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 6 3 0
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 **June 30, 2015**

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's Discussion and Analysis of Financial Condition and Results of Operations for the Six Months Ended June 30, 2015 and 2014

GMA Network and its subsidiaries (GMA/the Company) is poised to clear all hurdles in meeting financial targets as it capped first semester of 2015 with consolidated revenues of P6,653 million, pulling ahead by a solid P888 million or 15% compared to a year ago. The growth was propelled by the close to a billion hike in airtime sales which was partly offset by lower contribution from other revenue streams.

Income Data	**6M-2015** *(in millions PhP)*	6M-2014 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Revenues				
Television and radio airtime	**6,069.3**	5,142.3	927.0	18%
Production and others	**584.1**	623.2	(39.1)	-6%
	6,653.4	5,765.5	887.9	15%
Total operating expenses	**5,050.8**	4,907.4	143.4	3%
EBITDA	**2,410.0**	1,565.9	844.1	54%
Net income	**1,098.6**	582.5	516.1	89%
Attributable to Equity Holders of Parent Company	***1,089.0***	*579.6*	*509.4*	*88%*
Noncontrolling Interest	***9.6***	*2.8*	*6.8*	*238%*

While consolidated revenues climbed by a double-digit growth of 15%, total operating expenses for the first semester was kept at bay with an increase of only 3% year-on-year. Combined cash and non-cash operating expenses registered at P5,051 million, reflecting an uptick of P143 million or 3%, much slower than the improvement in the top line. Total production cost edged last year by 4% while general and administrative expenses (GAEX) ended about the same as last year, inching up by only 1% y-o-y.

Driven by the impressive top line performance this semester and coupled with managed growth in costs, earnings before interest, taxes, depreciation and amortization (EBITDA) for the first six months sealed at P2,410 million, surpassing last year's P1,566 million by a huge P844 million or 54%.

Similarly, net income after tax by the end of six months sealed at P1,099 million, more than half a billion (P516 million and 89%) better than last year's performance. In fact, bottom line for the first half of this year was already ahead by P89 million vs. full year audited net income of Y2014 amounting to P1,010 million.

Revenues

Consolidated revenues comprised of airtime sales from television and radio, subscription revenues from international operations, and revenues from subsidiaries and other sources, registered at P6,653 million for the first half of 2015, equivalent to a net increase of 15% or P888 million compared with sales in 1H 2014. Mixed results were seen between major topline components as airtime sales considerably picked up steam while revenues from other sources slightly contracted year-on-year settling at P584 million, moderately short by P39 million or 6% vs. year ago.

Revenues	**6M-2015** *(in millions PhP)*	6M-2014 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Television and radio airtime	**6,069.3**	5,142.3	927.0	18%
Production and others	**584.1**	623.2	(39.1)	-6%
	6,653.4	5,765.5	887.9	15%

Airtime revenues was the driver for the first six months of this year with combined sales tipping at P6,069 million and overtaking last year by P927 million or 18%. Channel 7 being the flagship channel led the pack contributing more than three fourths of total revenues and accounting for 90% of the sales growth similarly increasing by 18% in between periods. The continued dominance of the channel in the viewer-rich rich areas of Urban Luzon and Mega Manila enabled the platform to entice come-backing major clients. Also, placements from political advocacies started to trickle in, further adding to this semester's stellar performance.

GMA Network continued to dominate the ratings in its stronghold areas of Urban Luzon and Mega Manila in the second quarter, according to data from the industry's widely-trusted ratings service provider Nielsen TV Audience Measurement. Urban Luzon and Mega Manila, represent 77 and 59 percent, respectively, of all urban TV households in the country.

During the covered period, GMA led competition in Urban Luzon with a 37.3 percent total day household audience share, ahead of ABS-CBN's 31.5 percent and TV5's 8.2 percent. GMA posted an even bigger lead in Mega Manila with 39.3 percent; besting ABS-CBN's 27.8 percent and TV5's 8.5 percent.

More viewers also tuned in to GMA as President Benigno "Noynoy" Aquino III delivered his sixth and last State of the Nation Address (SONA) on July 27, proving that GMA News is the preferred news source during events of national significance. In National Urban Television Audience Measurement (NUTAM) overnight ratings, GMA News' SONA 2015 posted an average people share of 37.1 percent; winning over ABS-CBN's coverage, which registered 36.2 percent.

Meanwhile, GMA led in an independent study measuring digital TV (DTV) presence in the country in April. Conducted by local smartphone and tablet manufacturer Starmobile, the study revealed that GMA 1SEG and GMA News TV were present in 10 out of the 14 test locations in Metro Manila, ahead of ABS-CBN, ABS-CBN Sports, TV5, and AKSYON TV, etc. The result of the study confirms the company's readiness for the eventual shift to DTV.

The rest of the airtime-generating units likewise proved their mettle with sales in 1H 2015 outpacing last year's performance. Leading free-to-air news channel, GMA News TV (GNTV-11) pegged first semester revenues with a 26% climb compared with year ago's figures. Radio, which continued to enjoy high ratings was likewise upbeat in terms of topline earnings bagging a 21% improvement form 1H 2014. Meanwhile, Regional TV despite the reorganization and restructuring that took place still ended the first half neck-to-neck with prior year's performance, boosted by the early influx of political advocacies this year.

As airtime sales enjoyed a comfortable advantage, revenues from International operations and other businesses lagged behind first semester 2014 performance by 6%, ending at P584 million. International operations, in particular GMA Pinoy/Life TV, was beset with lower revenues mainly from subscription income which finished off down by 8% following a rate adjustment from a major carrier. Nevertheless, subscriber count managed to sustain growth, by 4% for GPTV with 282,612 subscribers and by 9% for GLTV with 96,531 subscribers. Forex in between periods remained flat on the average at PhP44.5 to a US dollar. The effect of this reduction in subscriber income was partly cushioned by the hike in advertising revenues from international operations by 13%. Film distribution on the other hand contributed a slight growth of 6% in between periods. From subsidiaries operations, combined revenue hike of P12.3 million was seen for the full six month period this year – with Media Merge, Digify, New Media and GMA Films (spill-over from 2014 MMFF co-production entry *Kubot, The Aswang Chronicles*) providing incremental growth.

Expenses

Total operating expenses for the first six months of 2015 reached P5,051 million moderately higher than last year by 3% or P143 million -- at a pace much slower than the recorded climb in revenues. Total direct costs (cash and non-cash production costs) sealed the semester higher by 4% or P117 million while general and administrative expenses (GAEX) ended about the same level as 1H 2014 with only a P27 million or a 1% increase.

Production Costs	**6M-2015** *(in millions PhP)*	6M-2014 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Talent fees	**1,333.7**	1,284.1	49.6	4%
Rentals and outside services	**351.4**	361.0	(9.6)	-3%
Other program expenses	**519.0**	489.6	29.4	6%
Sub-total - Cash Production Costs	**2,204.0**	2,134.6	69.4	3%
Program rights amortization	**375.1**	315.8	59.3	19%
Depreciation and amortization	**138.2**	150.2	(12.0)	-8%
Sub-total - Non-cash Production Costs	**513.3**	466.0	47.3	10%
Total production costs	**2,717.3**	2,600.6	116.7	4%

Production cost which comprised 54% of total operating costs amounted to P2,717 million for the first six months this year, up only by 4% or P117 million from a year ago. The climb resulted mainly from the shift in programming mix during most part of January last year, which featured canned movies replacing two (2) daily *Telebabad* slots and one (1) *Afternoon Prime* soap. Furthermore, this year's wedding specials on *Dingdong & Marian* and *Chiz & Heart* further added to 1H 2015's hike in production spending. Furthermore, despite reverting back to production of dramas in the aforementioned slots, amortization of program rights nevertheless soared by 19% or an additional P59 million due to airing of higher costing movies and top-rating *Koreanovela/Mexicanovela* series.

Meanwhile, general and administrative expenses (GAEX) grew to P2,333 million during the semester, inching up by P27 million or 1% from same period last year. Personnel cost rose to P1,185 million from P1,109 million or an increment of P76 million this period. Partly contributing to the escalation was the payout to separated employees of various Regional stations due to the redundancy program initiated by the Network. Likewise, the annual adjustments relating to the CBA and merit increase and consequent rise in sick leave payout also influenced the resulting hike in compensation expenses. These were considerably offset by the huge drop in advertising and promotions and research and survey fees.

General and Administrative Expenses	**6M-2015** *(in millions PhP)*	6M-2014 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Personnel costs	**1,185.1**	1,109.5	75.7	7%
Outside services	**252.1**	288.6	(36.5)	-13%
Facilities costs	**182.9**	231.0	(48.1)	-21%
Taxes and licenses	**80.7**	89.7	(9.0)	-10%
Others	**346.9**	345.9	0.9	0.3%
Subtotal - Cash GAEX	**2,047.7**	2,064.7	(17.0)	-1%
Depreciation and amortization	**266.8**	229.2	37.6	16%
Amortization of software costs	**18.9**	12.9	6.0	46%
Subtotal - Non-cash GAEX	**285.8**	242.1	43.6	18%
Total GAEX	**2,333.4**	2,306.8	26.6	1%

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the first semester this year escalated to P2,410 million posting a hefty growth of P844 million or 54% propelled by the boost in revenues and managed spending, particularly during the second quarter this year.

Net Income

Bottom line by the end of six months soared to P1,099 million, a huge P516 million or 89% ahead of last year's peg amounting to P583 million.

Balance Sheet Accounts

Total assets as at end-June this year stood at P15,249 million, reflecting a 9% increase from end-2014's P14,020 million. This came from the climb in Trade and other receivables of 27% to P5,910 million in 2015 aligned with the upswing in revenues, partly evened out by the decrease in Prepaid expense and other current assets of P100 million or 13% from P785 million last year to P685 million as of June 30, 2015.

Total liabilities partially edged December 31, 2014 balance by 23% or P1,345 million as at end of the first half this year to P7,133 million as a result of increase in trade payables and other current liabilities by P886 and income tax payable by P392 million resulting from the considerable growth in the bottom line of the Company. Total equity of P8,116 million finished off a tad lower by 1% or P117 million compared with end-December 2014 emanating from dividends declaration this 2015 netted by accumulated earnings during the semester.

Cash Flows	**6M-2015** *(in millions PhP)*	6M-2014 *(in millions PhP)*
Net cash provided by operating activities	**1,833.1**	845.4
Net cash used in investing activities	**(329.3)**	(288.2)
Net cash used in financing activities	**(1,361.1)**	(239.3)
Effect of exchange rate changes on cash and cash equivalents	**10.8**	(25.6)
Net increase in cash and cash equivalents	**153.6**	292.2
Cash and cash equivalents at beginning of period	**1,598.8**	1,749.6
Cash and cash equivalents at end of period	**1,752.4**	2,041.9

Operating Activities

Net cash from operations registered at P1,833 million this year. This resulted from the P1,591 million income before income tax adjusted mainly by depreciation expense of P405 million, interest expense and financing charges of P23 million, amortization of software costs of P19 million and interest income of P3 million apart from the changes in working capital. The primary components of the changes in working capital included the P1,270 million climb in trade & other receivables partly offset by the P885 million growth in trade payables and other current liabilities.

Investing Activities

Net cash used in investing activities amounted to P329 million, coming primarily from the P236 million additions to property and equipment supplemented by the P93 million hike in other noncurrent assets.

