COVER SHEET

5213

SEC Registration Number

GMA NETWORK, INC.

(Group's Full Name)

GMA Network Center, Timog Avenue

corner EDSA, Quezon City

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

Mr. Ronaldo P. Mastrili	982-7777
(Contact Person)	(Group Telephone Number)

06 30	17-Q	
Month *Day*	(Form Type)	*Month* *Day*
(Fiscal Year)		(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2011**

2. SEC Identification Number **5213**

3. BIR Tax Identification No. **000-917-916-000V**

4. Exact name of issuer as specified in its charter **GMA Network, Inc.**

5. **Philippines**
Province, country or other jurisdiction of incorporation

6. ☐ (SEC Use Only)
Industry Classification Code

7. **GMA Network Center, Timog Avenue corner EDSA**
Quezon City **1103**
Address of principal office Postal Code

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

9. **Not applicable**
Former name or former address, if changed since last report

10. Securities registered pursuant to Section 8 and 12 of the SRC and Sections 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**
Short-term notes payable	P650 million

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

Yes [X] No [ ]

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 the registrant was required to file such reports)

Yes [X] No [ ]

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

Yes [X] No [ ]

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SIGNATURE

Management Discussion and Analysis of Financial Condition and Results Operations for the Six Months Ended June 30, 2011 and 2010

Anchored on strong ratings even on the national level, GMA's top line continued its upswing during the second quarter in terms of revenues from airtime minutes.

For the first six months of 2011, the Network posted consolidated revenues of P6.726 billion from regular advertising, subscriptions and other services equivalent to an 11% or P839 million shortfall year-on-year. Discounting the impact of P2.054 billion in political advocacies and political advertisements during 1H last year, consolidated revenues grew by P1.211 billion or a whopping 22%.

Total operating expenses for the first six months of the year finished off at P4.287 billion, inching up by only 4%. General and administrative expenses climbed 8%, while production costs stood at par vis-à-vis last year's level.

The absence of more than P2 billion worth of election-related ads during the first half of 2010 drove this semester's EBITDA down to P1.811 billion, 35% less or P972 million lower vs. same period last year.

Similarly, net income for January to June 2011 fell by 38% and sealed the period at P1.055 billion, down P634 million or 38% from a year ago.

Income Data	**6M 2011** *(in millions Php)*	6M 2010 *(in millions Php)*	Inc/(Dec) *(in millions Php)*	%
Gross Revenues				
Television and radio airtime	**6,159.2**	7,001.9	(842.7)	-12%
Production and others	**566.3**	562.5	3.8	1%
	6,725.6	7,564.4	(838.9)	-11%
Less: Agency, marketing commissions and co-producers' share	1,055.6	1,184.6	(129.0)	-11%
Net Revenue	**5,669.9**	6,379.8	(709.8)	-11%
Production Costs	**2,350.7**	2,344.5	6.3	0.3%
Gross Profit	**3,319.2**	4,035.3	(716.1)	-18%
General and Administrative Expenses	**1,935.8**	1,788.5	147.4	8%
Other Income				
Interest Expense and Financing Charges	**(6.1)**	(2.8)	(3.3)	118%
Interest Income	**17.5**	43.6	(26.2)	-60%
Others	**13.5**	17.0	(3.6)	-21%
Income Before Income Tax	**1,408.2**	2,304.8	(896.5)	-39%
Provision for Income Tax	**353.4**	616.1	(262.7)	-43%
Net Income	**1,054.8**	1,688.6	(633.8)	-38%

Revenues

Consolidated gross revenues for the year, comprised of airtime revenues from television and radio, subscription revenues from international operations, and other revenues from subsidiaries, reached P6.726 billion, down P839 million or 11% from a year ago. Sans the impact of election-related revenues in 2010, consolidated gross revenues climbed 22% year-on-year.

	6M 2011	6M 2010	Inc/(Dec)	%
Gross Revenues	*(in millions Php)*	*(in millions Php)*	*(in millions Php)*	
Regular television and radio advertising revenues	**6,159.2**	4,948.1	1,211.1	24%
Non-recurring political advertisements	**-**	2,053.8	(2,053.8)	-100%
Total television and radio advertising revenues	**6,159.2**	7,001.9	(842.7)	-12%
Production and others	**566.3**	562.5	3.8	1%
Consolidated Gross Revenues	**6,725.6**	7,564.4	(838.9)	-11%

Heavily weighed down by the hefty top line contribution from political advocacies and political advertisements in the first six months of last year, airtime revenues which made up 92% of total revenues, dropped 12% or P843 million to P6.159 billion. Minus P2.054 billion worth of political ads in 2010, revenues from regular advertisements shot up to 24% or P1.211 billion higher across all platforms for the first six months this year compared to same period a year ago. The year-on-year growth in regular advertisement was mainly brought about by the increase in regular television advertising minutes compounded by higher effective rates which took effect towards the end of last year.

Channel 7 remained the bread and butter of the Company with a 94% share in total airtime revenues. Even with the absence of nearly 90% of last year's total political ads, the platform's revenues was reduced by only 8%. Furthermore, as the Network solidifies its lead in nationwide ratings this year, revenues from regular advertising dramatically climbed 29% year-on-year. Regional TV sales continued to provide fresh source of revenues with an 84% growth after discounting the impact of local and national political ads in 2010. Radio also managed to keep abreast with last year's top line after carving out the effect of election-related placements.

As GMA relentlessly pursued multi-million-peso projects to upgrade its signal and facilities and bombard the regions with promotional efforts, the Network registered better ratings performance relative to closest competitor nationwide – according to the household data survey Nielsen TV Audience Measurement – the broadcast industry's most trusted in terms of ratings information.

In Mega Manila alone, the Nielsen TV Audience Measurement has a sample size of 880 homes as compared to nearest competitor's ratings provider Kantar Media's 770 homes. Nationwide, Nielsen has a total sample size of 2,005 homes compared to the lower sample size of 1,370 utilized by Kantar Media.

For the second quarter of 2011, GMA maintained its lead in National Urban Television Audience Measurement (NUTAM) household audience shares as it finished the period with 32.4 points versus nearest rival's 32.3 – a strong performance given that for the same period in 2010, ABS-CBN was ahead of GMA by double digits.

In Urban Luzon, which makes up 77 percent of total television households nationwide, GMA was ahead by 8.4 household share points with 36 points versus ABS-CBN's 27.6 during the April to June period.

In viewer-rich Mega Manila, which makes up 58 percent of total television households nationwide, GMA comfortably sat in the number one ranking with a 10.5-point gap in household shares with 36.8 points versus ABS-CBN's 26.3 points.

In terms of innovation, the Network is unyielding in providing the best entertainment to its audience through superior programming as attested by the very first "*epicserye*" launched in primetime television via the mega-production and mega-hit "*Amaya*". During the first half of this year, the Company also included in its offering the widely anticipated Koreanovela series, "*Temptation of Wife*" which became a nationwide phenomenon. On top of these, GMA remained steadfast in its commitment to be the most reputable source and provider of balanced news and information by launching GMA News TV (GNTV) as the first and only free-to-air news and public affairs channel on VHF, allowing viewers to receive the latest news information without the need to subscribe to a cable service provider.

In the international arena, subscriptions income from GMA Pinoy and Life TV ended 2% higher than a year ago despite the appreciation of the peso by an average of 5% or more than PhP2.00 to 1 USD during the first half of this year. In dollar terms, the increase in revenues translated to a 7% hike, primarily due to persistent subscriber generation and retention efforts mounted by the Company which yielded a 9% growth in subscriber take-up. GMA Pinoy TV's (GPTV) subscribers were over 279,000 as of the end of the first half this year. Of this number, 121,000 are also subscribers of GLTV. On the other hand, revenue from subsidiaries and other sources slightly dipped P3.5 million or 3% for the period. With this, combined revenue contributions from other sources edged up by 1% for the six months period this year.

Expenses

Total operating expenses for the first semester finished off at P4.287 billion, 4% higher than last year's level.

Production Costs

For the first six months, production-related costs of P2.351 billion stood at par with comparative period in 2010. Cash production costs increased P100 million or 5% as the Network embarked on producing big budget series with the likes of "*Captain Barbell*" and the trailblazer "*Amaya*". On top of these, more in-house produced programs were showcased this year vis-à-vis last year in both channels. The reformatting of the Company's 2nd VHF channel from QTV-11 to GNTV entailed major changes in the programming mix in favor of more station-produced programs vice canned programs.

