

PREMIERE ENTERTAINMENT PRODUCTIONS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31	
	2006	2005
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 14)	₱135,261	₱404,951
Accounts receivable - net (Notes 5 and 14)	1,582,442	1,998,400
Notes receivable - net (Notes 6 and 14)	60,125,473	64,635,593
Prepaid expenses and other current assets	3,031,808	2,963,726
Total Current Assets	64,874,984	70,002,670
Noncurrent Assets		
Film costs - net (Note 7)	34,315,386	45,753,848
Investment in an associate - net (Notes 8 and 11)	42,056,790	42,461,001
Available-for-sale investments (Note 14)	496,000	566,000
Property and equipment - net (Note 9)	18,735,215	20,367,578
Other noncurrent assets - net (Note 10)	415,923	415,923
Total Noncurrent Assets	96,019,314	109,564,350
	₱160,894,298	₱179,567,020
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 14)	₱5,480,090	₱6,360,435
Income tax payable (Note 12)	38,445	4,882
Subscriptions payable (Note 8)	28,900,000	28,900,000
Total Current Liabilities	34,418,535	35,265,317
Stockholders' Equity		
Capital stock	520,000,000	520,000,000
Deficit (Note 1)	(393,544,237)	(375,788,297)
Net unrealized gain on available-for-sale investments	20,000	90,000
Total Stockholders' Equity	126,475,763	144,301,703
	₱160,894,298	₱179,567,020

See accompanying Notes to Consolidated Financial Statements.



PREMIERE ENTERTAINMENT PRODUCTIONS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2006	2005	2004
REVENUE AND OTHER INCOME			
Rental	₱182,105	₱198,660	₱198,660
Interest	4,333	22,621	2,407
Reversal of allowance for doubtful accounts	–	2,191,611	–
Sponsored film exhibits	–	–	3,447,218
Others	140,187	42,647	709,488
Total revenue	326,625	2,455,539	4,357,773
Gain on sale of property and equipment	1,599,936	–	–
	1,926,561	2,455,539	4,357,773
COSTS AND EXPENSES			
Provision for probable losses of film costs (Note 7)	11,438,462	–	22,267,680
Provision for doubtful accounts (Note 5)	3,387,647	–	–
Depreciation and amortization (Note 9)	1,632,301	1,742,949	1,854,430
Salaries, wages and employees' benefits	1,042,465	1,041,208	1,998,951
Entertainment, amusement and recreation	445,429	1,107,616	506,606
Provision for impairment loss (Note 8)	404,211	5,281,692	26,179,144
Taxes and licenses	309,051	240,902	174,251
Professional and legal fees	245,500	337,000	101,909
Rentals and utilities	216,727	480,959	466,989
Provision for decline in value of investments	–	–	2,410,000
Production costs	–	–	1,641,849
Miscellaneous	510,815	741,338	1,526,733
	19,632,608	10,973,664	59,128,542
LOSS BEFORE INCOME TAX	17,706,047	8,518,125	54,770,769
PROVISION FOR INCOME TAX (Note 12)	38,667	9,406	49,086
LOSS FROM CONTINUING OPERATIONS	17,744,714	8,527,531	54,819,855
DISCONTINUING OPERATIONS			
Loss from operations of a subsidiary (Note 1)	11,226	22,374	142,465
NET LOSS	₱17,755,940	₱8,549,905	₱54,962,320
Basic Loss Per Share (Note 13)	₱0.0341	₱0.0164	₱0.1057

See accompanying Notes to Consolidated Financial Statements.



PREMIERE ENTERTAINMENT PRODUCTIONS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN
STOCKHOLDERS' EQUITY

	Years Ended December 31		
	2006	2005	2004
CAPITAL STOCK - ₱1 par value			
Authorized - 1,000,000,000 shares			
Issued - 520,000,000 shares	₱520,000,000	₱520,000,000	₱520,000,000
DEFICIT (Note 1)			
Balance at beginning of year	375,788,297	367,238,392	312,276,072
Net loss (Note 13)	17,755,940	8,549,905	54,962,320
Balance at end of year	393,544,237	375,788,297	367,238,392
NET UNREALIZED GAIN ON AVAILABLE- FOR-SALE INVESTMENTS			
Balance at beginning of year	90,000	-	-
Net unrealized gain (loss) recognized in equity	(70,000)	90,000	-
	20,000	90,000	-
	₱126,475,763	₱144,301,703	₱152,761,608

See accompanying Notes to Consolidated Financial Statements.



PREMIERE ENTERTAINMENT PRODUCTIONS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(₱17,706,047)	(₱8,518,125)	(₱54,770,769)
Adjustments for:			
Provision for probable losses of film costs (Note 7)	11,438,462	–	22,267,680
Provision for doubtful accounts (Note 5)	3,387,647	–	–
Depreciation and amortization (Note 9)	1,632,301	1,742,949	1,854,430
Provision for impairment loss (Note 8)	404,211	5,281,692	26,179,144
Interest income	(4,333)	(22,621)	(2,407)
Gain on sale of property and equipment	(1,599,936)	–	–
Provision for decline in value of investments	–	–	2,410,000
Interest expense	–	1,520	1,132
Operating loss before working capital changes	(2,447,695)	(1,514,585)	(2,060,790)
Decrease (increase) in:			
Accounts receivable	152,711	1,001,078	931,792
Prepaid expenses and other current assets	(68,082)	(149,128)	402,986
Increase (decrease) in accounts payable and accrued expenses	(880,345)	134,791	180,516
Cash used in operations	(3,243,411)	(527,844)	(545,496)
Interest received	4,333	22,621	2,407
Income taxes paid	(5,104)	(4,524)	(49,086)
Interest paid	–	(1,520)	(1,132)
Net cash used in operating activities	(3,244,182)	(511,267)	(593,307)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment	1,599,998	–	–
Decrease in notes receivable	1,385,720	586,664	–
Loss from operations of subsidiary	(11,226)	(22,374)	(142,465)
Acquisition of property and equipment (Note 9)	–	(4,045)	(154,002)
Net cash provided by (used in) investing activities	2,974,492	560,245	(296,467)
CASH FLOWS FROM FINANCING ACTIVITY			
Decrease in other noncurrent assets	–	15,000	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(269,690)	63,978	(889,774)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	404,951	340,973	1,230,747
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱135,261	₱404,951	₱340,973

See accompanying Notes to Consolidated Financial Statements.