Financing Activities

Net cash used in financing activities amounted to P1,361 million as a result of cash dividends payment during the period.

Key Financial Performance Indicators

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

Key Performance Indicators	**6M-2015** *(in millions PhP)*	6M-2014 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Revenues	**6,653.4**	5,765.5	887.9	15%
Airtime revenues	**6,069.3**	5,142.3	927.0	18%
Cash operating expenses	**4,251.7**	4,199.3	52.4	1%
EBITDA	**2,410.0**	1,565.9	844.1	54%
Net income	**1,098.6**	582.5	516.2	89%

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GMA NETWORK, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2015 Unaudited	December 31, 2014 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 8, 31 and 32)	**1,752,391,568**	1,598,825,520
Short-term investments (Notes 8, 31 and 32)	**-**	-
Trade and other receivables (Notes 9, 22, 31 and 32)	**5,909,505,879**	4,638,376,602
Program and other rights (Note 10)	**1,192,514,313**	1,198,270,709
Prepaid expenses and other current assets (Note 11)	**685,303,722**	785,435,141
	9,539,715,482	8,220,907,972
Asset held-for-sale (Note 17)	**26,432,472**	26,432,472
Total Current Assets	**9,566,147,954**	8,247,340,444
Noncurrent Assets		
Available-for-sale financial assets (Notes 12, 31 and 32)	**129,024,081**	129,024,081
Investments and advances (Notes 13 and 22)	**147,937,544**	147,937,544
Property and equipment:		
At cost (Note 14)	**3,205,215,002**	3,373,810,427
At revalued amounts (Note 15)	**1,799,712,858**	1,799,712,858
Investment properties (Note 16)	**56,593,469**	58,811,306
Deferred tax assets - net	**151,161,083**	147,400,799
Other noncurrent assets (Note 17)	**192,910,215**	116,368,389
Total Noncurrent Assets	**5,682,554,252**	5,773,065,404
	15,248,702,206	14,020,405,848
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Note 18)	**2,106,827,500**	2,222,960,000
Trade payables and other current liabilities (Notes 19, 23, 31 and 32)	**2,816,751,568**	1,931,183,185
Income tax payable	**453,466,105**	61,653,785
Current portion of obligation for program and other rights (Notes 20, 31 and 32)	**268,818,437**	116,533,114
Dividends payable (Notes 31 and 32)	**11,410,190**	9,698,035
Total Current Liabilities	**5,657,273,800**	4,342,028,119
Noncurrent Liabilities		
Pension liability	**1,197,559,314**	1,161,280,052
Other long-term employee benefits (Note 31)	**263,054,717**	259,012,979
Deferred tax liabilities - net	**14,762,572**	19,696,301
Noncurrent portion of obligation for programs and other rights (Notes 20, 31 and 32)	**-**	5,193,223
Total Noncurrent Liabilities	**1,475,376,603**	1,445,182,555
Total Liabilities	**7,132,650,403**	5,787,210,674

(Forward)

	June 30, 2015 Unaudited	December 31, 2014 Audited
Equity		
Capital stock (Note 22)	**4,864,692,000**	4,864,692,000
Additional paid-in capital (Note 22)	**1,659,035,196**	1,659,035,196
Revaluation increment in land - net of tax (Note 15)	**1,017,247,029**	1,017,247,029
Remeasurement loss on retirement plans	**(314,205,692)**	(313,328,670)
Unrealized gain on available-for-sale financial assets - net of tax	**5,019,775**	5,019,775
Retained earnings (Note 22)	**866,208,207**	992,079,088
Treasury stock (Notes 22 and 30)	**(28,483,171)**	(28,483,171)
Underlying shares of the acquired Philippine Deposit Receipts (Notes 22 and 30)	**(5,790,016)**	(5,790,016)
Total Equity Attributable to Parent Company	**8,063,723,328**	8,190,471,231
Equity Attributable to Non-controlling Interest	**52,328,475**	42,723,943
Total Equity	**8,116,051,803**	8,233,195,174
	15,248,702,206	14,020,405,848

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

	For the Quarters Ended June 30		For the Six Months Ended June 30	
	2015	2014	**2015**	2014
NET REVENUES (Note 24)	**3,647,498,381**	2,914,578,442	**6,653,418,499**	5,765,524,950
PRODUCTION COSTS (Note 25)	**1,390,792,561**	1,341,987,242	**2,717,334,389**	2,600,607,158
GROSS PROFIT	**2,256,705,820**	1,572,591,200	**3,936,084,110**	3,164,917,792
GENERAL AND ADMINISTRATIVE EXPENSES (Note 26)	**1,228,388,159**	1,202,441,093	**2,333,430,449**	2,306,785,469
OTHER INCOME (EXPENSE)				
Interest income (Note 8)	**1,901,343**	4,750,868	**3,277,063**	8,281,650
Net foreign currency exchange loss	**(25,848,293)**	(6,673,418)	**(9,375,544)**	(22,343,854)
Interest expense and financing charges	**(12,547,941)**	(10,516,812)	**(22,847,479)**	(16,638,741)
Others (Note 28)	**9,241,026**	12,676,104	**17,689,359**	22,031,254
	(27,253,865)	236,742	**(11,256,601)**	(8,669,691)
INCOME BEFORE INCOME TAX	**1,001,063,796**	370,386,849	**1,591,397,060**	849,462,632
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	**320,500,049**	127,860,715	**501,502,812**	286,674,500
Deferred	**(10,110,651)**	(13,451,748)	**(8,694,013)**	(19,664,222)
	310,389,398	114,408,967	**492,808,799**	267,010,278
NET INCOME	**690,674,398**	255,977,882	**1,098,588,261**	582,452,354
OTHER COMPREHENSIVE INCOME (LOSS) - net of tax				
Item to be reclassified to profit or loss in subsequent periods -				
Unrealized loss on available-for-sale financial assets	**-**	-	-	(5,000)
Item not to be reclassified to profit or loss in subsequent periods -				
Remeasurement gain (loss) on retirement plan	**(317,061)**	-	(877,022)	194,819
	(317,061)	-	(877,022)	189,819
TOTAL COMPREHENSIVE INCOME	**690,357,337**	255,977,882	1,097,711,239	582,642,173
Net income attributable to:				
Equity holders of Parent Company	**686,793,539**	254,470,499	**1,088,983,729**	579,613,187
Non-controlling interest	**3,880,859**	1,507,383	**9,604,532**	2,839,167
	690,674,398	255,977,882	**1,098,588,261**	582,452,354
Other comprehensive income (loss) attributable to:				
Equity Holders of Parent Company	**(317,061)**	-	**(877,022)**	189,819
Minority Interest	**-**	-	**-**	-
	(317,061)	-	**(877,022)**	189,819
Basic/Diluted Earnings Per Share (Note 30)	**0.141**	0.052	**0.224**	0.119

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of Parent Company										
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Revaluation Increment in Land - Net of Tax	Remeasurement Gain (Loss) on Retirement Plans - Net of Tax	Unrealized Gain on Available-for-sale Financial Assets - Net of Tax	Retained Earnings (Note 22)	Treasury Stock (Notes 22 and 30)	Underlying Shares of the Acquired Philippine Deposit Receipts (Notes 22 and 30)	Total Equity Attributable to Parent Company	Non-controlling Interest	Total Equity
At January 1, 2015	**4,864,692,000**	**1,659,035,196**	**1,017,247,029**	**(313,328,670)**	**5,019,775**	**992,079,088**	**(28,483,171)**	**(5,790,016)**	**8,190,471,231**	**42,723,943**	**8,233,195,174**
Net income	**-**	**-**	**-**	**-**	**-**	**1,088,983,729**	**-**	**-**	**1,088,983,729**	**9,604,532**	**1,098,588,261**
Other comprehensive loss	**-**	**-**	**-**	**(877,022)**	**-**	**-**	**-**	**-**	**(877,022)**	**-**	**(877,022)**
Total comprehensive income	**-**	**-**	**-**	**(877,022)**	**-**	**1,088,983,729**	**-**	**-**	**1,088,106,707**	**9,604,532**	**1,097,711,239**
Cash dividends	**-**	**-**	**-**	**-**	**-**	**(1,214,854,610)**	**-**	**-**	**(1,214,854,610)**	**-**	**(1,214,854,610)**
At June 30, 2015	**4,864,692,000**	**1,659,035,196**	**1,017,247,029**	**(314,205,692)**	**5,019,775**	**866,208,207**	**(28,483,171)**	**(5,790,016)**	**8,063,723,328**	**52,328,475**	**8,116,051,803**
At January 1, 2014	4,864,692,000	1,659,035,196	1,021,158,064	(24,953,087)	3,083,187	1,299,681,650	(28,483,171)	(5,790,016)	8,788,423,823	36,649,358	8,825,073,181
Net income	-	-	-	-	-	579,613,187	-	-	579,613,187	2,839,167	582,452,354
Other comprehensive income	-	-	-	194,819	(5,000)	-	-	-	189,819	-	189,819
Total comprehensive income	-	-	-	194,819	(5,000)	579,613,187	-	-	579,803,006	2,839,167	582,642,173
Cash dividends	-					(1,312,253,578)			(1,312,253,578)	-	(1,312,253,578)
At June 30, 2014	4,864,692,000	1,659,035,196	1,021,158,064	(24,758,268)	3,078,187	567,041,259	(28,483,171)	(5,790,016)	8,055,973,251	39,488,525	8,095,461,776

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**1,591,397,060**	849,462,632
Adjustments for:		
Depreciation and amortization (Notes 14 and 16)	**405,025,871**	379,370,301
Interest expense and financing charges	**22,847,479**	16,638,741
Amortization of software costs (Note 17)	**18,948,946**	12,948,110
Interest income (Note 8)	**(3,277,063)**	(8,281,650)
Unrealized foreign exchange loss (gain)	**(1,744,868)**	8,530,104
Gain on sale of property and equipment (Note 28)	**(452,606)**	(9,011,482)
Operating income before working capital changes	**2,032,744,819**	1,249,656,756
Program rights usage (Note 10)	**375,087,013**	315,785,412
Decreases (increases) in:		
Short-term investments	**-**	7,874,002
Trade and other receivables	**(1,270,740,963)**	458,145,968
Program rights	**(369,330,617)**	(392,002,652)
Prepaid expenses and other current assets	**100,131,419**	(159,592,821)
Increases (decreases) in:		
Trade and other payables	**885,440,032**	(247,101,503)
Obligations for program rights	**147,092,100**	(22,821,766)
Pension liability	**35,402,240**	65,773,287
Other long-term employee benefits	**4,041,738**	9,166,001
Net cash generated from operations	**1,939,867,781**	1,284,882,684
Interest received	**2,888,749**	7,488,833
Income taxes paid	**(109,690,492)**	(447,014,209)
Net cash provided by operating activities	**1,833,066,038**	845,357,308
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 14)	**(236,247,123)**	(297,698,295)
Software costs (Note 17)	**(2,023,178)**	(3,158,704)
Investment properties (Note 16)	**-**	(7,400,465)
Proceeds from sale of property and equipment	**2,487,120**	9,367,117
Decrease (increase):		
Other noncurrent assets	**(93,467,594)**	4,477,203
Available-for-sale financial assets	**-**	6,772,000
Investments and advances	-	(610,000)
Land	**-**	50,000
Net cash used in investing activities	**(329,250,775)**	(288,201,144)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availments of notes payable	**1,200,000,000**	1,893,750,000
Payments of:		
Short-term loans (Note 18)	**(1,325,197,500)**	(806,600,000)
Cash dividends (Note 22)	**(1,213,142,455)**	(1,310,574,549)
Interest and financing charges on short-term loans	**(22,719,128)**	(15,895,710)
Net cash used in financing activities	**(1,361,059,083)**	(239,320,259)
EFFECT OF EXCHANGE RATE CHANGES ON CASH ON HAND AND CASH EQUIVALENTS	**10,809,868**	(25,605,104)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**153,566,048**	292,230,801
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,598,825,520**	1,749,631,196
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,752,391,568**	2,041,861,997

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

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

2. Basis of Preparation

Basis of Preparation
The consolidated financial statements of the Parent Company and its subsidiaries have been prepared on a historical cost basis, except for available-for-sale (AFS) investments and land, 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. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The Group’s consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2015 and December 31, 2014. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Control is achieved when the Parent Company has power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee), is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; or
- The Parent Company’s voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All significant intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation. Unrealized gains and losses are likewise eliminated.

