CR05979-2017

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
   Jun 30, 2017
2. SEC Identification Number
   5213
3. BIR Tax Identification No.
   000-917-916
4. Exact name of issuer as specified in its charter
   GMA Network, Inc.
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   GMA Network Center, EDSA corner Timog Avenue, Diliman, Quezon City
   Postal Code
   1103
8. Issuer's telephone number, including area code
   (632) 982-7777
9. Former name or former address, and former fiscal year, if changed since last report
   -
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

11. Are any or all of registrant's securities listed on a Stock Exchange?
    (•) Yes ( ) No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange / Common Shares
12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the SRC 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 that the registrant was required to file such reports)

    (•) Yes ( ) No

    (b) has been subject to such filing requirements for the past ninety (90) days
    (•) Yes ( ) No

GMA Network, Inc.
GMA7

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Jun 30, 2017
Currency (indicate units, if applicable)	PhP

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2017	Dec 31, 2016
Current Assets	10,101,545,367	10,583,770,109
Total Assets	15,428,013,405	16,058,775,515
Current Liabilities	4,958,894,916	3,673,962,653
Total Liabilities	6,984,298,074	5,602,842,915
Retained Earnings/(Deficit)	1,570,516,360	3,574,757,302
Stockholders' Equity	8,443,715,331	10,455,932,600
Stockholders' Equity - Parent	8,404,397,419	10,407,302,541
Book Value per Share	1.73	2.14

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	3,932,507,964	4,857,142,344	7,698,396,010	8,759,854,832
Gross Expense	2,958,562,328	2,966,085,736	5,552,969,545	5,411,818,705
Non-Operating Income	42,341,435	27,650,275	71,875,993	60,480,882
Non-Operating Expense	7,089,761	14,613,169	9,569,416	28,084,317
Income/(Loss) Before Tax	1,016,287,071	1,956,748,109	2,217,302,458	3,408,517,009
Income Tax Expense	305,975,251	591,193,970	665,060,688	1,030,307,689
Net Income/(Loss) After Tax	710,311,820	1,365,554,139	1,552,241,770	2,378,209,320
Net Income Attributable to Parent Equity Holder	706,748,098	1,359,496,484	1,543,703,917	2,364,071,387
Earnings/(Loss) Per Share (Basic)	0.15	0.28	0.32	0.49
Earnings/(Loss) Per Share (Diluted)	0.15	0.28	0.32	0.49

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.81	0.72
Earnings/(Loss) Per Share (Diluted)	0.81	0.72

Other Relevant Information
-

Filed on behalf by:

Name	Ayahl Ari Augusto Chio
Designation	Vice President

COVER SHEET

5213

SEC Registration Number

G M A   N E T W O R K ,   I N C .   A N D   S U B S I D I A R I E S

(Group's Full Name)

G M A   N e t w o r k   C e n t e r ,   T i m o g   A v e n u e   c o r n e r   E D S A ,   Q u e z o n   C i t y

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

Mr. Ronaldo P. Mastrili

(Contact Person)

982-7777

(Group Telephone Number)

06 30

Month *Day*

(Fiscal Year)

17-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

S T A M P S

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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, 2017**

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, 2017 and 2016

Capping the first six months of the year, GMA Network and Subsidiaries (GMA/the Company) was able to sustain the lead established in the first quarter in terms of recurring revenues, albeit in diminishing proportions. Consolidated recurring sales from all platforms reached P7,698 million for the first semester of 2017, still ahead by P426 million or 6% from a year ago. Nonetheless, buoyed by the huge P1,488 million windfall from last year's elections, absolute revenues suffered a setback of more than a billion pesos at P1,061 million or 12% lower year-on-year.

Income Data	**6M-2017** (in millions PhP)	6M-2016 (in millions PhP)	Inc/(Dec) (in millions PhP)	%
Revenues				
Television and radio airtime	**6,853.1**	8,064.9	(1,211.8)	-15%
Production and others	**845.3**	695.0	150.4	22%
	7,698.4	8,759.9	(1,061.5)	-12%
Total operating expenses	**5,543.4**	5,383.7	159.7	3%
EBITDA	**2,961.3**	4,176.7	(1,215.4)	-29%
Net income	**1,552.2**	2,378.2	(826.0)	-35%
Attributable to Equity Holders of Parent Company	***1,543.7***	*2,364.1*	*(820.4)*	*-35%*
Noncontrolling Interest	***8.5***	*14.1*	*(5.6)*	*-40%*

Meanwhile, total operating expenses (OPEX) for the six-month period this year tipped at P5,543 million, reflecting a moderate increase of only 3% or P160 million. Cash and non-cash production costs resulted in an increase of P142 million or 5% from last year partly trimmed down by the slower growth in general and administrative expense (GAEX) by P18 million or barely 1%.

As consolidated top line ended short versus same period last year by 12% coupled by the slight hike in total spending, Earnings before interest, taxes, depreciation and amortization (EBITDA) for the first half of 2017 settled at P2,961 million considerably lower by P1,215 million or 29% from same period a year ago. The improvement in recurring sales this year by P426 million was not enough to compensate for the huge P1,488 million one-time inflow from last year's elections. Consequently, consolidated net income after tax sealed the first six months of the year at P1,552 million, likewise lower by P826 million or 35% than last year's sterling performance of P2,378 million.

Revenues

Consolidated airtime sales dominated the revenue pie with an 89% share measuring at P6,853 million for the first half of this year from combined contributions of Ch-7, GNTV-11, Regional TV and Radio and likewise provided the biggest drag with a P1,212 million or 15% drop in revenues. Minus the impact of political advocacies and advertisements in comparative period, recurring airtime revenues edged last year by P276 million or 4%, with the slowdown coming in during the second quarter of 2017. The shortfall from this segment was partly cushioned by the noteworthy improvement in revenues from subsidiaries and other sources by P150 million or 22%.

Revenues	**6M-2017** (in millions PhP)	6M-2016 (in millions PhP)	Inc/(Dec) (in millions PhP)	%
Television and radio airtime	**6,853.1**	6,577.3	275.7	4%
Production and others	**845.3**	695.0	150.4	22%
	7,698.4	7,272.3	426.1	6%
Add: Non-recurring political advertisements	**-**	1,487.6	(1,487.6)	-100%
	7,698.4	8,759.9	(1,061.5)	-12%

On a per platform basis, Ch-7 continued to lead the pack taking up the lion's share in the revenue pie of the Company. Against last year, regular sales of Ch-7 were up by 4%. Meanwhile, inclusive of the significant one-time inflow from the elections last year, a 15% contraction in sales was recorded by the core channel of the Company. The increase in recurring advertising revenue was fuelled by incremental minutes load from regular advertisers. GMA sustained its nationwide TV ratings dominance with an average of 42.7% people audience share in NUTAM, besting ABS-CBN's 36.4% in the second quarter of 2017 based on data from Nielsen TV Audience Measurement.

Radio business contributed the second largest airtime revenues for the period hiking by 26% from last year's recurring sales. Nonetheless, as last year was heavily influenced by more than a hundred million worth of non-recurring election-related load, Radio's absolute sales dipped by 23% by the end of the first half this year.

In the meantime, GNTV-11 which was least affected by election fever last year failed to make the cut, ending 5% lower than year ago's top line. Discounting the impact of the non-recurring sales, GNTV-11's six months' gross earnings hurdled last year's peg by a slight 2%.

Lastly, airtimes sales from the Company's Regional operations sealed the first semester ahead of last year's performance by 8%, sans pol ads. Inclusive of some national and local election-related placements in 2016 however, RTV sales for the semester ended yielded a reduction of 23% million. The drag for the Regional platform came from national sales contributions. On the other hand, local sales of RTV which made up nearly 60% of the platform's revenue pie even ended higher than last year's top line by 7%, despite the latter being boosted by political advocacies and advertisements.

Meanwhile, revenues from international operations and other businesses, which were not affected by the boost from political advocacies and advertisements last year scaled to P845 million, reflecting an improvement of 22% or P150 million versus a year ago. International operations comprised mainly of GMA Pinoy TV, Life TV and News TV raked in total revenues equivalent to 9% higher than same period last year. Subscriptions revenue propelled the growth with an 8% increase y-o-y. The growth in this area was influenced by the depreciation of the PhP against the USD by an average of P3.14 to USD1 or 7%. Augmenting the above forex difference was the accretion in subscriber count reaching as high as 18% for GMA News TV (International) which was the last to be launched. Advertising and on-ground sponsorships abroad meanwhile contributed a 12% growth from shows held abroad this year which included *Sikat Ka Kapuso* in the US and *Wowowin* in the Middle East.

On the other hand, revenues from subsidiaries operations and other businesses recorded an upswing of 81% for the first half of 2017. Among subsidiaries, GMA New Media (GNMI) led the pack with sales from external sources increasing by 51% by the end of six months this year – mainly from content provisioning services with HOOQ and iFlix, including some exclusivity contracts. There were also top-line growth seen in GMA Records, Media Merge and Digify. The company's syndication business likewise showed revenue improvement by 57% from international sales of locally produced telenovelas as well as format rights sold abroad. Finally inflows from the digital business (on-line advertising in GMA's various websites) started to pick up, thus further amplifying this period's growth.

Expenses

After the first six months this year, total operating expenses (OPEX) of the Company wrapped up at P5,543 million, just a little higher by 3% or P160 million versus same period last year.

Production Costs	**6M-2017** *(in millions PhP)*	6M-2016 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Talent fees	**1,455.3**	1,325.4	129.9	10%
Rentals and outside services	**399.0**	414.2	(15.3)	-4%
Other program expenses	**725.8**	713.6	12.2	2%
Sub-total - Cash Production Costs	**2,580.2**	2,453.3	126.9	5%
Program rights amortization	**415.0**	383.1	31.9	8%
Depreciation and amortization	**123.0**	139.8	(16.8)	-12%
Sub-total - Non-cash Production Costs	**538.0**	522.9	15.1	3%
Total production costs	**3,118.2**	2,976.2	142.0	5%

Consolidated Production cost and talent fees which comprised 56% of total OPEX sealed the first half of the year at P3,118 million, up by a single-digit growth of only 5% or P142 million than a year ago. Cash production cost was the driver for this year's growth with talent fees rising by P130 million or 10%. There were also increases in facilities cost and other production expenses. This year featured the high-rating fantaserye *"Encantadia"* and the sequel of *"Mulawin vs. Ravena"* which aside from featuring an all-star cast also entailed higher production spending compared to counterpart programs last year. Program rights usage likewise finished off higher by P32 million versus 1H last year owing to more slots being occupied especially by local/foreign rented movies (under the *Kapuso Movie Festival* series). On the other hand, partly trimming down the escalation in cash production cost was the reduction seen in depreciation charges related to production equipment and facilities which dipped by P17 million or 12% from a year ago. Last year also included non-recurring expenses related to the 2016 National and Local Elections, to wit: comprehensive coverage via *Eleksyon 2016* and the first ever presidential debate on television dubbed *Pilipinas Debates 2016* which partly offset the increases mentioned above.

