COVER SHEET

5213
SEC Registration Number

GMA NETWORK, INC. AND SUBSIDIARIES
(Group's Full Name)

GMA Network Center, Timog Avenue corner EDSA, Quezon City
(Business Address: No. Street City/Town/Province)

Mr. Ronaldo P. Mastrili
(Contact Person)

982-7777
(Group Telephone Number)

0	3		3	1

Month *Day*
(Fiscal Year)

1	7	-	Q	

(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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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 **March 31, 2012**

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**

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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Management Discussion and Analysis of Financial Condition and Results of Operations for the Three Months Ended March 31, 2012 and 2011

Optimism about a financial rebound was boosted as GMA Network, Inc. picked up steam going into the last month of the quarter with March's top line exceeding gross revenues of the same month a year ago. However, as the tail-end of a weak global economy in 2H 2011 still impacted on the first two months of the Company's operations, first quarter results ended below last year's top line performance, albeit at a manageable level.

For the three month period this year, gross revenues wrapped up at P3.002 billion, moderately lower by 4% vs. a strong showing in Q1 2011. Mindful of this gap, the Company kept a lid on total operating expenses which grew by only 3% or a little over P50 million between comparable quarters despite continuous efforts to deliver superior programming.

Nevertheless, with the shortfall in the top line compounded by the rise in costs, EBITDA by the end of the first quarter settled at P760 million, equivalent to an 18% reduction from prior year's EBITDA of P926 million. Similarly, bottom line for the first three months wrapped up at P388 million, 27% down vs. the P534 million during the same period in 2011.

Income Data	**2012** *(in millions PhP)*	2011 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Gross Revenues				
Television and radio airtime	**2,706.9**	2,865.3	(158.4)	-6%
Production and others	**295.4**	273.2	22.2	8%
	3,002.2	3,138.4	(136.2)	-4%
Less: Revenue Deductions	**438.8**	451.4	(12.5)	-3%
Net Revenues	**2,563.4**	2,687.1	(123.7)	-5%
Production Costs	**1,131.3**	1,075.1	56.2	5%
Gross Profit	**1,432.1**	1,611.9	(179.9)	-11%
General and Administrative Expenses	**(914.6)**	(913.8)	(0.8)	0%
Interest Expense and Financing Charges	**(0.5)**	(0.4)	(0.1)	12%
Interest Income	**7.9**	9.3	(1.5)	-16%
Other Income	**5.1**	7.5	(2.4)	-32%
Income Before Income Tax	**529.9**	714.6	(184.7)	-26%
Provision for Income Tax	**141.7**	181.0	(39.3)	-22%
Net Income	**388.2**	533.6	(145.4)	-27%
Earnings Per Share				
Basic	**0.080**	0.110		
Diluted	**0.080**	0.110		

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, amounted to P3.002 billion, slightly lower by P136 million or 4% vs. the P3.138 billion top line generated a year ago.

Gross Revenues	**2012** *(in millions PhP)*	2011 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Television and radio airtime	**2,706.9**	2,865.3	(158.4)	-6%
Production and others	**295.4**	273.2	22.2	8%
	3,002.2	3,138.4	(136.2)	-4%

The road to recovery remained bumpy especially during the months of January and early February this year. Apart from traditionally being tagged as lean months, the protracted crises in the global markets still rippled and took its toll as revenues for the first two months ended lukewarm. Fortunately, gross revenues upped its tempo in March, thus mitigating the deficit posted earlier on. By the end of the first quarter, the revenue gap was reduced to only P136 million or 4% year-on-year.

Television and radio airtime sales reached P2.707 billion, down 6% vs. same period in 2011. Channel 7 continued to lead the pack with more than 90% share of total airtime revenues. Top line contribution from this platform bore the brunt of the revenue drop and ended lower by 6%. Radio sales finished on par with last year's while the 2^{nd} VHF channel which carried the number one free-to-air news channel GNTV recorded gains in its top line by 7% -- a feat after a year since it was launched end-February last year.

Revenues from other sources pitched in an additional P295 million, 8% higher than last year and providing the much needed contribution to the top line. Subscriptions income from GMA Pinoy and Life TV edged over last year by less than 1% on account of the appreciation of the peso against the US dollar by 2% in between quarters. Nonetheless GMA Pinoy TV's (GPTV) subscribers growth continued on the uptrend with over 302,000 subscribers on account as of end-Q1 2012, up 10% year-on-year. Of this number, 117,000 are also subscribers of GLTV.

On television, GMA maintains its nationwide household audience share margins over ABS-CBN that commenced at the opening of 2011. For the first three months this year, GMA remained at the lead in household audience share points in National Urban Television Audience Measurement (NUTAM), based on data provided by trusted ratings service provider Nielsen TV Audience Measurement. The trending of audience shares for the three competing channels in the country's key areas remains unaltered.

GMA still keeps commanding double-digit leads over ABS-CBN and TV5 in Total Urban Luzon and Mega Manila, respectively comprising 77 percent and 59 percent of total urban television households nationwide.

Expenses

Total operating expenses for the quarter was kept at bay, rising by a modest 3% or P57 million from P1.989 billion to P2.046 billion. The increase in talent fees and salaries and other employee benefits were the main drivers for the period's growth in OPEX.

Production Costs	**2012** *(in millions PhP)*	2011 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Talent fees	**686.3**	574.6	111.7	19%
Rentals and outside services	**109.5**	173.5	(64.0)	-37%
Other program expenses	**186.8**	186.6	0.2	0.1%
Sub-total - Cash Production Costs	**982.6**	934.6	48.0	5%
Program rights amortization	**90.6**	91.4	(0.8)	-1%
Depreciation and amortization	**58.2**	49.1	9.1	18%
Sub-total - Non-cash Production Costs	**148.7**	140.5	8.2	6%
Total production costs	**1,131.3**	1,075.1	56.2	5%

Production-related expenses reached P1.131 billion during the quarter climbing P56 million or 5% vs. same period last year. Cash production costs totaled P983 million, with talent fees comprising more than 60% of total prod cost and accounting for the growth in this account category. Contractual obligations were factors that contributed to the rise in talent fees apart from additional in-house produced programs particularly in GNTV during the quarter vice a mixture of canned programs in QTV last year.

Meanwhile, non-cash production costs also ended higher by 6% or P8 million basically from the increase in depreciation due to additional facilities aligned with the expansion projects of the Network. Program rights amortization this quarter was a tad lower than last year coming from the abovementioned shift from canned shows in QTV to mostly stationproduced shows in GNTV during the period. The reduction in program rights cost was partly offset by more expensive *koreanovelas* and *animes* shown in Ch-7 this year.

General and Administrative Expenses	**2012** *(in millions PhP)*	2011 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Personnel costs	**432.2**	372.5	59.7	16%
Outside services	**129.3**	168.8	(39.5)	-23%
Facilities costs	**111.0**	110.6	0.5	0.4%
Taxes and licenses	**48.9**	67.2	(18.3)	-27%
Others	**104.4**	115.1	(10.7)	-9%
Subtotal - Cash GAEX	**825.8**	834.1	(8.3)	-1%
Depreciation and amortization	**82.2**	74.2	8.0	11%
Amortization of software costs	**6.6**	5.4	1.2	22%
Subtotal - Non-cash GAEX	**88.8**	79.6	9.2	12%
Total GAEX	**914.6**	913.8	0.8	0.1%

Consolidated general and administrative expenses (GAEX) barely grew, ending at P915 million for the first quarter this year vs. P914 million a year ago. Employee salaries and benefits were up 16% or P60 million to P432 million as the Company's manpower base continued to increase – partly due to the reclassification of some off-cam talents to regular employees and partly due to organizational developments within. Likewise, the annual collective bargaining agreement (CBA) for rank and file employees and merit increase for confidential employees and rise in other personnel benefits intensified the growth in the account. For the Parent Company alone, some 261 new employees were taken in since Q1 of last year.