A change in the ownership interest of a subsidiary (i.e., acquisition of NCI or partial disposal of interest over a subsidiary), without a loss of control, is accounted for as an equity transaction.

NCI represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to holders of the Parent Company. NCI represents the equity interest in RGMA Network, Inc. (RGMA Network).

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the NCI, even if this results in the non-controlling interests having a deficit balance.

The consolidated financial statements include additional information about subsidiaries that have non-controlling interests that are material to the Parent Company. Management determined material partly-owned subsidiaries as those with balance of NCI greater than 5% of non-controlling interests and those subsidiaries which type of activities they engage in is important to the Group as at end of the year.

There were no dividends paid to NCI for the period ended June 30, 2015 and December 31, 2014.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at June 30, 2015 and December 31, 2014:

		Percentage of Ownership	
	Principal Activities	Direct	Indirect
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	–
Scenarios, Inc.*	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation services	100	–
RGMA Marketing and Productions, Inc.	Music recording, publishing and video distribution	100	–
RGMA Network	Radio broadcasting and management	49	–
Script2010, Inc.**	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation and manpower services	–	100
Advertising Business:			
GMA Marketing & Productions, Inc. (GMPI)	Exclusive marketing and sales arm of the Parent Company's airtime; events management; sales implementation, traffic services and monitoring	100	–
Digify, Inc.***	Crafting, planning and handling advertising and other forms of promotion including multi-media productions	–	100
Others:			
Media Merge Corporation***	Business development and operations for the Parent Company's online publishing/advertising initiatives	–	100
Ninja Graphics, Inc.****	Ceased commercial operations in 2004	–	51

**Under liquidation*
***Indirectly owned through Citynet*
****Indirectly owned through GNMI*
*****Indirectly owned through Alta; ceased commercial operations in 2004*

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) that became effective during the year.

The nature and impact of each new standard and amendment are described below:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements,* PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements)*
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact on the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

  The additional disclosures required by the amendments are presented in Note 7 to the Group's consolidated financial statements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

  The additional disclosures required by the amendments are presented in Note 16 to the Group's consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group's financial position or performance as the Group does not have any derivative transactions.

- Philippine Interpretation of IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Improvements to PFRSs
Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view of removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. These improvements are effective immediately but did not have a significant impact on the Group's consolidated financial statements. These include:

- Annual improvements to PFRSs 2010 – 2012 Cycle (PFRS 13, *Fair Value Measurement*)
  The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

- Annual improvements to PFRSs 2011 – 2013 Cycle (PFRS 1, *First-time Adoption of PFRS*)
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

Future Changes in Accounting Policies

The Group did not early adopt the following new standards, amendments and improvements to PFRS and Philippine Interpretations that have been approved but are not yet effective. Except as otherwise stated, the Group does not expect these changes to have a significant impact on its consolidated financial statements unless otherwise indicated.

Effective in 2015

- PFRS 9, *Financial Instruments - Classification and Measurement (2010 version)*
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. The mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015.

Effective after 2015

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments are not applicable to the Group.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting.

  The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statements of financial position and present movements in these account balances as separate line items in the statements of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The amendments are not applicable to the Group.

- PFRS 9, *Financial Instruments - Hedge Accounting* and *Amendments to* PFRS 9, PFRS 7, *Financial Instruments: Disclosures*, and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

  PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

Annual Improvements to PFRSs

These improvements to the following standards and interpretations are effective for annual periods beginning on or before January 1, 2015 and are not expected to have a material impact on the Group's consolidated financial statements.

- Annual Improvements to PFRS (2010-2012 Cycle)

  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
    This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
    - A performance condition must contain a service condition
    - A performance target must be met while the counterparty is rendering service
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
    - A performance condition may be a market or non-market condition
    - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
    The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).

  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
    The amendments are applied retrospectively and clarify that:
    a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
    b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  - PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
    The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

    a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
    b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

    The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

  - PAS 24, *Related Party Disclosures - Key Management Personnel*
    The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the Parent Company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

  - PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
    The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

    a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
    b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

- Annual Improvements to PFRS (2011-2013 Cycle)

  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
    The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

    a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
    The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

  - PAS 40, *Investment Property*
    The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3.

- Annual Improvements to PFRSs (2012-2014 cycle)

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
    The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
    PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

  - PFRS 7, *Financial Instruments: Disclosures - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  - PAS 19, *Employee Benefits - Regional market issue regarding discount rate*
    This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

  - PAS 34, *Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'*
    The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Deferred Effectivity

- 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 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 FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The interpretation will not be applicable to the Group.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new Revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

3. Summary of Significant Accounting Policies

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

Short-term Investments
Short-term investments represent investments that are readily convertible to known amounts of cash with original maturities of more than three months to one year.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market. Where the Group has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available an supportable market data as possible).

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 **-** Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 **-** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 **-** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

The Group recognizes transfers into and transfers out of fair value hierarchy levels by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) as at the date of the event or change in circumstances that caused the transfer.

<u>Financial Instruments</u>

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

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

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

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

The Group's financial liabilities include trade payables and other current liabilities (excluding payable to government agencies and customers' deposits), short-term loans, current and noncurrent obligations for program and other rights, dividends payable and other long-term employee benefits.

As at June 30, 2015 and December 31, 2014, the Group does not have any financial asset at FVPL, HTM investments or derivatives designated as hedging instruments.

As at June 30, 2015 and December 31, 2014, the Group does not have financial liabilities at FVPL.

Subsequent measurement. The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including any separated derivatives, are also classified under financial assets at FVPL, unless these are designated as hedging instruments in an effective hedge or financial guarantee contracts. Gains or losses on investments held for trading are included in the consolidated statements of comprehensive income. Interest income on investments held for trading is included in the consolidated statements of comprehensive income. Instruments under this category are classified as current assets if these are held primarily for the purpose of trading or expected to be realized/settled within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

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

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis;
- The assets are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

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 (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. 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 consolidated statements of comprehensive income. Loans and receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

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

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and borrowings. Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

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

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

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Derecognition of Financial Assets and Liabilities

Financial Asset. A financial asset (or, when 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 and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred 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.

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

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

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

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognized in the statements of comprehensive income. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

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

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

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

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

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

Program and Other Rights
Program and other rights with finite and infinite lives are stated at cost less amortization and any impairment in value. The cost of programs and other rights with finite lives is amortized using straight line method up to the date of expiry, which is the manner and pattern of usage of the acquired rights. The cost of program and other rights with infinite lives is amortized on accelerated method based on the sum of the year's digit of ten years with salvage value of 10% of the total cost. Amortization expense is shown as "Program and other rights usage" included under "Production costs" account in the consolidated statements of comprehensive income.

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

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

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

Prepaid Production Costs
Prepaid production costs, included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position, represent costs paid in advance 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 under "Production costs" account in the consolidated statements of comprehensive income upon airing of the related program or episodes. Costs related to previously taped episodes determined not to be aired are charged to expense.

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

Tax Credits
Tax credits represent claims from the government arising from airing of government commercials and advertisements availed under Presidential Decree (PD) No. 1362. Pursuant to PD No. 1362, these will be collected in the form of tax credits which the Group can use in paying for import duties and taxes on imported broadcasting related equipment. The tax credits cannot be used to pay for any other tax obligation to the government.

As at June 30, 2015 and December 31, 2014, the Group's tax credits are classified as current under "Prepaid expenses and other current assets" account in the consolidated statements of financial position.

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. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

Investments and Advances

Investment in an Associate. This account consists of investments in and permanent advances to an associate.

The Group's investment in its associate are accounted for using the equity method. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

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. 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.

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 net investment in the associate. An investment in associate is accounted for using the equity method from the date when it becomes an associate. On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as follows:

- Goodwill relating to an associate is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Group's share in the associate's profits or losses.

- Any excess of the Group's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share in the associate's profit or loss in the period in which the investment is acquired.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate and accounts for the investment in accordance with PAS 39 from that date, provided the associate does not become a subsidiary or a joint arrangement as defined in PFRS 11. Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any difference in the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in consolidated statements of comprehensive income. When the Group's interest in an investment in associate is reduced to zero, additional losses are provided only to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the investee that the Group has guaranteed or otherwise committed. If the associate subsequently reports profits, the Group resumes recognizing its share of the profits if it equals the share of net losses not recognized.

The financial statements of the associate are prepared for the same reporting period as the Parent Company. The accounting policies of the associate conform to those used by the Parent Company for like transactions and events in similar circumstances.

The Group's share in profit (loss) of the associate is shown on the face of the consolidated statements of comprehensive income as "Equity in net earnings (losses) of an associate and joint ventures", which is the profit (loss) attributable to equity holders of the associate.

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

The Group has interests in joint ventures. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangements. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. 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 venture 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. 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 on land - net of tax” 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 - net of tax” 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	4-5 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 and amortization are reviewed at each financial year-end and adjusted prospectively, if appropriate.

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

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 to five 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, software costs and investment in artworks 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 CGU 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.

Retained earnings include all current and prior period results of operations as reported in the consolidated statements of comprehensive income, net of any dividend declaration.

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 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 outstanding accounts receivable since a right of offset exists between the pay before broadcast balance and the regular accounts receivable with credit terms. These are classified as deferred liability under "Customers' deposits" included under "Trade payables and other current liabilities" account in the consolidated statements of financial position when no right of offset exists.

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.

Equity in Net Earnings (Losses) of Joint Ventures. The Group recognizes its share in the net income or loss of an associate and joint ventures proportionate to the equity in the economic shares of such associates and joint ventures, in accordance with the equity method.

Other Income. Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Group through an increase in asset or reduction in liability that can be measured reliably.

<u>Co-producers' Share</u>
Co-producers' share is deducted from gross revenues in profit or loss in the period the advertisements are aired.

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.

<u>Borrowing Costs</u>
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.

<u>Expenses</u>
Expenses, presented as "Production costs" and "General and administrative expenses" in the consolidated statements of comprehensive income, are recognized as incurred.

Pension and Other Employee Benefits
The Parent Company and GMPI have funded, noncontributory defined benefit retirement plans covering permanent employees. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method.