	6M 2011	6M 2010	Inc/(Dec)	%
Production Costs	*(in millions Php)*	*(in millions Php)*	*(in millions Php)*	
Talent fees	**1,294.2**	1,098.7	195.4	18%
Rentals and outside services	**380.9**	360.0	20.9	6%
Other program expenses	**424.1**	540.5	(116.4)	-22%
Sub-total - Cash Production Costs	**2,099.2**	1,999.3	100.0	5%
Program rights amortization	**151.9**	238.1	(86.1)	-36%
Depreciation and amortization	**99.5**	107.1	(7.5)	-7%
Sub-total - Non-cash Production Costs	**251.5**	345.2	(93.7)	-27%
Total production costs	**2,350.7**	2,344.5	6.3	0.3%

For this same reason, non-cash production costs dropped 27% or P94 million. In particular amortization of program rights for canned films was reduced by 36% or P86 million while depreciation expense was down 7% during the period as some major broadcast equipment which are still in use have already been fully amortized.

General and Administrative Expenses

General and Administrative Expenses	**6M 2011** *(in millions Php)*	6M 2010 *(in millions Php)*	Inc/(Dec) *(in millions Php)*	%
Personnel costs	**847.7**	796.7	51.0	6%
Outside services	**347.2**	283.7	63.5	22%
Facilities costs	**227.4**	210.0	17.4	8%
Taxes and licenses	**111.1**	97.8	13.3	14%
Others	**239.5**	226.0	13.5	6%
Subtotal - Cash GAEX	**1,772.9**	1,614.2	158.7	10%
Depreciation and amortization	**151.3**	164.7	(13.4)	-8%
Amortization of software costs	**11.6**	9.6	2.0	21%
Subtotal - Non-cash GAEX	**162.9**	174.2	(11.3)	-6%
Total GAEX	**1,935.8**	1,788.5	147.4	8%

Consolidated GAEX for the first half of the year recorded an 8% rise equivalent to P147 million from P1.788 billion to P1.936 billion. The hike in cash GAEX was partly cushioned by the reduction in depreciation. Personnel-related expenses and outside services were the major drivers for this year's increase in cash GAEX. The former resulted from the growth in manpower base on top of the annual salary adjustments of regular employees.

Outside services which included advertising and promotions, sales incentives and professional fees climbed 22% or an additional P64 million this semester in sync with the nationwide promotional blitz.

Interest income from short-term investments

Interest income from short-term investments dropped by 60%, to P17 million from P44 million during the first half of the year. Last year's short-term placements were buoyed by hefty collections coming from pay-before-broadcast arrangement on election-related placements. On the other hand, this year's beginning cash position was even reduced by the special declaration of a 2nd tranche of cash dividends paid out in December 2010.

Net Income

The absence of more than P2 billion in the top line owing to political advocacies and advertisements took its toll as the Company posted a 38% drop in net income for the first six months of this year. Recorded bottom line for the first half of 2011 settled at P1.055 billion, lower by P634 million from prior year's P1.689 billion. EBITDA likewise ended with a 35% shortfall of P972 million to P1.811 billion from P2.783 billion in 2010.

Balance Sheet Accounts

Consolidated assets totaled P12.648 billion, reflecting a reduction of 2% or P224 million from December 31, 2010.

Cash and cash equivalents stood at P1.144 billion, 7% less than 2010 year-end balance of P1.232 billion resulting from the payment of the annual corporate income tax and regular annual dividend of more than P2 billion.

Trade and other receivables balance as of end-June 2011 posted a 10% or P535 million decline to P4.997 billion from P5.532 billion in December last year. Trade days-sales-outstanding (DSO) improved to 132 days at the close of the semester this year vis-a-vis 145 days as of year-end.

Equity settled at P9.166 billion as of end-June this year, 11% down compared to December 2010's P10.299 billion owing to the aforementioned dividend declaration in 1H 2011.

Cash Flows

Operating Activities

Net cash provided by operating activities registered at P1.931 billion this year. This resulted from income before income tax of P1.408 billion adjusted by depreciation expense of P251 million, pension expense of P59 million and interest income from bank deposits and short-term investments of P17 million apart from the changes in working capital. The primary components of the changes in working capital include the P535 million decrease in trade and other receivables which were subsequently netted by the increases in program rights and prepaid expenses and other current assets by P215 million and P122 million, respectively.

Cash Flows	**6M 2011** *(in millions Php)*	6M 2010 *(in millions Php)*
Net cash provided by operating activities	**1,931.2**	2,757.8
Net cash used in investing activities	**(480.4)**	(312.1)
Net cash used in financing activities	**(1,542.6)**	(2,188.3)
Effect of exchange rate changes on cash and cash equivalents	**3.8**	(1.4)
Net increase (decrease) in cash and cash equivalents	**(88.0)**	256.1
Cash and cash equivalents at beginning of year	**1,232.4**	2,200.2
Cash and cash equivalents at end of year	**1,144.3**	2,456.3

Investing Activities

Net cash used in investing activities amounted to P481 million, arising mainly from the P472 million additions to property and equipment and P13 million in software costs. These were partly offset by the P8 million proceeds from sale of property and equipment.

Financing Activities

Net cash used in financing activities came up to P1.543 billion basically resulting from payments of cash dividends and interest and financing charges, reduced by net proceeds from availment of short-term notes payable.

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

	June 30, 2011	December 31, 2010
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 8, 29 and 30)	**1,144,323,381**	1,232,351,840
Trade and other receivables (Notes 9, 22, 29 and 30)	**4,996,813,531**	5,531,971,950
Program rights (Note 10)	**621,432,450**	558,072,593
Prepaid expenses and other current assets (Note 11)	**727,210,680**	605,301,733
Total Current Assets	**7,489,780,042**	7,927,698,116
Noncurrent Assets		
Available-for-sale financial assets (Notes 12, 29 and 30)	**104,966,848**	104,966,848
Investments and advances (Notes 13 and 22)	**344,592,332**	341,913,803
Property and equipment at cost (Note 14)	**3,073,447,601**	2,872,001,158
Land at revalued amounts (Note 15)	**1,403,077,465**	1,403,122,465
Investment properties (Note 16)	**61,907,638**	63,343,706
Deferred tax assets - net	**48,718,861**	45,451,022
Other noncurrent assets (Note 17)	**121,263,833**	113,380,042
Total Noncurrent Assets	**5,157,974,578**	4,944,179,044
	12,647,754,620	12,871,877,160
LIABILITIES AND EQUITY		
Current Liabilities		
Notes Payable	**650,000,000**	-
Trade payables and other current liabilities (Notes 18, 22, 29 and 30)	**2,040,364,008**	1,819,281,172
Income tax payable	**202,071,482**	241,184,421
Obligation for program rights (Note 19)	**107,075,202**	75,594,128
Dividends payable	**6,041,927**	5,493,035
Total Current Liabilities	**3,005,552,619**	2,141,552,756
Noncurrent Liabilities		
Pension liability	**309,684,842**	252,641,013
Deferred tax liability - net	**166,171,569**	179,050,913
Total Noncurrent Liabilities	**475,856,411**	431,691,926
Total Liabilities	**3,481,409,030**	2,573,244,682
Equity		
Capital stock (Note 21)	**4,864,692,000**	4,864,692,000
Additional paid-in capital (Note 21)	**1,659,035,196**	1,659,035,196
Revaluation increment in land - net of tax	**744,158,022**	744,158,022
Unrealized gain on available-for-sale financial assets - net of tax	**1,995,687**	1,995,687
Retained earnings (Note 21)	**1,930,737,872**	3,063,024,760
Treasury stock (Note 21 and 28)	**(28,483,171)**	(28,483,171)
Underlying shares of the acquired Philippine Deposit Receipts (Note 21 and 28)	**(5,790,016)**	(5,790,016)
Total Equity	**9,166,345,590**	10,298,632,478
	12,647,754,620	12,871,877,160

See accompanying Notes to Consolidated Financial Statements.