General and Administrative Expenses	**6M-2017** *(in millions PhP)*	6M-2016 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Personnel costs	**1,481.7**	1,437.7	44.1	3%
Outside services	**155.3**	200.5	(45.2)	-23%
Facilities costs	**243.5**	197.9	45.6	23%
Taxes and licenses	**92.5**	83.0	9.5	12%
Others	**242.7**	243.1	(0.4)	-0.2%
Subtotal - Cash GAEX	**2,215.8**	2,162.2	53.6	2%
Depreciation and amortization	**198.2**	232.4	(34.2)	-15%
Amortization of software costs	**11.2**	13.0	(1.7)	-13%
Subtotal - Non-cash GAEX	**209.4**	245.3	(36.0)	-15%
Total GAEX	**2,425.2**	2,407.5	17.6	1%

Meanwhile, general and administrative expenses (GAEX) summed up to P2,425 million during the semester, ending at par with last year. The hike in this year's Personnel cost by P44 million was fairly counterweighed by the reduction in Advertising and promotions spending as well as in payments for commissions on direct accounts this period. The increase in Salaries and employees' benefits was propelled by the annual CBA and merit increases as well as the higher provisioning for the retirement benefits based on the latest actuarial valuation. These were partly offset by the lower mid-year bonus this year vs. last year. Further pulling down this year's GAEX was the P34 million or 15% decline in depreciation.

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the first six months this year wrapped up close to the P3.0-billion mark ending at P2,961 million despite the absence of the huge windfall from last year's elections. However, resulting from the dearth in political advocacies and advertisements, absolute gap in year-on-year EBITDA translated into P1,215 million or 29% compared with last year's P4,177 million peg.

Net Income

The impact of last year's elections left a huge dent in this year's performance even as the Company recorded improvements in recurring sales from last year. Thus, first semester consolidated net income after tax sealed at P1,552 million, lower by P826 million or 35% from last year's robust bottom-line performance of P2,378 million.

Balance Sheet Accounts

Total assets as at end-June this year stood at P15,428 million, reflecting a 4% decrease from end-2016's P16,059 million. This was primarily an offshoot of the reduction in Cash & cash equivalents and Trade & other receivables by P532 million and P706 million, respectively, partially offset by the hike in Program & other rights by P433 million to P1,493 million as at June 30, 2017 and climb in Prepaid expenses & other current assets from P834 million in December 31, 2016 to P1,157 million as of the reporting period.

Total liabilities totaling P6,984 million edged December 31, 2016 balance by 25% or P1,381 million as at end of first semester this year, primarily as a result of loan availments equivalent to P1,500 million this quarter which resulted in an P854 million increase in the account balance's total. Consequent to the considerable dividends declaration during the period, partially offset by the income earned during the semester, consolidated equity settled at P8,444 million, lower than last year by P2,012 million or 19%.

Cash Flows

The following table shows the operating, investing and financing cash outflow or inflows of the Company:

Cash Flows	6M-2017 (in millions PhP)	6M-2016 (in millions PhP)
Net cash provided by operating activities	**2,335.4**	3,666.4
Net cash used in investing activities	**(149.7)**	(186.3)
Net cash used in financing activities	**(2,718.5)**	(1,992.6)
Effect of exchange rate changes on cash and cash equivalents	**0.4**	(33.0)
Net increase in cash and cash equivalents	**(532.4)**	1,454.5
Cash and cash equivalents at beginning of period	**3,419.0**	2,160.3
Cash and cash equivalents at end of period	**2,886.6**	3,614.8

Operating Activities

Net cash from operations registered at P2,335 million this year. This resulted from income before income tax of P2,217 million adjusted mainly by depreciation expense of P321 million, gain on sale of property and equipment of P15 million, amortization of software costs of P11 million, interest expense and financing charges of P10 million and interest income of P13 million apart from the changes in working capital. The primary components of the changes in working capital include the P848 million and P323 million hike in program & other rights and prepaid expenses & other current assets, respectively partly offset by the P705 million drop in trade & other receivables.

Investing Activities

Net cash used in investing activities amounted to P150 million, coming primarily from the P168 million additions to property and equipment partially reduced by the P17 million proceeds from sale of property and equipment and P7 million decrease in Other noncurrent assets.

Financing Activities

Net cash used financing activities amounted to P2,719 million as a net result of cash dividends, short-term loans and interest payment totaling P4,219 million partly netted by P1,500 million proceeds from loan availments during the 2nd quarter of the year.

Key Financial Performance Indicators
The key financial performance indicators that the Company monitors are the following:

Key Performance Indicators	6M-2017 (in millions PhP)	6M-2016 (in millions PhP)	Inc/(Dec) (in millions PhP)	%
Revenues	**7,698.4**	8,759.9	(1,061.5)	-12%
Airtime revenues	**6,853.1**	8,064.9	(1,211.8)	-15%
Cash operating expenses	**4,796.0**	4,615.5	180.5	4%
EBITDA	**2,961.3**	4,176.7	(1,215.4)	-29%
Net income attributable to Parent Company	**1,543.7**	2,364.1	(820.3)	-35%

* * * * * * * * * * * *

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

	June 30, 2017 Unaudited	December 31, 2016 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 8 and 31)	**2,886,615,045**	3,419,014,205
Trade and other receivables (Notes 9, 22 and 31)	**4,564,666,390**	5,270,306,881
Program and other rights (Note 10)	**1,493,362,860**	1,060,631,509
Prepaid expenses and other current assets (Note 11)	**1,156,901,072**	833,817,514
Total Current Assets	**10,101,545,367**	10,583,770,109
Noncurrent Assets		
Available-for-sale financial assets (Notes 12, 31 and 32)	**243,141,881**	243,391,881
Investments and advances (Notes 13 and 22)	**150,851,452**	150,835,949
Property and equipment:		
At cost (Note 14)	**2,622,306,009**	2,776,484,984
At revalued amounts (Note 15)	**1,805,180,015**	1,805,146,475
Investment properties (Note 16)	**52,181,312**	53,314,111
Deferred income tax assets - net	**310,636,632**	291,512,030
Other noncurrent assets (Note 17)	**142,170,737**	154,319,976
Total Noncurrent Assets	**5,326,468,038**	5,475,005,406
TOTAL ASSETS	**15,428,013,405**	16,058,775,515
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Note 18)	**1,500,000,000**	646,360,000
Trade payables and other current liabilities (Notes 19, 23 and 31)	**2,546,898,320**	2,441,945,601
Income tax payable	**460,200,264**	496,104,301
Obligation for program and other rights (Notes 20 and 31)	**435,632,769**	76,847,692
Dividends payable (Note 31)	**16,163,563**	12,705,059
Total Current Liabilities	**4,958,894,916**	3,673,962,653
Noncurrent Liabilities		
Pension liability	**1,745,727,441**	1,644,323,747
Other long-term employee benefits (Note 32)	**279,675,717**	284,556,515
Total Noncurrent Liabilities	**2,025,403,158**	1,928,880,262
Total Liabilities	**6,984,298,074**	5,602,842,915

(Forward)

	June 30, 2017 Unaudited	December 31, 2016 Audited
Equity Attributable to Equity Holders of the Parent Company		
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
Remeasurements loss on retirement plans - net of tax	**(662,481,798)**	(664,042,118)
Unrealized loss on available-for-sale financial assets - net of tax	**(10,338,181)**	(10,113,681)
Retained earnings (Note 22)	**1,570,516,360**	3,574,757,302
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	**8,404,397,419**	10,407,302,541
Equity Attributable to Non-controlling Interest	**39,317,912**	48,630,059
Total Equity	**8,443,715,331**	10,455,932,600
TOTAL LIABILITIES AND EQUITY	**15,428,013,405**	16,058,775,515

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	
	2017	2016	**2017**	2016
NET REVENUES (Note 24)	**3,932,507,964**	4,857,142,344	**7,698,396,010**	8,759,854,832
PRODUCTION COSTS (Note 25)	**1,619,386,380**	1,638,666,187	**3,118,214,442**	2,976,196,499
GROSS PROFIT	**2,313,121,584**	3,218,476,157	**4,580,181,568**	5,783,658,333
GENERAL AND ADMINISTRATIVE EXPENSES (Note 26)	**1,332,086,187**	1,274,765,154	**2,425,185,687**	2,407,537,889
OTHER INCOME (EXPENSE) - NET				
Net foreign currency exchange gain (loss)	**15,345,040**	(8,788,538)	**3,791,925**	(17,014,108)
Interest income (Note 8)	**5,695,263**	5,775,754	**13,018,490**	11,121,056
Interest expense and financing charges	**(7,089,761)**	(5,824,631)	**(9,569,416)**	(11,070,209)
Others - net (Note 28)	**21,301,132**	21,874,521	**55,065,578**	49,359,826
	35,251,674	13,037,106	**62,306,577**	32,396,565
INCOME BEFORE INCOME TAX	**1,016,287,071**	1,956,748,109	**2,217,302,458**	3,408,517,009
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	**313,697,538**	607,425,627	**684,185,290**	1,052,486,139
Deferred	**(7,722,287)**	(16,231,657)	**(19,124,602)**	(22,178,450)
	305,975,251	591,193,970	**665,060,688**	1,030,307,689
NET INCOME	**710,311,820**	1,365,554,139	**1,552,241,770**	2,378,209,320
OTHER COMPREHENSIVE INCOME (LOSS) - net of tax				
Item to be reclassified to profit or loss in subsequent periods -				
Unrealized gain (loss) on available-for-sale financial assets	**-**	-	**(224,500)**	396,000
Item not to be reclassified to profit or loss in subsequent periods -				
Remeasurement gain (loss) on retirement plan	**1,560,320**	-	**1,560,320**	(63,459)
	1,560,320	-	**1,335,820**	332,541
TOTAL COMPREHENSIVE INCOME	**711,872,140**	1,365,554,139	**1,553,577,590**	2,378,541,861
Net income attributable to:				
Equity holders of Parent Company	**706,748,098**	1,359,496,484	**1,543,703,917**	2,364,071,387
Non-controlling interest	**3,563,722**	6,057,655	**8,537,853**	14,137,933
	710,311,820	1,365,554,139	**1,552,241,770**	2,378,209,320
Total comprehensive income attributable to:				
Equity Holders of Parent Company	**708,308,418**	1,359,496,484	**1,545,039,737**	2,364,403,928
Non-controlling interest	**3,563,722**	6,057,655	**8,537,853**	14,137,933
	711,872,140	1,365,554,139	**1,553,577,590**	2,378,541,861
Basic/Diluted Earnings Per Share (Note 30)	**0.145**	0.280	**0.318**	0.486