Defined Benefit Plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of production costs and general and administrative expenses in the consolidated statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit obligation or asset is recognized under "Personnel costs" included under "General and administrative expenses" account in the consolidated statements of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee Leave Entitlements. Employee entitlements to annual leave are recognized as a liability when they accrue to the employees. The liability relating to employee leave entitlement is recognized for services rendered equivalent to the maximum credit leaves earned by the employee, which is expected to be settled upon the employee's resignation or retirement. The present value of the noncurrent portion of the liability is determined by applying the discount rate based on government bonds.

Leases
The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement depends on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease, if any, if the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is substantial change to the asset.

Where the reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

The Group determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

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 income tax assets are recognized for all deductible temporary differences, carryforward benefits of excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) 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 over RCIT and unused NOLCO can be utilized, except:

- where the deferred income 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 interests in joint ventures, deferred income 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 income 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 income 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 income tax assets to be recovered.

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

- where the deferred income 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 income 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 income 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.

Creditable withholding taxes. Creditable withholding taxes represent amounts withheld by the Group's customers and is deducted from the Group's income tax payable.

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

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority , in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of VAT included.

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 for the year attributable to the equity holders of the Parent Company, 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, if any.

Diluted EPS is calculated by dividing the net income for the year attributable to the equity holders of the Parent Company (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. Financial information on business segments is presented in Note 5 to the consolidated financial statements.

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 judgments, estimates and assumptions 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 all the subsidiaries. It is the currency of the primary economic environment in which the Group operates.

Asset Classified as Held for Sale. The Group assessed that the interest in X-Play Online Games Incorporated (X-Play) met the criteria to be classified as held for sale in 2014 for the following reasons:

- X-Play is available for immediate sale and can be sold in its current condition.
- IP E-Games Ventures, Inc. (IPE) and GNMI have a recent agreement which provides the execution of the option agreement as discussed in Note 17. On July 28, 2014, the increase in capital stocks of IPE is already approved by the SEC.
- Asset classified as held for sale amounted to ₱26.43 million as at June 30, 2015 and December 31, 2014 (see Note 17).

Consolidation of entities in which the Group holds less than majority of voting rights. The Group considers that it controls RGMA Network even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of RGMA Network with a 49% equity interest. The remaining 51% of the equity shares in RGMA Network are owned by several parties. Since September 27, 1995, which is the date of incorporation of RGMA Network, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

Assessing Joint Control of an Arrangement and the Type of Arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group assessed that it has joint control in all its joint arrangements by virtue of a contractual agreement with other shareholders. The Group's joint ventures have separate legal entity and its stockholders have rights to its net assets.

The carrying value of the investments in joint venture amounted to ₱21.98 million as at June 30, 2015 and December 31, 2014 (see Note 13).

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 thus accounts for the contracts as operating leases.

Rental expense charged to operations amounted to ₱409.49 million and ₱420.38 million as of June 30, 2015 and 2014, respectively (see Note 29).

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.

Classification of Leave Entitlements as Current or Noncurrent. The Group assesses the classification of its leave entitlements as either current or noncurrent based on the historical experience of the outstanding leave availed.

Other employee benefits classified as current under "Trade payables and other current liabilities" account in the consolidated statements of financial position amounted to ₱24.97 million and ₱18.14 million as at June 30, 2015 and December 31, 2014, respectively, while other employee benefits classified as noncurrent amounted to ₱263.05 million and ₱259.01 million as at June 30, 2015 and December 31, 2014, respectively.

Estimates and Assumptions

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

Estimating Allowance for Doubtful Accounts. Provisions are made for specific and groups of billed accounts where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances that affect the collectability 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 and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in allowance for doubtful accounts would increase the recorded general and administrative expenses and decrease current assets.

Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱5,909.51 million and ₱4,638.38 million as at June 30, 2015 and December 31, 2014, 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 generally 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 usage amounted to ₱375.09 million and ₱315.79 million as of June 30, 2015 and 2014, respectively (see Note 25). Program and other rights, net of accumulated impairment loss, amounted to ₱1,192.51 million and ₱1,198.27 million as at June 30, 2015 and December 31, 2014, 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 a decline of 20% or more below of the original cost of investment, and "prolonged" as period longer than twelve (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 ₱129.02 million as at June 30, 2015 and December 31, 2014, respectively (see Note 12).

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 of the inventories.

The carrying value of materials and supplies inventory amounted to ₱28.74 million and ₱30.12 million as at June 30, 2015 and December 31, 2014, respectively (see Note 11). No provisions for inventory losses were reported as of June 30, 2015 and 2014, respectively.

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 as of June 30, 2015 and December 31, 2014.

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 adjusted based on certain elements of comparison. 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 five 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 ₱1,799.71 million as at June 30, 2015 and December 31, 2014, 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.

There were no provision for impairment loss on the advances to joint venture as of June 30, 2015 and 2014.

The balance of nonfinancial assets as at June 30, 2015 and December 31, 2014 follows:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Property and equipment (see Note 14)	**3,205,215,002**	3,373,810,427
Program and other rights (see Note 10)	**1,192,514,313**	1,198,270,709
Investments and advances (see Note 13)	**147,937,544**	147,937,544
Prepaid production costs (see Note 11)	**127,434,163**	179,060,055
Tax credits (see Note 11)	**182,850,631**	183,275,266
Investment properties (see Note 16)	**56,593,469**	58,811,306
Software costs (see Note 17)	**18,991,324**	35,917,092
Investment in artworks (see Note 17)	**10,406,255**	10,406,255

Taxes. The Group has exposures to the tax rules and regulations in the Philippines and significant judgment is involved in determining the provision for these tax exposures. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes are due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such difference will impact profit or loss in the period in which such determination is made.

Estimating Realizability of Deferred Tax Assets. The Group reviews the carrying amounts of deferred tax assets on nondeductible temporary differences and carryforward benefits of NOLCO and excess MCIT over RCIT at each reporting date and reduces deferred tax assets 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.

Based on the Group's assessment, not all nondeductible temporary difference and carryforward benefits of NOLCO and excess MCIT over RCIT will be realized.

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 26 and include, among others, discount rate and salary increase rate. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

Pension liability amounted to ₱1,197.56 million and ₱1,161.28 million as at June 30, 2015 and December 31, 2014, 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 statements of comprehensive income. The fair value of financial assets and liabilities are enumerated in Note 32.

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

2014 figures were restated to conform to the current period's presentation.

7. Segment Information

<u>Business Segments</u>
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.

The Executive Committee, the chief operating decision maker, and Management monitor 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, Guam, Singapore, Hongkong and Japan), the Group ties up with cable providers to bring television programming outside the Philippines.

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

Noncurrent assets consisting 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.

Measurement Basis

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

Please refer to Exhibit 1.

8. Cash and Cash Equivalents

This account consists of:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Cash on hand and in banks	**1,102,889,897**	1,439,180,767
Short-term placements	**649,501,671**	159,644,753
	1,752,391,568	1,598,825,520

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 earned from bank deposits and short-term investments amounted to ₱3.28 million and ₱8.28 million as of June 30, 2015 and 2014, respectively.

9. Trade and Other Receivables

This account consists of:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Trade:		
Television and radio airtime	**4,884,394,952**	3,294,544,056
Subscription receivable	**750,738,421**	1,039,395,871
Others	**99,478,923**	174,239,390
(Forward)		

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Nontrade:		
Advances to suppliers	**432,865,869**	314,400,253
Advances to officers and employees	**4,914,630**	4,443,381
Others	**11,807,356**	86,047,923
	6,184,200,151	4,913,070,874
Less allowance for doubtful accounts	**274,694,272**	274,694,272
	5,909,505,879	4,638,376,602

Trade Receivables

Television and Radio Airtime. Television and radio airtime receivables are noninterest-bearing and are generally on a 60–90 days terms 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 applicable payments received before broadcast amounting to ₱440.03 million and ₱32.78 million as of June 30, 2015 and December 31, 2014, 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.

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

Television and radio airtime and other receivables amounting to ₱274.69 million are impaired as of June 30, 2015 and December 31, 2014.

The allowance for doubtful accounts for television and radio airtime and other receivables as of June 30, 2015 and December 31, 2014 are results of specific and collective impairment assessments performed by the Group as follows:

Individually impaired	247,892,830
Collectively impaired	26,801,442
	274,694,272

As of June 30, 2015 and December 31, 2014, the aging analysis of receivables that were not impaired follows:

	June 30, 2015 (Unaudited)				
	Trade				
	Television and Radio Airtime	Subscriptions	Others	Nontrade *	Total
Neither past due nor impaired	**2,540,072,854**	**498,957,869**	**57,112,842**	**10,615,674**	**3,106,759,239**
Past due but not impaired:					
< 30 days	**508,745,949**	**46,080,726**	**8,544,907**	**975,669**	**564,347,251**
31-60 days	**298,085,264**	**38,806,751**	**5,067,940**	**571,666**	**342,531,621**
61-90 days	**99,000,726**	**28,656,047**	**14,297,480**	**205,768**	**142,160,021**
91-180 days	**198,250,901**	**59,570,433**	**1,585,602**	**380,204**	**259,787,140**
181-365 days	**378,452,948**	**53,184,524**	**957,481**	**725,794**	**433,320,747**
Over 1 year	**591,913,740**	**25,482,071**	**7,090,969**	**3,247,211**	**627,733,991**
	4,614,522,382	**750,738,421**	**94,657,221**	**16,721,986**	**5,476,640,010**

** Excluding advances to suppliers amounting to P432.87 million as of June 30, 2015.*

	December 31, 2014 (Audited)				
	Trade				
	Television and Radio Airtime	Subscriptions	Others	Nontrade *	Total
Neither past due nor impaired	2,140,146,851	443,781,464	86,788,965	76,032,053	2,746,749,333
Past due but not impaired:					
< 30 days	288,547,267	231,072,682	18,039,978	1,452,601	539,112,528
31-60 days	211,665,092	43,665,297	17,240,581	987,169	273,558,139
61-90 days	61,975,452	29,746,225	4,528,069	447,105	96,696,851
91-180 days	65,746,533	51,220,843	6,327,944	707,705	124,003,025
181-365 days	174,371,503	142,142,691	4,893,784	808,267	322,216,245
Over one year	82,218,788	97,766,669	31,598,367	10,056,404	221,640,228
	3,024,671,486	1,039,395,871	169,417,688	90,491,304	4,323,976,349

** Excluding advances to suppliers amounting to P314.40 million as of December 31, 2014.*

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 ₱23.94 million and ₱27.65 million as of June 30, 2015 and December 31, 2014, 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:

	June 30, 2015 (Unaudited)		
	Program and Film Rights	Story / Format Rights	Total
Cost:			
Balance at beginning of period	**1,185,333,241**	**15,639,728**	**1,200,972,969**
Additions	**354,439,954**	**14,890,663**	**369,330,617**
Program and other rights usage (see Note 25)	**(375,087,013)**	**-**	**(375,087,013)**
Balance at end of period	**1,164,686,182**	**30,530,391**	**1,195,216,573**
Accumulated impairment in value -			
Balance at beginning and end of period	**(2,702,260)**	**-**	**(2,702,260)**
	1,161,983,922	**30,530,391**	**1,192,514,313**

	December 31, 2014 (Audited)		
	Program and Film Rights	Story / Format Rights	Total
Cost:			
Balance at beginning of period	1,195,316,111	16,615,430	1,211,931,541
Additions	631,035,288	8,100,950	639,136,238
Write-off	(3,414,011)	-	(3,414,011)
Program and other rights usage	(637,604,147)	(9,076,652)	(646,680,799)
Balance at end of period	1,185,333,241	15,639,728	1,200,972,969
Accumulated impairment in value -			
Balance at beginning and end of period	(2,702,260)	-	(2,702,260)
	1,182,630,981	15,639,728	1,198,270,709

No impairment loss on program rights was recognized as of June 30, 2015 and 2014, respectively.

