COVER SHEET

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SEC Registration Number

PREMIERE ENTERTAINMENT
PRODUCTIONS, INC.

(Company's Full Name)

29TH FLR., JOLLIBEE PLAZA
CONDOMINIUM, EMERALD AVE
ORTIGAS CENTER, PASIG CITY

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

ANASTACIO P. DIAZ, JR.	637-2711
Contact Person	Company Telephone Number

SEC FORM 17-A

1 2	3 1		0 5	
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

203		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended 2005.

2. SEC Identification Number 147584.

3. BIR Tax Identification Number 043-002-727-376.

4. Exact Name of Registrant as specified in its charter.
PREMIERE ENTERTAINMENT PRODUCTIONS, INC.

5. Philippines
Province, Country or other jurisdiction of incorporation or organization

6. ___________ (SEC Use Only)
Industry Classification Code

7. 29/F Jollibee Plaza Condominium, Emerald Ave., Ortigas Center, Pasig City 1605
Address of Principal Office — Postal Code

8. (02) 637-27-11 to 12.
Registrant's Telephone Number, including Area Code

9. N/A
Former Name, former Address, and Former Fiscal Year, if changed since last report

10. Securities Registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA.

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	520,000,000 common shares

11. Are any of or all of these securities listed on the Philippine Stock Exchange.
Yes [X] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange	Common shares

12. Check whether the issuer:

    (a) has filed reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 [X] No [ ]

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

    Yes [X] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates:
    Php __________.

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

    Yes [ ] No [ ] Not Applicable [X]

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:
    (a) Any annual report to security holders;
    (b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1 (b);
    (c) Any Prospectus filed pursuant to SRC Rule 8.1-1.

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PART 1 – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Business Development

Premiere Entertainment Productions, Inc. (Premiere) was incorporated on June 20, 1996. It was previously known as Premiere Films International, Inc. which was incorporated on January 13, 1988, and was headed by Mr. Cirio H. Santiago as its President and Chief Executive Officer.

On May 5, 1997, Premiere was listed at the Philippine Stock Exchange and thus, became the first public company engaged in the production of motion pictures. The company envisioned a two-pronged thrust: a major presence in the local and international entertainment industry and an initial venture into gaming to round up its total entertainment offer.

Premiere, thus, actively pursued projects involving the production of full-length motion pictures and program contents for television broadcast. On the gaming side, Premiere, through its wholly owned subsidiary, Premium Events Palace Inc. (PEPI) obtained grants from the Philippine Amusement and Gaming Corporation (PAGCOR) to operate six (6) Bingo halls. PEPI was organized in 1997, with the Articles of Incorporation and By-Laws duly signed and acknowledged for the organization, and presented for filing to the Securities and Exchange Commission on August 1, 1997.

From 1996 to 1999, Premiere's Motion Picture Division produced and distributed sixteen (16) local feature films and three (3) movies for international release: a fully animated feature (ALADDIN), a science fiction thriller (VULCAN) and an adaptation of a Harold Robbins book (VITAL PARTS), the last one being a co-production with VIVA Films.

In 1998, the Allied Entertainment Group was created to handle the non-motion picture production and distribution activities of the company. The Group managed the operation of the Roving Cinema, the Video Theatre and the Bingo Hall in Caloocan City for PEPI. The video theatre was closed after six months of operation due to the unavailability of current films for exhibition in video format and the rampant video piracy that caused low theater ticket sales. Moreover, the Bingo Parlor was closed in June 2000 when the Company decided to focus its operations on other profitable ventures. The Roving Cinema Plus, on the other hand, has continued to profitably operate with clients such as Procter & Gamble, Colgate-Palmolive Phils., United Laboratories, Landbank of the Philippines, Philippine Charity Sweepstakes Office, Department of Agriculture, Direct Image Dimensions, Peerless Products, Sterling Products, Air 21, etc.

In the September 1998 Annual Stockholders' Meeting, Mr. Santiago was appointed by the Board of Directors as Chairman of the Company, from his position as President and CEO, due to his appointment as a Director of Eastern Telecommunications Philippines, Inc. (ETPI) and as the Chairman of the Film Development Foundation of the Philippines, Inc. (FDFP). Consequently, Mr. Anastacio P. Diaz, Jr. was appointed Acting President and Chief Executive Officer, reporting directly to the Executive Committee.

In 2001, the company set out to continue its various engagements in the theatrical and non-theatrical distribution of its feature films. The aggressive development of scripts for the production of materials for both motion picture and television was pursued. For the non- theatrical division, the active sale of the Company's older titles in various markets, e.g. cable, free TV, video and direct sales in VCD/DVD was likewise continued.

In the Annual Stockholders' Meeting for Year 2002, Mr. Diaz was confirmed as President and CEO, from his position as Executive Vice President, and was made to report directly to the Board of Directors.

For the past four years the main source of income for the Company are the sale of ancillary rights for its library titles and the Roving Cinema Plus program.

Competitive Situation in 2005

Despite the industry developments in 2003-2005, the movie industry continued on its downward trend. From an output of 94 films in 2001, 91 movies in 2002, 80 films in 2003, the year 2004 & 2005 ended with lesser production projects. As usual, there continued to be late rush to make movies towards the end of the year to avail of the festival grants. Moreover, despite the possibility of getting nationwide tax incentives via the Cinema Evaluation Board under Republic Act No. 9167, few major productions were attempted, leading to the predominance of inexpensive quickies with low star values, targeting the young audience, to dominate the theatrical distribution business.

Premiere had no film production participation in 2004, despite the relative box office success, albeit break-even margins, of "Captain Barbel" and "Filipinas", its 2003 Metro Manila Film Festival co-production entry with VIVA Films.

The industry was still plagued with problems like high cost of production, competition from blockbuster foreign films, competition from free and pay television and low household entertainment budget. Moreover, piracy is still a big industry problem despite sporadic visible efforts of regulatory authorities.

The risks of the company's business are the following:

1. High production costs - The investments in film production have significantly increased with the high cost of raw materials, film negatives, talent fees, salaries of production and distribution manpower, etc. Hence, the only way to recover such investments is to ensure that the film projects will generate substantial box office revenues to at least offset costs or make decent profits. While the industry players make use of their experiences in judging the potential box office success of their film projects, even in Hollywood, there is no foolproof formula that can be employed for the exercise.

2. Fierce theatrical competition - Industry competition is presented by both foreign and locally made film projects. The past years have shown the resurgence of Hollywood blockbuster films that were box-office successes in the Philippines to the detriment of local film productions. Hence, the local film production houses would release their projects on the dates when no foreign blockbuster films are expected to be shown in the local theatres.

3. Low household entertainment budget - With the difficult economic times, the Filipino's entertainment budget has shrunk considerably. The Filipino audiences carefully select the movies that they watch in the cinema houses, settle for watching their favorite movie stars in the weekly television sitcoms, or patronize pirated copies of their favorite movies. Moreover, the high cost of movie watching has forced the target audience to seek for other sources of entertainment, e.g. cellular phone communications.

4. Piracy - Plagued by poor box office revenues and fierce theatrical competition from foreign products, piracy has snatched away substantial expected revenues from the local film producers.

With all these industry problems, management has opted to minimize its participation in the local movie production and distribution business, focusing instead on other projects with more manageable risks.

Transactions with and/or dependence on related parties

The notes receivable from GEMI worth P77.95 million represents a short-term promissory note, which bears interest at 24% per annum and secured by a pledge of 40 million common shares of the company owned by one of the company's shareholders. The said shareholder also undertook to unconditionally guarantee, jointly and severally with GEMI, the payment of the promissory note in the event that GEMI fails to pay the same upon its maturity. Also, the said shareholder and the company executed a Deed of Real Estate Mortgage for 500 hectares of land in Palawan, with an appraised value of P122 million, in favor of the company as additional security to the promissory note.

The notes receivable from Postgrafix, Inc. (PGI) worth P9.9 million represents a three-year loan, bearing interest at 3% above the prevailing 91-day Treasury bill rates. The note is secured by a chattel mortgage on PGI"s various equipment, with an appraised value of approximately P8 million. The loan agreement also stipulates the company's option to buy 51% of the total outstanding shares of PGI as settlement for the latter's obligation.

The notes receivable from ATCSI worth P4.7 million represents a one-year loan, which bears interest of 18% per year. In April, 1998, ATCSI pledged to the company its investment in shares of stock of Ajo.net Holdings Inc. (AJO), formerly Acoje Holdings, Inc. (ACOJE) with a total par value of P6 million (consisting of 600 million shares at a par value of P0.01 per share), of which 25% has already been paid. In 1998, there was a reverse stock split of the pledged AJO shares. Thus, the loan is secured by a pledge of six (6) million AJO shares at P1 par value. In May, 2000 this was replaced by 1.5 million fully paid shares.

Copyright

The company has copyrighted 65 of its titles with the National Library. The Certificate of Copyright Registration shall remain in force for fifty (50) years from publication and if unpublished, from the date of making of the work.

Amount spent in development activities

There were no new project developments undertaken during the last three years.

Role of Government

The three main arenas of Government involvement in the motion picture industry are as follows:

- Taxes - The Philippine movies industry is still the most heavily taxed film industry in the world. Apart from the amusement tax that provides one-third of gross revenues for the local governments, the producers pay duties on unexposed cinematographic films, specific tax, corporate income tax and value added tax.

- Piracy - The motion picture industry, like the music industry, looks to government for help in curbing the rampant and unabated piracy. Due to the government's fiscal deficits, the government agency tasked to police the video industry has been limited in exercising its powers

- Industry Development - Clearly, there is an urgent need for government assistance to reach out to the other markets, and not just to the peripheral theatrical and video markets for Filipinos abroad. Some local movies, like "Magnifico" and "Crying Ladies", have had some international recognition but the industry is still a long way from the much-touted achievements of the movie industries in the other smaller countries. Moreover, foreign motion picture companies using the Philippines for location shootings have expressed security concerns, moving projects to "safer" and "investment-friendlier" countries such as New Zealand, Thailand, Vietnam, etc.