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	Remeasurements 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, 2017	**4,864,692,000**	**1,659,035,196**	**1,017,247,029**	**(664,042,118)**	**(10,113,681)**	**3,574,757,302**	**(28,483,171)**	**(5,790,016)**	**10,407,302,541**	**48,630,059**	**10,455,932,600**
Net income	**-**	**-**	**-**	**-**	**-**	**1,543,703,917**	**-**	**-**	**1,543,703,917**	**8,537,853**	**1,552,241,770**
Other comprehensive income (loss)	**-**	**-**	**-**	**1,560,320**	**(224,500)**	**-**	**-**	**-**	**1,335,820**	**-**	**1,335,820**
Total comprehensive income	**-**	**-**	**-**	**1,560,320**	**(224,500)**	**1,543,703,917**	**-**	**-**	**1,545,039,737**	**8,537,853**	**1,553,577,590**
Cash dividends	**-**	**-**	**-**	**-**	**-**	**(3,547,944,859)**	**-**	**-**	**(3,547,944,859)**	**(17,850,000)**	**(3,565,794,859)**
At June 30, 2017	**4,864,692,000**	**1,659,035,196**	**1,017,247,029**	**(662,481,798)**	**(10,338,181)**	**1,570,516,360**	**(28,483,171)**	**(5,790,016)**	**8,404,397,419**	**39,317,912**	**8,443,715,331**
At January 1, 2016	4,864,692,000	1,659,035,196	1,017,247,029	(300,486,170)	(59,671,681)	1,892,306,756	(28,483,171)	(5,790,016)	9,038,849,943	43,270,173	9,082,120,116
Net income	-	-	-	-	-	2,364,071,387	-	-	2,364,071,387	14,137,933	2,378,209,320
Other comprehensive income (loss)	-	-	-	(63,459)	396,000	-	-	-	332,541	-	332,541
Total comprehensive income	-	-	-	(63,459)	396,000	2,364,071,387	-	-	2,364,403,928	14,137,933	2,378,541,861
Cash dividends	-	-	-	-	-	(1,943,884,375)	-	-	(1,943,884,375)	-	(1,943,884,375)
At June 30, 2016	4,864,692,000	1,659,035,196	1,017,247,029	(300,549,629)	(59,275,681)	2,312,493,768	(28,483,171)	(5,790,016)	9,459,369,496	57,408,106	9,516,777,602

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	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**2,217,302,458**	3,408,517,009
Adjustments for:		
Depreciation and amortization (Notes 14 and 16)	**321,191,957**	372,186,115
Interest income (Note 8)	**(13,018,490)**	(11,121,056)
Unrealized foreign exchange loss	**660,447**	33,017,748
Gain on sale of property and equipment (Note 28)	**(15,270,933)**	(12,475,362)
Amortization of software costs (Note 17)	**11,221,111**	12,956,834
Interest expense and financing charges	**9,569,415**	11,070,209
Operating income before working capital changes	**2,531,655,965**	3,814,151,497
Program rights usage (Note 10)	**415,010,166**	383,116,175
Decreases (increases) in:		
Trade and other receivables	**704,724,797**	(117,429,452)
Program and other rights	**(847,741,517)**	(491,548,638)
Prepaid expenses and other current assets	**(323,083,558)**	(375,429,960)
Increases (decreases) in:		
Trade and other payables	**104,115,998**	723,320,732
Obligations for program rights	**358,785,077**	57,645,403
Pension liability	**102,964,014**	51,963,280
Other long-term employee benefits	**(4,880,798)**	30,368,060
Net cash generated from operations	**3,041,550,144**	4,076,157,097
Interest received	**13,934,184**	10,051,636
Income taxes paid	**(720,089,327)**	(419,767,615)
Net cash provided by operating activities	**2,335,395,001**	3,666,441,118
Acquisitions of:		
Property and equipment (Note 14)	**(167,830,282)**	(209,928,788)
Land (Note 15)	**(33,540)**	-
Software costs (Note 17)	**(5,917,564)**	(74,680)
Investment properties (Note 16)	**-**	(37,757)
Proceeds from sale of property and equipment	**17,221,032**	14,242,560
Decrease (increase):		
Other noncurrent assets	**6,845,692**	9,413,321
Available-for-sale financial assets	**25,500**	(54,000)
Investments and advances	**(15,503)**	181,361
Net cash used in investing activities	**(149,704,665)**	(186,257,983)
Proceeds from availments of short-term loans (Note 18)	**1,500,000,000**	500,000,000
Payments of:		
Cash dividends (Note 22)	**(3,562,336,355)**	(1,940,316,506)
Short-term loans (Note 18)	**(647,452,000)**	(541,190,000)
Interest and financing charges on short-term loans	**(8,732,694)**	(11,126,002)
Net cash used in financing activities	**(2,718,521,049)**	(1,992,632,508)
EFFECT OF EXCHANGE RATE CHANGES ON CASH ON HAND AND CASH EQUIVALENTS	**431,553**	(33,017,748)
NET INCREASE IN CASH AND CASH EQUIVALENTS IN CASH AND CASH EQUIVALENTS	**(532,399,160)**	1,454,532,879
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR AT BEGINNING OF YEAR	**3,419,014,205**	2,160,298,125
CASH AND CASH EQUIVALENTS OF PERIOD	**2,886,615,045**	**3,614,831,004**

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

GMA Network, Inc. (GNI or 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 September 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 September 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.

On December 7, 2016, House Bill No. 4631, which seeks to renew GMA's franchise was filed. The key provisions of the franchise renewal under House Bill No.4631 are as follows:

1. Allows continued broadcast operations of GMA, maintenance of its radio and TV stations in the Philippines and its expansion, including digital television system;
2. Provides another franchise term of twenty-five (25) years;
3. Requires the grantee to provide government adequate public service time to enable it to reach the population on important public issues and assist in the functions of public information and education;
4. Prohibits the grantee from leasing, transferring, selling nor assigning the franchise or controlling interest thereof without the prior approval of the Congress of the Philippines; and
5. Requires the grantee to submit an annual report to the Congress of the Philippines on its compliance with the terms and conditions of the franchise and its operation on or before April 30 of every year during the term of the franchise.

On March 23, 2017, House Bill 4631 became an Enrolled Bill (the "Enrolled Bill") and was endorsed to the Office of the President for his approval. On April 21, 2017, the Office of the President approved and signed House Bill 4631 into law, renewing GMA's franchise for another 25 years.

2. Basis of Preparation

<u>Basis of Preparation</u>
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) financial assets and land under property and equipment 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.

<u>Statement of Compliance</u>
The Group's consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

<u>Basis of Consolidation</u>
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2017 and December 31, 2016. The Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the has less than a majority of the voting or similar rights of an investee, the Group 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
- Right arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses 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 Company obtains control over the subsidiary and ceases when the 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 Company gains control until the date the 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 of the Group and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resultant gain or loss is recognized in the consolidated statements of income. Any investment retained is recognized at fair value.

NCI represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the consolidated statements of income and within equity in the consolidated statements of financial position, separately from equity attributable to holders of the Parent Company. NCI shares in losses even if the losses exceed the non-controlling equity interest in the subsidiary. NCI represents the equity interest in RGMA Network, Inc. (RGMA Network).

The consolidated financial statements include additional information about subsidiaries that have NCI 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/or subsidiaries whose activities are important to the Group as at end of the year.

RGMA declared and paid dividends amounting to ₱17.85 million and ₱13.26 million to NCI on June 30, 2017 and December 31, 2016, respectively.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries as at June 30, 2017 and December 31, 2016:

		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*
****Ceased commercial operations in 2015*
*****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 amendments to existing PFRSs which became effective on January 1, 2016. Adoption of the pronouncements did not have any significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, Agriculture*: Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRS (2012-2014 Cycle)

    - Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
    - Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
    - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
    - Amendment to PAS 19, *Employee Benefits*, *Discount Rate: Regional Market Issue*
    - Amendment to PAS 34, *Interim Financial Reporting*, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2016
The Group will adopt the following new and revised standards, interpretations and amendments when these become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

    The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments will not have any impact on the Group's consolidated financial position and results of operation.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*

    The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of these amendments will result in additional disclosures in the Group's 2017 consolidated financial statements.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
    The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

    Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. The amendments will not have any impact on the Group's consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The amendments are not applicable to the Group since the Group does not have activities that are predominantly connected with insurance nor does it issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group plans to adopt the new standard on the required effective date. The Group is currently assessing the impact of the adoption of PFRS 15 on its consolidated financial statements.

- PFRS 9, *Financial Instruments*

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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date, which is subject to changes arising from a more detailed ongoing analysis.

The Group is currently assessing the impact of the adoption of PFRS 9 on its consolidated financial statements.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

These amendments are not expected to have a significant impact on the Group's financial condition and performance.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  These amendments are currently not applicable to the Group since the Group has no transfer into or out of investment property.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group is currently assessing the impact of adopting this interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply a single lessee accounting model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statements of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 16. The Group does not expect material changes in accounting for leases wherein it is the lessor. For leases wherein it is the lessee, the Group will be required to recognize both a right to use asset and a lease liability at gross amounts.

With Deferred Effective Date

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

These amendments are not expected to have a material impact to the parent company financial statements.

3. Summary of Significant Accounting and Financial Reporting Policies

Investments in an Associate and Joint Ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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 considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The Group's share of the results of operations of the associate or joint venture is included in profit or loss. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statements of comprehensive income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate or joint venture.

If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share of further losses.

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss under "Equity in net earnings (losses) of joint ventures" in the consolidated statements of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of comprehensive income.

Current versus Noncurrent Classification
The Group presents assets and liabilities in consolidated statements of financial position based on current/noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or

- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

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.

Fair Value Measurement

The Group measures financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for significant estimates and assumptions, see Note 4
- Quantitative disclosures of fair value measurement hierarchy, see Note 32
- Investment properties, see Note 16
- Financial instruments (including those carried at amortized cost), see Note 32

Fair value is the estimated 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 by 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 economic best interest.

A fair value measurement of a non-financial 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 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.

All 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
- 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 reassessing 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.

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 as explained above.

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

Financial Instruments - Initial Recognition and Subsequent Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets
Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

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

The Group’s financial assets include cash and cash equivalents, 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, customers’ deposits and advaces from customers), short-term loans, current and noncurrent obligations for program and other rights and dividends payable.

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at FVPL
- Loans and receivables
- HTM investments
- AFS financial assets

The Group did not classify any financial asset under financial assets at FVPL and HTM investments as at June 30, 2017 and December 31, 2016.

a. *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 rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the 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.