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

	For the Quarter Ended June 30		For the Six Months Ended June 30	
	2011	2010	**2011**	2010
GROSS REVENUES (Note 23)	**3,587,119,745**	3,938,964,441	**6,725,553,168**	7,564,421,205
LESS: AGENCY AND MARKETING COMMISSIONS AND CO-PRODUCERS' SHARE	**604,248,647**	618,525,549	**1,055,604,280**	1,184,624,681
NET REVENUES	**2,982,871,098**	3,320,438,892	**5,669,948,888**	6,379,796,524
PRODUCTION COSTS (Note 24)	**1,275,609,526**	1,217,495,851	**2,350,741,189**	2,344,455,550
GROSS PROFIT	**1,707,261,572**	2,102,943,041	**3,319,207,699**	4,035,340,974
GENERAL AND ADMINISTRATIVE EXPENSES (Note 25)	**1,022,075,353**	988,806,747	**1,935,835,272**	1,788,454,827
OTHER INCOME				
Interest income from bank deposits and short-term placements (Note 6)	**8,142,827**	22,672,668	**17,453,421**	43,646,139
Equity in net earnings of associates and joint ventures (Note 13)	**1,028,747**	1,139,878	**2,594,472**	5,560,836
Interest expense and financing charges	**(5,634,430)**	(2,637,457)	**(6,060,778)**	(2,779,830)
Others (Note 27)	**4,887,873**	9,733,325	**10,858,539**	11,446,240
	8,425,017	30,908,414	**24,845,654**	57,873,385
INCOME BEFORE INCOME TAX	**693,611,236**	1,145,044,708	**1,408,218,081**	2,304,759,532
PROVISION FOR INCOME TAX				
Current	**183,319,675**	311,638,217	**369,562,855**	617,389,724
Deferred	**(10,898,517)**	(659,753)	**(16,147,183)**	(1,251,619)
	172,421,158	310,978,464	**353,415,672**	616,138,105
NET INCOME	**521,190,078**	834,066,244	**1,054,802,409**	1,688,621,427
OTHER COMPREHENSIVE INCOME	**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME	**521,190,078**	834,066,244	**1,054,802,409**	1,688,621,427
Basic/Diluted Earnings Per Share (Note 28)	**0.107**	0.172	**0.217**	0.347

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	Capital Stock (Note 21)	**Additional Paid-in Capital** (Note 21)	**Revaluation Increment in Land** - Net of Tax	**Unrealized Gain (Loss) on Available-for-sale Financial Assets -** Net of Tax	**Retained Earnings** (Note 21)	**Treasury Stock** (Note 21 and 28)	**Underlying Shares of the Acquired Philippine Deposit Receipts** (Note 21 and 28)	**Total Equity**
Balances at January 1, 2011	**4,864,692,000**	**1,659,035,196**	**744,158,022**	**1,995,687**	**3,063,024,760**	**(28,483,171)**	**(5,790,016)**	**10,298,632,478**
Total comprehensive income					**1,054,802,409**			**1,054,802,409**
Cash dividends					**(2,187,089,297)**			**(2,187,089,297)**
Balances at June 30, 2011	**4,864,692,000**	**1,659,035,196**	**744,158,022**	**1,995,687**	**1,930,737,872**	**(28,483,171)**	**(5,790,016)**	**9,166,345,590**
Balances at January 1, 2010	4,864,692,000	1,659,035,196	744,158,022	2,171,187	3,644,336,613	(28,483,171)	(5,790,016)	10,880,119,831
Total comprehensive income					1,688,621,427	-	-	1,688,621,427
Cash dividends					(2,187,089,297)			(2,187,089,297)
Balances at June 30, 2010	4,864,692,000	1,659,035,196	744,158,022	2,171,187	3,145,868,743	(28,483,171)	(5,790,016)	10,381,651,961

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**1,408,218,081**	2,304,759,532
Adjustments for:		
Depreciation and amortization (Notes 14 and 16)	**250,838,035**	271,733,090
Pension expense	**59,061,780**	58,674,048
Interest income from bank deposits and short-term placements (Note 8)	**(17,453,422)**	(43,646,140)
Other noncash expenses	**15,966,888**	29,633,765
Amortization of software costs (Note 17)	**11,632,564**	9,587,511
Unrealized foregign exchange loss (gain)	**(3,404,573)**	2,478,001
Gain on sale of property and equipment and investmets properties (Note 27)	**(5,716,250)**	(7,717,863)
Equity in net earnings of associates and joint ventures (Note 13)	**(2,594,472)**	(5,560,836)
Interest expense and financing charges on short-term loans	**6,060,779**	2,779,830
Discount on tax credit certificates (Note 27)	**-**	-
Dividend income (Note 27)	**(212,223)**	(44,454)
Operating income before working capital changes	**1,722,397,187**	2,622,676,484
Program rights usage (Note 10)	**151,942,637**	238,084,438
Decreases (increases) in:		
Short-term investments	**-**	
Trade and other receivables	**535,154,513**	795,461,482
Program rights	**(215,302,494)**	(163,606,756)
Prepaid expenses and other current assets	**(121,826,726)**	(144,642,274)
Increases (decreases) in:		
Trade and other payables	**221,082,836**	95,650,364
Obligations for program rights	**31,125,086**	2,433,865
Pension liability	**(2,017,951)**	(79,928,328)
Net cash generated from operations	**2,322,555,088**	3,366,129,275
Interest received	**17,309,966**	44,692,902
Income taxes paid	**(408,675,794)**	(653,044,049)
Net cash provided by operating activities	**1,931,189,260**	2,757,778,128

(Forward)

GMA NETWORK, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 14)	**(471,504,662)**	(352,869,415)
Software costs (Note 17)	**(13,425,698)**	(16,214,455)
Proceeds from sale of property and equipment, investment properties and land	**7,986,706**	24,208,779
Decrease (Increase) in other noncurrent assets	**(3,708,970)**	29,386,213
Additions to advances to associates and joint ventures (Note 13)	**(84,057)**	-
Cash dividends received	**359,585**	44,454
Decrease in short-term investments	**-**	3,354,392
Net cash used in investing activities	**(480,377,096)**	(312,090,032)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends (Note 21)	**(2,186,540,405)**	(2,185,481,722)
Notes payable	**(300,000,000)**	(300,000,000)
Proceeds from availments of notes payable	**950,000,000**	300,000,000
Interest and financing charges paid	**(6,060,779)**	(2,779,830)
Net cash used in financing activities	**(1,542,601,184)**	(2,188,261,552)
EFFECT OF EXCHANGE RATE CHANGES ON CASH ON HAND AND CASH EQUIVALENTS	**3,760,561**	(1,363,410)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(88,028,459)**	256,063,134
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,232,351,840**	2,200,193,818
CASH AND CASH EQUIVALENTS OF PERIOD	**1,144,323,381**	2,456,256,952

See accompanying 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.

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 also includes Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and Philippine Interpretations starting January 1, 2010, except when otherwise indicated:

New Interpretation

- Philippine Interpretation IFRIC 17, *Distributions of Non-Cash Assets to Owners*, effective for annual periods beginning on or after July 1, 2009

Amendments to Standards

- PFRS 2, *Share-based Payment* (Amendment) - *Group Cash-settled Share-based Payment Transactions*, effective for annual periods beginning on or after January 1, 2010

- PFRS 3 (Revised), *Business Combinations*, and PAS 27 (Amended), *Consolidated and Separate Financial Statements*, effective for annual periods beginning on or after July 1, 2009

- PAS 39, *Financial Instruments: Recognition and Measurement* (Amendment) - *Eligible Hedged Items*, effective for annual periods beginning on or after July 1, 2009

- Improvements to PFRS (2009), effective 2010

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

- PFRS 3 (Revised), *Business Combinations*, and PAS 27 (Amended), *Consolidated and Separate Financial Statements*, became 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 accounting for 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 and accounted for as equity transaction. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The PFRS 3 (Revised) was applied prospectively while PAS 27 (Amended) was applied retrospectively with few exceptions.

The revised and amended standards have no impact on the consolidated financial statements, except for the revision of term minority interest to non-controlling interest. The Group assessed that these revised and amended standards will have an impact on its future business acquisitions, disposals and transactions with non-controlling interests.

Future Changes in Accounting Policies

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on the consolidated financial statements.

New Standards and Interpretations Effective 2011

- PAS 24, *Related Party Disclosures* (Amendment), becomes effective for annual periods beginning on or after January 1, 2011. The amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.

- PAS 32, *Financial Instruments: Presentation* (Amendment) - *Classification of Rights Issues*, becomes effective for annual periods beginning on or after February 1, 2010. It amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro-rata to all existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*, becomes effective for annual periods beginning on or after January 1, 2011, with retrospective application. It provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, becomes effective for annual periods beginning on or after July 1, 2010. This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRS (2010). The omnibus amendments to PFRS issued in 2010 were issued primarily with a view to remove inconsistencies and clarify wordings. The amendments are effective for annual periods beginning January 1, 2011, except when otherwise stated. The Group has not yet adopted the following improvements and anticipates that these changes will have no material effect on its consolidated financial statements.

- PFRS 3 (Revised), *Business Combinations*, clarifies the following:

  a. the amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32, *Financial Instruments: Presentation*, and PAS 39, *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008). The amendment is applicable to annual periods beginning on or after July 1, 2010. The amendment is to be applied retrospectively.

b. the amendment limits the scope of the measurement choices that only the components of non-controlling interests that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either:

   i. at fair value; or

   ii. at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS.

   The amendment is applicable for annual periods beginning on or after July 1, 2010. The amendment is applied prospectively from the date the entity applies PFRS 3.

c. the amendment requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., to split share-based between consideration and post combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. The amendment also specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of non-controlling interests and measured at their market-based measure; if unvested - they are measured at market based value as if granted at acquisition date, and allocated between non-controlling interests and post-combination expense. The amendment is applicable for annual periods beginning on or after July 1, 2010 and is to be applied prospectively.