Employees

Premiere Entertainment Productions, Inc. had 36 employees in 1998; 18 in 1999; 11 in 2000; 8 in 2001/ 2002, 8 in 2003, and 3 by the end of 2004 and 2005. The Company workforce has no labor union and none is subject to Collective Bargaining Agreement (CBA). Moreover, the Company has no plan of hiring additional permanent employees for the next twelve months and will instead outsource on a project basis.

Item 2. Properties

The properties of Premiere Entertainment Productions, Inc. include a condominium unit at the Jollibee Plaza, Emerald Avenue, Ortigas Center, Pasig City, which the company started to occupy in January 1999. As of the 1st quarter of 2001, this unit has been fully paid.

Moreover, the company leases for P12,000.00 per month (inclusive of VAT), a warehouse at R. Magsaysay St., Victoneta Park, Malabon City for the storage of its film library and shooting equipment. The lease contract, that expires every April of the year, is renewable at the option of both parties. The company has no intention to acquire any additional property.

Furthermore, as of December 31, 2003, Premiere has accumulated a total of 438 titles in its Film Library with total production and acquisition costs amounting to P235.8 million.

None of the properties of the Company is pledged or mortgaged to any other party.

Item 3. Legal Proceedings

The complaint filed in 1999 at the Pasig City RTC (Branch 151) by Mr. Dindo Cayanan, President and General Manager of Diamante Films, producer of the movie entitled “Alyas Boy Tigas”, which was distributed by the Company, was dismissed on January 18, 2000.

The company has received a Notice from the Corporation Finance Department of the Securities and Exchange Commission regarding the letter complaint of a certain Mr. Antonio M. Urera, former employee of Nextmobile Inc. (NMI). The complainant alleges that PEP failed to disclose in its Proxy Statement (SEC Form 20) the planned stock swap transaction with NMI and NMI’s involvement in certain legal proceedings. The SEC indicated in its formal reply to the complainant that PEP has complied with the disclosure requirements regarding the transaction and that NMI, as an ordinary corporation, is not required to submit reportorial requirements under the Securities Regulation Code. Furthermore, in the company’s letter reply to both the PSE and the SEC, the company indicated that it is not privy to any cases involving NMI and is not in a position to comment on the same since the proposed transaction has yet to be completed. (In fact, the MOA between PEP and NMI has been terminated due to the failure of the latter to deliver certain closing conditions).

Other than the foregoing, there is no other pending legal proceedings to which the Company or any of its subsidiaries or affiliates is a party or of which any of their property is subject.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Philippine Stock Exchange is the principal market where the Registrant's common equity is traded.

Dividends Per Share

The company has not declared any dividends for the years 2005 and 2004. There are no restrictions on the declaration of dividends.

Quarterly price information as of the latest practicable trading date for the years 2005-2005:

Stock Prices	High		Low	
	2005	2004	2005	2004
First Quarter	0.44	0.32	0.26	0.21
Second Quarter	0.37	0.29	0.25	0.21
Third Quarter	0.33	0.43	0.25	0.18
Fourth Quarter	0.35	0.46	0.28	0.27

Year-end price information as of the latest practicable trading date for the years 2005-2004:

Stock Price as of December 27, 2005	P0.32
Stock Price as of December 29, 2004	P0.27

Recent sales of unregistered or exempt securities, including recent issuance of securities constituting on exempt transaction.

There were no unregistered securities sold by the company, likewise the Company has not reacquired securities as well as new issues, securities in exchange for property, services or other securities and new securities resulting from the modification of outstanding securities.

Common Shares

Common shares outstanding as of December 31, 2005 were 520,000,000.

Holders

As of December 31, 2005 the number of holders of the common equity of the company totals 203 shareholders.

Top 20 Stockholders as of December 31, 2005:

Name	No. of Shares Held	% of Total
PCD Nominee Corporation	340,548,981	65.49
Gem Communications Holdings Corp.	60,000,000	11.54
AOB Management Corporation	43,134,206	8.30
Antonio Ong	41,500,000	8.00
Cirio H. Santiago	6,663,413	1.30
Digna H. Santiago	2,000,000	0.38
Quality Inv. Sec. Corp. (A/C#014113)	2,000,000	0.40
Anselmo Trinidad, Jr.	2,000,000	0.40
Alexander C. Kehyeng	1,500,000	0.29
Renato Y. Chua	1,050,000	0.20
Jose Antonio Gonzales	1,000,000	0.20
Alberto A. Hermoso	1,000,000	0.20
Willy Ke	1,000,000	0.20

Teresita N. Lim	1,000,000	0.20
Rosendo Ong	1,000,000	0.20
Belson Securities,Inc.	956,000	0.20
Paciano L. Tangco	650,000	0.10
Oscar S. Cu ITF Anthony Cu	550,000	0.10
Raul A. Alon	500,000	0.10
ATC Securities, Inc.	500,000	0.10
Marcelino Sua Liancuan	500,000	0.10
Faustino Lim	500,000	0.10
Mary C. Lim &/or Lim, Chiu Sok Ming	500,000	0.10

<u>Assignable Warrants:</u>

The fifty (50) million warrants (the " Warrants") held by Mr. Cirio H. Santiago expired last December 18,2001. The warrants were deemed issued on December 18, 1996 and expired after a one-year lock-up period and the five-year exercise period*.*

Item 6. Management's Discussion and Analysis or Plan of Operation

<u>SPECIFIC BUSINESS ACTIVITIES IN 2005</u>

Film Production and Distribution. With the identified problems in the local film industry, the Company has not been involved in the production of new film projects during the year, except for the rental of its film production equipment..

Non-Theatrical Distribution. The unit continued to administer the physical management of Premiere's existing film library. Moreover, the company continues to negotiate for the sale of its film library titles. Unfortunately, the television networks and cable companies find them too old to attract viewers and advertisers.

Roving Cinema. The Company has aggressively promoted the various roving cinema services to potential advertisers; however, the limited advertising budgets caused the shifting of marketing efforts to company-mounted events.

Discussion and analysis of the company and its majority-owned subsidiaries' top five (5) key performance indicators, including the manner by which the company calculates or identify the indicators on a comparative basis.

The Company with its subsidiary uses the following key performance indicators: 1) revenues; 2) net income before tax; 3) debt-to-equity ratio (computed as total liabilities divided by total Stockholders' Equity; 4) Current Ratio (computed as total current assets divided by total current liabilities); and return on investments (computed as net income divided by the book value of assets).

		December 31		
		2005	2004	YoY Change
1	REVENUES	2,455,53918	4,357,773	43.65
2	NET INCOME/(LOSS) BEFORE TAX	(8,518,125,769)	(54,770,769)	84.45%
3	DEBT-TO-EQUITY RATIO	24.44%	22.99%	1.45%
4	CURRENT RATIO	84.32%	98.87%	(14.55%)
5	RETURN ON INVESTMENT	(4.76)	(29.25%)	24.49%

Despite being debt-free, the company's cash position indicates that it will need aggressive revenue development, collection of trade/non-trade receivables and massive cost reduction efforts. Current collected revenues are only sufficient to cover for administrative overhead expenses.

There were no event that triggered direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Moreover, all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period. - None.

PLAN OF OPERATIONS FOR YEAR 2006

Film Division

For the film library, the company will continue to maximize library revenues by continuing to offer the available broadcast rights for television, video, cable and other new medium requiring such titles. Moreover, due to the low advertising revenues affecting the outright sale of library rights to the network, the company may be involved in revenue-sharing arrangements where the networks will provide the airtime and the company will supply the contents.

Roving Cinema

The promotion of Roving Cinema Plus program will continue in 2006. The Company has also been looking into the potential of the Roving Billboard, which has become a new advertising trend..

Other Developmental Business Activities

The company will continue to identify other businesses that will provide much-needed revenues, but are consistent with its purpose, such as participation in gaming activities.

Finance and Administration

The thrust of the Finance group will continue to be the collection of receivables and the restructuring of receivables that are found to be security deficient. It is expected that with the collection of receivables, the Company can venture into other revenue-generating efforts

As in the past years, the company will maintain the appropriate manpower size that is consistent with its business activities. The manpower strategy is to outsource on a per project basis. Moreover, all unnecessary assets, especially those that were acquired for projects that were later aborted, will be disposed of and the office spaces that were made available after the Company streamlined its operations will be rented out or sold..

Premium Events Palace, Inc. (PEPI)

The company will continue to maintain this subsidiary, although it has not been operating since late 2000. The continuing popularity of on-site and retail gaming in the Philippines may present an opportunity for PEPI in the future.

RESULTS OF OPERATIONS

2002 - Although 2002 is still on the red, the company performed better this year than in 2001. The net loss amounted to P22.0 million in 2002, 73.4% lower compared to P82.7 million in 2001.

- Operating revenues dropped by 60% to P3.5 million from P8.7 million reported in 2001. The unstable economy and the continued poor outcome of the theatrical box office returns led the company to temporarily discontinue its film production activities and concentrate on income generating activities with lesser financial risks.

- Since the company continued to freeze its film production and film distribution activities, no revenue was derived from theatrical receipts.
- Likewise, no licensing revenue for TV, cable and video rights this year compared to P3.7 million in 2001. The Company did not sell any film rights this year, however some negotiations with prospective clients like Viva for the possible sales of video rights for various films are still on going.
- Revenue derived from roving cinema decreased by 10.5% from P5.1 million in 2001 to P3.5 million reported this year.
- Production costs dropped by 31.8% from P2.2 million in 2001, down to P1.5 million in 2002. The company did not produce any film for the last four years. Production solely refers to the roving cinema operations.
- Depreciation and amortization went down by 47.3% from P11.0 million, in 2001 to P5.8 million this year.
- Operating expenses decreased by 53.5% in 2002 to P6.5 million from P14.0 million last year. Salaries, wages and employee's benefits however posted a 58.4% decline. The company continued to exercise extreme cost cutting measures this year.
- Interest and other non-operating income decreased from P0.47 million to P0.35 million in 2002 partly because of the lower short-term investments placed in financing institutions. Other non-operating expense includes P0.87 million loss on sales of other assets in 2002.