The Group’s cash and cash equivalents, receivables (excluding advances to suppliers) and refundable deposits (included under “other noncurrent assets” account) are classified as loans and receivables (see Notes 8, 9 and 17).

b. *AFS financial assets*
AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss. Interest earned while holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

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

The Group's investments in listed and unlisted equity securities and golf club shares are classified as noncurrent AFS investments (see Notes 12 and 32).

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statements of financial position) when:

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

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

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

Impairment of Financial Assets

Further disclosures relating to impairment of financial assets, if any, are also provided in the following notes:

- Disclosures for significant estimates and assumptions, see Note 4
- Trade and other receivables, see Notes 9 and 31
- AFS investments, see Notes 12 and 31
- Financial assets, see Note 31

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

Financial Assets Carried at Amortized Cost. 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 consolidated 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. 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.

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

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss, is removed from OCI and recognized in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss, the impairment loss is reversed through the profit or loss.

Financial Liabilities

Initial Recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include accounts payable and other current liabilities (excluding payable to government agencies, customer deposits and advances from customers), short-term loans, obligations for program and other rights and dividends payable.

As at June 30, 2017 and December 31, 2016, the Group does not have financial liabilities at FVPL.

Subsequent Measurement
The measurement of financial liabilities depends on their classification, as described below:

a. Financial liabilities at FVPL

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PAS 39 are satisfied. The Group has not designated any financial liability as at FVPL as at June 30, 2017 and December 31, 2016.

b. Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Derecognition

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

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.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

There is no offsetting of financial assets and financial liabilities and any similar arrangements that are required to be disclosed in the consolidated financial statements as at June 30, 2017 and December 31, 2016.

Program and Other Rights

Program and other rights with finite lives are stated at cost less amortization and impairment in value. The estimated useful lives and the amortization method used depend on the manner and pattern of usage of the acquired rights. The cost of program and other rights with specific number of runs within a specified term is amortized using straight line method up to the date of expiry. The cost of program and other rights with no definite expiration date 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.

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 weighted moving average 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.

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).

Property and Equipment

Property and equipment, except land, 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 generally performed every three to five years or more frequently as deemed necessary 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.

Construction in progress is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

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 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, deferred 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 cash generating unit (CGU) to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in 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 OCI, 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 reversal of impairment is also recognized in OCI 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.

Each PDR entitles the holder to the economic interest of the underlying common share of the Parent Company. The Parent Company's ownership of the PDRs are presented similar to treasury shares in the consolidated statements of financial position.

Dividends on Common Shares of the Parent Company

Dividends on common shares are recognized as liability and deducted from equity when approved by the 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 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 related accounts. These transactions represent advertising time exchanged for program materials, merchandise or service.

Payments received for advertisements before broadcast (pay before broadcast) are recognized as income on the dates the advertisements are aired. Prior to liquidation, these are classified as unearned revenue under "Advances from customers" included under "Trade payables and other current liabilities" in the consolidated statements of financial position.

Goods received in exchange for airtime usage pursuant to ex-deals 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 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 from Artist Center. 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 which 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.

Co-producers' Share

Co-producers' share is deducted from gross revenues in the 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.

Borrowing Costs

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

Expenses

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

Pension and Other Employee Benefits

The Parent Company has funded, noncontributory defined benefit retirement plans covering permanent employees. Other entities are covered by Republic Act (R.A.) 7641, otherwise known as "The Philippine Retirement Law", which provides for qualified employees to receive an amount equivalent to a certain percentage of monthly salary at normal retirement age.

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.

The cost of providing benefits under defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'production costs' and 'general and administrative expenses' in consolidated statements of comprehensive income (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income

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.

<u>Leases</u>
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.

<u>Foreign Currency-denominated Transactions</u>
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 balance sheet 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 television and radio airtime, international subscriptions and other 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

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.

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.

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 ₱444.33 million and ₱452.56 million as of June 30, 2017 and 2016, respectively (see Note 29).

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 ₱4,564.67 million and ₱5,270.31 million as at June 30, 2017 and December 31, 2016, respectively (see Note 9).

Classification and Amortization of Program and Other Rights. 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.

The Group estimates the amortization of program and other rights with finite lives using straight line method up to the date of expiry, which is the manner and pattern of usage of the acquired rights. The Group estimates the amortization of program and other rights with no definite expiration date using accelerated method based on the sum of the year's digit of ten years with salvage value of 10% of the total cost. 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 ₱415.01 million and ₱383.12 million as of June 30, 2017 and 2016, respectively (see Note 25). Program and other rights, net of accumulated impairment loss of ₱2.70 million, amounted to ₱1,493.36 million and ₱1,060.63 million as at June 30, 2017 and December 31, 2016, respectively (see Note 10).

Determination of Impairment of AFS Financial Assets. For unquoted equity instruments, the financial assets are considered to be impaired when the Group believes that future cash flows generated from the investment is expected to decline significantly. The Group's management makes significant estimates and assumptions on the future cash flows expected and the appropriate discount rate to determine if impairment exists. Impairment may also be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. For the quoted shares, the Group determines that the financial assets are considered to be 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 Group determines that a decline in fair value of greater than 20% of cost is considered to be a significant decline and a decline for a period of more than 12 months is considered to be a prolonged decline. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share price for quoted equities.

There were no provision for impairment loss on AFS financial assets recorded as of June 30, 2017 and 2016, respectively. The carrying value of AFS financial assets amounted to ₱243.14 million and ₱243.39 million as at June 30, 2017 and December 31, 2016, 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, included under "Prepaid expenses and other current assets" in the consolidated statements of financial position amounted to ₱22.26 million and ₱19.09 million as at June 30, 2017 and December 31, 2016, respectively (see Note 11). No provisions for inventory losses were reported as of June 30, 2017 and 2016, 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, 2017 and December 31, 2016.

Total depreciation and amortization expense for the periods ended June 30, 2017 and 2016 amounted to ₱332.41 million and ₱385.14 million, respectively (see Notes 14, 16, 17, 25 and 26).

Revaluation of Land. The Group engages an accredited 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 accredited appraiser are performed every five years or more frequently as deemed necessary 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 ₱1,805.18 million and ₱1,805.15 million as at June 30, 2017 and December 31, 2016, 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;
- significant negative industry or economic trends; and
- obsolescence or physical damage of an asset.

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 CGU to which the asset belongs.

As at June 30, 2017 and December 31, 2016, the Group did not identify any indicator of impairment on its nonfinancial assets, hence, no impairment tests were carried out.

The carrying values of nonfinancial assets as at June 30, 2017 and December 31, 2016 follow:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Property and equipment (see Note 14)	**2,622,306,009**	2,776,484,984
Land at revalued amounts (see Note 15)	**1,805,180,015**	1,805,146,475
Program and other rights (see Note 10)	**1,493,362,860**	1,060,631,509
Prepaid production costs (see Note 11)	**160,428,074**	113,611,340
Investments and advances (see Note 13)	**150,851,452**	150,834,949
Tax credits (see Note 11)	**119,794,527**	128,875,751
Software costs (see Note 17)	**66,408,411**	71,711,958
Investment properties (see Note 16)	**52,181,312**	53,314,111
Investment in artworks (see Note 17)	**10,186,136**	10,186,136
Deferred production costs (see Note 17)	**3,986,820**	1,098,771

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 Income Tax Assets. The Group reviews the carrying amounts of deferred income tax assets on nondeductible temporary differences and carryforward benefits of NOLCO and excess MCIT over RCIT at each reporting date and reduces deferred income 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 differences and carryforward benefits of NOLCO and excess MCIT over RCIT will be realized.

Pension and Other Employee 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. 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 ₱1,745.73 million and ₱1,644.32 million as at June 30, 2017 and December 31, 2016, respectively.

Determination of Fair Value of Financial Assets and Financial Liabilities. PFRS requires certain financial assets and financial liabilities are carried and disclosed at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates and interest rates), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any changes in the assumptions could affect the fair value of these financial assets and financial liabilities. The fair value of financial assets and liabilities are enumerated in Note 32.

Determination of Fair Value of Investment Properties and Land at Revalued Amounts. PFRS requires disclosure of fair value of investment properties when measured at cost and requires land at revalued amount to be re-measured at fair value with sufficient regularity.

The fair values of these assets as at June 30, 2017 and December 31, 2016 are based on the appraisal report prepared by an accredited appraiser in 2013. Management believes that there is no significant change on the fair value of these assets given that there were no events or circumstances (i.e., development in the area, expected market value, condition of the property) that would indicate a significantly different fair value.

Contingencies. The Group is currently involved in various claims and legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on the Group's financial position.

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

2016 figures were restated to conform to the current period's presentation.

7. Segment Information

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

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

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, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash on hand and in banks	**1,920,239,933**	1,950,184,026
Short-term placements	**966,375,112**	1,468,830,179
	2,886,615,045	3,419,014,205

Cash in banks earn interest at the respective bank deposit rates. Short-term deposits 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 deposit rates.

Interest income earned from bank deposits and short-term investments amounted to ₱13.02 million and ₱11.12 million for the six months ended June 30, 2017 and 2016, respectively.

9. **Trade and Other Receivables**

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade:		
Television and radio airtime	**4,174,784,255**	5,098,043,485
Subscription receivable	**556,608,080**	357,920,003
Others	**130,894,518**	117,137,935
Nontrade:		
Advances to officers and employees	**3,081,177**	3,183,197
Others	**7,725,855**	2,449,756
	4,873,093,885	5,578,734,376
Less allowance for doubtful accounts	**308,427,495**	308,427,495
	4,564,666,390	5,270,306,881

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.