- PFRS 7, *Financial Instruments: Disclosures*, clarifies the following:

  a. the amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

  b. amendments to quantitative and credit risk disclosures are as follows:

     i. clarify that only financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk;

     ii. require, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk);

     iii. remove the disclosure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired;

     iv. remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired; and,

     v. clarify that the additional disclosure required for financial assets obtained by taking possession of collateral.

  c. the amendment is to be applied retrospectively.

- PAS 1, *Presentation of Financial Statements*, clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is applied retrospectively.

- PAS 27, *Consolidated and Separate Financial Statements*, clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates*, and PAS 31, *Interests in Joint Ventures*, apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier. The amendment is applicable for annual periods beginning on or after July 1, 2010. The amendment is to be applied retrospectively.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

New Standards and Interpretation Effective 2012

- PFRS 7, *Financial Instruments: Disclosures* (Amendments) - *Transfers of Financial Assets*, will become effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- PAS 12, *Income Taxes* (Amendment) - *Deferred Tax: Recovery of Underlying Assets*, will become effective for annual periods beginning on or after January 1, 2012. It provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, will become effective for annual periods beginning on or after January 1, 2012. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

New Standard Effective 2013

- PFRS 9, *Financial Instruments: Classification and Measurement*, will become effective for annual periods beginning on or after January 1, 2013. PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Basis of Consolidation from January 1, 2010

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2011.

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;

- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of Consolidation Prior to January 1, 2010
Some of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

Acquisitions of non-controlling interests, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized as goodwill.

Losses applicable to the non-controlling interest in a consolidated subsidiary may exceed the non-controlling interest in the subsidiary's equity. The excess, and any further losses applicable to the non-controlling interest, are allocated against the controlling interest except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the controlling interest until the non-controlling interest's share of losses previously absorbed by the controlling interest has been recovered. Losses prior to January 1, 2010 were not reallocated between non-controlling interests and equity holders of the Parent.

The income and expenses of a subsidiary are included in the consolidated financial statements until the date on which the Group ceases to control the subsidiary. The difference between the proceeds from the disposal of the subsidiary and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the subsidiary recognized in equity, is recognized in the consolidated statements of comprehensive income as the gain or loss on the disposal of the subsidiary.

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

	Country of Incorporation	Percentage of Ownership
Entertainment Business:		
Alta Productions Group, Inc. (Alta)	Philippines	100
Citynet Network Marketing and Productions, Inc. (Citynet)	- do –	100
GMA Network Films, Inc.	- do -	100
GMA Worldwide (Philippines), Inc.	- do -	100
RGMA Network Marketing & Productions, Inc. (GMA Records)	- do -	100
Scenarios, Inc. (Scenarios)	- do -	100
Script2010, Inc. (Script2010)*	- do -	100
Advertising Business -		
GMA Marketing & Productions, Inc. (GMPI)	- do -	100
Others:		
MediaMerge Corporation **	- do -	100
Ninja Graphics, Inc. (Ninja) ***	- do -	51

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

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

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

Financial Assets and Liabilities

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

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains or losses relating to financial instruments or a component that is financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

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 at fair value through profit or loss (FVPL), includes transaction cost. 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 asking 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 Difference. 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 difference) in the profit or loss 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 profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 difference amount.

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 profit or loss.

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 June 30, 2011 and December 31, 2010.

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. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method. Gains and losses are recognized in profit or loss when the loans are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

This category includes the Group's cash and cash equivalents, trade and other receivables and guarantee and other deposits, included under "Other noncurrent assets" account in the consolidated statements of financial position (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. 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 method. Gains and losses are recognized in the profit or loss 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 date 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 June 30, 2011 and December 31, 2010.

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 subsequently measured at fair value in the consolidated statements of financial position. Changes in the fair value of such assets are recognized as unrealized gain or loss on available-for-sale financial assets in the other comprehensive income (losses) 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 consolidated statements of comprehensive income as a reclassification adjustment. Interest earned on holding AFS financial assets is recognized in the consolidated statements of comprehensive income using the effective interest rate. Assets under this category are classified as current assets if the expected realization of the investment is within 12 months from reporting date and as noncurrent assets if maturity is more than a year from reporting date.

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 intention to do so significantly changes 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 meet the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

The Group has investments in various quoted and unquoted shares of stocks classified as AFS financial assets (see Note 12).

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. Gains or losses on liabilities held for trading are recognized in profit or loss.

The Group has no financial liabilities at FVPL as of June 30, 2011 and December 31, 2010.

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 loans and 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. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

This category includes trade payables and other current liabilities (excluding payable to government agencies), obligations for program rights and dividends payable (see Note 30).

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay the received cash flows 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 or has entered into a “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred the control of 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 has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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 there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that 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, 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. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to contractual terms of the asset being evaluated. 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.

The carrying value of the assets is reduced through the use of allowance account and the amount of loss is charged to the consolidated statement of comprehensive income. 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. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. 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. 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, an objective 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 consolidated statements of comprehensive income, is removed from other comprehensive income and recognized in the consolidated statements of comprehensive income. Impairment losses on equity investments are not reversed through consolidated statements of comprehensive income; increases in fair value after impairment are recognized directly as other comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the 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 statements of financial position.

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.

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

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

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

Prepaid Production Costs

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

Materials and Supplies Inventory

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

Tax Credits

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

Investment and Advances

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

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

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

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

The share in profit (loss) of an associate is shown on the face of the consolidated statements of comprehensive income. This is the profit (loss) attributable to equity holders of the associate and therefore profit (loss) after tax and non-controlling interests in the subsidiaries of the associate.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate and accounts for the investment in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, from that date, provided the associate does not become a subsidiary or a joint venture as defined in PAS 31, *Interests in Joint Ventures*. When the Group's interest in an investment in associate is reduced to zero, additional losses are provided only to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the investee that the Group has guaranteed or otherwise committed. If the associate subsequently reports profits, the Group resumes recognizing its share of the profits if it equals the share of net losses not recognized.

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

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

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 statements of financial position 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.

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

Property and Equipment

Property and equipment are stated at cost 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. 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. This includes cost of construction, property and equipment, and other direct costs. 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 at Revalued Amounts

Following initial recognition at cost, land used in operations is carried at revalued amount, which is the fair value at the date of the revaluation, less any subsequent accumulated impairment losses. Fair value was determined by an independent firm of appraisers on December 23, 2008 and January 5, 2009. Valuations are performed frequently 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 statements of financial position 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 are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties, except land, are measured at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

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

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

Investment properties are derecognized when either they have been disposed of or when the investment 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 or commencement of an operating lease to another party. 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 statements of financial position, is stated at cost less any impairment in value.

Software Costs

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

Impairment of Nonfinancial Assets

The carrying values of program rights, prepaid production costs, investments and advances, property and equipment, investment properties, software costs and tax credits 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 program rights, prepaid production costs, investments and advances, property and equipment, investment properties, software costs and tax credits 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, except for land at revalued amount where the revaluation is taken to other comprehensive income, is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. For land at revalued amounts, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

In the case of investments in associates and interests in joint ventures, after application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's investment in associate and interests in joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investments in associates and interests in joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of investment in associate 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)
The Parent Company's 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 net out against 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 broadcasting related equipment.

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

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

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

Dividend Income. Revenue is recognized when the Group's right to receive 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 are deducted from gross revenues in the consolidated statements of comprehensive income.

Agency commissions are recognized at a standard 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.

Borrowing Costs
Borrowing costs which are directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of the respective assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. 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.

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

Pension Costs
The Parent Company and its major 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.

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

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

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

Foreign Currency-denominated Transactions

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

Taxes

Current 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 substantially 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 substantially 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 statements of financial position.

Dividends on Common Shares of the Parent Company

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.

Earnings Per Share (EPS)

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

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

Contingencies

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

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.

Events after Reporting Period

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

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 P423.36 million and P399.13 million as of June 30, 2011 and 2010, respectively.

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 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 P4,496.81 million and P5,531.97 million as of June 30, 2011 and December 31, 2010, respectively (see Note 9).

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 the Group's experience with such rights. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Program rights, net of accumulated impairment loss, amounted to P621.43 million and P558.07 million as of June 30, 2011 and December 31, 2010, respectively (see Note 10).

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 P104.97 million as of June 30, 2011 and December 31, 2010 (see Note 12). There were no impairment losses recognized on AFS financial assets as of June 30, 2011 and December 31 2010.

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

The carrying value of materials and supplies inventory amounted to P129.14 million and P108.99 million as of June 30, 2011 and December 31, 2010, respectively (see Note 11). There were no provisions for inventory losses as of June 30, 2011 and December 31, 2010.

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

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

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 fair value amount would differ if the Group made different judgments and estimates or utilized a different basis for determining fair value.

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

The revalued amount of land amounted to P1,403.08 million and P1,403.12 million as of June 30, 2011 and December 31, 2010, respectively (see Note 15).