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

This account consists of:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Tax credits	**182,850,631**	183,275,266
Creditable withholding taxes	**145,172,283**	175,547,133
Prepaid expenses	**140,335,166**	75,790,955
Prepaid production costs	**127,434,163**	179,060,055
Input VAT	**60,321,642**	141,600,179
Materials and supplies inventory - net	**28,743,495**	30,117,943
Others	**446,342**	43,610
	685,303,722	785,435,141

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.

Prepaid production represents cost paid in advance prior to the airing of the programs or episodes. The Group expects to air the related programs or episodes within the next financial year.

Prepaid expenses include prepayments for rentals, insurance and other expenses.

12. **Available-for-Sale Financial Assets**

As of June 30, 2015 and December 31, 2014, this account consists of:

Investment in shares of stock:	
Unquoted	122,184,081
Quoted	6,840,000
	129,024,081

The fair value of unquoted shares is not reasonably determinable due to the unpredictable nature of future cash flows and lack of other suitable methods in arriving at fair value.

The movements in this account are as follows:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Cost:		
Balance at beginning of period	**132,501,481**	137,659,648
Redemption	**-**	(573,343)
Net change in the fair value of AFS financial assets	**-**	2,141,088
Write-off	**-**	(6,725,912)
Balance at end of period	**132,501,481**	132,501,481
Allowance for decline in value:		
Balance at beginning of period	**3,477,400**	2,107,100
Impairment loss	**-**	1,370,300
Balance at end of period	**3,477,400**	3,477,400
	129,024,081	129,024,081

As at June 30, 2015 and December 31, 2014, AFS financial assets amounting to ₱3.48 million have been fully provided with allowance in account of the investee's cessation of operations.

13. **Investments and Advances**

At as June 30, 2015 and December 31, 2014, this account consists of:

Investments in an associate and interests in joint ventures	**60,327,329**
Permanent advances in an associate (see Note 23)	**87,610,215**
	147,937,544

The movements in the said amounts are as follows:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Investments in an associate and joint ventures		
Acquisition cost -		
Balance at beginning and end of period	**131,722,056**	131,722,056
Accumulated equity in net losses:		
Balance at beginning of period	**(71,394,727)**	(76,733,488)
Equity in net earnings during the period	**-**	5,338,761
Balance at end of period	**(71,394,727)**	(71,394,727)
	60,327,329	60,327,329
Advances to an associate		
Balance at beginning of period	**87,610,215**	84,475,370
Additional advances during the period	**-**	3,134,845
Balance at end of period	**87,610,215**	87,610,215
Total investments and advances	**147,937,544**	147,937,544

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

	Principal Activities	Percentage of Ownership Direct	Indirect
Associate -			
Mont-Aire Realty and Development Corporation (Mont-Aire)	Real Estate	49	–
Joint Ventures:			
INQ7 Interactive, Inc. (INQ7)	Internet Publishing	50	–
Philippine Entertainment Portal (PEP)*	Internet Publishing	–	50
Gamespan, Inc. (Gamespan)*	Betting Games	–	50

**Indirect investment through GNMI.*

The carrying values of investments accounted for under the equity method and the related advances as of June 30, 2015 and December 31, 2014 are as follows:

	Investments	Advances (see Note 23)	Total
Associate - Mont-Aire	**38,350,619**	**87,610,215**	**125,960,834**
Joint ventures:			
Gamespan	**8,950,931**	**-**	**8,950,931**
PEP	**13,025,779**	-	**13,025,779**
	60,327,329	**87,610,215**	**147,937,544**

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

PEP

As at December 31, 2012, the Group has unrecognized share in net losses of PEP amounting to ₱3.86 million. On November 15, 2013, the Group, through GNMI, converted its cash advances to PEP amounting to ₱12.00 million to additional investment in joint venture.

In 2014, the Group recognized its share in net earnings of PEP amounting to ₱5.20 million.

Gamespan

On March 22, 2012, the Group, through GNMI, executed a Shareholder's Agreement with Manila Jockey Club (MJC) for the establishment of Gamespan, a joint venture corporation. The joint venture was organized to operate and manage the hardware and software owned by MJC, set-up new media infrastructure for offering and taking bets in horse racing and other sports.

In 2014, the Group recognized its share in net earnings and net losses of Gamespan amounting to ₱0.14 million.

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. In 2013, INQ7 submitted a request to liquidate its assets to SEC.

Mont-Aire

The table below shows the condensed financial information of Mont-Aire as at June 30, 2015 and December 31, 2014:

Current assets	₱53,469,276
Noncurrent assets	107,750,283
	161,219,559
Current liabilities	1,269,154
Noncurrent liabilities	81,683,836
	82,952,990
Net assets	78,266,569
Proportion of the Company's ownership	49%
Carrying amount of investment	₱38,350,619

Mont-Aire ceased commercial operations in 2009. Noncurrent assets include parcels of land with an aggregate fair market value of ₱117.86 million determined by an accredited appraiser as at December 10, 2012. There were no changes in the land account and management expects no significant change in fair value.

14. **Property and Equipment at Cost**

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

The amount of depreciation expense includes amortization of previously capitalized borrowing costs amounting to ₱10.08 million each year. No borrowing costs were capitalized as at June 30, 2015 and December 31, 2014.

The cost of fully depreciated assets still used by the Group amounted to ₱4,414.95 million and ₱4,253.49 million as at June 30, 2015 and December 31, 2014, respectively.

Construction in progress pertains to the costs incurred for signal strengthening of transmitters nationwide and construction/improvement of studios and stations in the regions.

As at June 30, 2015 and December 31, 2014, no property and equipment have been pledged as collateral or security for any of the Group's liabilities.

15. Land at Revalued Amounts

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Cost -		
Balance at beginning and end of the period	**346,502,817**	346,502,817
Revaluation increment:		
Balance at beginning of period	**1,453,210,041**	1,458,797,234
Deductions	**-**	(5,587,193)
Balance at end of period	**1,453,210,041**	1,453,210,041
	1,799,712,858	1,799,712,858

Land used in operations was last appraised on December 17, 2013 by an accredited firm of appraisers and is valued in terms of its highest and best use. The ₱5.59 million reduction from the account represents adjustment to the previously recognized appraisal increase after completion of the asset reconciliation.

The fair value was arrived at through the use of the "Market Data Approach" as determined by independent professionally qualified appraisers. The fair value represents the amount that would be received to sell an investment property in an orderly transaction between market participants at the date of valuation.

The fair value is categorized under Level 3 of the fair value hierarchy and represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in accordance with International Valuation Standards.

As at June 30, 2015 and December 31, 2014, no land has been pledged as collateral or security for any of the Group's liabilities and the Group has no restrictions on the realizability of its land and no contractual obligation to purchase, construct or develop land or for repairs, maintenance and enhancements.

16. Investment Properties

		June 30, 2015 (Unaudited)	
	Land and Improvements	**Buildings and Improvements**	**Total**
Cost:-			
Balance at beginning and end of period	**30,501,881**	**76,879,099**	**107,380,980**
Accumulated depreciation:			
Balance at beginning of period	**-**	**46,765,625**	**46,765,625**
Depreciation during the period	**-**	**2,217,837**	**2,217,837**
Balance at end of period	**-**	**48,983,462**	**48,983,462**
Accumulated impairment in value -			
Balance at beginning and end of period	**-**	**1,804,049**	**1,804,049**
Balance at end of period	**30,501,881**	**26,091,588**	**56,593,469**

	December 31, 2014 (Audited)		
	Land and Improvements	Buildings and Improvements	Total
Cost:			
Balance at beginning of period	31,287,881	75,154,820	106,442,701
Additions	-	3,299,279	3,299,279
Disposal	(576,000)	(1,575,000)	(2,151,000)
Write-off	(210,000)	-	(210,000)
Balance at end of period	30,501,881	76,879,099	107,380,980
Accumulated depreciation:			
Balance at beginning of period	-	44,106,443	44,106,443
Depreciation during the period	-	3,006,994	3,006,994
Disposal		(347,812)	(347,812)
Balance at end of period	-	46,765,625	46,765,625
Accumulated impairment in value -			
Balance at beginning and end of period	-	1,804,049	1,804,049
Balance at end of period	30,501,881	28,309,425	58,811,306

The Parent Company wrote off some of its investment properties with carrying value of ₱0.21 million in 2014 due to dispute in ownership.

Certain properties were provided with allowance for impairment in prior years. Management believes that the carrying values after impairment approximate its recoverable values.

The fair market value of investment properties owned by the Group amounted to ₱135.39 million as at December 31, 2014 as determined by accredited appraisers. The fair value was arrived at through the use of the "Market Data Approach" as determined by independent professionally qualified appraisers. The fair value represents the amount that would be received to sell an investment property in an orderly transaction between market participants at the date of valuation.

The fair value is categorized under Level 3 of the fair value hierarchy and represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in accordance with International Valuation Standards.

As at June 30, 2015 and December 31, 2014, no investment properties have been pledged as collateral or security for any of the Group's liabilities and the Group has no restriction on the realizability of its investment properties and no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

17. Other Noncurrent Assets

This account consists of:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Deferred input VAT	**122,807,412**	31,387,166
Software costs	**18,991,324**	35,917,092
Refundable deposits (see Notes 31 and 32)	**21,741,276**	19,913,347
Guarantee deposits	**18,233,208**	17,162,764
Investments in artworks	**10,406,255**	10,406,255
Video rights and other noncurrent assets	**730,740**	1,581,765
	192,910,215	116,368,389

The movements in software costs follow:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Cost:		
Balance at beginning of period	**256,111,222**	234,479,164
Additions	**2,023,178**	21,632,058
Balance at end of period	**258,134,400**	256,111,222
Accumulated amortization:		
Balance at beginning of period	**220,194,130**	196,825,119
Amortization during the period (see Notes 26)	**18,948,946**	23,369,011
Balance at end of period	**239,143,076**	220,194,130
	18,991,324	35,917,092

X-Play

GNMI holds 50% equity in X-Play Online Games Incorporated (X-Play). The other joint venture partner in X-Play is IPE. At the time of incorporation of X-Play, GNMI and IPE each subscribed to 1,000,000,000 common shares of X-Play's authorized capital stock with a par value of ₱100/share.

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 interest and advances to joint venture amounted to ₱26.43 million.

In connection with the planned disposal of X-Play, in March 2013, GNMI and IPE extended until June 30, 2013 the exercise period of the option agreement which was entered into by both companies on October 19, 2011. The option agreement states that IPE grants GNMI the option to sell all, but not less than all, of shares in stock of X-Play for a 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's shares of stock in X-Play at a subscription price per share equivalent to the offering price.