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

Allowance for Doubtful Accounts

The movements in the allowance for doubtful accounts on trade receivables as at June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of year	**308,427,495**	283,276,131
Provision for the period	**-**	25,151,364
Balance at end of period	**308,427,495**	308,427,495

The allowance for doubtful accounts for television and radio airtime and other receivables as at June 30, 2017 and December 31, 2016 are results of specific and collective impairment assessments performed by the Group as follows:

	Television and Radio Airtime	Others	Total
Balance at January 1, 2016	**277,478,231**	**5,797,900**	**283,276,131**
Provision for the period	**21,185,664**	**3,965,700**	**25,151,364**
Balance at December 31, 2016	**298,663,895**	**9,763,600**	**308,427,495**
Provision for the period	**-**	**-**	**-**
Balance at June 30, 2017	**298,663,895**	**9,763,600**	**308,427,495**

As at June 30, 2017 and December 31, 2016, the aging analysis of receivables that were not impaired follows:

	June 30, 2017 (Unaudited)				
	Trade				
	Television and Radio Airtime	**Subscriptions**	**Others**	**Nontrade**	**Total**
Neither past due nor impaired	**2,644,383,590**	**75,861,344**	**45,514,219**	**1,812,272**	**2,767,571,425**
Past due but not impaired:					
< 30 days	**352,145,047**	**197,685,137**	**994,916**	**3,342,007**	**554,167,107**
31-60 days	**125,766,502**	**47,360,670**	**9,002,749**	**15,709**	**182,145,630**
61-90 days	**98,592,618**	**32,821,465**	**7,883,883**	**1,134,295**	**140,432,261**
91-180 days	**41,109,895**	**74,846,830**	**6,278,796**	**2,678,444**	**124,913,965**
181-365 days	**261,294,134**	**24,592,147**	**7,373,079**	**136,531**	**293,395,891**
Over 1 year	**352,828,574**	**103,440,487**	**44,083,276**	**1,687,774**	**502,040,111**
	3,876,120,360	**556,608,080**	**121,130,918**	**10,807,032**	**4,564,666,390**

	December 31, 2016 (Audited)				
	Trade				
	Television and Radio Airtime	Subscriptions	Others	Nontrade	Total
Neither past due nor impaired	2,991,035,726	171,167,030	40,199,708	3,805,064	3,206,207,528
Past due but not impaired:					-
< 30 days	264,889,963	28,693,321	878,744	364,599	294,826,627
31-60 days	128,245,974	20,039,146	7,951,534	32,983	156,269,637
61-90 days	507,892,843	10,801,899	6,963,314	725,012	526,383,068
91-180 days	343,174,437	30,090,828	5,545,646	177,142	378,988,053
181-365 days	123,257,748	16,145,227	6,512,154	286,662	146,201,791
Over one year	440,882,899	80,982,552	39,323,235	241,491	561,430,177
	4,799,379,590	357,920,003	107,374,335	5,632,953	5,270,306,881

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

10. Program and Other Rights

The movements in program rights are as follows:

	June 30, 2017 (Unaudited)		
	Program and Film Rights	**Story / Format Rights**	**Total**
Cost:			
Balance at beginning of period	**1,056,147,957**	**7,185,812**	**1,063,333,769**
Additions	**838,051,043**	**9,690,474**	**847,741,517**
Program and other rights usage (see Note 25)	**(411,539,980)**	**(3,470,186)**	**(415,010,166)**
Balance at end of period	**1,482,659,020**	**13,406,100**	**1,496,065,120**
Accumulated impairment in value -			
Balance at beginning and end of period	**(2,702,260)**	**-**	**(2,702,260)**
	1,479,956,760	**13,406,100**	**1,493,362,860**

	December 31, 2016 (Audited)		
	Program and Film Rights	Story / Format Rights	Total
Cost:			
Balance at beginning of period	1,189,128,656	6,180,832	1,195,309,488
Additions	692,777,422	11,423,824	704,201,246
Program and other rights usage	(825,758,121)	(10,418,844)	(836,176,965)
Balance at end of period	1,056,147,957	7,185,812	1,063,333,769
Accumulated impairment in value -			
Balance at beginning and end of period	(2,702,260)	-	(2,702,260)
	1,053,445,697	7,185,812	1,060,631,509

11. Prepaid Expenses and Other Current Assets

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Advances to suppliers	**420,026,715**	235,575,251
Prepaid expenses	**177,593,302**	86,623,905
Prepaid production costs	**160,428,074**	113,611,340
Tax credits	**119,794,527**	128,875,751
Input VAT	**137,842,262**	125,401,166
Creditable withholding taxes	**116,668,712**	122,675,558
Materials and supplies inventory - at cost	**22,260,715**	19,089,422
Others	**2,286,765**	1,965,121
	1,156,901,072	833,817,514

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

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

Prepaid production represents costs 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.

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

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

12. Available-for-Sale Financial Assets

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Investment in shares of stock:		
Unquoted	**117,921,881**	117,921,881
Quoted	**125,220,000**	125,470,000
	243,141,881	243,391,881

The unquoted shares are stated at cost as there are no reliable sources and bases for subsequent fair value determination.

The movements in this account are as follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of period	**243,391,881**	191,116,881
Additions during the period	**-**	2,550,000
Redemption during the period	-	-
Net change in the fair value of AFS financial assets	**(250,000)**	49,725,000
Balance at end of period	**243,141,881**	243,391,881

IP E-Games
In 2015, IP E-Games Ventures, Inc. (IPE) issued 13 billion of its own common shares to the Group in exchange of the Group's investment in X-Play Online Games Incorporated (X-Play) and in settlement of ₱30.00 million advances and ₱50.00 million airtime credits granted by the Group to X-Play. At initial recognition, the Group recognized at fair value the IPE shares as AFS financial assets amounting to ₱130.00 million.

Of the ₱50.00 million airtime credits, ₱22.00 million has not been implemented at date of exchange and therefore was recognized by the Group as unearned revenue, included as part of trade payables and other current liabilities as at June 30, 2017 and December 31, 2016.

13. **Investments and Advances**

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Investments in an associate and interests in joint ventures	**59,972,488**	59,972,488
Permanent advances in an associate (see Note 23)	**90,878,964**	90,863,461
	150,851,452	150,835,949

The movements in the said amounts are as follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (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	**(71,749,568)**	(74,508,443)
Equity in net earnings during the period	**-**	2,758,875
Balance at end of period	**(71,749,568)**	(71,749,568)
	59,972,488	59,972,488
Advances to an associate:		
Balance at beginning of period	**88,269,696**	87,860,215
Advances during the period	**-**	409,481
Balance at end of period	**88,269,696**	88,269,696
Advances to joint ventures:		
Balance at beginning of period	**2,593,765**	2,578,748
Advances during the period	**15,503**	15,017
Balance at end of period	**2,609,268**	2,593,765
Total investments and advances	**150,851,452**	150,835,949

The ownership interests in an associate and joint ventures, which were all incorporated in the Philippines, and are accounted for under the equity method, as at June 30, 2017 and December 31, 2016 follows:

	Principal Activities	Percentage of Ownership	
Associate -		Direct	Indirect
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 and the related advances as at June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017		
	Investments	**Advances** (see Note 23)	**Total**
Associate - Mont-Aire	**38,350,619**	**88,269,696**	**126,620,315**
Joint ventures:			
Gamespan	**8,947,966**	**1,959,670**	**10,907,636**
PEP	**12,673,903**	**649,598**	**13,323,501**
	21,621,869	**2,609,268**	**24,231,137**
	59,972,488	**90,878,964**	**150,851,452**

	December 31, 2016		
	Investments	Advances (see Note 23)	Total
Associate - Mont-Aire	38,350,619	88,269,696	126,620,315
Joint ventures:			
Gamespan	8,947,966	1,959,670	10,907,636
PEP	12,673,903	634,095	13,307,998
	21,621,869	2,593,765	24,215,634
	59,972,488	90,863,461	150,835,949

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

<u>PEP</u>
On April 16, 2007, the Group and Summit Publishing, Co. entered into a shareholder's agreement for the establishment of PEP. The joint venture was organized to design, conceptualize, operate and maintain websites that make available all kinds of show business, entertainment and celebrity information, video or pictures in the internet worldwide web or other forms of seamless communication.

No share in net earnings (losses) of PEP was recognized for the six months period ended June 30, 2017, 2016 and 2015.

<u>Gamespan</u>
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. Gamespan shall also have the exclusive broadcast rights to all the races and other games operated by MJC which it may distribute to broadcasters to maximize viewership and participation.

Gamespan has not started its commercial operations since its establishment. In 2014, the Group and MJC agreed to terminate its shareholder's agreement and to close Gamespan. As at June 30, 2017, the process of cessation of Gamespan is ongoing. Since Gamespan already ceased its operations, the Group did not recognize any share in net earnings in 2017, 2016 and 2015

<u>INQ7</u>
Losses of INQ7 recognized under the equity method in excess of the Group's carrying value of investment were applied against its advances to the Parent Company thereby reducing both advances and investments to zero as at June 30, 2017

and December 31, 2016. INQ7 ceased operations in 2007. In 2013, INQ7 submitted a request to liquidate its assets to SEC.

The Company believes that its interests in joint ventures are not individually material.

Mont-aire

The table below shows the condensed financial information of Mont-Aire as at June 30, 2017 and December 31, 2016, respectively:

Current assets	₱53,469,276
Noncurrent assets	120,275,583
	173,744,859
Current liabilities	1,269,154
Noncurrent liabilities	94,209,136
	95,478,290
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. Assets include real estate and parcels of land with an aggregate fair market value of ₱210.64 million, as determined by an accredited appraiser as at March 14, 2017, enough to cover for the carrying amount of the Group's investment in Mont-Aire.

14. Property and Equipment at Cost

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

The cost of fully depreciated assets still used by the Group amounted to ₱5,594.71 million and ₱5,375.23 million as at June 30, 2017 and December 31, 2016, respectively.

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

In 2016, the ₱71.02 million reclassification relates to the cost of software that were transferred to other noncurrent assets (see Note 17).

As at June 30, 2017 and December 31, 2016, no property and equipment have been pledged as collateral or security for any of the Group's liabilities.

15. Land at Revalued Amounts

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cost:		
Balance at beginning of period	**351,936,434**	349,312,816
Additions	**33,540**	2,623,618
Balance at end of period	**351,969,974**	351,936,434
Revaluation increment -		
Balance at beginning and end of period	**1,453,210,041**	1,453,210,041
	1,805,180,015	1,805,146,475

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 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.

Management expects that there is no significant change on the fair value of land at revalued amount as at June 30, 2017 and December 31, 2016.

As at June 30, 2017 and December 31, 2016, 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, 2017 (Unaudited)	
	Land and Improvements	**Buildings and Improvements**	**Total**
Cost:			
Balance at beginning of period	**30,501,881**	**77,028,321**	**107,530,202**
Additions	-	-	-
Balance at end of period	**30,501,881**	**77,028,321**	**107,530,202**
Accumulated depreciation:			
Balance at beginning of period	**-**	**52,412,042**	**52,412,042**
Depreciation during the period	**-**	**1,132,799**	**1,132,799**
Balance at end of period	**-**	**53,544,841**	**53,544,841**
Accumulated impairment in value	**-**	**1,804,049**	**1,804,049**
Balance at end of period	**30,501,881**	**21,679,431**	**52,181,312**

		December 31, 2016 (Audited)	
	Land and Improvements	Buildings and Improvements	Total
Cost:			
Balance at beginning of period	30,501,881	76,984,510	107,486,391
Additions	-	43,811	43,811
Balance at end of period	30,501,881	77,028,321	107,530,202
Accumulated depreciation:			
Balance at beginning of period	-	50,134,341	50,134,341
Depreciation during the period	-	2,277,701	2,277,701
Balance at end of period	-	52,412,042	52,412,042
Accumulated impairment in value	-	1,804,049	1,804,049
Balance at end of period	30,501,881	22,812,230	53,314,111

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 ₱133.67 million as at December 31, 2013. Land was last appraised on December 17, 2013 by an accredited appraiser and is valued in terms of its highest and best use. The fair value was arrived at through the use of the "Market Data Approach". Management expects that there is no significant change in the fair market value as at June 30, 2017 and December 31, 2016. 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, 2017 and December 31, 2016, 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, 2017 (Unaudited)	December 31, 2016 (Audited)
Software costs	**66,408,411**	71,711,958
Deferred input VAT	**32,470,477**	32,214,081
Guarantee deposits	**15,460,120**	25,721,674
Refundable deposits (see Notes 31 and 32)	**13,190,370**	13,328,432
Investments in artworks	**10,186,136**	10,186,136
Deferred production costs	**3,986,820**	1,098,771
Others	**468,403**	58,924
	142,170,737	154,319,976

Deferred input VAT relates to input tax on capital goods which is available for future application against output VAT in future periods.