Fortunately, Outside services which included advertising and promotions, sales incentives and professional fees registered a reduction of P40 million or 23% during the quarter. In particular, advertising and promotions this year were trimmed down by 30% vs. last year when the Network bombarded the regions with an array of promotional activities that sealed its number one position in the nationwide ratings game. Sales incentives likewise dipped attuned to the reduction in the top line during the period.

Non-cash GAEX for the period was up 12% to P89 million coming from higher depreciation as the state-of-the-art Media Asset Management system became operational.

Interest income from short-term investments

Interest income from short-term investments dipped by 16% from P9.3 million in 1Q 2011 to P7.9 million this quarter. Short-term placements were lower during the quarter this year resulting from the tight cash position due to lukewarm sales of the previous months. Nevertheless, the Company continued to boast of being debt-free.

Net Income

The reduction in the top line compounded by slight upward movement in total operating costs drove the Company's bottom line to settle at P388 million for the first three months this year, down P27% or P145 million from 1Q 2011's P534 million.

Balance Sheet Accounts

Consolidated assets totaled P12.585 billion, increasing 3% or P396 million from December 31, 2011. Cash and short-term investments ended higher by P302 million as of Q1 2012 at P1.510 billion vs. P1.208 billion as of end-2011. Program rights likewise increased by P154 million due to additional acquisitions during the quarter.

Meanwhile, these increases were partly offset by the reduction in Trade and other receivables balance as of end-March 2012 by P120 million. Trade days-sales-outstanding (DSO) slightly improved to 119 days at the close of the quarter vs. 120 days as of year-end.

Equity settled at P10.219 billion as of quarter ended March this year, 4% higher than December 2011's P9.827 billion owing to the accumulation in retained earnings for the first three months this year.

Cash Flows

Cash Flows	**2012** *(in millions PhP)*	2011 *(in millions PhP)*
Net cash provided by operating activities	**471.0**	1,219.3
Net cash used in investing activities	**(168.2)**	(246.8)
Net cash used in financing activities	**(0.5)**	(1.9)
Effect of exchange rate changes on cash and cash equivalents	**(0.4)**	4.2
Net increase in cash and cash equivalents	**301.9**	974.8
Cash and cash equivalents at beginning of period	**1,208.0**	1,232.4
Cash and cash equivalents at end of period	**1,509.8**	2,207.2

Operating Activities

Net cash from operations registered at P471 million this year. This resulted from the income before income tax of P530 million adjusted by depreciation expense of P140 million, pension expense of P26 million and interest income from bank deposits and short-term investments of P8 million apart from the changes in working capital. The primary components of the changes in working capital include the P121 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 P245 million and P28 million, respectively.

Investing Activities

Net cash used in investing activities amounted to P168 million, arising mainly from the P183 million additions to property and equipment followed by P3 million worth of software costs. These were partly offset by the P9 million proceeds from sale of property and equipment and investment properties and P6 million decrease in other noncurrent assets.

Financing Activities

Net cash used in financing activities amounted to P0.5 million basically resulted from payments of interest and financing charges and cash dividends paid.

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GMA NETWORK, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2012	December 31, 2011
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 8, 29 and 30)	**1,509,828,278**	1,207,976,123
Trade and other receivables (Notes 9, 22, 29 and 30)	**4,070,644,692**	4,191,137,923
Program rights (Note 10)	**884,410,485**	729,998,151
Prepaid expenses and other current assets (Note 11)	**722,980,054**	695,040,559
Asset classified as held for sale (Note 13)	**25,000,000**	26,432,472
Total Current Assets	**7,212,863,509**	6,850,585,228
Noncurrent Assets		
Available-for-sale financial assets (Notes 12, 29 and 30)	**105,656,848**	105,796,848
Investments and advances (Notes 13 and 22)	**321,674,231**	320,500,720
Property and equipment at cost (Note 14)	**3,295,628,317**	3,252,582,543
Land at revalued amounts (Note 15)	**1,409,585,706**	1,409,585,706
Investment properties (Note 16)	**67,183,149**	68,029,711
Deferred tax assets - net	**48,423,886**	48,264,939
Other noncurrent assets (Note 17)	**124,598,145**	134,406,627
Total Noncurrent Assets	**5,372,750,282**	5,339,167,094
	12,585,613,791	12,189,752,322
LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables and other current liabilities (Notes 18, 22, 29 and 30)	**1,538,031,361**	1,755,563,632
Income tax payable	**177,608,129**	93,651,733
Obligation for program rights (Note 19)	**80,854,604**	39,843,815
Dividends payable	**4,877,615**	4,942,280
Total Current Liabilities	**1,801,371,709**	1,894,001,460
Noncurrent Liabilities		
Obligation for programs rights - net of current portion	**92,683,500**	-
Pension liability	**329,106,342**	312,970,846
Deferred tax liability - net	**146,902,760**	155,341,463
Total Noncurrent Liabilities	**568,692,602**	468,312,309
Total Liabilities	**2,370,064,311**	2,362,313,769
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	**2,624,187**	2,752,687
Retained earnings (Note 21)	**2,979,313,262**	2,591,073,835
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	**10,215,549,480**	9,827,438,553
	12,585,613,791	12,189,752,322

See accompanying Notes to Consolidated Financial Statements.

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

	For the Three Months and Quarter Ended March 31	
	2012	2011
NET REVENUES (Note 23)	**2,563,391,200**	2,687,077,790
PRODUCTION COSTS (Note 24)	**1,131,330,072**	1,075,131,663
GROSS PROFIT	**1,432,061,128**	1,611,946,127
GENERAL AND ADMINISTRATIVE EXPENSES (Note 25)	**914,603,731**	913,759,919
OTHER INCOME		
Interest income from bank deposits and short-term investments (Note 6)	**7,851,280**	9,310,594
Equity in net earnings of associates and joint ventures (Note 13)	**1,173,511**	1,565,725
Interest expense and financing charges	**(478,357)**	(426,348)
Others (Note 27)	**3,941,722**	5,970,666
	12,488,156	16,420,637
INCOME BEFORE INCOME TAX	**529,945,553**	714,606,845
PROVISION FOR INCOME TAX		
Current	**150,303,776**	186,243,180
Deferred	**(8,597,650)**	(5,248,666)
	141,706,126	180,994,514
NET INCOME	**388,239,427**	533,612,331
OTHER COMPREHENSIVE INCOME	**128,500**	-
TOTAL COMPREHENSIVE INCOME	**388,367,927**	533,612,331
Basic/Diluted Earnings Per Share (Note 28)	**0.080**	0.110

