivalents	₱403,803,438	₱1,284,303,678	₱–	₱1,688,107,116
Short-term investments	–	–	2,066,957	2,066,957
Trade receivables:				
Television and radio airtime	1,396,208,817	2,546,531,250	–	3,942,740,067
Subscriptions	73,519,504	122,127,561	–	195,647,065
Others	159,739,572	17,238,060	–	176,977,632
Nontrade receivables:				
Advances to officers and employees	33,575,170	16,647,698	–	50,222,868
Others	50,214,921	–	–	50,214,921
	₱2,117,061,422	₱3,986,848,247	₱2,066,957	₱6,105,976,626
Trade payables and other current liabilities*	₱205,653,895	₱387,067,164	₱407,848,964	₱1,000,570,023
Obligations for program rights	–	–	110,459,407	110,459,407
Dividends payable	1,564,709	–	–	1,564,709
	₱207,218,604	₱387,067,164	₱518,308,371	₱1,112,594,139

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

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

The Group's foreign currency-denominated monetary assets and liabilities amounted to ₱502.61 million (US$10.88 million) and ₱74.27 million (US$1.61 million), respectively, as of December 31, 2009, and ₱213.39 million (US$4.49 million) and ₱122.66 million (US$2.58 million), respectively, as of December 31, 2008.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱46.20 to US$1.00 and ₱47.52 to US$1.00, the Philippine peso to U.S. dollar exchange rates as of December 31, 2009 and 2008, respectively.

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

	Appreciation (Depreciation) of ₱	Effect on Income before Income Tax
2009	**₱0.50**	**(₱4,635,734)**
	(0.50)	**4,635,734**
2008	0.50	(954,707)
	(0.50)	954,707

Interest Rate Risk. The Group's exposure to changes in interest rates is minimal and is attributed to cash and cash equivalents and short-term investments.

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

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

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax
2009	**50**	**₱11,081,008**
	(50)	**(11,081,008)**
2008	50	8,345,399
	(50)	(8,345,399)

Credit Risk. Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products and services are made to customers with appropriate credit history. The Group has an internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of the instruments. There is no concentration of credit risk.

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

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

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

As of December 31, 2009 and 2008, the credit quality of the Group's financial assets is as follows:

	2009			
	Neither Past Due Nor Impaired		**Past Due**	
	High Grade	**Standard Grade**	**but not Impaired**	**Total**
Cash and cash equivalents*	**₱2,192,741,346**	**₱–**	**₱–**	**₱2,192,741,346**
Short-term investments	**23,460,312**	**–**	**–**	**23,460,312**
Trade receivables:				
Television and radio airtime	**1,499,214,471**	**1,565,922,220**	**1,684,020,391**	**4,749,157,082**
Subscriptions	**113,683,756**	**–**	**92,410,913**	**206,094,669**
Others	**–**	**31,846,106**	**111,417,273**	**143,263,379**

(Forward)

	2009			
	Neither Past Due Nor Impaired		**Past Due**	
	High Grade	**Standard Grade**	**but not Impaired**	**Total**
Nontrade receivables:				
Advances to officers and employees	**₱–**	**₱4,752,822**	**₱83,642,838**	**₱88,395,660**
Others	**–**	**–**	**12,843,132**	**12,843,132**
Guarantee and other deposits	**15,311,853**	**–**	**–**	**15,311,853**
AFS financial assets	**104,906,848**	**–**	**–**	**104,906,848**
	₱3,949,318,586	**₱1,602,521,148**	**₱1,984,334,547**	**₱7,536,174,281**

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

	2008			
	Neither Past Due Nor Impaired		Past Due	
	High Grade	Standard Grade	but not Impaired	Total
Cash and cash equivalents*	₱1,667,012,941	₱–	₱–	₱1,667,012,941
Short-term investments	2,066,957	–	–	2,066,957
Trade receivables:				
Television and radio airtime	1,417,793,327	1,128,737,923	1,396,208,817	3,942,740,067
Subscriptions	122,127,561	–	73,519,504	195,647,065
Others	17,238,060	–	159,739,572	176,977,632
Nontrade receivables:				
Advances to officers and employees	–	–	50,222,868	50,222,868
Others	–	–	50,214,921	50,214,921
Guarantee and other deposits	13,995,285	–	–	13,995,285
AFS financial assets	97,206,647	–	–	97,206,647
	₱3,337,440,778	₱1,128,737,923	₱1,729,905,682	₱6,196,084,383