The movements in software costs follow:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cost:		
Balance at beginning of period	**329,760,185**	258,281,297
Additions during the period	**5,917,564**	454,017
Reclassifications during the period	**-**	71,024,871
Balance at end of period	**335,677,749**	329,760,185
Accumulated amortization:		
Balance at beginning of period	**258,048,227**	240,874,661
Amortization during the period (see Notes 26)	**11,221,111**	17,173,566
Balance at end of period	**269,269,338**	258,048,227
	66,408,411	71,711,958

18. Short-term Loans

The Parent Company obtained unsecured PhP 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, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of period	**646,360,000**	1,152,970,000
Additions	**1,500,000,000**	500,000,000
Payments	**(647,452,000)**	(1,017,624,500)
Unrealized foreign currency loss	**1,092,000**	11,014,500
Balance at end of period	**1,500,000,000**	646,360,000

The loans consist of fixed rate notes with the following details:

Lender	Currency	Amount	Interest Rate (per annum)	Terms	**June 30, 2017 (Unaudited)**	December 31, 2016 (Audited)
Banco De Oro Universal Bank	Peso	P500,000,000	3.15%	Availed of in 2017; payable in 122 days	P500,000,000	-
Bank of the Philippine Island	Peso	500,000,000	3.10%	Availed of in 2017; payable in one year	500,000,000	-
Union bank of the Philippines	Peso	250,000,000	3.05%	Availed of in 2017; payable in 90 days	250,000,000	-
Citibank	Peso	250,000,000	3.15%	Availed of in 2017; payable in 122 days	250,000,000	-
Citibank	Dollar	$13,000,000	1.52%	Availed of in 2016; payable in one year	-	646,360,000

Interest expense and other financing charges amounted to ₱9.57 million and ₱11.07 million for the six months period ended June 30, 2017 and 2016, respectively.

19. Trade Payables and Other Current Liabilities

This account consists of:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade payables	**672,127,232**	865,374,490
Payable to government agencies	**1,032,909,695**	768,564,415
Customers' deposits	**75,193,693**	61,748,503
Accrued expenses:		
Production costs	**147,313,691**	268,495,825
Payroll and talent fees	**149,768,043**	194,899,454
Utilities and others	**217,191,223**	175,942,277
Commissions	**30,436,433**	24,466,466
Advances from customers	**159,798,553**	42,876,300
Others	**62,159,757**	39,577,871
	2,546,898,320	2,441,945,601

Trade payables to suppliers are noninterest-bearing and are normally settled on terms ranging from 7-60 days.

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

Customers' deposits include guaranty deposits from advertising agencies to secure payment of bills by advertisers. These deposits are non-interest bearing and normally refunded once the related broadcasts are paid by the advertisers. It also includes deposits from the Group's lessees upon inception of the lease agreements.

Advances from customers include payments received before broadcast from customers. These deposits will be settled and implemented within the next 12 months. As provided in Note 12, this account also includes unearned revenue of ₱22.00 million resulting from the sale of the Group's interests in X-Play.

Accrued expenses and other payables are noninterest-bearing and are generally settled within the next 12 months.

Others include unpaid subscriptions and customs duties. These are noninterest-bearing and are normally settled within one year.

20. Obligations for Program and Other Rights

Obligations for program and other rights represent liabilities to foreign and local film suppliers for program and other rights purchased by the Group. Outstanding unpaid balance as at June 30, 2017 and December 31, 2016 amounted to ₱435.63 million and ₱76.85 million, respectively. Obligations for program and other rights are noninterest-bearing and are generally payable in equal monthly or quarterly installments.

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, 2017, 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 2017 Capital Expenditure budget of the parent company amounts to ₱814.93 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, 2017, 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, 2017, 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**

a. Capital Stock

There were no movements in capital stock as of June 30, 2017 and December 31, 2016 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
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

In prior years, the Parent Company has acquired 945.43 million PDRs issued by GMA Holdings for ₱8.50 per share. In as much as each PDR share grants the holder, upon payment of the exercise price and subject to certain other conditions, the delivery of one (1) Parent Company share or the sale and delivery of the proceeds of such sale of Parent Company share, such PDRs held by the Parent Company is being treated similar to a treasury shares.

b. Retained Earnings

The retained earnings of the Parent Company is restricted for the payment of dividends to the extent of ₱34.27 million as at June 30, 2017 and December 31, 2016, 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, in June 30, 2017 and December 31, 2016.

Consolidated retained earnings include undeclared retained earnings of subsidiaries amounting to ₱168.96 million as at December 31, 2016. 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 ₱3,624.98 million as at December 31, 2016.

The BOD of the Parent Company approved the declaration of the following cash dividends in 2016, 2015 and 2014:

Year	Declaration Date	Record Date	Cash Dividend Per Share	Total Cash Dividend Declaration
2017	**March 27, 2017**	**April 20, 2017**	**P0.73**	**P3,547,944,859**
2016	April 8, 2016	May 16, 2016	P0.40	P1,943,884,375
2015	March 30, 2015	April 24, 2015	P0.25	P1,214,854,609

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. Related parties may be individual or corporate entities.

Outstanding balances at year-end are unsecured and settlement occurs in cash throughout the financial year. There have been no guarantees provided or received for any related party receivables or payables. For periods ended June 30, 2017 and December 31, 2016, the Company has not recorded any impairment of receivables on amounts owed by the related parties. The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In the ordinary course of business, the Company transacts with associates, affiliates, jointly controlled entities and other related parties on advances, reimbursement of expenses, and future stock subscriptions.

The transactions and balances of accounts as at and for the periods ended June 30, 2017 and December 31, 2016 with related parties are as follows:

Transactions with related parties are as follows:

Related Party	Category	Year	Amount/ Volume of Transactions	Receivables (Payables)	Terms	Conditions
Associate -						
Mont-Aire	Advances (see Note 13)	**2017**	**-**	**88,269,696**	Noninterest-	Unsecured;
		2016	409,481	88,268,696	bearing	not impaired
Common stockholders:						
GMA Kapuso Foundation, Inc.	Reimbursable charges	**2017**	**31,523**	**880,144**	On demand,	Unsecured;
		2016	3,841,350	848,621	noninterest-bearing	not impaired
Belo, Gozon, Elma Law	Legal, consulting and retainers' fees	**2017**	**-**	**(870,000)**	On demand,	Unsecured;
		2016	15,031,670	(870,000)	noninterest-bearing	not impaired
Joint ventures:						
Gamespan	Advances (see Note 13)	**2017**	**-**	**1,959,670**	Noninterest-	Unsecured;
		2016	-	**1,959,670**	bearing	not impaired
PEP	Advances (see Note 13)	**2017**	**15,503**	**649,598**	Noninterest-	Unsecured;
		2016	15,017	634,095	bearing	not impaired

The advances made by the Parent Company to Mont-Aire, Gamespan and PEP 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, 2017 (Unaudited)	June 30, 2016
Salaries and short-term benefits	**115,736,348**	114,869,552
Pension benefits	**80,362,125**	68,050,175
	196,098,472	182,919,727

Equity Investments of the Retirement Fund
The Group's retirement fund includes equity investments in GMA Network, Inc. and GMA PDRs amounting to ₱46.68 million and ₱307.01 million as at June 30, 2017, respectively and ₱43.66 million and ₱297.35 million as at December 31, 2016, respectively.

24. Net Revenues

This account consists of:

	June 30, 2017 (Unaudited)	June 30, 2016
Television and radio airtime	**7,002,722,399**	8,166,825,148
Subscription income	**616,881,705**	568,436,835
Production and others	**229,335,626**	127,092,128
	7,848,939,730	8,862,354,111
Co-producers' shares	**(150,543,720)**	(102,499,279)
	7,698,396,010	8,759,854,832

25. Production Costs

This account consists of:

	June 30, 2017 (Unaudited)	June 30, 2016
Talent fees and production personnel costs (see Note 27)	**1,455,349,840**	1,325,436,454
Program and other rights usage	**415,010,166**	383,116,175
Rental	**398,972,532**	414,231,695
Facilities and production services	**335,453,471**	325,086,152
Tapes sets and production supplies	**305,117,628**	309,144,936
Depreciation (see Note 14)	**123,039,814**	139,797,697
Transportation and communication	**85,270,991**	79,383,390
	3,118,214,442	2,976,196,499

26. **General and Administrative Expenses**

This account consists of:

	June 30, 2017 (Unaudited)	June 30, 2016
Personnel costs (see Note 27)	**1,482,337,109**	1,437,935,534
Depreciation (see Notes 14 and 16)	**198,152,143**	232,388,418
Communication, light and water	**140,686,139**	129,874,986
Professional fees	**98,592,097**	118,965,566
Taxes and licenses	**92,526,877**	82,980,561
Advertising	**56,162,031**	81,308,892
Repairs and maintenance	**102,800,177**	68,009,094
Research and surveys	**44,425,680**	44,370,122
Rental	**45,356,470**	38,328,529
Security services	**29,901,654**	29,381,063
Transportation and travel	**21,692,554**	22,436,396
Software maintenance	**23,887,864**	25,243,265
Marketing expenses	**4,343,731**	735,462
Insurance	**13,919,066**	12,417,835
Janitorial services	**10,867,581**	12,768,927
Materials and supplies	**8,380,865**	6,975,401
Amortization of software costs (see Note 17)	**11,221,111**	12,956,834
Entertainment, amusement and recreation	**4,975,891**	5,368,767
Dues and subscription	**4,445,594**	3,596,138
Freight and handling	**2,887,822**	6,342,280
Others	**27,623,231**	35,153,819
	2,425,185,687	2,407,537,889

Others include expenses incurred for messengerial services, other manpower, donations and other miscellaneous expenses.