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	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
At January 1, 2012	**4,864,692,000**	**1,659,035,196**	**744,158,022**	**2,752,687**	**2,591,073,835**	**(28,483,171)**	**(5,790,016)**	**9,827,438,553**
Net income	**-**	**-**	**-**	**-**	**388,239,427**	**-**	**-**	**388,239,427**
Loss for the year recognized directly in equity	**-**	**-**	**-**	**(128,500)**	**-**	**-**	**-**	**(128,500)**
Total comprehensive income	**-**	**-**	**-**	**(128,500)**	**388,239,427**	**-**	**-**	**388,110,927**
At March 31, 2012	**4,864,692,000**	**1,659,035,196**	**744,158,022**	**2,624,187**	**2,979,313,262**	**(28,483,171)**	**(5,790,016)**	**10,215,549,480**
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	-	-	-	-	533,612,331	-	-	533,612,331
At March 31, 2011	4,864,692,000	1,659,035,196	744,158,022	1,995,687	3,596,637,091	(28,483,171)	(5,790,016)	10,832,244,809

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months and Quarter Ended March 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**529,945,553**	714,606,845
Adjustments for:		
Depreciation and amortization (Notes 14 and 16)	**140,365,466**	123,340,414
Pension expense	**25,567,116**	29,559,798
Amortization of software costs (Note 17)	**6,617,355**	5,409,557
Interest income from bank deposits and short-term investments (Note 8)	**(7,851,279)**	(9,310,594)
Other noncash expenses		6,907,943
Interest expense and financing charges on short-term loans	**478,357**	426,348
Gain on sale of property and equipment and investments properties (Note 27)	**(9,578,110)**	(3,218,802)
Equity in net earnings of associates and joint ventures (Note 13)	**(1,173,511)**	(1,565,725)
Unrealized foreign exchange loss (gain)	**551,149**	(4,119,919)
Dividend income (Note 27)	**(143,387)**	(104,500)
Operating income before working capital changes	**684,778,709**	861,931,365
Program rights usage (Note 10)	**90,556,100**	91,395,333
Decreases (increases) in:		
Trade and other receivables	**121,421,504**	607,803,871
Program rights	**(244,968,434)**	(132,959,692)
Prepaid expenses and other current assets	**(27,939,495)**	(66,997,241)
Increases (decreases) in:		
Trade and other payables	**(217,532,271)**	(123,409,726)
Obligations for program rights	**133,579,370**	39,787,345
Pension liability	**(9,431,620)**	(3,314,790)
Net cash generated from operations	**530,463,863**	1,274,236,465
Interest received	**6,923,006**	5,940,424
Income taxes paid	**(66,347,380)**	(60,833,827)
Net cash provided by operating activities	**471,039,489**	1,219,343,062
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 14)	**(182,915,503)**	(241,522,334)
Software costs (Note 17)	**(3,213,477)**	(10,435,347)
Proceeds from sale of property and equipment and investment properties	**9,928,935**	4,802,691
Decrease (increase) in other noncurrent assets		
Available-for-sale financial assets	**11,500**	-
Advances to associates and joint ventures	**1,432,472**	(40,592)
Other noncurrent assets	**6,404,604**	263,122
Cash dividends received	**143,387**	151,862
Net cash used in investing activities	**(168,208,082)**	(246,780,598)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of cash dividends (Note 21)	**(64,665)**	(1,516,024)
Interest and financing charges paid	**(478,357)**	(426,348)
Net cash used in financing activities	**(543,022)**	(1,942,372)
EFFECT OF EXCHANGE RATE CHANGES ON CASH ON HAND AND CASH EQUIVALENTS	**(436,230)**	4,221,209
NET INCREASE IN CASH AND CASH EQUIVALENTS	**301,852,155**	974,841,301
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,207,976,123**	1,232,351,840
CASH AND CASH EQUIVALENTS OF PERIOD	**1,509,828,278**	2,207,193,141

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 was registered with the Securities and Exchange Commission (SEC) on June 14, 1950.

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

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

2. Basis of Preparation

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

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

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

- PAS 24 (Amended), *Related Party Disclosures*, effective for annual periods beginning on or after January 1, 2011

- PAS 32 (Amendment), *Financial Instruments: Presentation - Classification of Rights Issues*, effective for annual periods beginning on or after February 1, 2010

- Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement (Amendment)*, effective for annual periods beginning on or after January 1, 2011

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

- Improvements to PFRSs (issued 2010)

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

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

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

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

- PFRS 7, *Financial Instruments - Disclosures*

- PAS 1, *Presentation of Financial Statements*

- PAS 27, *Consolidated and Separate Financial Statements*

- PAS 34, *Interim Financial Statements*

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

Standards Issued but not yet Effective

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

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

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

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

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

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

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

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

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

  a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  b. The amounts that are set-off in accordance with the criteria in PAS 32 when determining; the net amounts presented in the statement of financial position;
  c. The net amounts presented in the statement of financial position;
  d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:

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

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

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

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

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

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

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

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

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

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

<u>Basis of Consolidation</u>
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at March 31, 2012 and December 31, 2011.

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

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

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

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at March 31, 2012 and December 31, 2011, which are all incorporated in the Philippines:

	Principal Activities	Percentage of Ownership
Entertainment Business:		
Alta Productions Group, Inc. (Alta)	*Pre- and post-production services*	100
Citynet Network Marketing and Productions, Inc. (Citynet)	Television entertainment production	100
GMA Network Films, Inc.	Film production	100
GMA New Media, Inc. (GNMI)	Converging Technology	100
GMA Worldwide (Philippines), Inc.	International marketing, handling foreign program acquisitions and international syndication of the Parent Company's programs	100
RGMA Marketing and Productions, Inc. (GMA Records)	Music recording, publishing and video distribution	100
Scenarios, Inc. (Scenarios)	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation services	100
Script2010, Inc. (Script2010)*	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation and manpower services	100

	Principal Activities	Percentage of Ownership
Advertising Business:		
GMA Marketing & Productions, Inc. (GMPI)	Exclusive marketing and sales arm of GMA's airtime	100
*Digify, Inc. (Digify)***	Crafting, planning and handling advertising and other forms of promotion including multi-media productions	100
Others:		
MediaMerge Corporation**	Business development and operations for the Parent Company's online publishing/advertising initiatives	100
Ninja Graphics, Inc. (Ninja)***	Ceased commercial operations in 2001	51

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

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

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

3. Summary of Significant Accounting and Financial Reporting Policies

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

<u>Financial Assets</u>

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

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

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

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

As at March 31, 2012 and December 31, 2011, the Group does not have any financial asset at FVPL, HTM investments or derivatives designated as hedging instruments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Liabilities

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

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

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

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

As at March 31, 2012 and December 31, 2011, the Group does not have financial liabilities at FVPL.

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Prepaid Production Costs</u>
Prepaid production costs, included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position, represent costs incurred prior to the airing of the programs or episodes. These costs include talent fees of artists

and production staff and other costs directly attributable to production of programs. These are charged to expense upon airing of the related program or episodes. Costs related to previously taped episodes determined not to be aired are charged to expense.

Materials and Supplies Inventory

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

Tax Credits

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

As at March 31, 2012 and December 31, 2011, the Group does not have tax credits classified as noncurrent.

Asset Classified as Held for Sale

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

Investments and Advances

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

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

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

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

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

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

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

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

Investment Properties

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

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

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

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

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

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

Investment in Artworks

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

Software Costs

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

Impairment of Nonfinancial Assets

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

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

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

Equity

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

Treasury Stock and Underlying Shares of Acquired Philippine Deposit Receipts (PDRs)

The Parent Company’s own reacquired equity instruments are deducted from equity. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issuance or cancellation of the Group’s own equity instruments.