As at December 31, 2013, the sale of investment in X-Play has not materialized. The Group reassessed the classification of investment in X-Play and reclassified it under "Other noncurrent assets" account in the Group's 2013 consolidated statements of financial position.

The recent agreement provides that IPE will provide GNMI and the Parent Company 10,000 million (GNMI - 4,000 million; GNI - 6,000 million) of IPE shares in exchange for GNMI's investment in X-Play and the Parent Company's ₱30.00 million advances and ₱50.00 million airtime receivables granted to X-Play. Also, the increase in authorized capital stock of IPE is already approved by the SEC on July 28, 2014, thus, the Group's investment in X-Play was reclassified to "Asset classified as held for sale" account in the June 30, 2015 and December 31, 2014 consolidated statement of financial position.

18. Short-term Loans

The Parent Company obtained unsecured short-term peso and USD denominated loans from various local banks for the payment of the dividends declared during the year. Details of the short-term loans are as follows:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Balance at beginning of period	**2,222,960,000**	1,106,875,000
Additions	**1,200,000,000**	2,191,559,000
Payments	**(1,325,197,500)**	(1,106,824,000)
Unrealized foreign currency loss	**9,065,000**	31,350,000
Balance at end of period	**2,106,827,500**	2,222,960,000

The interest rate of the short-term loan ranges from 1.95% to 2.25% for peso loans and 1.68% to 1.73% for US dollar denominated loans in 2015 and 2014. Interest expense and other financing charges amounted to ₱22.85 million and ₱16.64 million as of June 30, 2015 and 2014, respectively.

19. Trade Payables and Other Current Liabilities

This account consists of:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Trade payables	**507,100,396**	442,372,314
Payable to government agencies	**942,086,557**	716,452,892
Customers' deposits	**953,304,026**	220,874,091
Accrued expenses:		
Production costs	**151,327,612**	226,233,686
Commissions	**80,550,849**	27,536,812
Payroll and talent fees	**98,369,261**	183,956,394
Utilities and others	**35,721,865**	80,705,045
Others	**48,291,002**	33,051,951
	2,816,751,568	1,931,183,185

Trade payables to suppliers 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 period.

Customers' deposits include unimplemented payments received before broadcast from customers who have no outstanding trade receivables from which advance payments can be offset. These deposits will be settled and implemented within the next financial year. As provided in Note 9, certain payments received before broadcast were offset against television and radio airtime receivables.

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

20. Obligations for Program and Other Rights

This account consists of:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Current obligation for program rights	**268,818,437**	116,533,114
Noncurrent obligation for program rights	**-**	5,193,223
	268,818,437	121,726,337

Obligations for program and other rights represent liabilities to foreign and local film suppliers for program and other rights purchased by the Group. The current portion of the obligations for program rights is noninterest-bearing and is generally payable in equal monthly or quarterly installments. The amounts presented in the consolidated statements of financial position as at June 30, 2015 and December 31, 2014 represent the nominal amounts of the obligations which are expected to be settled within the next 12 months.

The noncurrent portion of obligations for program rights is payable in four years and is presented at its present value using the 4.03% discount rate in the consolidated statement of financial position as at December 31, 2014.

21. Material Events

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

As of June 30, 2015, 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 2015 Capital Expenditure budget of the parent company amounts to ₱934.48 million. This will be financed from internally-generated funds.

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

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

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

As of June 30, 2015, there are no events which may trigger a direct or contingent financial obligation that is material to the Company.

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

As of June 30, 2015, there are no significant elements of income or loss that did 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 interim period that have not been reflected in the financial statements for the interim period.

22. **Equity**

Capital Stock

There were no movements in capital stock as of June 30, 2015 and December 31, 2014 with composition as follows:

	Preferred		Common	
	Number of Shares	Peso Equivalent	Number of Shares	Peso Equivalent
Authorized - ₱0.20 par value per preferred share/₱1.00 par value per common share	7,500,000,000	₱1,500,000,000	5,000,000,000	₱5,000,000,000
Subscribed and issued	7,500,000,000	1,500,000,000	3,364,692,000	3,364,692,000

	Preferred		Common	
	Number of Shares	Peso Equivalent	Number of Shares	Peso Equivalent
Treasury shares	492,816	98,563	3,645,000	3,645,000
Underlying shares of the acquired PDRs	–		750,000	₱750,000

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

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

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

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

Securities	Authorized and issued shares	Issue/Offer Price
Initial oublic offering	91,346,000	8.50
Underlying common shared of PDRs	945,432,000	8.50
Over-allotment common shares	13,701,000	8.50
Common shares covering employee stock option plan	57,000,000	8.50
PDRs	945,432,000	8.50

Retained Earnings

The retained earnings of the Parent Company is restricted for the payment of dividends to the extent of ₱34.27 million as at June 30, 2015 and December 31, 2014, representing the cost of shares held in treasury and underlying shares of the acquired PDRs amounting to ₱28.48 million and ₱5.79 million, respectively.

Consolidated retained earnings include undeclared retained earnings of subsidiaries amounting to ₱193.62 million as at December 31, 2014. The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in SRC Rule 68, As Amended (2011), amounted to ₱1,005.90 million as at December 31, 2014.

The BOD of the Parent Company approved the declaration of the following cash dividends in 2015, 2014 and 2013:

Year	Declaration Date	Record Date	Cash Dividend Per Share	Total Cash Dividend Declaration
2015	**March 30, 2015**	**April 24, 2015**	**P0.25**	**P1,214,854,610**
2014	April 2, 2014	April 24, 2014	P0.27	P1,312,253,578
2013	March 4, 2013	April 17, 2013	P0.25	P1,215,049,609

23. Related Party Disclosures

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

Transactions with related parties are as follows:

Related Party	Category	Year	Amount/ Volume of Transactions	Receivables (Payables)	Terms	Conditions
Associate -						
Mont-Aire	Noninterest-bearing advances	**2015**	**-**	**87,610,215**	Noninterest-bearing	Unsecured; not impaired
		2014	-	84,475,370		
Common stockholders -						
GMA Kapuso Foundation, Inc.	Noninterest-bearing advances	**2015**	**-**	**-**	Noninterest-bearing	Unsecured; not impaired
		2014	-	562,901		
Other related party -						
Belo, Gozon, Elma Law	Legal, consulting and retainers' fees	**2015**	**560,354**	**-**	Noninterest-bearing	Unsecured; not impaired
		2014	-	-		

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

Compensation of Key Management Personnel

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

	June 30, 2015 (Unaudited)	June 30, 2014
Salaries and short-term benefits	**134,597,335**	120,984,082
Pension benefits	**65,432,861**	17,080,839
	200,030,196	138,064,921

Equity Investments of the Retirement Fund

The Group’s retirement fund includes equity investments in GMA Network, Inc. and GMA PDRs amounting to ₱49.87 million and ₱327.53 million as at June 30, 2015, respectively and ₱43.62 million and ₱342.76 million as at December 31, 2014, respectively.

24. Net Revenues

This account consists of:

	June 30, 2015 (Unaudited)	June 30, 2014
Television and radio airtime	**6,069,347,343**	5,142,455,769
Subscription income	**487,933,579**	528,070,604
Production and others	**96,815,791**	96,688,189
	6,654,096,713	5,767,214,562
Co-producers' shares	**(678,214)**	(1,689,612)
	6,653,418,499	5,765,524,950

25. Production Costs

This account consists of:

	June 30, 2015 (Unaudited)	June 30, 2014
Talent fees and production personnel costs (see Note 27)	**1,333,706,617**	1,284,076,556
Program and other rights usage	**375,087,013**	315,785,412
Rental	**351,350,111**	360,957,798
Tapes sets and production supplies	**151,350,737**	226,569,827
Depreciation (see Note 14)	**138,220,274**	150,195,789
Facilities and production services	**302,545,494**	168,438,250
Transportation and communication	**65,074,143**	94,583,526
	2,717,334,389	2,600,607,158

26. General and Administrative Expenses

This account consists of:

	June 30, 2015 (Unaudited)	June 30, 2014
Personnel costs (see Note 27)	**1,185,138,895**	1,109,564,099
Depreciation (see Notes 14 and 16)	**266,805,597**	229,174,512
Communication, light and water	**141,614,335**	153,987,775
Sales incentives	**90,324,090**	67,130,374
Marketing expenses	**84,636,032**	51,622,781
Advertising	**83,636,953**	157,957,849
Taxes and licenses	**80,723,241**	89,710,042
Professional fees	**78,097,826**	63,507,546
Rental	**58,136,177**	59,424,864
Research and surveys	**44,962,761**	63,627,640
Repairs and maintenance	**41,260,562**	76,969,094
Transportation and travel	**30,226,411**	38,125,248
Security services	**27,701,796**	37,394,874
Amortization of software costs (see Note 17)	**18,948,946**	12,948,110
Insurance	**13,376,274**	10,487,729
Janitorial services	**10,027,863**	10,829,549
Materials and supplies	**9,203,288**	12,122,515
Entertainment, amusement and recreation	**5,637,963**	5,759,507
Freight and handling	**4,069,237**	6,122,378
Dues and subscription	**4,770,004**	5,970,585
Others	**54,132,198**	44,348,398
	2,333,430,449	2,306,785,469

27. Personnel Costs

This account consists of:

	June 30, 2015 (Unaudited)	June 30, 2014
Talent fees	**1,246,514,265**	1,248,957,079
Salaries and wages	**984,225,916**	888,048,206
Employee benefits and allowances	**139,801,006**	141,233,401
Pension expense	**77,017,058**	53,916,185
Sick and vacation leaves expense	**71,287,267**	61,485,784
	2,518,845,512	2,393,640,655

The said amounts were distributed as follows:

	June 30, 2015 (Unaudited)	June 30, 2014
Production costs (see Note 25)	**1,333,706,617**	1,284,076,556
General and administrative expenses (see Note 26)	**1,185,138,895**	1,109,564,099
	2,518,845,512	2,393,640,655

28. Others

This account consists of the following income:

	June 30, 2015 (Unaudited)	June 30, 2014
Commissions	**4,543,572**	4,594,396
Income from mall shows	**3,242,154**	2,709,948
Rental	**2,941,710**	2,809,601
Merchandising income	**2,486,481**	1,789,127
Sales of DVDs and integrated receiver-decoders	**2,241,105**	123,725
Reversal of impairment loss	**1,015,690**	457,058
Gain on sale of property and equipment	**452,606**	9,011,482
Others	**766,041**	535,917
	17,689,359	22,031,254

29. Agreements

Lease Agreements

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

Also, in June 2012, the Parent Company agreed to extend its non-cancellable Co-production/Blocktime Rental Agreement with ZOE Broadcasting Network, Inc. (ZBN) for another seven (7) years from June 2012 to May 2019. On the first year of contract renewal, the Parent Company shall pay ZBN an amount equivalent to total payments from June 2011 to May 2012, subject to yearly escalation of 10.00%.

Total rental expense amounted to ₱409.49 million and ₱420.38 million as of June 30, 2015 and 2014, respectively (see Notes 25 and 26).

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

	June 30, 2015 (Unaudited)	June 30, 2014
	(In Millions)	
Within one year	**166.43**	151.30
After one year but not more than five years	**585.84**	752.27
	752.27	903.57

Operating Lease - Group as Lessor. The Group also leases out certain properties for a period of one year, renewable annually. The leased out properties include investment properties and portion of land in regional stations. Total rental income amounted to ₱1.37 million and ₱1.71 million as of June 30, 2015 and 2014, respectively (see Note 28).