Impairment of Nonfinancial Assets. For prepaid production costs, program rights, investments and advances, property and equipment, software costs, tax credits 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 program rights, prepaid production costs (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position), investments and advances, property and equipment, investment properties, software costs and tax credits (included under "Prepaid expenses and other current assets" account in the consolidated statement of financial position amounted to P4,440.00 million and P4,182.14 million as of June 30, 2011 and December 31, 2010, respectively (see Notes 10, 11, 13, 14, 16 and 17).

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 P230.40 million and P215.77 million as of June 30, 2011 and December 31, 2010.

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. 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 P309.68 million and P252.64 million as of June 30, 2011 and December 31, 2010.

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. Seasonality or Cyclicality of Interim Operations

The company's operations are not generally affected by any seasonality or cyclicality.

6. Nature and Amount of Changes in Estimates

2010 figures were restated to conform to the current period's presentation.

7. 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.

Geographical Segments

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

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

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

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

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.

Please refer to Exhibit 1.

8. Cash and Cash Equivalents

This account consists of:

	June 30, 2011	December 31, 2010
Cash on hand and in banks	**844,059,845**	708,365,390
Short-term placements	**300,263,536**	523,986,450
	1,144,323,381	1,232,351,840

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

Interest income, net of final tax, earned from bank deposits and short-term investments amounted to P17.45 million and P43.65 million as of June 30, 2011 and 2010, respectively.

9. Trade and Other Receivables

This account consists of:

	June 30, 2011	December 31, 2010
Trade:		
Television and radio airtime	**4,234,658,576**	4,974,423,522
Subscription receivable	**271,741,985**	267,676,284
Others	**286,807,828**	177,187,965
Nontrade:		
Advances to suppliers	**378,573,966**	198,301,803
Advances to officers and employees	**8,982,661**	9,625,412
Others	**33,317,500**	118,145,159
	5,214,082,515	5,745,360,145
Less allowance for doubtful accounts	**217,268,984**	213,388,195
	4,996,813,531	5,531,971,950

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 when advertisements have been aired during the year but billing or acceptance by the customer has been delayed due to time lag in completing all required documents.

Television and radio airtime receivables are presented net of payments received before broadcast since a right of offset exists between the advance payments 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 non interest-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 non interest-bearing and are generally on a 60–90 days credit term upon receipt of invoice by the customers. This includes advances to a related party amounting to P60.33 million and P59.90 million as of June 30, 2011 and December 31, 2010, respectively (see Note 22).

Advances to Suppliers

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

Advances to Officers and Employees and Other Nontrade Receivables

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

Allowance for Doubtful Accounts

As of June 30, 2011 and December 31, 2010, television and radio airtime and other receivables amounting to P213.39 million are impaired.

The allowance for doubtful accounts for television and radio airtime and other receivables as of June 30, 2011 and December 31, 2010 are results of specific and collective impairment assessments performed by the Group as follows:

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 P109.17 million and P136.76 million as of June 30, 2011 and December 31, 2010, respectively. These are included in trade receivables as "neither past due nor impaired" but with age of 31–60 days from date of airing.

10. **Program Rights**

The movements in program rights are as follows:

	June 30, 2011			
		Story Format		
	Program Rights	Rights	Film Rights	Total
Cost:				
Balance at beginning of period	**452,015,771**	**89,563,129**	**19,195,953**	**560,774,853**
Additions	**193,948,230**	**21,354,264**	**-**	**215,302,494**
Program usage (see Note 24)	**(127,103,976)**	**(22,547,752)**	**(2,290,909)**	**(151,942,637)**
Balance at end of period	**518,860,025**	**88,369,641**	**16,905,044**	**624,134,710**
Accumulated impairment in value -				
Balance at beginning and end of period	**2,702,260**	**-**	**-**	**2,702,260**
	516,157,765	**88,369,641**	**16,905,044**	**621,432,450**

	December 31, 2010			
		Story Format		
	Program Rights	Rights	Film Rights	Total
Cost:				
Balance at beginning of period	545,370,858	77,447,289	20,059,524	642,877,671
Additions	313,352,327	59,406,209	9,000,000	381,758,536
Program usage	(406,707,413)	(47,290,369)	(9,863,572)	(463,861,354)
Balance at end of period	452,015,772	89,563,129	19,195,952	560,774,853
Accumulated impairment in value -				
Balance at beginning and end of period	2,702,260	-	-	2,702,260
	449,313,512	89,563,129	19,195,952	558,072,593

No impairment loss on program rights was recognized in June 30, 2011 and 2010.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	June 30, 2011	December 31, 2010
Prepaid production costs	**228,063,777**	198,300,805
Materials and supplies inventory at cost	**69,301,419**	108,989,821
Input VAT	**129,140,402**	81,793,312
Tax credits	**150,435,809**	109,054,955
Prepaid expenses	**98,752,475**	59,192,186
Creditable withholding taxes	**51,326,998**	47,780,854
Others	**189,800**	189,800
	727,210,680	605,301,733

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

12. Available-for-Sale Financial Assets

As of June 30, 2011 and December 31, 2010, this account consists of:

Investment in shares of stock:	
Quoted	21,709,592
Unquoted	83,257,256
	104,966,848

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

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.

13. **Investments and Advances**

This account consists of:

	June 30, 2011	December 31, 2010
Investments in associates and interests in joint ventures accounted for in equity method	**257,422,618**	254,828,146
Advances in associates and joint ventures (see Note 2:	**87,169,714**	87,085,657
	344,592,332	341,913,803

The movements in the said amounts are as follows:

	June 30, 2011	December 31, 2010
Investments in associates and joint ventures accounted for under the equity method		
Acquisition cost -		
Balance at beginning and end of period	**327,722,056**	327,722,056
Accumulated equity in net losses:		
Balance at beginning of period	**(72,893,910)**	(79,761,634)
Equity in net earnings during the period	**2,594,472**	6,867,724
Balance at end of period	**(70,299,438)**	(72,893,910)
	257,422,618	254,828,146
Advances to associates and joint ventures:		
Balance at beginning of period	**87,085,657**	146,367,188
Additional advances during the period	**84,057**	-
Collection of advances during the period	**-**	(59,281,531)
Balance at end of period	**87,169,714**	87,085,657
Total investments and advances	**344,592,332**	341,913,803

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

	Percentage of Ownership		Country of
	2011	2010	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:

	June 30, 2011		
		Advances	
	Investments	(see Note 22)	**Total**
Associates:			
RGMA	**192,639,528**	**84,057**	**192,723,585**
Mont-Aire	**38,350,619**	**84,475,370**	**122,825,989**
Joint Ventures:			
X-Play	**26,432,471**	**-**	**26,432,471**
INQ7	**-**	**2,610,287**	**2,610,287**
	257,422,618	**87,169,714**	**344,592,332**

	December 31, 2010		
		Advances	
	Investments	(see Note 22)	Total
Associates:			
RGMA	190,045,056	-	190,045,056
Mont-Aire	38,350,619	84,475,370	122,825,989
Joint Ventures:			
X-Play	26,432,471	-	26,432,471
INQ7	-	2,610,287	2,610,287
	254,828,146	87,085,657	341,913,803

As of June 30, 2011 and December 31, 2010, accumulated equity in net losses of PEP exceeded the Group's interest in joint venture; thus, carrying value of interest in joint venture with PEP has been reduced to zero.

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

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

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

		Total Assets	Total Liabilities	Revenues	Net Income
RGMA	**6M 2011**	**99,459,297**	**53,441,118**	**57,202,852**	**5,294,841**
	Y2010	105,255,491	64,568,415	167,385,748	29,735,040
Mont-Aire	**6M 2011**	**160,136,147**	**94,460,607**	**-**	**-**
	Y2010	160,136,147	94,460,607	-	-

14. **Property and Equipment at Cost**

Please refer to Exhibit 3 for the rollforward analysis of property and equipment at cost.

Depreciation and amortization on property and equipment charged to operations amounted to P249.40 million and P270.46 million as of June 30, 2011 and 2010, respectively. These amounts include amortization of previously capitalized borrowing costs amounting to P2.52 million each quarter. No borrowing cost was capitalized in 2011 and 2010.

Construction in progress pertains to the costs incurred for signals strengthening and upgrade of studios of Regional Stations and for the Media Asset Management System (MAMS) project.

15. Land at Revalued Amounts

This account consists of the following as of June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Cost -		
Balance at beginning and end of period	340,039,576	340,039,576
Revaluation increment -		
Balance at beginning and end of period	1,063,082,889	1,063,082,889
Cost adjustment	(45,000)	
	1,403,077,465	1,403,122,465

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

While fair values of the land were not determined as of June 30, 2011 and December 31, 2010, the Group's management believes that there were no conditions present in 2010 and 2009 that would significantly reduce the fair value of the land from that was determined as of January 5, 2009.