Dividends on Common Shares of the Parent Company

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

Revenues

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

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

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

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

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

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

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

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

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

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

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

Agency and Marketing Commissions and Co-producers' Share

These are deducted from gross revenues in profit or loss in the period the advertisements are aired.

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

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

Borrowing Costs

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

Expenses

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

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

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

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

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

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

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

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

Foreign Currency-denominated Transactions

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

Taxes

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

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

Deferred Income Tax. Deferred income tax is provided using the liability method on temporary differences at reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting period. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of excess minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and unused NOLCO can be utilized, except:

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

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

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

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

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

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

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

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

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

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

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

Earnings Per Share (EPS)

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

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

Segment Reporting

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

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

- X-Play is available for immediate sale and can be sold to a potential buyer in its current condition.
- GNMI's BOD had entered into preliminary negotiations with a potential buyer.
- IP E-Games Ventures, Inc. (IPE) and GNMI subsequently executed an Option Agreement whereby GNMI was granted an option to sell its shareholdings in X-Play to IPE, which can be exercised within a period of one (1) year from execution date on October 19, 2011.

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

Rent expense charged to operations amounted to ₱132.18 million and ₱193.95 million as of March 31, 2012 and 2011, respectively (see Notes 24 and 25).

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

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial

statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimating Allowance for Doubtful Accounts. Provisions are made for specific and groups of billed and unbilled accounts where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances that affect the collectibility of the accounts. The review is accomplished using a combination of specific and collective assessment. The factors considered in specific and collective impairment assessments include, but not limited to, the length of the Group's relationship with customers, customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in allowance for doubtful accounts would increase the recorded general and administrative expenses and decrease current assets.
Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱4,070.64 million and ₱4,191.14 million as at March 31, 2012 and December 31, 2011, respectively (see Note 9).

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

Program and other rights, net of accumulated impairment loss, amounted to ₱884.41 million and ₱730.00 million as at March 31, 2012 and December 31, 2011, 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 ₱105.67 million and ₱105.80 million as at March 31, 2012 and December 31, 2011, respectively (see Note 12). There were no impairment losses recognized on AFS financial assets in 2012 and 2011.

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 ₱112.22 million and ₱108.96 million as at March 31, 2012 and December 31, 2011, respectively (see Note 11). There were no provisions for inventory losses in 2012 and 2011.

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

There has been no change in the Group's estimate of useful lives of its property and equipment, software costs and investment properties in 2012 and 2011.

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

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

The revalued amount of land amounted to ₱1,409.59 million as at March 31, 2012 and December 31, 2011, respectively (see Note 15).

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

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

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

The balance of nonfinancial assets as at March 31, 2012 and December 31, 2011 follows (see Notes 9, 11, 12, 14 and 15):

	March 31, 2012	December 31, 2011
Property and equipment	**3,295,628,317**	3,252,582,543
Investments and advances	**321,674,231**	320,500,720
Prepaid production costs	**210,585,003**	219,404,918
Tax credits	**108,280,875**	118,368,267
Investment properties	**67,183,148**	68,029,711
Software costs	**45,017,645**	48,421,523
	4,048,369,219	4,027,307,682

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

Deferred tax assets amounted to ₱48.42 million and ₱48.26 million as at March 31, 2012 and December 31, 2011, respectively.

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

Pension liability amounted to ₱329.11 million and ₱312.97 million as at March 31, 2012 and December 31, 2011, respectively.

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

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

5. 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**

2011 figures were restated to conform to the current period's presentation.

7. **Segment Information**

Business Segments

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

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

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

Geographical Segments

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

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

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

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

Inter-segment Transactions

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

Please refer to Exhibit 1.

8. **Cash and Cash Equivalents**

This account consists of:

	March 31, 2012	December 31, 2011
Cash on hand and in banks	**723,413,637**	739,028,819
Short-term placements	**786,414,641**	468,947,304
	1,509,828,278	1,207,976,123

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 ₱7.85 million and ₱9.31 million as of March 31, 2012 and 2011, respectively.

9. Trade and Other Receivables

This account consists of:

	March 31, 2012	December 31, 2011
Trade:		
Television and radio airtime	**3,545,867,220**	3,631,453,604
Subscription receivable	**326,284,894**	311,859,621
Related party	**54,960,168**	60,622,219
Others	**123,155,740**	155,203,912
Nontrade:		
Advances to suppliers	**209,900,447**	199,978,803
Advances to officers and employees	**20,928,980**	34,738,409
Others	**26,869,439**	35,218,973
	4,307,966,888	4,429,075,541
Less allowance for doubtful accounts	**237,322,196**	237,937,618
	4,070,644,692	4,191,137,923

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 amounting to ₱113.12 million and ₱128.13 million as of March 31, 2012 and December 31, 2011, respectively, since a right of offset exists between the advance payments and the regular trade receivables with credit terms.

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

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

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

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

Nontrade Receivables

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

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

Allowance for Doubtful Accounts

As of March 31, 2012 and December 31, 2011, television and radio airtime and other receivables amounting to ₱213.39 million are impaired.

The allowance for doubtful accounts for television and radio airtime and other receivables as of March 31, 2012 and December 31, 2011 are results of specific and collective impairment assessments performed by the Group as follows:

	March 31, 2012	December 31, 2011
Individually impaired	**225,452,094**	226,067,516
Collectively impaired	**11,870,102**	11,870,102
	237,322,196	237,937,618

As of March 31, 2012 and December 31, 2011. the aging analysis of receivables that were not impaired follows:

	March 31, 2012					
	Trade					
	Television and Radio Airtime	**Subscriptions**	**Related party**	**Others**	**Nontrade ***	**Total**
Neither past due nor impaired	**1,741,478,319**	**179,794,767**	**54,960,168**	**22,639,643**	**31,640,929**	**2,030,513,826**
Past due but not impaired:						**-**
< 30 days	**302,988,602**	**83,549,077**	**-**	**17,235,977**	**3,690,595**	**407,464,251**
31-60 days	**293,175,063**	**14,269,644**	**-**	**2,658,969**	**2,633,259**	**312,736,935**
61-90 days	**136,116,735**	**16,727,737**	**-**	**19,642,761**	**1,689,888**	**174,177,121**
91-180 days	**152,563,361**	**18,703,111**	**-**	**7,707,485**	**1,721,039**	**180,694,996**
181-365 days	**499,319,689**	**11,170,375**	**-**	**6,869,815**	**3,999,901**	**521,359,780**
Over one year	**185,584,966**	**2,070,184**	**-**	**43,719,378**	**2,422,808**	**233,797,336**
	3,311,226,735	**326,284,895**	**54,960,168**	**120,474,028**	**47,798,419**	**3,860,744,245**

** Excluding advances to suppliers amounting to P209.90 million as of March 31, 2012.*

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

** Excluding advances to suppliers amounting to P199.98 million as of December 31, 2011.*

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 ₱119.45 million and ₱107.87 million as of March 31, 2012 and December 31, 2011, 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 and Other Rights**

The movements in program rights are as follows:

	March 31, 2012			
	Program Rights	**Story Format Rights**	**Film Rights**	**Total**
Cost:				
Balance at beginning of period	**619,052,522**	**71,491,936**	**42,155,953**	**732,700,411**
Additions	**239,968,435**	**-**	**4,999,999**	**244,968,434**
Program usage (see Note 24)	**(78,637,640)**	**(9,414,824)**	**(2,503,636)**	**(90,556,100)**
Balance at end of period	**780,383,317**	**62,077,112**	**44,652,316**	**887,112,745**
Accumulated impairment in value -				
Balance at beginning and end of period	**2,702,260**	**-**	**-**	**2,702,260**
	777,681,057	**62,077,112**	**44,652,316**	**884,410,485**

	December 31, 2011			
	Program Rights	Story Format Rights	Film Rights	Total
Cost:				
Balance at beginning of period	452,015,771	89,563,129	19,195,953	560,774,853
Additions	440,091,709	21,354,264	28,000,000	489,445,973
Program usage	(273,054,958)	(39,425,457)	(5,040,000)	(317,520,415)
Balance at end of period	619,052,522	71,491,936	42,155,953	732,700,411
Accumulated impairment in value -				
Balance at beginning and end of period	2,702,260	-	-	2,702,260
	616,350,262	71,491,936	42,155,953	729,998,151

No impairment loss on program rights was recognized in March 31, 2012 and 2011.