2003 - The company's net loss dropped to P8.5 million, which is 62% lower than the net loss of P22.0 million in 2002; and 89.8% lower than the net loss P82.7 million in 2001.

- A 40% increase in operating revenues was recorded from P3.5 million last year to P4.97 million reported this year. Additional sponsors for the roving cinema and the sale of video rights are the main factors of such increase in operating revenues.
- The company continued to freeze its film production and film distribution activities, no revenue was derived from theatrical receipts.
- Video rights for seven movie titles were sold to VIVA that generated the P1.1 million revenue in 2003. No licensing revenue for TV, cable and video rights was recorded in 2003.
- Revenue derived from roving cinema increased by 8.5% from P3.5 million in 2002 to P3.8 million reported this year.
- Production costs dropped by 61% from P1.5 million in 2002, down to P0.6 million in 2003, likewise 73.6% lower than P2.2 million in 2001 . The company did not produce any film for the last five years. However, Premiere had an investment in two films namely Filipinas and Captain Barbel, which was produced by VIVA. Production costs solely refer to the roving cinema operations.
- Depreciation and amortization went down by 41% from P3.1 million, in 2002 to P1.8 million in 2003.
- Operating expenses decreased slightly by 6% from P6.5 million in 2002 to P6.1 million in 2003 . Salaries, wages and employee's benefits likewise almost the same at P3.2 million for both years. The company still continues the extreme cost cutting measures this year.

- Interest and other non-operating income improved from P0.053 million charges in 2002 to P0.31 million this year. Other non-operating expenses includes loss on sales of advertising spot amounting to P0.47 million in 2003 and P0.87 million in 2002.

2004 – At the end of 2004 the company incurred a net loss of P55 million 547% higher than P8.5 million loss in 2003, and 150% higher than the net loss of P22.0 million in 2002. This is due to the provision of probable losses of film costs and the equity in net loss of an affiliate recorded at 22 million and 26 million in 2004 respectively.

- Operating revenues decreased by 30.6% from P4.97 million last year to P3.4 million this year, or 2.9% lower than the P3.5 million revenue in 2002.
- Except for the minimal participation with Viva in 2003 for the films "Filipinas" and "Captain Barbell" Premiere continued to freeze its film production and film distribution activities, still no revenue was derived from theatrical receipts.
- Video rights for seven movie titles were sold to VIVA that generated the P1.1 million revenue in 2003. No licensing revenue for TV, cable and video rights was recorded in 2004.
- Revenue derived from roving cinema increased by 10.5% from P3.8 million reported in 2003 compared to P3.4 million at the end of 2004; and 2.9% decrease from the P3.5 million in 2002.

- Production costs which refers solely to the roving cinema operations, increased by 167% from P0.6 million in 2003 to P1.6 million in 2004, and 6.7% lower than P1.5 million in 2002. The company did not produce any film for the last five years. However, in 2003 Premiere had an investment in two films namely Filipinas and Captain Barbel, which was produced by VIVA.
- Depreciation and amortization, was recorded in 2004 at P1.85 million had a slight increase of 2.8% from P1.8 million in 2003 but 40% lower than P3.1 million, in 2002.
- The 2004 operating expenses of P4.8 million decreased by 21% from P6.1 million in 2003; 26% from P6.5 million in 2002. Salaries, wages and employee's benefits likewise decreased by 11.9% from P2.27 million last year to P2 million this year. Its been the company policy to implement cost cutting measures.

From P0.03 million net other income last year, a P1.5 million net other charges was recorded this year. Other non-operating expenses includes the realized loss on market decline in value of shares of stocks of the Splendido Taal and Mimosa Golf Clubs amounting to P2.5 million in 2004.

2005 – At the end of 2005 the company incurred a net loss of P8.5 million 85% lower than P55 million loss in 2004, and almost the same in 2003. This is due to the provision of probable losses of film costs and the equity in net loss of an affiliate recorded at 26 million and 5 million in 2005 respectively.

- Operating revenues decreased by 41.8% from P4.3 million last year to P2.5 million this year, or 49.79% lower than the P4.97 million revenue in 2003.
- Except for the minimal participation with Viva in 2003 for the films "Filipinas" and "Captain Barbell" Premiere continued to freeze its film production and film distribution activities, still no revenue was derived from theatrical receipts.
- Video rights for seven movie titles were sold to VIVA that generated the P1.1 million revenue in 2003. No licensing revenue for TV, cable and video rights was recorded in 2004 and 2005.
- No revenue was derived from roving cinema this year compared P3.4 million in 2004 and P3.8 million in 2003.
- Likewise no production costs which refers solely to the roving cinema operations recorded in 2005, compared to P0.6 million in 2003 to P1.6 million in 2004. The company did not produce any film for the last five years. However, in 2003 Premiere had an investment in two films namely Filipinas and Captain Barbel, which was produced by VIVA.
- Depreciation and amortization, was recorded in 2005 at P1.7 million had a decrease of 39.3% from P1.85 million in 2004 but 3.6% lower than P1.8 million, in 2003.
- The 2005 operating expenses of P4.1 million decreased by 14.6% from P4.8 million in 2004; and 31.7% from P6.1million in 2003. Salaries, wages and employee's benefits likewise decreased by 50% from P2 million last year to P1 million this year. Its been the company policy to implement cost cutting measures.

From P0.9 million other income last year, a P2.5 million other income was recorded this year. Other non-operating expenses includes the realized loss on market decline in value of shares of stocks of the Splendido Taal and Mimosa Golf Clubs amounting to P2.5 million in 2004.

FINANCIAL POSITION

The total assets recorded at the end of 2005 was P179.6 million, 4% lower than P187.9 million as of 2004 and 30% lower than P257.4 million in 2003. The decrease was due to the evaluation film costs, investment in shares of stocks and the collateral on notes receivable in 2004 & 2005.

As of 2005 total liabilities amounting to P35.2 million slightly increased by 0.04% from P35.1 million in 2004 and 2003.

From P152.8 million in 2004, total stockholders' equity decreased by 5.5% to P144.3 million in 2005, and 30.5% from P207.7 million as of 2003.

- An 8% decrease in Notes receivable (net) was recorded at P64.6 million in 2005 from P65.2 million in 2004.
- Accounts receivable (net) decreased by 33% from P3 million in 2004 to P2 million in 2005. The decrease was due to the collection of receivable from Viva for the share in revenue for the films

"Filipinas" and "Captain Barbell". A decrease of 39% was recorded compared to the P3.3 million in 2003..

- Film Cost Inventories (net) was unchanged at P45.7 million in , 2004 and 2005 but decreased by 32.8% from P68 million in 2003. The recoverability of which is dependent on the estimated income that can still be generated in the future.
- Prepaid expenses and other current assets which was recorded at P2.96 million in 2005, raised by 0.34% from P2.95 million in 2004, but decreased by 7.5% from P3.2 million in 2003.
- Investment and advances of P48.2 million in 2004 was reduced by 37% from P76.8 million in 2003; 39% from P79.4 million in 2002. The Company, in the normal course of business, has transactions with its major stockholders and affiliates consisting mainly of cash and advances primarily used in and related to the Companies' operations.
- Property and Equipment (net) amounting to P20.4 million in 2005 decreased by 14% from P23.8 million in 2003; by 7.7% from P22.1 million in 2004. Depreciation expense recorded for the year 2005 amounted to about P1.7 million.
- Other assets remained unchanged at P0.4 million for 2005, 2004 and 2003. This resulted to the disposition of advertising spots. Deferred costs pertaining to the company restructuring were fully amortized.
- Accounts payable and accrued expenses of P6.2 million in 2004 increased by 3% from P6 million in 2002 & 2003.
- Subscriptions payable did not change at P28.9 million for 2003, 2004 & 2005.

Net cash balance of P1.2 million in 2003 went down to P0.3 million in 2004, to P0.4 million reported in 2005. Based on the reported cash flow, the company recorded P0.06 million net increase in 2005 compared to the P0.9 million net decrease in cash and cash equivalent for the year 2004 as against P1.3 million net decrease for the year 2003. This was principally attributable to the following: a.) decrease in net cash used in operating activities from P0.6 million in 200 to P0.5 this year; b.) decrease in net cash used in investing activities from P0.3 million in 2004 to P0.03 million net cash used in 2005; c) Net cash provided by financing activities in 2005 against non in 2005 & 2003.

Gross revenue for the year 200 registered at P2.5 million, P3.45 million in 2004 and P5 million in 200. No revenue from the Roving Cinema sponsors was derived for the year 2005. The revenues was more derived from the recovery of the allowance of doubtful accounts and rental revenues. To improve revenues, the development of Roving Cinema business and the aggressive sale of library rights should continue. To reduce cash risks, the Company's use of non-cash resources as equity in co-projects is in order.

Other than the following, the Company does not expect any other trends, events or uncertainties to have material impact on net sales, revenues or income from continuing operations. The Company is not in default or breach of any note, loan lease or other indebtedness or financing arrangement.

- The spiraling downward trend of the economy and therefore, the decrease in the household entertainment budget, higher amusement taxes and the proliferation of pirated film copies could not present film production opportunities for the Company or to the industry, in general.
- The continuous increases in oil prices have been resulting to the higher cost of operation. Especially if such will result or resulted to mandated salary adjustments, the rising cost of operation may result to the unavoidable increases in prices of the company's service offerings, particularly the Roving Cinema.
- The advertising budgets of marketing companies have constricted considerably; thus, affecting the sale of film library titles to the television networks. While the Roving Cinema service presents a cheaper advertising alternative, the company cannot increase its prices to offset for any increases in operations costs.

Finally, there is no significant element of income or loss that did not arise from the company's continuing operation. There are also no material commitments for any capital expenditures within the next twelve months.

Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Final Statements and Supplementary Schedules (Exhibit A) are filed as part of this SEC Form 17-A.

Disclosures on specific policies on research and development costs, borrowing costs and provisions on the nature and amount of intangible expected to be written off as a result of applying SFAS/IAS 38, is not applicable. The number of shares issued/fully-paid, and issued/not fully paid has already been disclosed in the face of the balance sheet. Roll-forward schedules and various financial details are also disclosed under the Notes to the Financial Statements.

Item 8. Changes in and Disagreements with Accounts on Accounting and Financial Disclosure

- Accounts payable and accrued expenses has not been cross referenced since there were no relevant information concerning accounts payable and accrued expenses presented in the notes to the financial statements.
- The related interest on loans/advances is indicated under Note 5 to the financial statements (as cross-referenced under Note 10).

Trade Receivables

- Other receivables which were grouped in one figure captioned as Accounts Receivables-Others, is comprised of numerous accounts which are individually insignificant.
- Provision for loss relating to the non-recoverability of the film cost inventory has been made in 2003 thus, the qualification was indicated in the report of the independent auditors.

Inventory

- The amount of, and circumstances or events leading to, reversal of write-downs of inventories (arising from an increase in net realizable value) recognized as income.- There were no reversal of write-down during the year.
- There were no inventories pledged as security for liabilities.
- LIFO is not being used by the Company in the valuation of inventories.
- Inventory is classified as non-current in the balance sheet since such are expected to be sold/recovered after more that 12 months.
- The cost of inventories recognized as expense during the period is shown as "Amortization of film cost" under the statements of income.
- Declines subsequent to balance sheet date in market prices of inventory not protected by firm sales contracts – None
- Changes in pricing methods and the effects thereof – None
- Unusual purchase commitments and accrued net losses, if any, on such commitments. (Losses which are expected to arise from firm and uncancellable commitments for the future purchase of inventory items should, if material, be recognized in the accounts and separately disclosed in the income statement – None
- The amount of any substantial and unusual write-downs – None

Trade and Other Payables

- Breakdown of the accounts payable and accrued expenses are individually insignificant. Moving forward, PEPI would evaluate the significance of the account and disclose the breakdown as needed - None

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

Executive Officers of the Registrant
As of December 31, 2005, there are no legal proceedings against any director or executive officer.

The names and ages of all officers are as follows:

Office	Period of Service	Name	Age	Citizenship
Independent Director	*	Espiridion D. Laxa	77	Filipino
Chairman of the Board	*	Cirio H. Santiago	70	Filipino
Vice-Chairman	*	Anselmo Trinidad, Jr.	62	Filipino
President and CEO	1997 to present	Anastacio P. Diaz, Jr.	50	Filipino
Chairman of the ExCom	*	Roberto A. Atendido	59	Filipino
Director	*	Antonio T. Ong	62	Filipino
Director	*	Teofilo A. Henson	60	Filipino
Corporate Secretary	*	Roberto V. San Jose	64	Filipino

∗ *The Directors are elected and will take their office for a period of one year until their successors are elected and qualified.*

In compliance with the new SEC Code of Corporate Governance, the company created the Audit Committee, which is composed of the following members:

Atty. Espiridion D. Laxa	Chairman (Independent Director)	Filipino
Mr. Anselmo Trinidad, Jr.	Member	Filipino
Mr. Roberto A. Atendido	Member	Filipino
Mr. Teofilo A. Henson	Member	Filipino

In view of the company's limited size and operations, the Board of Directors did not seem it appropriate to constitute the Nomination and Compensation Committees.

Atty. Laxa is the Independent Director of the company since its re-launch in 1996. In 1998, Atty Laxa was elected as Chairman Emeritus of the Company. For the past five years, until the present he has been: the Chairman of the Film Academy of the Philippines, the Video Movie Corp., the Philippine Motion Pictures Producers Association and the Motion Picture Anti-Film Piracy Council; President of Tagalog Ilang-Ilang Productions, Inc. and EDL Productions; as well as member of the Board of Trustees of the Film Development Foundation of the Philippines, Inc. He has headed Philippine delegations to various international film festivals. In 1987 to 1990, Atty. Laxa served as President of the Asean Movie Producers Association. He was appointed in 1999 as a Director of San Miguel Corporation (SMC).

Mr. Cirio H. Santiago was appointed Chairman of the Board of Directors last September 1998, after serving as President and Chief Executive Officer since 1996. He was the president of Premiere Films International until this was absorbed by the new PEP. In October 1998, he was promoted to serve as the Chairman of the Board of the Company. He has directed over 100 films for both the local and international markets. He also served as producer for over 250 local and international films, working with various international production companies such as Paramount, Viacom, and New Horizons Pictures Hollywood. He has been Chairman of the Film Development Foundation of the Philippines, Inc. (FDFP) since 1992. In 1999, he was elected as a member of the Board of Directors of the Philippine International Film and Television Office and he has just been appointed as a Director of the Philippine Charity Sweepstakes Office (PCSO) He was also a member of the Board until recently of Eastern Telecommunications Philippines, Inc. (ETPI) and Home Cable. He is the President of Lifeline Manila, Inc. and Eastern Horizon Distribution Co. He serves as the Director of Postgrafix, Inc., the Vice President of New Horizons Pictures Hollywood, and the Vice-Chairman of Millennium. Mr. Santiago is also a member of the Director's Guild of the Philippines, Inc. Director's Guild of America, and the Philippine Motion Picture Producers Association.

Mr. Anastacio P. Diaz joined the Company in November 1997 as Executive Vice President and Chief Operating Officer. He was confirmed President and Chief Executive Officer during the Company's 2002 Annual Stockholders' Meeting, after serving in an acting capacity since October 1998 Prior to joining Premiere, he was the Senior Vice-President for the international telecommunications operations of Philippine Global Communications, Inc. (PhilCom). His sales and marketing experiences were derived since 1979 from established multinational and local consumer goods manufacturing companies such as Procter & Gamble, California Manufacturing Company, General Milling Corporation, and First Pacific – Metrolab, Inc. He also had active work experiences in the gaming industry having launched the on-line Philippine Lottery (Lotto) with Berjaya, Bhd. of Malaysia in February 1995. Mr. Diaz has been an active member of the Philippine Association of National Advertisers since 1984 and served in different capacities in its Ways and Means and Media Relations Committees. He is also an active advertising screening panelist for the Advertising Board of the Philippines. Mr. Diaz is a Licensed Chemical Engineer from the De La Salle University, with an MBA from the Ateneo de Manila University.

Mr. Anselmo Trinidad, Jr. has been a Director of the Company since 1998. Since 2000 until the present, he has concurrently held the office of Vice-Chairman of AJO.net Holdings, Inc. and Chairman of Fil-Hispano Holdings Corporation. In the past five years, until the present, he has served as the nominee representing ATC Securities, Inc. to the Philippine Stock Exchange. He holds a degree in Business Administration from the University of the Philippines.

Mr. Roberto A. Atendido has been a Director of the Company since 1998 and is also the current Chairman of the Executive Committee ("Excom") of the Company. Over the past five years to the present, he has held the positions of President of Asian Alliance Holdings & Development Corporation, Asian Alliance Investment Corporation Philippines and Charter Land & Development Corporation. He is also a Director of Phimco Industries, Inc., Maricalum Mining Corporation, Provident Tree Farms, Inc., Marcopper Mining Corporation, Atlas Fertilizer Corp., Investment House Association of the Philippines and DBS Securities. He is also a member of the Board of Directors of Atlas Fertilizer Corporation, Southeast Mindanao Gold Mining Corporation, EasyCall Communications Philippines, Inc., PICOP Resources Corporation and Financial Executives Institute of the Philippines.

Mr. Antonio T. Ong has been a Director since 1996 and is currently an ExCom member of the Company. In the past five years, he has held the positions of President of Westmont Investment Corporation, Chairman of Asian Alliance Investment Corporation, Gemland Equity & Management, Inc. and Growth Equity & Management, Inc. He is also a Director of Palawan Oil and Gas Exploration, Inc., Fil-Hispano Holdings Corp., Macondray, Inc. and SPI Technologies, Inc. Mr. Ong is also a director and member of the Trust Committee of Philippine Savings Bank.

Mr. Teofilo A. Henson has been a Director since 1996 and is currently an Excom member and the Treasurer of the Company. In the past five years until the present, he has held the position of President and Chief Executive Officer of Gem Communications Holdings Corporation, and Director of Fil-Hispano Holdings Corporation and AJO.net Holdings, Inc.

Atty. Roberto V. San Jose was elected Corporate Secretary in 1996. He is a member of the Philippine Bar and senior partner of the Castillo Laman Tan Pantaleon and San Jose Offices. For the past five years until the present, he has held the office of Director of Mabuhay Holdings Corporation, ABC Development Corporation (Channel 5), Director/Corporate Secretary of CP Group of Companies, CP Equities Corporation, Atlas Resources Management Group and MAA Consultants, Inc. He is also the Corporate Secretary of Alsons Consolidated Resources, Inc., Solid Group, Inc., Philweb Corporation, FMF Development Corporation and Anglo Philippine Holdings Corporation. He is also the Corporate Secretary and/or officer of various client corporations of their law firm.

Ms. Digna H. Santiago, who used to be Vice President for Motion Picture, has left the company in October 2004.

No person who is not an executive officer of the company is expected to make a significant contribution to the business.

The Directors of the Company are elected at the annual stockholder's meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

Officers are appointed or elected annually by the Board of Directors at its organizational meeting following the Annual Meeting of Stockholders, each to hold office until their successor shall have been elected, appointed, or shall have qualified.

Nomination and Election of Independent Director

In view of the Company's small size and limited operations, the Company's Board of Directors did not deem it appropriate to constitute the Nomination and Compensation Committees. Under the Company's Manual of Corporate Governance, the said committee may or may not be constituted According to the circumstances currently prevailing. In this case the Board of Directors has assumed, en banc the duties and responsibilities of the Nomination and Compensation Committees per compliance with SEC Memorandum Circular No. 16, series of 2002.