16. Investment Properties

The rollforward analysis of investment properties follows:

	June 30, 2011		
	Land and Improvements	**Buildings and Improvements**	**Total**
Cost -			
Balance at beginning and end of period	**33,399,381**	**71,326,338**	**104,725,719**
Accumulated depreciation:			
Balance at beginning of period	**-**	**34,346,621**	**34,346,621**
Depreciation during the period	**-**	**1,436,068**	**1,436,068**
Balance at end of period	**-**	**35,782,689**	**35,782,689**
Accumulated impairment in value -			
Balance at beginning and end of period	**-**	**7,035,392**	**7,035,392**
	33,399,381	**28,508,257**	**61,907,638**

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

The fair values of investment properties were determined by independent appraisers based on appraisal reports made in 2005, which amounted to P124.45 million as at December 31, 2005. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's-length transaction at the date of valuation in accordance with International Valuation Standards.

While fair values of the investment properties were not determined as of June 30, 2011 and December 31, 2010, the Group's management believes that there were no conditions present in 2011 and 2010 that would significantly reduce the fair value of the investment properties from that determined in 2005.

Rent income from investment properties amounted to P0.88 million and P1.69 million as of June 30, 2011 and 2010, respectively.

17. Other Noncurrent Assets

This account consists of:

	June 30, 2011	December 31, 2010
Software costs	**41,250,282**	39,457,145
Guarantee and other deposits (see Notes 29 and 30)	**37,061,655**	33,091,518
Deferred input VAT	**27,625,475**	26,346,896
Investments in artworks	**10,406,255**	10,406,254
Others	**4,920,167**	4,078,229
	121,263,833	113,380,042

The movements in software costs follow:

	June 30, 2011	December 31, 2010
Cost:		
Balance at beginning of period	**141,100,039**	121,078,930
Additions	**13,425,698**	30,761,933
Balance at end of period	**154,525,737**	151,840,863
Accumulated amortization:		
Balance at beginning of period	**101,642,891**	92,170,714
Amortization during the period (see Notes 25)	**11,632,564**	20,213,004
Balance at end of period	**113,275,455**	112,383,718
	41,250,282	39,457,145

18. Trade Payables and Other Current Liabilities

This account consists of:

	June 30, 2011	December 31, 2010
Trade (see Note 22)	**457,860,422**	335,931,196
Payable to government agencies	**829,880,881**	853,989,103
Accrued expenses:		
Sick and vacation leaves	**204,318,689**	187,859,299
Production costs	**209,182,875**	197,203,867
Payroll and talent fees	**130,239,731**	125,505,014
Commission	**31,229,091**	28,688,244
Other general and administrative expenses	**139,784,253**	69,068,856
Others	**37,868,066**	21,035,593
	2,040,364,008	1,819,281,172

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 and others are noninterest-bearing and are generally settled within the next financial year.

19. 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 statements of financial position as of June 30, 2011 and December 31, 2010 represent the face amounts of the obligations which are expected to be settled within the next 12 months.

20. Material Events

A. Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

As of June 30, 2011, there are no known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

B. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

The 2011 Capital Expenditure budget of the parent company amounts to P718 million. This will be financed from internally-generated funds.

C. 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.

D. Any 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 June 30, 2011, there are no events which may trigger a direct or contingent financial obligation that is material to the Company.

E. Any significant elements of income or loss that did not arise from the issuer's continuing operations.

As of June 30, 2011, there are no significant elements of income or loss that did not arise from the issuer's continuing operations.

F. Any 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.

G. Any material events that were unusual because of their nature, size or incidents affecting assets, liabilities, equity, net income, or cash flows.

There are no material events that were unusual because of their nature, size or incidents affecting assets, liabilities, equity, net income, or cash flows.

H. Any material events subsequent to the end of the interim period that that have not been reflected in the financial statements for the interim period.

There are no material events, subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

21. Equity

Capital Stock

There were no movements in capital stock as of June 30, 2011 and December 31, 2010 with composition as follows:

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

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.

Employee Stock Ownership Plan (ESOP)
The ESOP was fully subscribed in 2007. Subscriptions receivable of P11.16 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 P7.49 million in 2009.

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 P7.82 million.

In 2007, the Parent Company reacquired 2,645,000 common shares at acquisition cost of P20.66 million and likewise acquired 750,000 PDRs at acquisition cost of P5.79 million.

Retained Earnings

On March 11, 2011, the BOD approved the Parent Company's declaration and distribution of a special cash dividend of P0.45 per share totaling P2,187.09 million to all stockholders of record as of April 8, 2011.

The retained earnings account is restricted for the payment of dividends to the extent of P34.27 million as of December 31, 2010 and 2009, representing the cost of shares held in treasury amounting to P28.48 million in 2010 and 2009 and underlying shares of the acquired PDRs amounting to P5.79 million in 2010 and 2009.

On October 28, 2010, the BOD approved the Parent Company's declaration and distribution of P0.25 per share special cash dividends totaling P1,215.05 million to all stockholders of record as of November 17, 2010.

On March 25, 2010, the BOD approved the Parent Company's declaration and distribution of P0.45 per share cash dividends totaling P2,187.09 million to all stockholders of record as of April 14, 2010.

On April 2, 2009, the BOD approved the Parent Company's declaration and distribution of P0.35 per share cash dividends totaling P1,701.07 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 P0.25 per share cash dividends totaling to P1,214.16 million to all stockholders of record as of June 11, 2008.

22. Related Party Disclosures

Terms and Conditions of Transactions with Related Parties

Transactions with related parties are made at normal market prices. For the years ended June 30, 2011 and December 31, 2010, the Group did not make any provision for doubtful accounts relating to amounts owed by related parties. An assessment is undertaken at each financial year-end by examining the financial position of the related party and the market in which the related party operates.

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

Transactions with related parties are as follows:

			Advances to		
			Associates and	Trade	Trade
		Transactions	Joint Ventures	Receivables	Payables
Related Party	Year	During the Year	(see Note 13)	(see Note 9)	(see Note 18)
INQ7 and GMA	**2011**	**-**	**2,610,287**	**-**	**(1,260,807)**
Foundation	2010	11,567,888	2,610,287	959,376	(49,500)
RGMA	**2011**	**78,798,840**	**-**	**60,328,175**	**(15,863,385)**
	2010	91,650,021	59,402,328	42,875,559	-
Mont-Aire	**2011**	-	84,475,370	-	-
	2010	-	84,475,370	-	-
Image One	**2011**	-	-	-	(1,023,381)
	2010	-	-	-	(987,028)
Belo, Gozon etc.	**2011**	**3,688,800**	**-**	**-**	**-**
and Others	2010	2,399,850	-	-	-
	2011	**82,487,640**	**87,085,657**	**60,328,175**	**(18,147,574)**
	2010	105,617,759	146,487,985	43,834,935	(1,036,528)

GMA Foundation

Some of the trustees of GMA Foundation are also the stockholders of the Parent Company.

RGMA

Cash advances made by the Parent Company to RGMA were intended for future capital subscription. Cash advances amounting to P59.28 million were collected by the Parent Company in 2010.

Mont-Aire

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

Image One

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.

BGE Law

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

FLG, San Mateo, 3LM Koblenz, Majent

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

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

	June 30, 2011	June 30, 2010
Salaries and short-term benefits	**123,169,258**	120,352,387
Pension benefits	**18,773,888**	18,681,124
	141,943,145	139,033,511

23. **Revenues**

This account consists of:

	June 30, 2011	June 30, 2010
Television and radio airtime	**6,159,224,595**	7,001,935,669
Subscription income	**469,621,850**	462,322,421
Production and others	**96,706,722**	100,163,115
	6,725,553,168	7,564,421,205

24. **Production Costs**

This account consists of:

	June30, 2011	June 30, 2010
Talent fees and production personnel costs	**1,294,191,216**	1,098,746,480
Rental	**380,922,841**	360,029,931
Tapes sets and production supplies	**269,808,128**	321,502,114
Program rights usage	**151,942,637**	238,084,438
Depreciation (see Note 14)	**99,549,545**	107,080,689
Transportation and communication	**91,504,177**	91,635,402
Facilities and production services	**62,822,645**	127,376,496
	2,350,741,189	2,344,455,550

25. **General and Administrative Expenses**

This account consists of:

	June 30, 2011	June 30, 2010
Personnel costs (see Note 26)	**847,717,244**	796,741,560
Advertising	**214,968,273**	138,122,370
Depreciation (see Notes 14 and 16)	**151,288,490**	164,652,401
Taxes and licenses	**111,087,905**	97,827,786
Communication, light and water	**125,689,630**	117,439,549
Repairs and maintenance	**101,699,284**	92,525,582
Professional fees	**75,824,512**	73,132,146
Research and surveys	**55,366,106**	51,611,764
Sales incentives	**56,385,132**	72,411,313
Rental	**42,437,559**	39,104,969
Transportation and travel	**35,593,349**	32,172,849
Insurance	**11,113,700**	8,503,359
Amortization of software costs (see Note 17)	**11,632,563**	9,587,511
Materials and supplies	**9,616,305**	9,461,730
Entertainment, amusement and recreation	**6,034,891**	6,446,835
Dues and subscription	**3,965,442**	4,698,488
Others	**75,414,888**	74,014,615
	1,935,835,272	1,788,454,827