Subscription Agreements

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

Total subscription income amounted to ₱487.93 million and ₱528.07 million as of June 30, 2015 and 2014, respectively (see Note 24).

30. **EPS Computation**

The computation of basic EPS follows:

	June 30, 2015 (Unaudited)	June 30, 2014
Net income attributable to Equity Holders of Parent Company (a)	**1,088,983,729**	579,613,187
Less attributable to preferred shareholders	**336,070,282**	178,873,901
Net income attributable to common shareholders (b)	**752,913,447**	400,739,287
Common shares issued at the beginning of year	**3,364,692,000**	3,364,692,000
Treasury shares (see Note 22)	**(3,645,000)**	(3,645,000)
Underlying shares on the acquired PDRs (see Note 22)	**(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)	**0.224**	0.119

The computation of diluted EPS follows:

	June 30, 2015 (Unaudited)	June 30, 2014
Net income attributable to Equity Holders of Parent Company (a)	**1,088,983,729**	579,613,187
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)	**0.224**	0.119

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

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

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

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

The Group manages liquidity risk by using its cash and cash equivalents from operations to meet its short-term liquidity needs. The Group likewise regularly evaluates other financing instruments and arrangements to broaden the Group's range of financing sources.

The tables below summarize the maturity profile of the Group's financial assets used for liquidity risk management purposes and financial liabilities based on contractual undiscounted payments as at June 30, 2015 and December 31, 2014:

	June 30, 2015 (Unaudited)				
	On Demand	**> 3 Months**	**3 to 12 Months**	**More than 1 year**	**Total**
Cash and cash equivalents*	**1,007,901,405**	**649,501,671**	**-**	**-**	**1,657,403,076**
Trade receivables:					
Television and radio airtime	**1,267,618,316**	**3,346,904,066**	**269,872,570**	**-**	**4,884,394,952**
Subscription	**166,893,076**	**583,845,345**	**-**	**-**	**750,738,421**
Others	**23,931,532**	**70,725,689**	**4,821,702**	**-**	**99,478,923**
Nontrade receivables					
Advances to officers and employees	**47,305**	**4,867,325**	**-**	**-**	**4,914,630**
Others	**4,511,672**	**7,295,684**	**-**	**-**	**11,807,356**
Refundable deposits**	**-**	**-**	**-**	**21,741,276**	**21,741,276**
AFS financial assets	**-**	**-**	**-**	**129,024,081**	**129,024,081**
	2,470,903,306	**4,663,139,780**	**274,694,272**	**150,765,357**	**7,559,502,715**
Trade payables and other current liabilities***	**485,148,670**	**390,935,230**	**45,277,085**	**-**	**921,360,985**
Short-term loans	**-**	**-**	**2,106,827,500**	**-**	**2,106,827,500**
Obligation for program and other rights	**-**	**268,818,437**	**-**	**-**	**268,818,437**
Dividends payable	**11,410,190**	**-**	**-**	**-**	**11,410,190**
Other long-term employee benefits	**-**	**-**	**-**	**263,054,717**	**263,054,717**
	496,558,860	**659,753,667**	**2,152,104,585**	**263,054,717**	**3,571,471,829**

**Excluding cash on hand and production fund amounting to P94.99 million.*

***Included under "Other current assets" account in the consolidated statements of financial position (see Note 17).*

**** Excluding payable to government agencies and customers' deposits which are not considered as financial liabilities (see Note 19).*

	December 31, 2014 (Audited)				
	On Demand	> 3 Months	3 to 12 Months	More than 1 year	Total
Cash and cash equivalents*	1,412,013,951	159,644,753	-	-	1,571,658,704
Trade receivables:					
Television and radio airtime	550,910,486	2,473,761,000	269,872,570	-	3,294,544,056
Subscriptions	320,876,428	718,519,443	-	-	1,039,395,871
Others	47,348,164	122,069,524	4,821,702	-	174,239,390
Nontrade receivables					
Advances to officers and employees	39,000	4,404,381	-	-	4,443,381
Others	11,980,481	74,067,442	-	-	86,047,923
Refundable deposits**	-	-	-	19,913,347	19,913,347
AFS financial assets	-	-	-	129,024,081	129,024,081
	2,343,168,510	3,552,466,543	274,694,272	148,937,428	6,319,266,753
Trade payables and other current liabilities ***	427,501,183	500,295,668	66,059,351	-	993,856,202
Short-term loans		300,000,000	1,922,960,000	-	2,222,960,000
Obligation for program and other rights	-	116,533,114	-	5,193,223	121,726,337
Dividends payable	9,698,035	-	-	-	9,698,035
Other long-term employee benefits	-	-	-	259,012,979	259,012,979
	437,199,218	916,828,782	1,989,019,351	264,206,202	3,607,253,553

**Excluding cash on hand and production fund amounting to P27.17 million.*

***Included under "Other current assets" account in the consolidated statements of financial position (see Note 17).*

**** Excluding payable to government agencies and customers' deposits which are not considered as financial liabilities (see Note 19).*

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

The Group's foreign currency-denominated monetary assets and liabilities are as follows:

	June 30, 2015 (Unaudited)		December 31, 2014 (Audited)	
Assets	*(in USD)*	*(in PhP)*	*(in USD)*	*(in PhP)*
Cash and cash equivalents	**7,680,225**	**346,301,355**	18,233,035	815,381,325
Trade receivables	**16,795,043**	**757,288,489**	24,933,815	1,115,040,207
	24,475,268	**1,103,589,844**	43,166,850	1,930,421,532
Liabilities				
Short-term loans	**24,500,000**	**1,104,705,000**	43,000,000	1,922,960,000
Trade payables	**1,526,437**	**68,827,044**	614,398	27,475,879
Obligations for program and other rights	**4,502,980**	**203,039,368**	1,114,846	49,855,913
	30,529,417	**1,376,571,412**	44,729,244	2,000,291,792

In translating the foreign-currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱45.09 and ₱44.72 to US$1.00, the Philippine peso to U.S. dollar exchange rates as at June 30, 2015 and December 31, 2014, respectively.

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

	Appreciation (Depreciation) of ₱	Effect on Income before Income Tax
June 30, 2015 (Unaudited)	**0.50**	**(₱0.76 million)**
	(0.50)	**0.76 million**
December 31, 2014 (Audited)	0.50	(1.03 million)
	(0.50)	1.03 million

Interest Rate Risk. Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates is 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 Point	Effect on Income Before Income Taxes **June 30, 2015 (Unaudited)**	December 31, 2014 (Audited)
Cash and cash equivalents	50	**20.72 million**	19.65 million
	(50)	**(20.72 million)**	(19.65 million)
Short-term loans	50	**(26.34 million)**	(27.79 million)
	(50)	**26.34 million**	27.79 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. The Group does not require any collateral for its financial assets, thus, maximum exposure to credit risk is equal to the carrying value of the financial instruments.

The table below shows the maximum exposure to credit risk for the components of the consolidated financial position as at June 30, 2015 and December 31, 2014:

	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Financial Assets		
Loans and receivables:		
Cash and cash equivalents*	**1,657,403,076**	1,571,658,704
Trade receivables:		
Television and radio airtime	**4,614,522,382**	3,024,671,486
Subscription	**750,738,421**	1,039,395,871
Others	**94,657,221**	169,417,688
Nontrade receivables:		
Advances to officers and employees	**4,914,630**	4,443,381
Others	**11,807,356**	86,047,923
Refundable deposit**	**21,741,276**	19,913,347
	7,155,784,362	5,915,548,400
AFS financial assets	**129,024,081**	129,024,081
	7,284,808,443	6,044,572,481

**Excluding cash on hand and production fund amounting to P94.99 million and P27.17 million as at June 30, 2015 and December 31, 2014, respectively.*

***Included under "Other current assets" account in the consolidated statements of financial position (see Note 17).*

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

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

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

As at June 30, 2015 and December 31, 2014, the credit quality of the Group's financial assets is as follows:

	June 30, 2015 (Unaudited)			
	Neither Past Due Nor Impaired		**Past Due but**	
	High Grade	**Standard Grade**	**not Impaired**	**Total**
Cash and cash equivalents *	**1,657,403,076**	**-**	**-**	**1,657,403,076**
Trade receivables:				**-**
Television and radio airtime	**2,540,072,854**	**1,804,576,958**	**269,872,570**	**4,614,522,382**
Subscription	**498,957,869**	**251,780,552**	**-**	**750,738,421**
Others	**57,112,842**	**32,722,677**	**4,821,702**	**94,657,221**
Nontrade receivables:				
Advances to officers and employees	**4,867,325**	**47,305**	**-**	**4,914,630**
Others	**5,748,349**	**6,059,007**	**-**	**11,807,356**
Refundable deposits**	**21,741,276**	**-**	**-**	**21,741,276**
AFS financial assets	**129,024,081**	**-**	**-**	**129,024,081**
	4,914,927,672	**2,095,186,499**	**274,694,272**	**7,284,808,443**

** Excluding cash on hand amounting to P94.99 million as of June 30, 2015.*

***Included under "Other current assets" account in the consolidated statements of financial position (see Note 17).*

	December 31, 2014 (Audited)			
	Neither Past Due Nor Impaired		Past Due but	
	High Grade	Standard Grade	not Impaired	Total
Cash and cash equivalents *	1,571,658,704	-	-	1,571,658,704
Trade receivables:				-
Television and radio airtime	884,524,635	1,870,274,281	269,872,570	3,024,671,486
Subscription	595,614,407	443,781,464	-	1,039,395,871
Others	82,628,723	81,967,263	4,821,702	169,417,688
Nontrade receivables:				-
Advances to officers and employees	39,000	4,404,381	-	4,443,381
Others	14,420,251	71,627,672	-	86,047,923
Refundable deposits**	19,913,347	-	-	19,913,347
AFS financial assets	129,024,081	-	-	129,024,081
	3,297,823,148	2,472,055,061	274,694,272	6,044,572,481

** Excluding cash on hand amounting to P27.17 million as of December 31, 2014.*

***Included under "Other current assets" account in the consolidated statements of financial position (see Note 17).*

Capital Management

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

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

No changes were made in the objectives, policies or processes for periods ended June 30, 2015 and December 31, 2014.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loan to total equity. Interest-bearing loan includes all short-term and long-term loans. The Group's interest-bearing loans amounted to ₱2,106.83 million and ₱2,222.96 million as at June 30, 2015 and December 31, 2014, respectively. The Group's total equity attributable to equity holders of the Parent Company as at June 30, 2015 and December 31, 2014 amounted to ₱8,063.72 million and ₱8,190.47 million, respectively.