Depreciation and Amortization

	June 30, 2017 (Unaudited)	June 30, 2016
Property and equipment:		
Production costs (see Notes 14 and 25)	**123,039,814**	139,797,697
General and administrative expenses (see Note 14)	**197,019,344**	231,249,569
Investment properties -		
General and administrative expenses (see Note 16)	**1,132,799**	1,138,849
	321,191,957	372,186,115

27. **Personnel Costs**

This account consists of:

	June 30, 2017 (Unaudited)	June 30, 2016
Talent fees	**1,422,642,163**	1,295,188,563
Salaries and wages	**873,234,309**	829,672,760
Employee benefits and allowances	**456,334,870**	473,031,770
Sick and vacation leaves expense	**82,382,597**	108,943,388
Pension expense	**103,093,010**	56,535,507
	2,937,686,949	2,763,371,988

The said amounts were distributed as follows:

	June 30, 2017 (Unaudited)	June 30, 2016
Production costs (see Note 25)	**1,455,349,840**	1,325,436,454
General and administrative expenses (see Note 26)	**1,482,337,109**	1,437,935,534
	2,937,686,949	2,763,371,988

28. **Others** - Net

This account consists of the following income (expenses):

	June 30, 2017 (Unaudited)	June 30, 2016
Commissions	**27,932,883**	24,683,413
Gain on sale of property and equipment	**15,270,933**	12,475,362
Merchandising income	**5,478,577**	8,656,868
Rental	**4,874,311**	3,178,636
Bank charges	**(1,255,318)**	(866,169)
Income from mall shows	**505,710**	871,866
Sales of DVDs and integrated receiver-decoders	**54,430**	49,548
Others	**2,204,052**	310,302
	55,065,578	49,359,826

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 years from June 2012 to May 2019. On the first year of the 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 ₱444.33 million and ₱452.56 million for the six months ended June 30, 2017 and 2016, respectively (see Notes 25 and 26).

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

	June 30, 2017 (Unaudited)	June 30, 2016
	(In Millions)	
Within one year	**201.38**	183.07
After one year but not more than five years	**201.38**	402.76
	402.76	585.84

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 ₱4.87 million and ₱3.18 million for the six months ended June 30, 2017 and 2016, 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 ₱616.88 million and ₱568.44 million for the six months ended June 30, 2017 and 2016, respectively (see Note 24).

30. EPS Computation

The computation of basic EPS follows:

	June 30, 2017 (Unaudited)	June 30, 2016
Net income attributable to Equity Holders of Parent Company (a)	**1,543,703,917**	2,364,071,387
Less attributable to preferred shareholders	**476,401,067**	729,573,929
Net income attributable to common shareholders (b)	**1,067,302,849**	1,634,497,458
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)	**0.318**	0.486

The computation of diluted EPS follows:

	June 30, 2017 (Unaudited)	June 30, 2016
Net income attributable to Equity Holders of Parent Company (a)	**1,543,703,917**	2,364,071,387
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)	**0.318**	0.486

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, refundable deposits, trade payables and other current liabilities (excluding payable to government agencies, customers' deposits and advances from customers), 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 and credit risk. The Group is not exposed to interest rate risk as most of its financial assets and financial liabilities have fixed rates.

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, 2017 and December 31, 2016:

	June 30, 2017 (Unaudited)				
	On Demand	**> 3 Months**	**3 to 12 Months**	**More than 1 year**	**Total**
Cash and cash equivalents	**1,920,239,933**	**966,375,112**	**-**	**-**	**2,886,615,045**
Trade receivables:					
Television and radio airtime	**753,825,221**	**3,122,295,139**	**-**	**-**	**3,876,120,360**
Subscription	**235,700,929**	**320,907,151**	**-**	**-**	**556,608,080**
Others	**65,619,034**	**55,511,884**	**-**	**-**	**121,130,918**
Nontrade receivables					
Advances to officers and employees	**2,207,306**	**873,871**	**-**	**-**	**3,081,177**
Others	**3,429,738**	**4,296,117**	**-**	**-**	**7,725,855**
Refundable deposits*	**-**	**-**	**-**	**13,190,370**	**13,190,370**
AFS financial assets	**-**	**-**	**-**	**243,141,881**	**243,141,881**
	2,981,022,161	**4,470,259,274**	**-**	**256,332,251**	**7,707,613,686**
Trade payables and other current liabilities**	**672,127,232**	**553,284,406**	**53,584,741**	**-**	**1,278,996,379**
Short-term loans***	**-**	**250,000,000**	**1,250,000,000**	**-**	**1,500,000,000**
Obligation for program and other rights	**-**	**435,632,769**	**-**	**-**	**435,632,769**
Dividends payable	**16,163,563**	**-**	**-**	**-**	**16,163,563**
	688,290,795	**1,238,917,175**	**1,303,584,741**	**-**	**3,230,792,711**

**Included under "Other non-current assets" account in the consolidated statements of financial position (see Note 17).*
*** Excluding payable to government agencies, customers' deposits and advances from customers amounting to P1,032.91 million, P75.19 million and P159.80 million, respectively (see Note 19).*
****Gross contractual payments.*

	December 31, 2016 (Audited)				
	On Demand	> 3 Months	3 to 12 Months	More than 1 year	Total
Cash and cash equivalents	1,950,184,026	1,468,830,179	-	-	3,419,014,205
Trade receivables:					
Television and radio airtime	1,415,207,927	3,384,171,663	-	-	4,799,379,590
Subscriptions	138,020,506	219,899,497	-	-	357,920,003
Others	58,344,349	49,029,986	-	-	107,374,335
Nontrade receivables					
Advances to officers and employees	-	3,183,197	-	-	3,183,197
Others	1,430,307	1,019,449	-	-	2,449,756
Refundable deposits*	-	-	-	13,328,432	13,328,432
AFS financial assets	-	-	-	243,391,881	243,391,881
	3,563,187,115	5,126,133,971	-	256,720,313	8,946,041,399
Trade payables and other current liabilities**	556,998,971	949,127,898	62,629,514	-	1,568,756,383
Short-term loans***	-	2,456,168	648,816,168	-	651,272,336
Obligation for program and other rights	-	76,847,692	-	-	76,847,692
Dividends payable	12,705,059	-	-	-	12,705,059
	569,704,030	1,028,431,758	711,445,682	-	2,309,581,470

**Included under "Other non-current assets" account in the consolidated statements of financial position (see Note 17).*
*** Excluding payable to government agencies, customers' deposits and advances from customers amounting to P768.56 million, P61.75 million and P42.88 million, respectively (see Note 19).*
****Gross contractual payments.*

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, 2017 (Unaudited)		December 31, 2016 (Audited)	
Assets	*(in USD)*	*(in PhP)*	*(in USD)*	*(in PhP)*
Cash and cash equivalents	**9,065,123**	**457,326,369**	11,811,022	587,244,014
Trade receivables	**11,033,084**	**556,608,055**	7,198,713	357,920,010
	20,098,207	**1,013,934,423**	19,009,735	945,164,024
Liabilities				
Short-term loans	**-**	**-**	13,000,000	646,360,000
Trade payables	**1,182,257**	**59,643,683**	615,063	30,580,932
Obligations for program and other rights	**8,072,472**	**407,248,140**	1,003,156	49,876,916
	9,254,729	**466,891,823**	14,618,219	726,817,848
	10,843,478	**547,042,600**	4,391,516	218,346,176

In translating the foreign-currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱50.45 to US$1.00 and ₱49.72 to US$1.00, the Philippine peso to U.S. dollar exchange rates as at June 30, 2017 and December 31, 2016, 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, 2017	**0.50**	**(₱1.36 million)**
	(0.50)	**1.36 million**
December 31, 2016	0.50	(2.10 million)
	(0.50)	2.10 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 following table shows the maximum exposure to credit risk for the components of the consolidated financial position as at June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Financial Assets		
Loans and receivables:		
Cash and cash equivalents*	**2,854,047,413**	3,335,349,108
Trade receivables:		
Television and radio airtime	**3,876,120,360**	4,799,379,590
Subscription	**556,608,080**	357,920,003
Others	**121,130,918**	107,374,335
Nontrade receivables:		
Advances to officers and employees	**3,081,177**	3,183,197
Others	**7,725,855**	2,449,756
Refundable deposit**	**13,190,370**	13,328,432
	7,431,904,173	8,618,984,421
AFS financial assets	**243,141,881**	243,391,881
	7,675,046,054	8,862,376,302

**Excluding cash on hand and production fund amounting to P32.57 million and P83.67 million as at June 30, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, the credit quality of the Group's financial assets is as follows:

	June 30, 2017 (Unaudited)				
	Neither Past Due Nor Impaired		**Past Due but**	**Past Due and**	
	High Grade	**Standard Grade**	**not Impaired**	**Impaired**	**Total**
Cash and cash equivalents *	**2,854,047,413**	**-**	**-**	**-**	**2,854,047,413**
Trade receivables:					
Television and radio airtime	**2,345,719,695**	**776,575,444**	**753,825,221**	**298,663,895**	**4,174,784,255**
Subscription	**75,861,344**	**245,045,807**	**235,700,929**	**-**	**556,608,080**
Others	**35,750,619**	**19,761,265**	**65,619,034**	**9,763,600**	**130,894,518**
Nontrade receivables:					
Advances to officers and employees	**531,864**	**2,549,313**	**-**	**-**	**3,081,177**
Others	**-**	**1,280,408**	**6,445,447**	**-**	**7,725,855**
Refundable deposits**	**13,190,370**	**-**	**-**	**-**	**13,190,370**
AFS financial assets	**243,141,881**	**-**	**-**	**-**	**243,141,881**
	5,568,243,186	**1,045,212,237**	**1,061,590,631**	**308,427,495**	**7,983,473,549**

** Excluding cash on hand and production fund amounting to P32.57 million as of June 30, 2017.*

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

	December 31, 2016 (Audited)				
	Neither Past Due Nor Impaired		Past Due but	Past Due and	
	High Grade	Standard Grade	not Impaired	Impaired	Total
Cash and cash equivalents *	3,355,349,108	-	-	-	3,355,349,108
Trade receivables:					
Television and radio airtime	2,991,035,726	264,889,963	1,543,453,901	298,663,895	5,098,043,485
Subscription	171,167,030	28,693,321	158,059,652	-	357,920,003
Others	40,199,708	878,744	66,295,883	9,763,600	117,137,935
Nontrade receivables:					
Advances to officers and employees	3,183,197	-	-	-	3,183,197
Others	621,867	364,599	1,463,290	-	2,449,756
Refundable deposits**	13,328,432	-	-	-	13,328,432
AFS financial assets	243,391,881	-	-	-	243,391,881
	6,818,276,949	294,826,627	1,769,272,726	308,427,495	9,190,803,797

** Excluding cash on hand and production fund amounting to P63.67 million as of December 31, 2016.*

***Included under "Other noncurrent 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.

The Parent Company is not subject to externally imposed capital requirements.