26. **Personnel Costs**

This account consists of:

	June 30, 2011	June 30, 2010
Salaries and wages	**549,360,326**	514,790,524
Employee benefits and allowances	**188,314,602**	195,755,193
Sick and vacation leaves expense	**50,980,535**	27,341,795
Net pension expense	**59,061,780**	58,854,048
	847,717,244	796,741,560

27. **Others**

This account consists of the following income (expenses):

	June 30, 2011	June 30, 2010
Gain on sale of property and equipment and investment property - net	**5,716,250**	7,717,863
Foreign current exhange gain (loss) - net	**(4,837,201)**	(6,480,721)
Meralco refund	**1,999,489**	-
Merchandising license fees and others	**1,506,416**	(221,156)
Rental	**1,736,369**	3,411,504
Income from mall shows	**1,275,826**	979,529
Commissions	**1,461,413**	620,094
Sales of DVDs and integrated receiver-decoders	**691,248**	2,066,324
Dividends	**212,223**	44,454
Income from unreturned video tapes	**34,925**	59,989
Discount on tax credit certificates	**-**	2,670,692
Others	**1,061,581**	577,668
	10,858,539	11,446,240

28. **EPS Computation**

The computation of basic EPS follows:

	June 30, 2011	June 30, 2010
Net income (a)	**1,054,802,409**	1,688,621,427
Less attributable to preferred shareholders	**325,521,616**	521,123,929
Net income attributable to common shareholders (b)	**729,280,793**	1,167,497,498
Common shares issued at the beginning of year	**3,364,692,000**	3,364,692,000
Treasury shares (see Note 21)	**(3,645,000)**	(3,645,000)
Underlying shares on acquired PDRs (see Note 21)	**(750,000)**	(750,000)
Weighted average number of common shares for basic EPS (c)	**3,360,297,000**	3,360,297,000
Basic EPS (b/c)	**0.217**	0.347

The computation of diluted EPS follows:

	June 30, 2011	June 30, 2010
Net income (a)	**1,054,802,409**	1,688,621,427
Weighted average number of common shares	**3,360,297,000**	3,360,297,000
Effect of dilution - assumed conversion of preferred shares	**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 lution (d)	**4,860,198,437**	4,860,198,437
Diluted EPS (a/d)	**0.217**	0.347

29. **Financial Risk Management Objectives and Policies**

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

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

Liquidity Risk. The Group is exposed to the possibility that adverse changes in the business environment and/or its operations would result 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 following tables summarize the maturity profile of the Group's financial assets used for liquidity risk management purposes and financial liabilities based on contractual undiscounted payments as of June 30, 2011 and December 31, 2010:

	June 30, 2011			
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Total**
Cash and cash equivalents	**844,059,845**	**300,263,536**	**-**	**1,144,323,381**
Trade receivables:				
Television and radio airtime	**2,148,679,154**	**879,904,021**	**988,806,417**	**4,017,389,591**
Subscription	**148,343,857**	**60,318,093**	**63,080,035**	**271,741,985**
Others	**224,334,559**	**28,026,039**	**34,447,230**	**286,807,828**
Nontrade receivables				
Advances to suppliers				
Advances to officers and employees	**8,247,815**	**734,845**		**8,982,661**
Others	**26,377,364**	**6,940,136**		**33,317,500**
	3,400,042,593	**1,276,186,670**	**1,086,333,682**	**5,762,562,945**
Trade payables and other current liabilities *	**313,700,512**	**628,916,670**	**267,865,944**	**1,210,483,126**
Obligation for program rights	**-**	**35,510,806**	**71,564,396**	**107,075,202**
Dividends payable	**6,041,927**	**-**	**-**	**6,041,927**
	319,742,439	**664,427,476**	**339,430,340**	**1,323,600,255**

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

	December 31, 2011			
	On Demand	Less than 3 Months	3 to 12 Months	Total
Cash and cash equivalents	708,365,390	523,986,450	-	1,232,351,840
Trade receivables:				
Television and radio airtime	1,659,287,010	3,046,277,536	58,018,080	4,763,582,626
Subscription	149,515,901	118,160,383	-	267,676,284
Others	144,923,704	29,716,962		174,640,666
Nontrade receivables				
Advances to officers and employees	8,167,850	1,457,562	-	9,625,412
Others	103,065,066	15,080,093	-	118,145,159
	2,773,324,921	3,734,678,986	58,018,080	6,566,021,987
Trade payables and other current liabilities	364,235,021	424,465,983	176,591,065	965,292,069
Obligation for program rights	-	56,536,850	19,057,278	75,594,128
Dividends payable	5,493,035	-	-	5,493,035
	369,728,056	481,002,833	195,648,343	1,046,379,232

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

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

The Group's foreign-currency-denominated monetary assets and liabilities amounted to US$8.52 million (P370.65 million) and US$1.86 million (P81.02 million), respectively, as of June 30, 2011, and US$14.18 million (P621.65 million) and US$2.01 million (P87.91 million), respectively, as of December 31, 2010.

In translating the foreign-currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were P43.49 to US$1.00 and P43.84 to US$1.00, the Philippine peso to U.S. dollar exchange rates as of June 30, 2011 and December 31, 2010, 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
June 30, 2011	**0.50**	**(₱4.07 million)**
	(0.50)	**4.07 million**
December 31, 2010	0.50	(6.09 million)
	(0.50)	6.09 million

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

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
June 30, 2011	**50**	**₱5.61 million**
	(50)	**(5.61 million)**
December 31, 2010	50	6.05 million
	(50)	(6.05 million)

Credit Risk. Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products and services are made to customers with appropriate credit history. The Group has an internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of the instruments. 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 counter party with tolerable delays (normally from 1 to 30 days) in settling its obligations to the Group. The delays may be due to cut-off differences. This includes customers outside the top 20 advertisers in terms of volume of sales, who consistently pay on maturity date and officers and employees.

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 periods ended June 30, 2011 and December 31, 2010.

The Group monitors its capital gearing by measuring the ratio of interest-bearing debt to total equity. Interest-bearing debt includes all short-term and long-term debt. The Group's total equity as of June 30, 2011 and December 31, 2010 amounted to P9,166.35 million and P10,298.63 million, respectively.

30. **Financial Assets and Liabilities**

The table below presents the carrying values and fair values of the Group's financial instruments, by category and by class, as of June 30, 2011 and December 31, 2010:

	June 30, 2011		December 31, 2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**1,144,323,381**	**1,144,323,381**	1,232,351,840	1,232,351,840
Trade receivables:				
Television and radio airtime	**4,017,389,592**	**4,017,389,592**	4,763,582,626	4,763,582,626
Subscription	**271,741,985**	**271,741,985**	267,676,284	267,676,284
Others	**286,807,828**	**286,807,828**	174,640,666	174,640,666
Nontrade receivables:				
Advances to officers and employees	**8,982,661**	**8,982,661**	9,625,412	9,625,412
Others	**33,317,500**	**33,317,500**	118,145,159	118,145,159
Guarantee and other deposits (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**17,917,397**	**17,347,887**	14,132,084	13,868,027
	5,780,480,344	**5,779,910,834**	6,580,154,071	6,579,890,014
AFS financial assets	**104,966,848**	**104,966,848**	104,966,848	104,966,848
	5,885,447,192	**5,884,877,682**	6,685,120,919	6,684,856,862
Financial Liabilities				
Other financial liabilities:				
Notes payable	**650,000,000**	**650,000,000**	-	-
Trade payables and other current liabilities *	**1,210,483,127**	**1,210,483,127**	965,292,069	965,292,069
Obligation for program rights	**107,075,202**	**107,075,202**	75,594,128	75,594,128
Dividends payable	**6,041,927**	**6,041,927**	5,493,035	5,493,035
	1,973,600,256	**1,973,600,256**	1,046,379,232	1,046,379,232

**Excluding payable to government agencies 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 and Trade and Nontrade Receivables
The carrying values of cash and cash equivalents 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 1.78% to 2.49%.

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, 2010 and 2009, 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 2010, 2009 and 2008 amounted to P159.87 million, P134.88 million and P100.16 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 11, 2011, 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. Causes for Material Changes in the Financial Statements

Statements of Financial Position (June 30, 2011 vs. December 31, 2010)

- Cash and cash equivalents decreased 7% to P1,144 million due to net cash used for financing and investing activities exceeding net cash generated from normal operating activities.
- Trade and other receivables decreased 10% to P4,997 million as collections for the first six months of the year outpaced net sales.
- Program rights climbed 11% to P621 million due to higher rate of acquisition vis-à-vis usage.
- Obligation for program rights likewise increased 42% to P107 million as total acquisitions on account exceeded payments.
- Income tax payable decreased 16% to P202 million, while retained earnings declined 37% to P1,931 million, owing to the reduction in net income.