32. Financial Assets and Liabilities

The table below presents the carrying values and fair values of the Group's assets and liabilities, by category and by class, as at June 30, 2015 and December 31, 2014:

	June 30, 2015 (Unaudited)			
		Fair Value		
	Carrying Value	**Quoted Prices in Active Market (Level 1)**	**Significant Observable Input (Level 2)**	**Significant Unobservable Input (Level 2)**
Assets				
Loans and receivables -				
Refundable deposits (under "Other noncurrent assets)	**21,741,276**	**-**	**-**	**19,784,561**
AFS financial assets	**5,009,000**	**6,840,000**	**-**	**-**
Investment properties	**56,593,469**	**-**	**-**	**133,666,200**
Land at revalued amount	**346,502,817**	**-**	**-**	**1,453,210,041**
	429,846,562	**6,840,000**	**-**	**1,606,660,802**

		December 31, 2014 (Audited)		
		Fair Value		
	Carrying Value	Quoted Prices in Active Market (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Input (Level 2)
Assets				
Loans and receivables -				
Refundable deposits (under "Other noncurrent assets)	19,913,347	-	-	18,144,416
AFS financial assets	5,009,000	6,840,000	-	-
Investment properties	58,811,306	-	-	135,390,479
Land at revalued amount	346,502,817	-	-	1,453,210,041
	430,236,470	6,840,000	-	1,606,744,936
Liabilities				
Other financial liability -				
Noncurrent portion of obligation for program and other rights	5,193,223	-	-	6,526,340

During the periods ended June 30, 2015 and December 31, 2014, there were no transfers between levels of fair value measurement. There are no financial instruments classified under levels 1 and 2.

Fair Value Determination

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

Cash and Cash Equivalents, Short-term Investments and Trade and Nontrade Receivables

The carrying values of cash and cash equivalents, short-term investments and trade and nontrade receivables are the approximate fair values primarily due to the relatively short-term maturity of these financial instruments.

Refundable Deposits

The fair value of refundable deposits is based on the present value of the future discounted cash flows. Discount rates used range from 3.64% to 4.83% in 2015 and 2014.

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.

Investment Properties

The valuation for investment properties was derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property adjusted based on certain elements of comparison (e.g. market conditions, location, physical condition and amenities). Significant unobservable valuation input in determining the fair value of investment properties includes adjusted price per square meter that ranges from ₱900 to ₱118,945.

Land at Revalued Amount

The valuation for land was derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property adjusted based on certain elements of comparison (e.g. market conditions, location, physical condition and amenities). Significant unobservable valuation input in determining the fair value of land at revalued amount includes adjusted price per square meter that ranges from ₱200 to ₱50,000.

Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the properties.

Trade Payables and Other Current Liabilities (excluding payable to government agencies and customer deposits), Short-term Loans, Current Portion of Obligations for Program and Other Rights and Dividends Payable

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

Noncurrent Portion of Obligations for Program and Other Rights

The fair value of noncurrent portion of obligation for program and other rights is based on the present value of the future cash flows. Discount rates used is 4.03% in 2015 and 2014.

33. Causes for Material Changes in the Financial Statements

Statements of Financial Position (June 30, 2015 vs. December 31, 2014)

- Cash and cash equivalents increased by 10% to ₱1,752.39 million as cash provided by operation amounting to ₱1,833.07 million exceeded the ₱329.25 million used in investing activities which mainly resulted from acquisition of fixed assets and ₱1,361.06 million used in financing activities primarily due to payment of cash dividends.
- Trade and other receivables increased by 27% to ₱5,909.51 million as collections for the first half of 2015 were less than the net sales generated, which was boosted by the dramatic increase in airtime sales.
- Short-term loans were down by 5% to ₱2,106.83 million as payments of loan were more than the availments made.
- Obligation for program rights likewise grew by 121% to ₱268.82 million as acquisition on account exceeds total payments.
- Income tax payable increased by ₱391.81 million directly attributed to the rise in income generated for the first semester of 2015.
- Retained earnings fell by 13% to ₱866.21 million directly attributed to cash dividends declared subsequently offset by the net income generated for the six-month period.

34. Other Notes to 2015 and 2014 Operations and Financials

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

	June 30, 2015	June 30, 2014
Revenues	**6,653,418,499**	5,765,524,950
Airtime revenues	**6,069,347,343**	5,142,455,769
Cash operating expenses	**4,251,703,008**	4,199,288,804
EBITDA	**2,410,029,306**	1,565,923,547
Net income before tax	**1,591,397,060**	849,462,632
Net income	**1,098,588,261**	582,452,354

	June 30, 2015	June 30, 2014
Current ratio	**1.69**	1.81
Asset-to-Equity ratio	**1.88**	1.61
Debt-to-Equity ratio	**0.26**	0.27
Interest Rate Coverage ratio	**70.51**	51.56
EBITDA margin	**36%**	27%
Net income margin	**17%**	10%

GMA NETWORK, INC. AND SUBSIDIARIES
SEGMENTED RESULTS
FOR THE FIRST HALF ENDED JUNE 30, 2015 AND 2014 **EXHIBIT 1**

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

	Television and Radio Airtime		International Subscriptions		Other Businesses		Eliminations		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
NET REVENUES										
External sales	**6,069,347,343**	5,142,455,769	**487,933,579**	528,070,604	**96,137,577**	94,998,577	**-**	-	**6,653,418,499**	5,765,524,950
Inter-segment sales	**-**	-		-	**333,317,611**	338,644,377	**(333,317,611)**	(338,644,377)	**-**	-
	6,069,347,343	5,142,455,769	**487,933,579**	528,070,604	**429,455,188**	433,642,954	**(333,317,611)**	(338,644,377)	**6,653,418,499**	5,765,524,950
NET INCOME										
Segment results	**1,182,543,737**	614,669,293	**407,619,517**	259,437,091	**12,490,407**	(15,974,061)	**-**	-	**1,602,653,661**	858,132,323
Interest expense and other financing charges	**(22,614,725)**	(16,538,084)	**-**	-	**(232,754)**	(100,657)	**-**	-	**(22,847,479)**	(16,638,741)
Foreign exchange loss	**(9,533,661)**	(21,893,367)	**-**	-	**158,117**	(450,487)	**-**	-	**(9,375,544)**	(22,343,854)
Interest income	**2,875,292**	7,905,480	**-**	-	**401,771**	376,170	**-**	-	**3,277,063**	8,281,650
Other income (expenses)	**103,390,469**	21,030,265	**-**	-	**4,135,312**	1,000,989	**(89,836,422)**	-	**17,689,359**	22,031,254
Income tax	**(349,620,286)**	(182,262,067)	**(122,285,855)**	(77,831,127)	**(20,902,658)**	(6,917,084)	**-**	-	**(492,808,799)**	(267,010,278)
	907,040,826	422,911,520	**285,333,662**	181,605,964	**(3,949,805)**	(22,065,130)	**(89,836,422)**	-	**1,098,588,261**	582,452,354
ASSETS AND LIABILITIES										
Assets										
Segment assets	**13,570,220,626**	11,590,044,513	**1,728,456,996**	1,429,455,976	**833,632,321**	773,818,585	**(1,095,096,149)**	(884,818,629)	**15,037,213,794**	12,908,500,445
Investment in an associate - at equity	**38,350,619**	38,350,619	**-**	-	**21,976,710**	16,637,949	**-**	-	**60,327,329**	54,988,568
Deferred tax assets	**-**	-	**-**	-	**151,161,083**	103,044,115	**-**	-	**151,161,083**	103,044,115
	13,608,571,245	11,628,395,132	**1,728,456,996**	1,429,455,976	**1,006,770,114**	893,500,649	**(1,095,096,149)**	(884,818,629)	**15,248,702,206**	13,066,533,128
Liabilities										
Segment liabilities	**6,794,143,244**	4,628,322,693	**189,510,750**	166,615,780	**922,646,391**	798,574,542	**(788,412,554)**	(659,250,710)	**7,117,887,831**	4,934,262,305
Deferred tax liabilities	**14,762,572**	36,809,046	**-**	-	**-**	-			**14,762,572**	36,809,046
	6,808,905,816	4,665,131,739	**189,510,750**	166,615,780	**922,646,391**	798,574,542	**(788,412,554)**	(659,250,710)	**7,132,650,403**	4,971,071,351

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

	Local									
	Television and Radio Airtime		Other Businesses		International Subscriptions		Eliminations		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
NET REVENUES										
External sales	**6,069,347,343**	5,142,455,769	**96,137,577**	94,998,577	**487,933,579**	528,070,604	**-**	-	**6,653,418,499**	5,765,524,950
Inter-segment sales	**-**	-	**333,317,611**	338,644,377	**-**	-	**(333,317,611)**	(338,644,377)	**-**	-
	6,069,347,343	5,142,455,769	**429,455,188**	433,642,954	**487,933,579**	528,070,604	**(333,317,611)**	(338,644,377)	**6,653,418,499**	5,765,524,950

GMA NETWORK, INC. AND SUBSIDIARIES
ROLLFORWARD OF PROPERTY AND EQUIPMENT
AS OF JUNE 30, 2015

EXHIBIT 2

	DECEMBER 31, 2014	ADDITIONS	DISPOSALS	RECLASSIFICATIONS	JUNE 30, 2015
At cost					
Buildings and leasehold improvements	2,877,960,263	8,131,438	-	(173,001)	2,885,918,700
Broadcast equipment	6,130,437,578	22,748,495	(18,320,984)	36,641,968	6,171,507,057
Communication & mechanical equipment	1,049,583,717	59,516,825	-	-	1,109,100,542
Transportation equipment	484,678,618	24,702,789	-	-	509,381,407
Furniture, fixtures and equipment	174,051,159	1,757,973	-	(26,400,639)	149,408,493
	10,716,711,335	116,857,520	(18,320,984)	10,068,328	10,825,316,199
Accumulated Depreciation					
Buidings and leasehold improvements	(1,480,111,379)	(72,292,742)	-	172,414	(1,552,231,707)
Broadcast equipment	(4,633,309,838)	(205,182,620)	16,286,470	(32,572,940)	(4,854,778,928)
Communication & mechanical equipment	(816,954,816)	(77,737,605)	-	-	(894,692,421)
Transportation equipment	(304,315,890)	(41,495,310)	-	-	(345,811,200)
Furniture, fixtures and equipment	(143,887,211)	(6,099,757)	-	21,988,687	(127,998,281)
	(7,378,579,134)	(402,808,034)	16,286,470	(10,411,839)	(7,775,512,537)
Equipment for installation	35,678,226	119,389,603	-	343,511	155,411,340
	35,678,226	119,389,603	-	343,511	155,411,340
Net book value	**3,373,810,427**	**(166,560,911)**	**(2,034,514)**	**-**	**3,205,215,002**

GMA Network, Inc. and Subsidiaries
Financial Ratios **Exhibit 3**
As of June 30, 2015 and 2014

Ratios	Formula	In PhP	2015	2014
Current Ratio	Current Assets	9,566,147,954	1.69	1.81
	Current Liabilities	5,657,273,800		
Net Debt-to-Equity Ratio	Interest-bearing loans and borrowings less cash and cash equivalents	354,435,932	0.04	0.02
	Total Equity	8,116,051,803		
Assets-to-Equity Ratio	Total Assets	15,248,702,206	1.88	1.61
	Total Equity	8,116,051,803		
Interest Rate Coverage Ratio	EBIT	1,610,967,476	70.51	51.56
	Interest expense	22,847,479		
Profitability Ratios				
Gross Profit Margin	Gross Profit	3,936,084,110	59%	55%
	Net Revenues	6,653,418,499		
Net Income Margin	Net Income	1,098,588,261	17%	10%
	Net Revenues	6,653,418,499		

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
SVP – FINANCE & ICT

Date: August 14, 2015