* *Excluding cash on hand amounting to ₱21.09 million as of December 31, 2008.*

Capital Management

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

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

No changes were made in the objectives, policies or processes for the three years ended December 31, 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's total equity as of December 31, 2009 and 2008 amounted to ₱10,880.12 million and ₱9,755.12 million, respectively.

30. Financial Assets and Liabilities

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

	2009		2008	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱2,200,193,818**	**₱2,200,193,818**	₱1,688,107,116	₱1,688,107,116
Short-term investments	**23,460,312**	**23,460,312**	2,066,957	2,066,957
Trade receivables:				
Television and radio airtime	**4,749,157,082**	**4,749,157,082**	3,942,740,067	3,942,740,067
Subscriptions	**206,094,669**	**206,094,669**	195,647,065	195,647,065
Others	**143,263,379**	**143,263,379**	176,977,632	176,977,632
Nontrade receivables:				
Advances to officers and employees	**88,395,660**	**88,395,660**	50,222,868	50,222,868
Others	**12,843,132**	**12,843,132**	50,214,921	50,214,921
Guarantee and other deposits (included under "Other noncurrent assets" account in the consolidated balance sheets)	**15,311,853**	**14,833,451**	13,995,285	13,447,654
	7,438,719,905	**7,438,241,503**	6,119,971,911	6,119,424,280
AFS financial assets	**104,906,848**	**104,906,848**	97,206,647	97,206,647
	₱7,543,626,753	**₱7,543,148,351**	₱6,217,178,558	₱6,216,630,927
Financial Liabilities				
Other financial liablities:				
Trade payables and other current liabilities*	**₱1,178,110,208**	**₱1,178,110,208**	₱1,000,570,023	₱1,000,570,023
Obligations for program rights	**61,475,710**	**61,475,710**	110,459,407	110,459,407
Dividends payable	**3,367,963**	**3,367,963**	1,564,709	1,564,709
	₱1,242,953,881	**₱1,242,953,881**	₱1,112,594,139	₱1,112,594,139

** Excluding payable to government agencies amounting to ₱783.19 million and ₱630.58 million as of December 31, 2009 and 2008, respectively, the amounts of which are not considered as financial liabilities.*

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

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

Guarantee and Other Deposits. The fair value of guarantee and other deposits is based on the present value of the future discounted cash flows. Discount rates used range from 4.42% to 4.81% in 2009 and 6.10% to 6.21% in 2008.

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

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

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

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

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

The financial instruments carried at fair value only pertain to the Group's AFS financial assets, which consist of quoted equity securities. As of December 31, 2009 and 2008, these securities are categorized under Level 1 of the fair value hierarchy. The Group has no financial instruments categorized under Level 2 and Level 3. There were no transfers between Level 1 and Level 2 fair value measurements and no transfer into and out of Level 3 fair value measurements.

31. **Other Matters**

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

   The total tax incentives availed of in 2009 and 2008 amounted to ₱134.88 million and ₱100.16 million, respectively.

b. The Parent Company is a defendant in certain legal cases for copyright infringement, injunctions and damages, which are still pending resolution in the Regional Trial Court (RTC). As of March 25, 2010, no resolution has been issued by the RTC. Complaints for recovery of retirement and other benefits and illegal dismissal of employees have also been filed against the Parent Company.

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

32. **Reclassifications**

In 2009, the Group changed the presentation of its consolidated statement of comprehensive income to present part of its depreciation expenses related to production from general and administrative expenses to production costs amounting to ₱206.61 million, ₱116.82 million and ₱98.23 million in 2009, 2008 and 2007, respectively. The 2008 and 2007 consolidated statements of comprehensive income were revised to conform to the 2009 presentation and classification.