No changes were made in the objectives, policies or processes for periods ended June 30, 2017 and December 31, 2016.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loan to total equity. The Group's interest-bearing loans, which are short-term loans, amounted to ₱1,500.00 million and ₱646.36 million as at June 30, 2017 and December 31, 2016, respectively. The Group's total equity attributable to equity holders of the Parent Company as at June 30, 2017 and December 31, 2016 amounted to ₱8,404.40 million and ₱10,407.30 million, respectively.

32. Fair Value Measurement

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, 2017 and December 31, 2016:

	June 30, 2017 (Unaudited)			
		Fair Value		
	Carrying Value	**Quoted Prices in Active Market (Level 1)**	**Significant Observable Input (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets Measured at Fair Value				
Land at revalued amount	**1,805,180,015**	**-**	**-**	**1,805,180,015**
AFS financial assets	**89,855,800**	**89,855,800**	**-**	**-**
Assets for which Fair Value are Disclosed				
Investment properties	**52,181,312**	**-**	**-**	**135,434,290**
Loans and receivables -				
Refundable deposits*	**13,190,370**	**-**	**-**	**12,018,651**
	1,960,407,497	**89,855,800**	**-**	**1,952,632,956**

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

		December 31, 2016 (Audited)		
		Fair Value		
	Carrying Value	Quoted Prices in Active Market (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
Land at revalued amount	1,805,146,475	-	-	1,805,146,475
AFS financial assets	89,855,800	89,855,800	-	-
Assets for which Fair Value are Disclosed				
Investment properties	53,314,111	-	-	135,434,290
Loans and receivables -				
Refundable deposits*	13,328,432	-	-	12,144,449
	1,961,644,818	89,855,800	-	1,952,725,214

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

During the periods ended June 30, 2017 and December 31, 2016, 2015, there were no transfers between levels of fair value measurement. There are no financial instruments classified under levels 1 and 2.

<u>Fair Value Determination</u>
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 2017 and 2016.

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 and Land at Revalued Amount
The valuation for investment properties and land at revalued amount 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. On the other hand, significant unobservable valuation input in determining 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, customer deposits and advances to customers), 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.

33. **Causes for Material Changes in the Financial Statements**

Statements of Financial Position (June 30, 2017 vs. December 31, 2016)

- Cash and cash equivalents decreased by 16% to ₱2,886.62 million as cash used in investing and financing activities amounting to ₱149.70 million and ₱2,718.52 million, respectively, exceeded the ₱2,335.40 million cash provided by operation.
- Trade and other receivables went down by ₱705.64 million as collections for the six-month period of 2017 exceeded sales.
- Trade payables and other current liabilities increased by 4% to ₱2,546.90 million as payments of supplier credits were lower than the availments made.
- Income tax payable decreased by ₱35.90 million directly attributed to income generated for the first two quarters of 2017.
- Retained earnings dropped by 56% to ₱1,570.52 million directly attributed to the cash dividends declared in 1Q2017 partly offset by the net income generated for the six months ended June 30, 2017.

34. **Other Notes to 2017 and 2016 Operations and Financials**

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

	June 30, 2017 (Unaudited)	June 30, 2016
Revenues	**7,698,396,010**	8,759,854,832
Airtime revenues	**7,002,722,399**	8,166,825,148
Cash operating expenses	**4,795,976,895**	4,615,475,263
EBITDA	**2,961,276,618**	4,176,725,286
Net income before tax	**2,217,302,458**	3,408,517,009
Net income	**1,552,241,770**	2,378,209,320

	June 30, 2017 (Unaudited)	June 30, 2016
Current ratio	**2.04**	2.05
Asset-to-Equity ratio	**1.83**	1.56
Debt-to-Equity ratio	**0.18**	0.12
Interest Rate Coverage ratio	**231.35**	276.74
EBITDA margin	**38%**	48%
Net income margin	**20%**	27%

GMA NETWORK, INC. AND SUBSIDIARIES
UNAUDITED SEGMENTED RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016 **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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
NET REVENUES										
External sales	**6,853,054,671**	8,064,892,282	**616,881,705**	568,436,835	**228,459,634**	126,525,715	**-**	-	**7,698,396,010**	8,759,854,832
Inter-segment sales	**-**	-		-	**251,502,113**	248,258,146	**(251,502,113)**	(248,258,146)	**-**	-
	6,853,054,671	8,064,892,282	**616,881,705**	568,436,835	**479,961,747**	374,783,861	**(251,502,113)**	(248,258,146)	**7,698,396,010**	8,759,854,832
NET INCOME										
Segment results	**1,508,577,020**	2,824,865,990	**539,599,479**	474,871,905	**103,069,381**	72,632,549	**3,750,000**	3,750,000	**2,154,995,880**	3,376,120,444
Interest expense	**(9,569,416)**	(11,070,209)	**-**	-	**-**	-	**-**	-	**(9,569,416)**	(11,070,209)
Foreign exchange gain (loss)	**3,104,469**	(17,630,793)	**-**	-	**687,456**	616,685	**-**	-	**3,791,925**	(17,014,108)
Interest income	**12,598,334**	10,744,161	**-**	-	**420,156**	376,895	**-**	-	**13,018,490**	11,121,056
Other income	**79,589,173**	80,035,487	**-**	-	**2,683,896**	4,875,140	**(27,207,491)**	(35,550,801)	**55,065,578**	49,359,826
Income tax	**(466,586,304)**	(863,739,468)	**(161,879,844)**	(142,461,571)	**(34,344,540)**	(21,856,650)	**(2,250,000)**	(2,250,000)	**(665,060,688)**	(1,030,307,689)
	1,127,713,276	2,023,205,168	**377,719,635**	332,410,333	**72,516,349**	56,644,619	**(25,707,491)**	(34,050,801)	**1,552,241,769**	2,378,209,320
ASSETS AND LIABILITIES										
Assets										
Segment assets	**13,287,907,969**	14,100,193,839	**1,981,659,287**	2,060,867,329	**986,881,136**	852,141,303	**(1,199,044,106)**	(969,456,498)	**15,057,404,286**	16,043,745,974
Investment in an associate - at equity	**38,350,619**	38,350,619	**-**	-	**21,621,869**	18,862,994	**-**	-	**59,972,488**	57,213,613
Deferred income tax assets	**185,693,752**	57,906,162	**-**	-	**47,200,476**	149,735,207	**77,742,404**	-	**310,636,632**	207,641,369
	13,511,952,340	14,196,450,620	**1,981,659,287**	2,060,867,329	**1,055,703,481**	1,020,739,504	**(1,121,301,702)**	(969,456,498)	**15,428,013,405**	16,308,600,955
Liabilities										
Segment liabilities	**6,953,669,174**	6,433,798,253	**25,249,450**	198,986,288	**604,316,924**	838,576,954	**(598,937,474)**	(679,538,141)	**6,984,298,074**	6,791,823,353
Deferred income tax liabilities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
	6,953,669,174	6,433,798,253	**25,249,450**	198,986,288	**604,316,924**	838,576,954	**(598,937,474)**	(679,538,141)	**6,984,298,074**	6,791,823,353

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
NET REVENUES										
External sales	**6,853,054,671**	8,064,892,282	**228,459,634**	126,525,715	**616,881,705**	568,436,835	**-**	-	**7,698,396,010**	8,759,854,832
Inter-segment sales	**-**	-	**251,502,113**	248,258,146	**-**	-	**(251,502,113)**	(248,258,146)	**-**	-
	6,853,054,671	8,064,892,282	**479,961,747**	374,783,861	**616,881,705**	568,436,835	**(251,502,113)**	(248,258,146)	**7,698,396,010**	8,759,854,832

GMA NETWORK, INC. AND SUBSIDIARIES
UNAUDITED ROLLFORWARD OF PROPERTY AND EQUIPMENT
AS OF JUNE 30, 2017

EXHIBIT 2

	DECEMBER 31, 2016	ADDITIONS	DISPOSALS	RECLASSIFICATIONS	JUNE 30, 2017
At cost					
Buildings and leasehold improvements	2,920,276,961	-	-	1,154,463	2,921,431,424
Broadcast equipment	6,383,536,005	48,856,996	(15,963,118)	18,559,307	6,434,989,190
Communication & mechanical equipment	1,149,777,938	7,725,235	(5,527,765)	55,141,964	1,207,117,372
Transportation equipment	498,682,573	26,962,807	(27,582,802)	117,507	498,180,085
Furniture, fixtures and equipment	151,578,448	1,201,472	(146,339)	77,321	152,710,902
	11,103,851,925	84,746,510	(49,220,024)	75,050,562	11,214,428,973
Accumulated Depreciation					
Buidings and leasehold improvements	(1,764,451,369)	(70,310,927)	-	(322,958)	(1,835,085,254)
Broadcast equipment	(5,486,061,495)	(170,786,754)	15,378,994	-	(5,641,469,255)
Communication & mechanical equipment	(1,015,150,890)	(38,560,271)	5,605,079	-	(1,048,106,082)
Transportation equipment	(326,274,574)	(37,979,972)	26,185,479	-	(338,069,067)
Furniture, fixtures and equipment	(142,371,928)	(2,421,234)	100,373	-	(144,692,789)
	(8,734,310,256)	(320,059,158)	47,269,925	(322,958)	(9,007,422,447)
Equipment for installation	406,943,315	83,083,772	-	(74,727,604)	415,299,483
	406,943,315	83,083,772	-	(74,727,604)	415,299,483
Net book value	**2,776,484,984**	**(152,228,876)**	**(1,950,099)**	**-**	**2,622,306,009**

GMA Network, Inc. and Subsidiaries
Financial Ratios **Exhibit 3**
As of June 30, 2017 and 2016

Ratios	Formula	In PhP	2017	2016
Current Ratio	Current Assets	10,101,545,367	2.04	2.05
	Current Liabilities	4,958,894,916		
Net Debt-to-Equity Ratio	Interest-bearing loans and borrowings less cash and cash equivalents	(1,386,615,045)	(0.16)	(0.26)
	Total Equity	8,443,715,331		
Assets-to-Equity Ratio	Total Assets	15,428,013,405	1.83	1.71
	Total Equity	8,443,715,331		
Interest Rate Coverage Ratio	EBIT	2,213,853,384	231.35	276.74
	Interest expense	9,569,416		
Profitability Ratios				
Gross Profit Margin	Gross Profit	4,580,181,568	59%	66%
	Net Revenues	7,698,396,010		
Net Income Margin	Net Income	1,552,241,770	20%	27%
	Net Revenues	7,698,396,010		

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 FINANCIAL OFFICER

RONALDO R. MASTRILI
SVP – FINANCE & ICT

Date: August 14, 2017