The Nomination Committee was tasked to accept and to pre-screen nominees for election as independent directors conformably with the criteria prescribed in the said SEC Memo Circular and the Company's Code of Corporate Governance, and to prepare and to make available to the SEC and the stockholders before the stockholders' meeting a Final List of Candidates as required in the said SEC Memo Circular.

Significant Employees

Other than its current officers as mentioned above, the Company has not engaged the services of any person who is expected to make significant contributions to the business of the Company.

Involvement in Certain Legal Proceedings

The Company is not aware of: (1) any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, executive officer, promoter, or control person of the Company was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior that time; (2) any conviction by final judgment in a criminal proceeding, domestic or foreign , or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other offenses of any director, person nominated to become a director, executive officer, promoter, or control person; (3) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement in any type of business, securities, commodities or banking activities a director, person nominated to become a director, executive officer, promoter or control person of the Company; and (4) judgment against a director, person nominated to become a director, executive officer, promoter, or control person of the Company found by a domestic or foreign court of competent jurisdiction (in civil action), the Philippine Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

The following table summarizes certain information regarding compensation paid or accrued during the last fiscal year and to be paid in the ensuing fiscal year to the Company's executives/ officers.

Name /Position	Year	Salary	Bonus	Others
Espiridion D. Laxa*	2004			
Chairman Emeritus	2005			
	2006			
Cirio H. Santiago**	2004	360,000.00	30,000.00	
Chairman of the Board	2005	360,000.00	30,000.00	
	2006	360,000.00	30,000.00	
Anastacio P. Diaz, Jr.	2004	720,000.00	60,000.00	

President/CEO	2005	720,000.00	60,000.00
	2006	720,000.00	60,000.00
Digna H. Santiago	2004	189,000.00	21,000.00
Vice President	2005		
	2006		
All Directors and Officers	2004	1,269,000.00	111,000.00
As A Group	2005	1,080,000.00	90,000.00
	2006	1,080,000.00	90,000.00

* *Professional Fees.*
** *Promoted to Chairman of the Board in 1998.*

The Company maintains standard employment contracts with Messrs. Cirio H. Santiago and Anastacio P. Diaz, Jr. which provide for their respective compensation and benefits, including entitlement to health benefits, representation expenses and Company car plan. Other than what is provided under applicable labor laws, there are no compensatory plans or arrangements with executive officers entitling them to receive more than P2,500,000.00 as a result of their resignation, retirement or any other termination of employment, or from a change in control of the Company, or a change in the executive officers' responsibilities following a change in control of the Company.

<u>Compensation Plans</u>

NO ACTION is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2005, the following stockholders own more than 5% of the company's outstanding capital stocks:

Title of Class	Name and Address Record/ Owner/beneficial Owner	Citizenship	Number of shares held		Percent of Class
Common	**PCD Nominee Corporation** G/F Makati Stock Exchange 6767 Ayala Avenue Makati City	Filipino	340,548,981	®	65.49
Common	**S.J. Roxas & Co., Inc.** Unit 612 Tower I & Exchange Plaza Ayala Avenue, Makati City	Filipino	52,499,181	®	10.10
	S. J. Roxas & Co., Inc. is represented by its Chairman Simplicio J. Roxas, and Patricia R. Yaptinchay, President. *Except for S. J. Roxas & Co., Inc. no other beneficial owners registered under the name of PCD Nominee Corp. own more than 5% of the company's outstanding capital stock as of December 31, 2005. A master proxy being issued by the beneficial owners nominate, constitute and appoint PCD Participants as its proxy to vote its respective PEP Shares during the stockholders' meeting.*				
Common	**Gem Communication Holdings Corp.** 29th Flr., Jollibee Plaza Condominium` Emerald Avenue, Ortigas Center, Pasig City	Filipino	60,000,000	®	11.50

Gem Communications is represented by its President & Chief Executive Officer, Mr. Teofilo A. Henson.

Common	**AOB Management Corporation** c/o Premiere Entertainment 29th[th] Flr., Jollibee Plaza Condominium Emerald Avenue, Ortigas Center, Pasig City	Filipino	43,134,206	®	8.30

AOB Management Corporation is represented by its President ,Mr. Roberto A. Atendido.

Common	**Antonio T. Ong** No. 437 Kayumanggi St., Mandaluyong City	Filipino	41,500,000	®	8.00

(2) Security Ownership of Management

Title of Class	**Name of Beneficial Owner**	**Amount and nature of beneficial ownership**	**Citizenship**	**Percent of Class**
Common	Espiridion D. Laxa	5,000	Filipino	0. 001%
Common	Cirio H. Santiago	6,663,413	Filipino	1.280%
Warrants	Cirio H. Santiago	50,000,000*	Filipino	100.000%
Common	Anastacio P. Diaz, Jr.	10,000	Filipino	0.002%
Common	Anselmo Trinidad, Jr.	2,000,000	Filipino	0.385%
Common	Roberto A. Atendido	. 10,000	Filipino	0.002%
Common	Teofilo A. Henson	250,000	Filipino	0.048%
Common	Antonio T. Ong	41,500,000	Filipino	7.981%
Total Common Shares		50,438,413		9.700%

**Each Director shall own in his own right at least one (1) share of the capital stock of the Corporation.*

**The 50 million warrants held by Cirio H. Santiago expired last December 18, 2001 and no other person/executive officer hold any warrants*.

(3) Voting Trust Holders of 5% or More
There is no voting trust holder of 5% or more; nor any similar agreement of a class under a voting trust.

Item 12. Certain Relationships and Related Transactions

There has been no transaction during the last two years, nor is any transaction presently proposed, to which the Company was or is to be a party in which any director or executive officer of the Company, or nominee for election as a director, or owner of more than 10% of the Company's voting securities, or voting trust holder of 10% or more of any class of the Company's securities, or any member of the immediate family of any of the foregoing persons had or is to have a direct or indirect material interest. In the ordinary and regular course of business, the Company had or may have transactions with other companies in which some of the foregoing persons may have an interest.

No person holds more than 50% of the Company's voting securities. The Company has no parent company.

PART IV – CORPORATE GOVERNANCE

The company has complied with the SEC Memorandum Circular No. 2 dated April 05, 2002, as well as all relevant Circulars on Corporate Governance. Moreover, the company has disclosed the following to the SEC:

1. Compliance with the relevant SEC Memorandum Circular, as well as all relevant Circulars on Corporate Governance have been monitored;

2. Premiere Entertainment Productions Inc, its directors, officers and employees complied with all the leading practices and principles on good corporate governance as embodied in the Company's Manual;

3. The following are the major deviations from the adopted Manual on Corporate Governance:

   Due to the Company's small size, limited business operations and lack of funds, the Board of Directors found that to proceed with the following features of the Company's Manual of Corporate Governance would be an unreasonable expense and burden on the Company and its shareholders–

   - Creation of the other separate Committees other than the Audit Committee;
   - Implementation of the management performance system;
   - Distribution of Written Code of Conduct;
   - Professional development program;

   Instead, the Board of Directors, during its meetings, tackles all the relevant business issues, policies and procedures of the Company, including the monitoring of the Company's resources and risks and other matters under the Manual of Corporate Governance.

PART V – EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports in SEC Form 17-C

(a) Exhibits: Exhibit A. Financial Statements and Supplementary Schedules

Disclosures on specific policies on research and development costs, borrowing costs and provisions on the nature and amount of intangible expected to be written off as a result of applying SFAS/IAS 38, is not applicable. The number of shares issued and fully paid, and issued but not fully paid has already been disclosed in the face of the balance sheet. Roll-forward schedules and various financial details are also disclosed under Notes to Financial Statements.

(b) Reports on the Security and Exchange Commission (SEC) Form, 17-C

Date of Report	Item Reported
March 30, 2005	Advise that the Agreement dated March 9, 2004 entered into by Premiere Entertainment Productions, Inc. together with Top Mega enterprises, Ltd., Joycelink Holdings, Limited, Gamboa Holdings, Inc., Emerald Investments, Inc., Foodcam Industires and Marketing, Inc. (together with the "NMI) Shareholders") relating to the proposed acquisition of Next Mobile, Inc. has expired and has not been extended up to the present time.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on April 12, 2006.

ANASTACIO P. DIAZ, JR.
Principal Executive/ Operating Officer

TEOFILO A. HENSON
Principal Finance Officer/ Treasurer

EFREN M. TIBAY
Principal Accounting Officer

ROBERTO V. SAN JOSE
Corporate Secretary

ANA MARIA A. KATIGBAK
Asst. Corporate Secretary

APR 28 2006

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2006 affiants exhibiting to me their Residence Certificates, as follows:

NAMES	TCT NO.	DATE/ PLACE OF ISSUE
Anastacio P. Diaz. Jr.	01424227	January 17, 2006 / Manila
Teofilo A. Henson	21511648	February 21, 2006 / Q.C.
Roberto V. San Jose	20532107	January31, 2006/ Makati
Efren M. Tibay	01424225	January 17, 2006 Manila
Ana MAria A. KAtigbak	20532125	January 31, 2006-Makati City

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PAGE NO. 70
BOOK NO. 16
SERIES OF

JOEL G. GORDOLA
NOTARY PUBLIC
UNTIL DEC. 31, 2006 **NOTARY PUBLIC**
ROLL # 25103
PTR NO. 7071217/1-2-06 Q.C.

PREMIERE
ENTERTAINMENT PRODUCTIONS, INC.

29F Jollibee Plaza Condominium,
Emerald Avenue, Ortigas Center, Pasig City, Philippines
Tel. Nos. (632) 637-2712 (TL), 637-2707 (DL), 637-2708 (DL)
Fax No.: (632) 637-2709; 631-3020

Statement of Management Responsibility for Financial Statements

The management of PREMIERE ENTERTAINMENT PRODUCTIONS, INC. is responsible for all information and representations contained in the financial statements for the years ended December 31, 2005 and 2004. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

Sycip Gorres Velayo & Co, the independent auditors and appointed by the stockholders, has examined the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and Stockholders.