11. **Prepaid Expenses and Other Current Assets**

This account consists of:

	March 31, 2012	December 31, 2011
Prepaid production costs	**210,585,003**	219,404,918
Input VAT	**122,333,394**	104,090,498
Materials and supplies inventory at cost	**112,217,057**	108,959,185
Tax credits	**108,280,875**	118,368,267
Prepaid expenses	**107,705,539**	85,194,126
Creditable withholding taxes	**61,635,386**	58,800,765
Others	**222,800**	222,800
	722,980,054	695,040,559

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 March 31, 2012 and December 31, 2011, this account consists of:

Investment in shares of stock:	
Quoted	83,257,256
Unquoted	22,539,592
	105,796,848

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:

	March 31, 2012	December 31, 2011
Investments in associates and interests in joint ventures accounted for in equity method	**234,588,574**	233,415,063
Advances in associates and joint ventures (see Note 22)	**87,085,657**	87,085,657
	321,674,231	320,500,720

The movements in the said amounts are as follows:

	March 31, 2012	December 31, 2011
Investments in associates and joint ventures		
accounted for under the equity method		
Acquisition cost :		
Balance at beginning of period	**277,722,056**	327,722,056
Interest in joint venture classified as held for sale	**-**	(50,000,000)
	277,722,056	277,722,056
Accumulated equity in net losses:		
Balance at beginning of period	**(44,306,993)**	(72,893,910)
Accumulated equity in net losses associated with the asset held for sale		23,567,528
Equity in net earnings during the period	**1,173,511**	5,019,389
Balance at end of period	**(43,133,482)**	(44,306,993)
	234,588,574	283,415,063
Advances to associates and joint ventures -		
Balance at beginning and end of period	**87,085,657**	87,085,657
Total investments and advances	**321,674,231**	370,500,720

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

	Principal Activities	Percentage of Ownership **2012**	2011
Associates:			
RGMA Network, Inc. (RGMA)	Radio Broadcasting	**49.0**	49.0
Mont-Aire Realty and Development Corporation (Mont-Aire)	Real Estate	**49.0**	49.0
Joint Ventures:			
INQ7 Interactive, Inc. (INQ7)	Internet Publishing	**50.0**	50.0
Philippine Entertainment Portal, Inc. (PEP)	Internet Publishing	**50.0**	50.0

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

	March 31, 2012		
	Investments	**Advances** (see Note 22)	**Total**
Associates:			
RGMA	**196,237,955**	**-**	**196,237,955**
Mont-Aire	**38,350,619**	**84,475,370**	**122,825,989**
Joint venture - INQ7	**-**	**2,610,287**	**2,610,287**
	234,588,574	**87,085,657**	**321,674,231**

	December 31, 2011		
	Investments	Advances (see Note 22)	Total
Associates:			
RGMA	195,064,444	-	195,064,444
Mont-Aire	38,350,619	84,475,370	122,825,989
Joint venture - INQ7	-	2,610,287	2,610,287
	233,415,063	87,085,657	320,500,720

X-Play

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

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

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

PEP

As at March 31, 2012 and December 31, 2011, accumulated equity in net losses of PEP exceeded the Group's interest in joint venture, thus, the carrying value of interest in joint venture with PEP has been reduced to zero.

INQ7

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

Establishment of a New Joint Venture

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

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

14. Property and Equipment at Cost

Please refer to Exhibit 2 for the rollforward analysis of property and equipment at cost.

Depreciation and amortization on property and equipment charged to operations amounted to ₱140.37 million and ₱123.34 million as of March 31, 2012 and 2011, respectively.

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

15. Land at Revalued Amounts

This account consists of the following:

	March 31, 2012	December 31, 2011
Cost :		
Balance at beginning of the period	**346,502,817**	340,039,576
Reclassification during the period	**-**	6,463,241
Balance at end of the period	**346,502,817**	346,502,817
Revaluation increment -		
Balance at beginning and end of period	**1,063,082,889**	1,063,082,889
	1,409,585,706	1,409,585,706

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 March 31, 2012 and December 31, 2011, the Group's management believes that there were no conditions present in 2012 and 2011 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:

	March 31, 2012		
	Land and Improvements	Buildings and Improvements	Total
Cost -			
Balance at beginning and end of period	**33,399,381**	**73,565,501**	**106,964,882**
Accumulated depreciation:			
Balance at beginning of period	**-**	**37,465,998**	**37,465,998**
Depreciation during the period	**-**	**846,562**	**846,562**
Balance at end of period	**-**	**38,312,560**	**38,312,560**
Accumulated impairment in value -			
Balance at beginning and end of period	**-**	**2,045,173**	**2,045,173**
	33,399,381	**33,207,768**	**66,607,149**

	December 31, 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
Additions	576,000	2,239,163	2,815,163
Balance at end of period	33,975,381	73,565,501	107,540,882
Accumulated depreciation:			
Balance at beginning of period	-	34,346,621	34,346,621
Depreciation during the period	-	3,119,377	3,119,377
Balance at end of period	-	37,465,998	37,465,998
Accumulated impairment in value:			
Balance at beginning of period	-	7,035,392	7,035,392
Reversal during the period	-	(4,990,219)	(4,990,219)
Balance at end of period	-	2,045,173	2,045,173
	33,975,381	34,054,330	68,029,711

The fair values of investment properties were determined by independent appraisers based on appraisal reports made in 2005, which amounted to ₱124.45 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 March 31, 2012 and December 31, 2011, the Group's management believes that there were no conditions present in 2012 and 2011 that would significantly reduce the fair value of the investment properties from that determined in 2005.