33. **Other Notes to 2nd Quarter 2011 Operations and Financials**

The key performance indicators that the Company monitors are the following:

	June 30, 2011	June 30, 2010
Gross revenues	**6,725,553,168**	7,564,421,205
Gross airtime revenues	**6,159,224,595**	7,001,935,671
Cash operating expenses	**3,872,163,226**	3,613,505,337
EBITDA	**1,811,238,673**	2,783,298,262
Net income before tax	**1,408,218,081**	2,304,759,532
Net income after tax	**1,054,802,409**	1,688,621,427

	June 30, 2011	December 31, 2010
Current ratio	**2.56x**	3.70x
Debt-to -Equity ratio	**0.07x**	**-**
EBITDA margin	**27%**	37%
Net income margin	**16%**	22%

GMA NETWORK, INC. AND SUBSIDIARIES
SEGMENTED RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

EXHIBIT 1

Business Segment Data

The following table shows revenue and expense information and certain asset and liability information regarding business segments for each of the period ended June 30:

	Television and Radio Airtime		International Subscriptions		Other Businesses		Eliminations		Consolidated	
	6.30.2011	6.30.2010	**6.30.2011**	6.30.2010	**6.30.2011**	6.30.2010	**6.30.2011**	6.30.2010	**6.30.2011**	6.30.2010
REVENUES										
External sales	**6,159,224,595**	**7,001,935,669**	**469,621,850**	**462,322,421**	**96,706,722**	**100,163,115**			**6,725,553,167**	7,564,421,205
Inter-segment sales	**-**	-	**-**	-	**266,385,106**	(7,849,508,447)	**(266,385,106)**	7,849,508,447	**-**	-
	6,159,224,595	7,001,935,669	**469,621,850**	462,322,421	**363,091,828**	(7,749,345,332)	**(266,385,106)**	7,849,508,447	**6,725,553,167**	7,564,421,205
NET INCOME										
Segment results	**1,147,841,486**	1,971,605,641	**244,340,367**	265,766,803	**(8,809,427)**	9,513,706	**-**		**1,383,372,426**	2,246,886,150
Interest expense and other financing charges	**(968,423)**	(2,720,653)	**-**	-	**(5,092,355)**	(59,177)			**(6,060,778)**	(2,779,830)
Foreign exchange gain (loss)	**(3,906,114)**	(6,474,427)	**(802,500)**	2,049	**(128,587)**	(8,343)			**(4,837,201)**	(6,480,721)
Interest income	**16,936,587**	43,117,539	**-**	-	**516,835**	528,600			**17,453,422**	43,646,139
Equity in net earnings of associates and joint ventures	**-**	-	**-**	-	**2,594,472**	5,560,836			**2,594,472**	5,560,836
Other income (expenses)	**14,630,659**	17,348,333	**-**	-	**1,065,081**	578,626	**-**		**15,695,740**	17,926,959
Income tax	**(350,276,681)**	(606,852,775)	**-**	-	**(3,138,991)**	(9,285,330)			**(353,415,672)**	(616,138,105)
	824,257,514	1,416,023,658	**243,537,867**	265,768,852	**(12,992,972)**	6,828,918	**-**		**1,054,802,409**	1,688,621,428
ASSETS AND LIABILITIES										
Assets										
Segment assets	**11,714,038,577**	12,119,077,030	**588,168,018**	555,216,184	**712,782,438**	682,030,511	**(673,375,892)**	(443,688,656)	**12,341,613,141**	12,912,635,069
Investment in associates - at equity	**230,990,147**	598,586,636			**26,432,471**	32,656,351		(278,418,751)	**257,422,618**	352,824,236
Deferred tax assets	**-**	**-**			**48,718,861**	43,424,735			**48,718,861**	43,424,735
	11,945,028,724	12,717,663,666	**588,168,018**	555,216,184	**787,933,770**	758,111,597	**(673,375,892)**	(722,107,407)	**12,647,754,620**	13,308,884,040
Liabilities										
Segment liabilities	**3,220,289,933**	2,731,568,480	**5,676,095**	11,881,048	**836,238,040**	800,481,919	**(746,966,607)**	(785,505,881)	**3,315,237,461**	2,758,425,566
Deferred tax liabilities	**166,171,569**	168,806,513							**166,171,569**	168,806,513
	3,386,461,502	2,900,374,993	**5,676,095**	11,881,048	**836,238,040**	800,481,919	**(746,966,607)**	(795,826,209)	**3,481,409,030**	2,927,232,079

Geographical Segment Data

The following table shows revenue information regarding geographical segments for each of the period ended June 30:

	Local									
	Television and Radio Airtime		Other Businesses		International Subscriptions		Eliminations		Consolidated	
	6.30.2011	6.30.2010	**6.30.2011**	6.30.2010	**6.30.2011**	6.30.2010	**6.30.2011**	6.30.2010	**6.30.2011**	6.30.2010
REVENUES										
External sales	**6,159,224,595**	7,001,935,669	**96,706,722**	100,163,115	**469,621,850**	462,322,421			**6,725,553,167**	7,564,421,205
Inter-segment sales			**266,385,106**	(7,849,508,447)			**(266,385,106)**	7,849,508,447	**-**	-
	6,159,224,595	7,001,935,669	**363,091,828**	(7,749,345,332)	**469,621,850**	462,322,421	**(266,385,106)**	7,849,508,447	**6,725,553,167**	7,564,421,205

GMA NETWORK, INC. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
AS OF JUNE 30, 2011

EXHIBIT 2

	Neither Past Due	Past Due But Not Impaired			Allowance for	
	Nor Impaired	**Less than 30 Days**	**30 Days and Over**	**Impaired**	**Doubtful Accounts**	**Total**
Trade receivables						**-**
Television and radio airtime	2,148,679,154	515,973,189	1,342,679,891	224,779,042	(214,721,685)	**4,017,389,591**
Subscription	148,343,857	25,765,396	97,632,732	-		**271,741,985**
Others	224,334,559	3,514,088	58,959,181	2,547,299	(2,547,299)	**286,807,828**
Nontrade receivables	15,738,438	12,215,450	14,346,272			**42,300,160**
Total	**2,537,096,007**	**557,468,123**	**1,513,618,076**	**227,326,341**	**(217,268,984)**	**4,618,239,564**

GMA NETWORK, INC. AND SUBSIDIARIES
ROLLFORWARD OF PROPERTY AND EQUIPMENT
AS OF JUNE 30, 2011

EXHIBIT 3

	DECEMBER 31, 2010	ADDITIONS	DISPOSALS	RECLASSIFICATIONS	JUNE 30, 2011
At cost					
Buidings and leasehold improvements	2,460,432,706	30,063,869	-	(245,435)	2,490,251,140
Broadcast equipment	4,256,889,902	194,516,246	(845,536)	9,236,144	4,459,796,756
Communication & mechanical equipment	636,205,627	57,303,544	-	(662,253)	692,846,918
Transportation equipment	346,917,213	19,310,630	(11,853,427)	525,650	354,900,066
Furniture, fixtures and equipment	161,473,218	6,131,970	(1,507,489)	672,992	166,770,691
	7,861,918,666	307,326,259	(14,206,452)	9,527,098	8,164,565,571
Accumulated Depreciation					
Buidings and leasehold improvements	(966,924,378)	(60,841,424)	-	-	(1,027,765,802)
Broadcast equipment	(3,364,927,642)	(115,897,447)	275,007	-	(3,480,550,082)
Communication & mechanical equipment	(477,823,991)	(33,546,489)	-	-	(511,370,480)
Transportation equipment	(204,263,013)	(31,677,909)	10,198,500	-	(225,742,422)
Furniture, fixtures and equipment	(129,580,664)	(7,438,698)	1,507,489	-	(135,511,873)
	(5,143,519,688)	(249,401,967)	11,980,996	-	(5,380,940,659)
Equipment for installation	78,010,900	148,272,089	-	(24,678,635)	201,604,354
Construction In Progress	75,591,280	15,906,313	-	(3,279,258)	88,218,335
	153,602,180	164,178,402	-	(27,957,893)	289,822,689
Net book value	**2,872,001,158**	**222,102,694**	**(2,225,456)**	**(18,430,795)**	**3,073,447,601**

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on behalf by the undersigned thereunto duly authorized.

Issuer: **GMA NETWORK, INC.**

By:

FELIPE S. YALONG
TREASURER, SVP & CHIEF FINANCE OFFICER

RONALDO P. MASTRILI
VP –FINANCE

Date: August 15, 2011