Signed under oath by the following:

CIRIO H. SANTIAGO
Chairman of the Board

ANASTACIO P. DIAZ, JR.
President & CEO

TEOFILO A. HENSON
CFO/Treasurer

REPUBLIC OF THE PHILIPPINES) QUEZON CITY
) S.S.

APR 28 2006

SUBSCRIBED AND SWORN TO before me this APR 28 2006 day of April, 2006 at QUEZON CITY, affiant exhibiting to me their Community Tax Certificates as follows:

Name	CTC No.	Date/Place of Issue
Cirio H. Santiago	01424250	January 17, 2006 / Manila
Anastacio P. Diaz, Jr.	01424227	January 17, 2006 / Manila
Teofilo A. Henson	21511648	February 21,2006 / Quezon City

JOEL G. GORDOLA
NOTARY PUBLIC
UNTIL DEC. 31, 2006
ROLL # 25103
PTR NO. 7071217 / 1-2-06 Q.C.

NOTARY PUBLIC

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Book No. 77
Series of 2006

SGV & Co

SyCip Gorres Velayo & Co.
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Philippines

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Fax: (632) 819-0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-F

Report of Independent Auditors

The Stockholders and the Board of Directors
Premiere Entertainment Productions, Inc.
29th Floor, Jollibee Plaza Building
Emerald Avenue, Ortigas Center
Pasig City

We have audited the accompanying consolidated balance sheets of Premiere Entertainment Productions, Inc. and Subsidiary as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and cash flows for years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the third and fourth paragraphs, we conducted our audits in accordance with auditing standards generally accepted in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We were unable to obtain the audited financial statements supporting the Company's investment in GEM Communication Holdings Corporation (GEMCOM), an associate, the investment in which is reflected in the consolidated financial statements using the equity method of accounting. We were also unable to satisfy ourselves by applying other auditing procedures as to the carrying value of the investment in GEMCOM amounting to ₱42.5 million and ₱47.7 million as of December 31, 2005 and 2004, respectively.

As discussed in Note 7 to the financial statements, the Company has unamortized film costs amounting to ₱45.8 million as of December 31, 2005 and 2004, the recoverability of which is dependent on the estimated income that can still be generated in the future. The Company provided for an allowance for probable losses of these assets amounting to ₱22.3 million. We were unable to obtain management's estimate of the realizable value of these assets nor were we able to satisfy ourselves by applying other auditing procedures as to the carrying value of these assets.

In our opinion, except for the effects of such adjustments, if any, as might have been disclosed had we been able to satisfy ourselves as to the matters discussed in the third and fourth paragraphs, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Premiere Entertainment Productions, Inc. and Subsidiary as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the years ended December 31, 2005 and 2004 in conformity with accounting principles generally accepted in the Philippines.

We draw attention to Note 1 to the financial statements which states that Premiere Entertainment Productions, Inc. continued to suffer from declining revenue and recurring losses, which resulted in deficit of ₱375.8 million and ₱367.2 million as of December 31, 2005 and 2004, respectively. These conditions, among others, indicate the existence of a material uncertainty which may cast significant doubt about Premiere Entertainment Productions, Inc. ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that may be necessary should the Company and its subsidiary be unable to continue as a going concern.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-A
Tax Identification No. 102-082-365
PTR No. 4180816, January 2, 2006, Makati City

April 25, 2006

COVER SHEET

1 4 7 5 8 4

SEC Registration Number

PREMIERE ENTERTAINMENT PRODUCTIONS, INC. AND SUBSIDIARY

(Company's Full Name)

29th Floor, Jollibee Plaza Building, Emerald Avenue, Ortigas Center, Pasig City

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

Anastacio P. Diaz Jr.

(Contact Person)

637-2711

(Company Telephone Number)

1	2		3	1

Month *Day*
(Fiscal Year)

A A F S

(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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PREMIERE ENTERTAINMENT PRODUCTIONS, INC.
AND SUBSIDIARY

Consolidated Financial Statements
December 31, 2005 and 2004

and

Report of Independent Auditors

SGVMC108557

SyCip Gorres Velayo & Co.
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BOA/PRC Reg. No. 0001

Report of Independent Auditors

The Stockholders and the Board of Directors
Premiere Entertainment Productions, Inc.
29th Floor, Jollibee Plaza Building
Emerald Avenue, Ortigas Center
Pasig City

We have audited the accompanying consolidated balance sheets of Premiere Entertainment Productions, Inc. and Subsidiary as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and cash flows for years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the third and fourth paragraphs, we conducted our audits in accordance with auditing standards generally accepted in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We were unable to obtain the audited financial statements supporting the Company's investment in GEM Communication Holdings Corporation (GEMCOM), an associate, the investment in which is reflected in the consolidated financial statements using the equity method of accounting. We were also unable to satisfy ourselves by applying other auditing procedures as to the carrying value of the investment in GEMCOM amounting to ₱42.5 million and ₱47.7 million as of December 31, 2005 and 2004, respectively.

As discussed in Note 7 to the financial statements, the Company has unamortized film costs amounting to ₱45.8 million as of December 31, 2005 and 2004, the recoverability of which is dependent on the estimated income that can still be generated in the future. The Company provided for an allowance for probable losses of these assets amounting to ₱22.3 million. We were unable to obtain management's estimate of the realizable value of these assets nor were we able to satisfy ourselves by applying other auditing procedures as to the carrying value of these assets.

In our opinion, except for the effects of such adjustments, if any, as might have been disclosed had we been able to satisfy ourselves as to the matters discussed in the third and fourth paragraphs, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Premiere Entertainment Productions, Inc. and Subsidiary as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the years ended December 31, 2005 and 2004 in conformity with accounting principles generally accepted in the Philippines.

We draw attention to Note 1 to the financial statements which states that Premiere Entertainment Productions, Inc. continued to suffer from declining revenue and recurring losses, which resulted in deficit of ₱375.8 million and ₱367.2 million as of December 31, 2005 and 2004, respectively. These conditions, among others, indicate the existence of a material uncertainty which may cast significant doubt about Premiere Entertainment Productions, Inc. ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that may be necessary should the Company and its subsidiary be unable to continue as a going concern.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-A
Tax Identification No. 102-082-365
PTR No. 4180816, January 2, 2006, Makati City

April 25, 2006

Report of Independent Auditors

The Stockholders and the Board of Directors
Premiere Entertainment Productions, Inc.

We have audited the accompanying consolidated balance sheets of Premiere Entertainment Productions, Inc. and Subsidiary as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and cash flows for years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the third and fourth paragraphs, we conducted our audits in accordance with auditing standards generally accepted in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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In our opinion, except for the effects of such adjustments, if any, as might have been disclosed had we been able to satisfy ourselves as to the matters discussed in the third and fourth paragraphs, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Premiere Entertainment Productions, Inc. and Subsidiary as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the years ended December 31, 2005 and 2004 in conformity with accounting principles generally accepted in the Philippines.

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Report of Independent Auditors
On Supplementary Schedules

The Stockholders and the Board of Directors
Premiere Entertainment Productions, Inc.
29th Floor, Jollibee Plaza Building
Emerald Avenue, Ortigas Center
Pasig City

We have audited in accordance with auditing standards generally accepted in the Philippines, the consolidated financial statements of Premiere Entertainment Productions, Inc. and Subsidiary as of and for the year ended December 31, 2005 included in this Form 17-A and have issued our report thereon dated April 25, 2006. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management and presented for purposes of complying with the Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respect the financial data required to be set therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-A
Tax Identification No. 102-082-365
PTR No. 4180816, January 2, 2006, Makati City

April 25, 2006

PREMIERE ENTERTAINMENT PRODUCTIONS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31	
	2005	2004
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4 and 14)	**₱404,951**	₱340,973
Accounts receivable - net (Note 5, 11 and 14)	**1,998,400**	2,999,478
Notes receivable - net (Note 6, 11 and 14)	**64,635,593**	65,255,257
Prepaid expenses and other current assets	**2,963,726**	2,814,598
Total Current Assets	**70,002,670**	71,410,306
Noncurrent Assets		
Film costs - net (Note 7)	**45,753,848**	45,753,848
Investments in an associate - net (Note 8, 11 and 14)	**42,461,001**	47,742,693
Available-for-sale investments	**566,000**	–
Investments in shares of stocks	**–**	443,000
Property and equipment - net (Note 9)	**20,367,578**	22,106,482
Other noncurrent assets - net (Note 10)	**415,923**	430,923
Total Noncurrent Assets	**109,564,350**	116,476,946
	₱179,567,020	₱187,887,252
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 14)	**₱6,360,435**	₱6,225,644
Income tax payable	**4,882**	–
Total Current Liabilities	**6,365,317**	6,225,644
Noncurrent Liabilities		
Subscriptions payable (Note 8)	**28,900,000**	28,900,000
Total Liabilities	**35,265,317**	35,125,644
Stockholders' Equity		
Capital stock	**520,000,000**	520,000,000
Deficit (Note 1)	**(375,788,297)**	(367,238,392)
Net unrealized gain on available-for-sale investments	**90,000**	–
Total Stockholders' Equity	**144,301,703**	152,761,608
	₱179,567,020	₱187,887,252

See accompanying Notes to Consolidated Financial Statements.