17. Other Noncurrent Assets

This account consists of:

	March 31, 2012	December 31, 2011
Software costs	**45,017,645**	48,421,523
Guarantee and other deposits (see Notes 29 and 30)	**32,274,629**	37,012,648
Deferred input VAT	**32,466,284**	30,986,364
Investments in artworks	**10,406,255**	10,406,255
Others	**4,433,332**	7,579,837
	124,598,145	134,406,627

The movements in software costs follow:

	March 31, 2012	December 31, 2011
Cost:		
Balance at beginning of period	**186,516,860**	151,840,863
Additions	**3,237,138**	34,675,997
Reclassification	**(23,661)**	-
Balance at end of period	**189,730,337**	186,516,860
Accumulated amortization:		
Balance at beginning of period	**138,095,337**	112,383,718
Amortization during the period (see Notes 25)	**6,859,056**	25,711,619
Reclassification	**(241,701)**	-
Balance at end of period	**144,712,692**	138,095,337
	45,017,645	48,421,523

18. Trade Payables and Other Current Liabilities

This account consists of:

	March 31, 2012	December 31, 2011
Trade:		
Supplier	**392,343,767**	301,091,337
Related partties (see Note 22)	**16,352,655**	19,331,690
Payable to government agencies	**675,822,239**	756,299,280
Accrued expenses:		
Sick and vacation leaves	**231,609,192**	222,224,516
Production costs	**78,834,901**	171,700,931
Payroll and talent fees	**73,252,412**	132,262,774
Commission and others	**27,170,849**	37,067,964
Other general and administrative expenses	**19,951,258**	91,456,382
Others	**22,694,088**	24,128,758
	1,538,031,361	1,755,563,632

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 and Other 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 March 31, 2012 and December 31, 2011 represent the face amounts of the obligations which are expected to be settled within the next 12 months. Otherwise, this are presented under noncurrent liabilities.

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 March 31, 2012, 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 2012 Capital Expenditure budget of the parent company amounts to ₱679 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 March 31, 2012, 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 March 31, 2012, 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 have not been reflected in the financial statements for the interim period.

There were 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 March 31, 2012 and December 31, 2011 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.

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

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

Retained Earnings

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

On March 11, 2011, the BOD approved the Parent Company's declaration and distribution of ₱0.45 per share cash dividends totaling ₱2,187.09 million to all stockholders of record as of April 8, 2011.

The retained earnings account is restricted for the payment of dividends to the extent of ₱34.27 million as of December 31, 2010 and 2009, representing the cost of shares held in treasury amounting to ₱28.48 million in 2010 and 2009 and underlying shares of the acquired PDRs amounting to ₱5.79 million in 2010 and 2009.

On October 28, 2010, the BOD approved the Parent Company's declaration and distribution of ₱0.25 per share special cash dividends totaling ₱1,215.05 million to all stockholders of record as of November 17, 2010.

On March 5, 2010, the BOD approved the Parent Company's declaration and distribution of ₱0.45 per share cash dividends totaling ₱2,187.09 million to all stockholders of record as of April 14, 2010.

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 March 31, 2012 and December 31, 2011, 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:

Related Party	Year	Transactions During the Year	Advances to Associates and Joint Ventures (see Note 13)	Trade Receivables (see Note 9)	Trade Payables (see Note 18)
INQ7 and GMA	**2011**	**39,370**		**1,134,462**	**-**
Foundation	2010	-	2,610,287	-	(1,155,545)
RGMA	**2011**	**51,655,327**		**54,960,168**	**(16,352,655)**
	2010	36,072,456	-	60,787,762	(4,634,586)
Mont-Aire	**2011**	**-**	**84,475,370**	**-**	**-**
	2010	-	84,475,370	-	-
Image One	**2011**	**-**	**-**	**-**	**(1,023,381)**
	2010	-	-	-	(1,023,381)
Belo, Gozon etc.	**2011**	**2,172,800**	**-**	**-**	**-**
and Others	2010	2,160,000	-	-	-
	2011	**53,867,497**	**84,475,370**	**56,094,630**	**(17,376,036)**
	2010	38,232,456	87,085,657	60,787,762	(6,813,512)

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

Others

These include FLG Management and Development Corporation, 3LM Koblenz Management Corporation and Majent Management and Development Corporation which are owned and partly owned by some officers of the Parent Company and GMPI. GMPI has 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:

	March 31, 2012	March 31, 2011
Salaries and short-term benefits	**49,782,834**	47,412,223
Pension benefits	**32,053,413**	26,899,259
	81,836,247	74,311,481

23. **Net Revenues**

This account consists of:

	March 31, 2012	March 31, 2011
Television and radio airtime	**2,706,863,835**	2,865,282,482
Subscription income	**230,917,014**	230,386,728
Production and others	**64,434,560**	42,764,213
	3,002,215,409	3,138,433,423
Agency commissions	**(426,905,314)**	(446,703,616)
Co-producers' shares	**(11,918,895)**	(4,652,017)
	(438,824,209)	(451,355,633)
	2,563,391,200	2,687,077,790

24. **Production Costs**

This account consists of:

	March 31, 2012	March 31, 2011
Talent fees and production personnel costs	**686,336,476**	574,589,789
Rental	**109,469,405**	173,478,035
Tapes sets and production supplies	**99,379,578**	125,102,548
Program rights usage	**90,556,100**	91,395,333
Transportation and communication	**37,160,796**	32,124,606
Depreciation (see Note 14)	**58,163,419**	49,104,651
Facilities and production services	**50,264,298**	29,336,701
	1,131,330,072	1,075,131,663

25. **General and Administrative Expenses**

This account consists of:

	March 31, 2012	March 31, 2011
Personnel costs (see Note 26)	**432,164,267**	372,453,201
Advertising	**79,444,158**	112,549,243
Depreciation (see Notes 14 and 16)	**82,202,047**	74,235,763
Taxes and licenses	**48,946,234**	67,235,148
Communication, light and water	**70,277,805**	58,749,701
Repairs and maintenance	**40,738,225**	51,810,425
Professional fees	**35,725,070**	34,953,917
Research and surveys	**24,928,070**	26,690,659
Sales incentives	**14,126,871**	21,274,582
Rental	**22,656,441**	20,469,309
Transportation and travel	**10,694,236**	15,834,564
Amortization of software costs (see Note 17)	**6,617,355**	5,409,557
Insurance	**4,523,551**	5,575,114
Materials and supplies	**4,267,675**	3,958,951
Entertainment, amusement and recreation	**3,307,235**	3,312,810
Dues and subscription	**2,255,124**	2,081,876
Others	**31,729,367**	37,165,099
	914,603,731	913,759,919

26. **Personnel Costs**

This account consists of:

	March 31, 2012	March 31, 2011
Salaries and wages	**302,673,181**	262,960,588
Employee benefits and allowances	**53,838,612**	41,160,345
Sick and vacation leaves expense	**50,085,358**	38,772,470
Net pension expense	**25,567,116**	29,559,798
	432,164,267	372,453,201

27. **Others**

This account consists of the following income (expenses):

	March 31, 2012	March 31, 2011
Gain on sale of property and equipment and investment property - net	**9,578,110**	3,218,802
Foreign exchange gain (loss) - net	**(9,313,278)**	(1,888,532)
Rental	**1,379,359**	863,704
Income from mall shows	**831,984**	-
Commissions	**752,226**	524,899
Sales of DVDs and integrated receiver-decoders	**362,582**	503,188
Merchandising license fees and others	**(225,166)**	1,226,000
Dividends	**143,387**	104,500
Income from unreturned video tapes	**(6,112)**	34,925
Reversal of impairment losses	**-**	691,213
Others	**438,630**	691,967
	3,941,722	5,970,666

28. **EPS Computation**

The computation of basic EPS follows:

	March 31, 2012	March 31, 2011
Net income (a)	**388,239,427**	533,612,331
Less attributable to preferred shareholders	**119,814,218**	164,677,618
Net income attributable to common shareholders (b)	**268,425,209**	368,934,713
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)	**0.080**	0.110

The computation of diluted EPS follows:

	March 31, 2012	March 31, 2011
Net income (a)	**388,239,427**	533,612,331
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 dilution (d)	**4,860,198,437**	4,860,198,437
Diluted EPS (a/d)	**0.080**	0.110

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 March 31, 2012 and December 31, 2011:

	March 31, 2012			
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Total**
Cash and cash equivalents	**723,413,637**	**786,414,641**	**-**	**1,509,828,278**
Trade receivables:				
Television and radio airtime	**1,208,225,236**	**2,229,767,408**	**107,874,576**	**3,545,867,220**
Subscription	**48,671,406**	**277,613,488**	**-**	**326,284,894**
Related party	**54,960,168**	**-**	**-**	**54,960,168**
Others	**80,621,151**	**42,534,589**	**-**	**123,155,740**
Nontrade receivables				
Advances to officers and employees	**135,016**	**20,793,964**	**-**	**20,928,980**
Others	**9,698,620**	**17,170,819**	**-**	**26,869,439**
	2,125,725,234	**3,374,294,909**	**107,874,576**	**5,607,894,719**
Trade payables and other current liabilities *	**366,130,388**	**199,209,420**	**296,869,314**	**862,209,122**
Obligation for program rights	**-**	**12,456,082**	**68,398,522**	**80,854,604**
Dividends payable	**4,877,615**	**-**	**-**	**4,877,615**
	371,008,003	**211,665,502**	**365,267,836**	**947,941,341**

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

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

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$12.60 million (₱540.67 million) and US$0.76 million (₱32.52 million), respectively, as of March 31, 2012, and US$13.05 million (₱ 572.15 million) and US$0.57 million (₱25.20 million), respectively, as of December 31, 2011.

In translating the foreign-currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱42.92 to US$1.00 and ₱43.84 to US$1.00, the Philippine peso to U.S. dollar exchange rates as of March 31, 2012 and December 31, 2011, 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
2012	**0.50**	**(₱5.92 million)**
	(0.50)	**5.92 million**
2011	0.50	(6.24 million)
	(0.50)	6.24 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
2012	**50**	**₱7.63 million**
	(50)	**(7.63 million)**

	Increase (Decrease) in Basis Points	Effect on Income before Income Tax
2011	50	₱4.55 million
	(50)	(4.55 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 counterparty with tolerable delays (normally from 1 to 30 days) in settling its obligations to the Group. The delays may be due to cut-off differences. This includes customers outside the top 20 advertisers in terms of volume of sales, who consistently pay on maturity date and officers and employees.

As of March 31, 2012 and December 31, 2011, the credit quality of the Group's financial assets is as follows:

	March 31, 2012				
	Neither Past Due Nor Impaired		**Past Due but**		
	High Grade	**Standard Grade**	**not Impaired**	**Impaired**	**Total**
Cash and cash equivalents *	**1,526,751,631**	**-**	**-**	**-**	**1,526,751,631**
Trade receivables					**-**
Television and radio airtime	**107,874,576**	**1,633,603,743**	**1,569,748,416**	**234,640,484**	**3,545,867,219**
Subscription	**179,794,767**	**-**	**146,490,128**	**-**	**326,284,895**
Related party	**54,960,168**	**-**	**-**	**-**	**54,960,168**
Others	**-**	**97,366,106**	**92,359,293**	**2,547,300**	**192,272,698**
Nontrade receivables					
Advances to officers and employees	**-**	**19,881,690**	**1,047,290**	**-**	**20,928,980**
Others	**-**	**11,759,239**	**15,110,200**	**-**	**26,869,439**
Guarantee and other deposits	**14,187,645**	**-**	**-**	**-**	**14,187,645**
	1,883,568,787	**1,762,610,778**	**1,824,755,327**	**237,187,783**	**5,708,122,675**

** Excluding cash on hand amounting toP16.92 million as of March 31, 2012.*

	December 31, 2011				
	Neither Past Due Nor Impaired		Past Due but		
	High Grade	Standard Grade	not Impaired	Impaired	Total
Cash and cash equivalents *	1,193,084,345	-	-	-	1,193,084,345
Trade receivables:					-
Television and radio airtime	107,874,576	1,202,591,926	2,086,346,618	234,640,484	3,631,453,604
Subscription	140,911,528	-	170,948,093	-	311,859,621
Related party	60,622,219	-	-	-	60,622,219
Others	-	65,521,276	86,385,502	3,297,134	155,203,912
Nontrade receivables:					-
Advances to officers and employees	-	34,470,831	264,578	-	34,735,409
Others	-	3,076,903	32,142,070	-	35,218,973
Guarantee and other deposits	18,925,664	-	-	-	18,925,664
	1,521,418,332	1,305,660,936	2,376,086,861	237,937,618	5,441,103,747

** Excluding cash on hand amounting toP14.89 million as of December 31, 2011.*

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 March 31, 2012 and December 31, 2011.

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 March 31, 2012 and December 31, 2011 amounted to ₱10,215.55 million and ₱9,827.44 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 March 31, 2012 and December 31, 2011:

	March 31, 2012		December 31, 2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**1,509,828,278**	**1,509,828,278**	1,207,976,123	1,207,976,123
Trade receivables:				
Television and radio airtime	**3,311,226,736**	**3,311,226,736**	3,396,813,120	3,396,813,120
Subscription	**326,284,894**	**326,284,894**	311,859,621	311,859,621
Related party	**54,960,168**	**54,960,168**	60,622,219	60,622,219
Others	**120,474,028**	**120,474,028**	151,906,778	151,906,778
Nontrade receivables:				
Advances to officers and employees	**20,928,980**	**20,928,980**	34,738,409	34,738,409
Others	**26,869,439**	**26,869,439**	35,218,973	35,218,973
Guarantee and other deposits (included under "Other noncurrent assets account")	**14,187,645**	**13,714,999**	18,925,664	16,821,962
	5,384,760,168	**5,384,287,522**	5,218,060,907	5,215,957,205
AFS financial assets	**105,656,848**	**105,656,848**	105,796,848	105,796,848
	5,490,417,016	**5,489,944,370**	5,323,857,755	5,321,754,053
Financial Liabilities				
Other financial liabilities:				
Trade payables and other current liabilities *	**862,209,122**	**862,209,122**	999,264,352	999,264,352
Obligation for program rights	**80,854,604**	**80,854,604**	39,843,815	39,843,815
Dividends payable	**4,877,615**	**4,877,615**	4,942,280	4,942,280
	947,941,341	**947,941,341**	1,044,050,447	1,044,050,447

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

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

Cash and Cash Equivalents and Trade and Nontrade Receivables
The carrying values of cash and cash equivalents and trade and nontrade receivables 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 March 31, 2012 and December 31, 2011, 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. **Causes for Material Changes in the Financial Statements**

Statements of Financial Position (March 31, 2012 vs. December 31, 2011)

- Cash and cash equivalents decreased by 25% to ₱1,510 million in relation to subsequent decrease in receivables. Also, hike in cash accounts was due to net cash used in operating activities exceeds net cash used for financing and investing activities.
- Trade and other receivables decreased by 3% to ₱4,071 million as collections for the first quarter outpaced net sales.
- Program rights climbed by 21% to ₱884 million due to higher rate of acquisition vis-à-vis usage.
- Obligation for program rights likewise increased by 50% to ₱174 million as total acquisitions on account exceeded payments.
- Income tax payable increased by 90% to ₱178 million, while retained earnings also grew 16% to ₱3,006 million, directly attributed to net income earned during the period

32. **Other Notes to 1st Quarter 2012 and 2011 Operations and Financials**

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

	March 31, 2012	March 31, 2011
Gross revenues	**3,002,215,409**	3,138,433,423
Gross airtime revenues	**2,706,863,835**	2,865,282,482
Cash operating expenses	**1,808,394,882**	1,768,746,278
EBITDA	**760,111,551**	925,867,903
Net income before tax	**529,945,553**	714,606,845
Net income after tax	**388,239,427**	533,612,331

	March 31, 2012	March 31, 2011
Current ratio	**4.00**	3.85
Net Debt-to -Equity ratio	**-**	-
EBITDA margin	**25%**	30%
Net income margin	**13%**	17%

GMA NETWORK, INC. AND SUBSIDIARIES
SEGMENTED RESULTS
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011 **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 March 31:

	Television and Radio Airtime		International Subscriptions		Other Businesses		Eliminations		Consolidated	
	03.31.2012	03.31.2011	**03.31.2012**	03.31.2011	**03.31.2012**	03.31.2011	**03.31.2012**	03.31.2011	**03.31.2012**	03.31.2011
NET REVENUES										
External sales	**2,211,134,702**	2,356,820,416	**229,911,094**	237,219,809	**122,345,404**	93,037,566			**2,563,391,200**	2,687,077,790
Inter-segment sales	**-**	-		-	**40,121,120**	71,903,148	**(40,121,120)**	(71,903,148)	**-**	-
	2,211,134,702	2,356,820,416	**229,911,094**	237,219,809	**162,466,524**	164,940,714	**(40,121,120)**	(71,903,148)	**2,563,391,200**	2,687,077,790
NET INCOME										
Segment results	**401,839,155**	562,252,615	**132,412,803**	129,721,911	**(16,794,561)**	6,211,682			**517,457,397**	698,186,208
Interest expense and other financing charges	**(447,008)**	(402,888)	**-**	-	**(31,349)**	(23,460)			**(478,357)**	(426,348)
Foreign exchange gain (loss)	**(7,944,701)**	(2,260,124)	**(1,228,420)**	161,576	**(140,157)**	210,016			**(9,313,278)**	(1,888,532)
Interest income	**7,653,734**	9,093,466	**-**	-	**197,546**	217,128			**7,851,280**	9,310,594
Equity in net earnings of associates and joint ventures	**-**	-	**-**	-	**1,173,511**	1,565,725			**1,173,511**	1,565,725
Other income (expenses)	**12,997,835**	7,163,729	**-**	-	**257,165**	695,469	**-**		**13,255,000**	7,859,198
Income tax	**(126,519,095)**	(175,537,301)	**(13,231,787)**	-	**(1,955,244)**	(5,457,213)			**(141,706,126)**	(180,994,514)
	287,579,920	400,309,497	**117,952,596**	129,883,487	**(17,293,089)**	3,419,347	**-**	-	**388,239,427**	533,612,331
ASSETS AND LIABILITIES										
Assets										
Segment assets	**11,772,142,935**	12,705,365,973	**530,100,111**	465,802,307	**839,728,505**	727,026,258	**(839,370,220)**	(733,181,360)	**12,302,601,331**	13,165,013,178
Investment in associates - at equity	**234,588,574**	229,961,400	**-**	-	**-**	26,432,471			**234,588,574**	256,393,871
Deferred tax assets	**-**	-	**-**	-	**48,423,886**	46,574,399			**48,423,886**	46,574,399
	12,006,731,509	12,935,327,373	**530,100,111**	465,802,307	**888,152,391**	800,033,128	**(839,370,220)**	(733,181,360)	**12,585,613,791**	13,467,981,448
						14,201,162,808				
Liabilities										
Segment liabilities	**2,180,820,274**	2,432,169,590	**31,181,813**	3,488,422	**923,944,984**	830,837,665	**(912,785,520)**	(805,684,662)	**2,223,161,551**	2,460,811,015
Deferred tax liabilities	**146,902,760**	174,925,624	**-**	-	**-**	-	**-**	-	**146,902,760**	174,925,624
	2,327,723,034	2,607,095,214	**31,181,813**	3,488,422	**923,944,984**	830,837,665	**(912,785,520)**	(805,684,662)	**2,370,064,311**	2,635,736,639

Geographical Segment Data

The following table shows revenue information regarding geographical segments for each of the period ended March 31:

	Local									
	Television and Radio Airtime		Other Businesses		International Subscriptions		Eliminations		Consolidated	
	03.31.2012	03.31.2011	**03.31.2012**	03.31.2011	**03.31.2012**	03.31.2011	**03.31.2012**	03.31.2011	**03.31.2012**	03.31.2011
NET REVENUES										
External sales	**2,211,134,702**	2,356,820,416	**122,345,404**	93,037,566	**229,911,094**	237,219,809	**-**	-	**2,563,391,200**	2,687,077,790
Inter-segment sales	**-**	-	**40,121,120**	71,903,148	**-**	-	**(40,121,120)**	(71,903,148)	**-**	-
	2,211,134,702	2,356,820,416	**162,466,524**	164,940,714	**229,911,094**	237,219,809	**(40,121,120)**	(71,903,148)	**2,563,391,200**	2,687,077,790

GMA NETWORK, INC. AND SUBSIDIARIES
ROLLFORWARD OF PROPERTY AND EQUIPMENT
AS OF MARCH 31, 2012 **EXHIBIT 2**

	DECEMBER 31, 2011	ADDITIONS	DISPOSALS	RECLASSIFICATIONS	MARCH 31, 2012
At cost					
Buidings and leasehold improvements	2,531,391,147	22,028,547	-	10,454,518	2,563,874,212
Broadcast equipment	4,825,470,655	70,702,356	(64,333)	4,095,656	4,900,204,334
Communication & mechanical equipment	736,897,150	12,322,709	(589,796)	(1,347,979)	747,282,084
Transportation equipment	386,814,921	39,186,027	(30,268,556)	691,839	396,424,231
Furniture, fixtures and equipment	168,604,612	4,635,246	(10,737)	551,203	173,780,324
	8,649,178,485	148,874,885	(30,933,422)	14,445,237	8,781,565,185
Accumulated Depreciation					
Buidings and leasehold improvements	(1,080,986,851)	(28,529,414)	-	-	(1,109,516,265)
Broadcast equipment	(3,587,194,730)	(74,963,184)	61,117	-	(3,662,096,797)
Communication & mechanical equipment	(545,883,400)	(17,822,285)	589,796	-	(563,115,889)
Transportation equipment	(226,130,145)	(15,822,773)	29,930,846	-	(212,022,072)
Furniture, fixtures and equipment	(140,068,769)	(2,381,248)	838	-	(142,449,179)
	(5,580,263,895)	(139,518,904)	30,582,597	-	(5,689,200,202)
Equipment for installation	108,041,193	33,418,563	-	(14,445,237)	127,014,519
Construction In Progress	75,626,760	622,055	-	-	76,248,815
	183,667,953	34,040,618	-	(14,445,237)	203,263,334
Net book value	**3,252,582,543**	**43,396,599**	**(350,825)**	**-**	**3,295,628,317**

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, EVP & CHIEF FINANCE OFFICER

RONALDO P. MASTRILI
VP –FINANCE

Date: May 15, 2012