PREMIERE ENTERTAINMENT PRODUCTIONS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31	
	2005	2004
INCOME		
Reversal of allowance for doubtful accounts	**₱2,191,611**	₱–
Interest	**22,621**	2,407
Sponsored film exhibits	**–**	3,447,218
Others	**241,307**	908,148
	2,455,539	4,357,773
COSTS AND EXPENSES		
Impairment loss	**5,281,692**	26,179,144
Depreciation and amortization (Note 9)	**1,742,949**	1,854,430
Entertainment, amusement and recreation	**1,107,616**	506,606
Salaries, wages and employees' benefits	**1,041,208**	1,998,951
Rentals and utilities	**480,959**	466,989
Professional and legal fees	**337,000**	101,909
Taxes and licenses	**240,902**	174,251
Insurance	**97,829**	122,455
Communication	**80,750**	250,574
Repairs and maintenance	**57,028**	99,097
Transportation and travel	**18,663**	113,729
Supplies and materials	**18,092**	59,063
Provision for probable losses of film costs (Note 7)	**–**	22,267,680
Provision for decline in value of investments	**–**	2,410,000
Production costs	**–**	1,641,849
Miscellaneous	**468,976**	881,815
	10,973,664	59,128,542
LOSS BEFORE INCOME TAX	**8,518,125**	54,770,769
PROVISION FOR INCOME TAX (Note 12)	**9,406**	49,086
LOSS FROM CONTINUING OPERATIONS	**8,527,531**	54,819,855
DISCONTINUING OPERATIONS		
Loss from operations of a subsidiary (Note 1)	**22,374**	142,465
NET LOSS	**₱8,549,905**	₱54,962,320
Loss Per Share (Note 13)	**₱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	
	2005	2004
CAPITAL STOCK - ₱1 par value		
Authorized - 1,000,000,000 shares		
Issued - 520,000,000 shares	**₱520,000,000**	₱520,000,000
DEFICIT		
Balance at beginning of year	**(367,238,392)**	(312,276,072)
Net loss (Note 13)	**(8,549,905)**	(54,962,320)
Balance at end of year	**(375,788,297)**	(367,238,392)
NET UNREALIZED GAIN ON AVAILABLE-FOR-SALE INVESTMENTS RECOGNIZED IN EQUITY	**90,000**	–
	₱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	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱8,518,125)**	(₱54,770,769)
Adjustments for:		
Impairment loss (Note 8)	**5,281,692**	26,179,144
Depreciation and amortization (Note 9)	**1,742,949**	1,854,430
Interest expense	**1,520**	1,132
Interest income	**(22,621)**	(2,407)
Provision for probable losses of film costs (Note 7)	**–**	22,267,680
Provision for decline in value of investments (Note 13)	**–**	2,410,000
Operating loss before working capital changes	**(1,514,585)**	(2,060,790)
Decrease (increase) in:		
Accounts receivable	**1,001,078**	931,792
Prepaid expenses and other current assets	**(149,128)**	402,986
Increase in accounts payable and accrued expenses	**134,791**	180,516
Net cash used in operations	**(527,844)**	(545,496)
Interest received	**22,621**	2,407
Income tax paid	**(4,524)**	(49,086)
Interest paid	**(1,520)**	(1,132)
Net cash used in operating activities	**(511,267)**	(593,307)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in notes receivables	**586,664**	–
Loss from operations of subsidiary	**(22,374)**	(142,465)
Acquisition of property and equipment (Note 9)	**(4,045)**	(154,002)
Net cash provided by (used in) investing activities	**560,245**	(296,467)
CASH FLOWS FROM FINANCING ACTIVITY		
Decrease in other noncurrent assets	**15,000**	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**63,978**	(889,774)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**340,973**	1,230,747
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱404,951**	₱340,973

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Status of Operations

Premiere Entertainment Productions, Inc. (the Company) was incorporated in the Philippines on June 20, 1996 and was listed in the Philippine Stock Exchange (PSE) on May 5, 1997. The Parent Company was primarily engaged in any business activities relating to entertainment, gaming and leisure, including, but not limited to, the establishment, operation and maintenance of websites with electronic commerce capabilities, the development and maintenance of internet music portals and other internet-related mediums, and generally, to perform all and everything necessary or proper for the accomplishment of the aforesaid purpose.

Premium Events Palace, Inc. (the Subsidiary) was incorporated in the Philippines on August 12, 1997. Its primary purpose is to conduct, maintain, and operate the business of amusement, entertainment, public recreation, including the furnishing of any and all facilities for games, contests, exhibitions or other forms of amusement of every nature, for participation by the public and otherwise; to charge admission fees, rates, rentals and other forms of payment for so doing; and to do and transact all business properly connected with or incidental to any or all of and objects and purposes. The Subsidiary ceased its bingo operations on June 30, 2000 as a result of recurring losses which has raised substantial doubt about its ability to continue as a going concern.

The registered office address of the Company and its Subsidiary (collectively referred to as the Group) is at 29th Floor, Jollibee Plaza Building, Emerald Avenue, Ortigas Center, Pasig City.

The Group continued to suffer from declining revenue and recurring losses, which resulted in deficit, as restated, of ₱375.8 million and ₱367.2 million as of December 31, 2005 and 2004, respectively. These conditions, among others, indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amounts and classification of liabilities that may be necessary should the Company and its subsidiary be unable to continue as a going concern.

The Group’s ability to continue as a going concern is dependent upon successful implementation of its business plans, collecting outstanding receivables and generating additional revenues for working capital purposes. The Group’s business plans are as follows:

<u>Film Division</u>
The Company will maintain its current strategy of participating in film production by way of equity in terms of the use of the shooting equipment, production expertise and networks, assignment of live talent contracts or advances and advertising properties. If such equity participation is not acceptable to the potential partners, the Company’s involvement will only be limited to the direct rental of shooting equipment and the outright sale of disposable resources for production and marketing. The Company will continue to identify potential film production partners for projects that will either be for theatrical exhibition or as contents for free and pay television.

For the film library, the Company will continue to maximize the revenue that can be derived from them by offering the available broadcast rights for television, video, cable and other types of usage requiring such titles. Particularly, proposals have again been made to the major television networks for the exhibition of the Company's film properties, either on an outright lease or on joint-venture basis.

Roving Cinema
Since local film production and distribution now have limited guarantees for the generation of substantial revenue, the Company has continued to depend on Roving Cinema services for the generation of operating cash requirements.

The Roving Cinema, which is consistent with the current advertising trend of employing an alternative, cheaper, non-traditional and highly interactive medium, presents a viable venue for the use of the Company's library titles, as well as those of the Company's industry partners.

Aside from the standard Roving Cinema service, the Company also offers complementary promotional efforts such as the Cine-Bingo, Videoke, Cine-Disco, Quiz Show. Moreover, for the past two years, the Company has been involved in the Roving Medisine, which is the conduct of free medical clinics and the showing of feature films. The Roving Medisine has attracted the local government units and national government agencies for the implementation of medical missions to their constituencies.

Finance and Administration
Due to limited business activities and funds, the Company will continue to outsource its operating requirements. Moreover, all necessary assets, especially those that were acquired for projects that were later aborted, will be continue to be disposed and the office spaces that were made available after the Company streamlined its operations will be rented out.

The thrust of the Finance group will continue to be the collection of receivables and the restructuring of receivables that are found to be security deficient.

Premium Events Palace, Inc.
The Company will continue to maintain its wholly owned subsidiary, although it has not been operating for at least five years. The increasing number of gaming products and services in the Philippines may present an opportunity for the Subsidiary in the future.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might be necessary should the Group be unable to continue as a going concern.

The accompanying financial statements were approved and authorized for issuance by the Board of Directors on April 25, 2006.

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements have been prepared in compliance with accounting principles generally accepted in the Philippines, as set forth in Philippine Financial Reporting Standards (PFRS). These are the Group's first financial statements prepared in compliance with PFRS.

The Group applied the accounting policies set forth below to all the years presented, except those relating to financial instruments as allowed by Securities and Exchange Commission (SEC). An explanation of how the transition to PFRS has affected the reported financial position, financial performance and cash flows of the Group is provided below.

The consolidated financial statements have been prepared using the historical cost basis, except for available-for-sale financial assets that have been measured at fair value, and are presented in Philippine pesos.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of Premiere Entertainment Productions, Inc. and its wholly owned subsidiary, Premium Events Palace, Inc., as of December 31, 2005 and 2004. The financial statements of the subsidiary are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-company balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intra-company transactions that are recognized in assets are eliminated in full.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date that such control ceases.

Explanation of Transition to PFRS
The transition to PFRS resulted in certain changes to the Group's previous accounting policies. The Group availed of the exemption as allowed by SEC, applied PAS 32 and PAS 39, the standards on financial instruments, from January 1, 2005.

The effects of the transition to PFRS are discussed below:

a. PFRS 1, *First Time Adoption of PFRS*

PFRS 1 requires an entity to comply with each PFRS effective at the reporting date for its first PFRS financial statements. The Group has adopted PFRS for these financial statements as of and for the year ended December 31, 2005 and has also restated the comparative amounts for the year ended December 31, 2004, except for PAS 32 and PAS 39 based on the exemption provided by PFRS 1 and as allowed by SEC.

b. PAS 32, *Financial Instruments: Disclosure and Presentation/* PAS 39, *Financial Instruments: Recognition and Measurement*

PAS 32 covers the disclosure and presentation requirements for financial instruments. The adoption of this standard resulted to more comprehensive disclosures about the Group's financial assets and liabilities.

Under PAS 39, financial instruments held for trading, available-for-sale financial assets and derivative financial instruments are recognized as assets or liabilities and subsequently measured at fair value. Loans and receivables are initially recognized at fair value and subsequently measured at amortized cost less any provision for impairment. As allowed by the SEC, the effect of adopting PAS 39 did not result to a restatement of prior period's financial statements.

c. PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*

PFRS 5 specifies the accounting for assets held for sale and the presentation and disclosure requirements for discontinued operations. Under this standard, qualifying noncurrent assets or disposal groups held for sale shall be carried at fair value less cost to sell if this amount is lower than its carrying amount less accumulated impairment losses. A Group shall not depreciate (or amortize) non-current assets (or disposal groups) while classified as held for sale. Any gain or loss on the remeasurement of a non-current asset (or disposal group) classified as held for sale shall be included in the profit or loss from continuing operations.

The Group has also adopted the following revised accounting standards during the year and comparative figures have been amended as required. The adoption of the following revised accounting standards does not have any effect on equity as of January 1, 2004.

- PAS 1, *Presentation of Financial Statements*;
- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*;
- PAS 10, *Events After the Balance Sheet Date*;
- PAS 16, *Property, Plant and Equipment;*
- PAS 17, *Leases*;
- PAS 24, *Related Party Disclosures*;
- PAS 27, *Consolidated and Separate Financial Statements;*
- PAS 28, *Investments in Associates;*

- PAS 33, *Earnings Per Share;*
- PAS 36, *Impairment of Assets;*
- PAS 38, *Intangible Assets.*

The following PFRS and PAS are not applicable to the Group:

- PFRS 2, *Share-Based Payments;*
- PFRS 3, *Business Combinations;*
- PAS 19, *Employee Benefits and;*
- PAS 40, *Investments Properties.*

<u>Financial Reporting Standards Effective in 2007</u>
The Group did not early adopt PFRS 7, *Financial Instruments: Disclosures* that have been approved but is not yet effective. The revised disclosures on financial instruments provided by this standard will be included in the Group's financial statements when the standard is adopted in 2007.

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

<u>Film Costs</u>
The Group's film costs include the unamortized cost of completed theatrical films and television projects, theatrical films and television projects in production and film rights acquired. Film costs principally consist of direct production costs, production overhead, development and pre-production costs and are stated at cost less accumulated amortization. Amortization of film and television production costs starts when a film is released and revenues on that film are recognized. Amortization is made in proportion of the actual income earned during the year as against total estimated income. The total estimated income is subject to periodic evaluation by management based on actual income generated from those films.

<u>Investments in an Associate</u>
The Group's investments in an associate are accounted for under the cost method less accumulated provisions for impairment losses, if any. An associate is an entity in which the Group has a significant influence and which is neither a subsidiary nor a joint venture.

<u>Financial Assets</u>
From January 1, 2005, financial assets in the scope of PAS 39 are classified as either financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity investments (HTM), or available-for-sale (AFS) investments, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at FVPL, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate except for assets designated at the onset as FVPL, re-evaluates this designation at each financial year-end.

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost less any impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the statements of income.

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 not 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. Any subsequent reversal of an impairment loss is recognized in the statements of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS investments are those nonderivative financial assets that are designated as available-for- sale or are not classified as financial assets at FVPL, HTM and loans and receivables. After initial recognition, AFS investments are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired.

The fair values of AFS investments that are actively traded in organized financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. AFS investments which are not quoted are stated at cost.

If an AFS investment is impaired, an amount comprising the difference between its acquisition cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from the statements of changes in equity to the statements of income. Reversals of impairment in respect of these financial assets are not recognized in the statements of income.

The Group has no financial assets at FVPL and HTM investments.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

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

Condominium units	25 years
Transportation equipment	4 to 5 years
Production equipment	5 years
Office equipment	3 to 5 years
Roving cinema equipment	2 to 4 years
Leasehold improvements	10 years or term of lease, whichever is shorter
Furniture and fixtures	5 years
Cinema chain equipment	5 years
Tools	5 years

The useful life and depreciation and amortization methods are reviewed periodically to ensure that the period of depreciation and amortization and methods are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its 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 groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognized in the statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal the depreciation charge is 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.

Income Taxes

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax 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 carryforward benefits of unused tax credits and NOLCO can be utilized.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled (based on tax rates and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Foreign Currency Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rates prevailing at balance sheet dates. Exchange gains or losses arising from foreign exchange transactions are charged against or credited to operations for the year.

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Fixed lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the lease contract.

Loss Per Share

Loss per share is computed by dividing net loss for the year attributable to common stockholders by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects 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 any provision is presented in the statements of income net of any reimbursement. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimates.

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

Subsequent Events
Post year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

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3. Significant Accounting Judgments and Estimates

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Operating Lease Commitments - Group as Lessor
The Group has entered into a commercial property lease and has determined that it retains all significant risks and rewards of ownership of these properties which are leased out on operating leases.

Management's Use of Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating allowance for doubtful accounts
The Group maintains allowances for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management based on collection experience and other factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers, the customers' payment behavior and known market factors. The amount and timing of recorded expenses for any period would therefore differ depending on the judgments and estimates made each year. See Notes 5 and 6 for the related balances.

Evaluation of asset impairment
The Group reviews film costs, investments in an associate, property and equipment and other noncurrent assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's net selling price, except for investments where value in use computation is applied. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the investments. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash-generating unit to which the asset belongs. See Notes 7, 8, 9 and 10 for the related balances.

Estimating useful lives of film costs and property and equipment
The Group estimates the useful lives of film costs and property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of film costs and property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. See Notes 7 and 9 for the related balances.

Deferred tax assets
The Group reviews the carrying amounts of deferred income taxes at each balance sheet date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable profit to allow all or part of deferred income tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

Financial assets and liabilities
Philippine GAAP requires certain financial assets and liabilities to be carried at fair value, which requires use of extensive accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and volatility rates), the amount of changes in fair value would differ if we utilized different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect directly the statements of income and changes in stockholders' equity. See Note 14 for the related balances.

4. **Cash and Cash Equivalents**

This account consists of:

	2005	2004
Cash on hand and in banks	**₱262,444**	₱63,396
Short-term investments	**142,507**	277,577
	₱404,951	₱340,973

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments 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 investment rates.

5. **Accounts Receivable**

This account consists of:

	2005	2004
Advances to stockholders (see Note 11)	**₱1,671,482**	₱1,671,482
Theatrical receipts	**1,912,282**	1,912,282
Movie licensing and sponsored film exhibits	**517,962**	923,332
Others	**5,928,589**	6,720,408
	10,030,315	11,227,504
Less allowance for doubtful accounts	**8,031,915**	8,228,026
	₱1,998,400	₱2,999,478

6. **Notes Receivable**

This account consists of:

	2005	2004
Growth Equity Management, Inc. (GEMI) (see Note 11)	**₱77,950,000**	₱77,950,000
Post Grafix, Inc. (PGI)	**9,877,273**	9,877,273
Antonio T. Ong (see Note 11)	**1,391,599**	1,973,763
ATC Securities, Inc. (ATCSI)	**–**	4,720,000
	89,218,872	94,521,036
Less allowance for doubtful accounts	**24,583,279**	29,265,779
	₱64,635,593	₱65,255,257

The Company's notes receivable from GEMI represents short-term promissory notes, which bears interest at 24% per year and secured by a pledge of 40 million common shares of the Company owned by its director/shareholder. This director/shareholder also undertook to unconditionally guarantee, jointly and severally with GEMI, the payment of the promissory note upon its maturity or extension thereof, and to purchase the promissory note in the event that GEMI fails to pay the same upon its maturity. Also, this director/shareholder and the Company executed a Deed of Real Estate Mortgage for 500 hectares of land in Palawan with an estimated zonal value of ₱51.2 million in favor of the Company as additional security to the promissory note. No subsequent appraisal on the value of the land was made to date.

The Company's three-year loan from PGI bears interest at 3% above the prevailing 91-day Treasury bill rates. This loan is secured by a chattel mortgage on PGI's various equipment with an estimated value of approximately ₱8 million in 1999. The loan agreement also stipulates the Parent Company's option to buy 51% of the total outstanding shares of PGI at any time as settlement of the latter's obligation. As of December 31, 2005 and 2004, this loan is already fully provided with allowance.

The Company no longer accrues interest on these receivables.

7. Film Costs

This account consists of the following in 2005 and 2004:

Films rights acquired	₱43,294,095
Theatrical films:	
Produced and completed	16,815,902
In-production	7,016,531
Television projects produced and completed	895,000
	68,021,528
Less allowance for probable losses	22,267,680
	₱45,753,848

The recoverability of the film costs is dependent on the estimated income that can still be generated in the future. The Group provided a full valuation allowance on theatrical films in production and a 25% allowance on other film costs.

8. Investment in an associate

This account consists of:

	% of Ownership	**2005**	2004
Acquisition cost			
Gem Communications Holdings Corporation (GEMCOM)	17.2%	**₱140,493,793**	₱140,493,793
Less provision for impairment loss		**98,032,792**	92,751,100
		₱42,461,001	₱47,742,693

The Company's investment in shares of stock of GEMCOM includes 57.8 million shares amounting to ₱80.5 million acquired from NMB Capital in exchange for the Company's placement with NMB Capital amounting to ₱51.6 million, including subscriptions payable of ₱28.9 million assumed by the Company. The final transfer of the shares was done via a cross-sale after the shares have been registered under the Revised Securities Act (now Securities Regulation Code) and listed in the PSE after giving effect to the transfer of shares by the shareholders of NMB Capital.

Summarized financial information for GEMCOM based on its unaudited financial statements as follow:

	2005	2004
Current assets	**₱85,765,130**	₱85,575,220
Noncurrent assets	**217,133,635**	219,829,648
Total liabilities	**108,361,840**	108,040,620

	2005	2004
Income	**₱415,476**	₱377,424
Cost and expenses	**5,282,798**	6,327,736
Net loss	**4,867,323**	5,950,312

GEMCOM holds 60 million shares of stock of the Company in 2005 and 2004.

In 2005 and 2004, GEMCOM had a deficit of ₱188.5 million and ₱186.2 million, respectively, which indicates a material uncertainty on its ability to continue as a going concern.

9. Property and Equipment

This account consists of:

	Condominium Units and Improvements	Transportation Equipment	Production and Cinema Equipment	Furniture, Fixtures and Equipment	Tools	Total
Cost						
January 1, 2005	₱34,453,341	₱3,183,703	₱11,123,591	₱4,713,886	₱98,240	₱53,572,761
Acquisitions	–	–	–	4,045	–	4,045
December 31, 2005	34,453,341	3,183,703	11,123,591	4,717,931	98,240	53,576,806
Accumulated Depreciation						
January 1, 2005	12,509,344	3,183,676	11,008,606	4,666,443	98,210	31,466,279
Depreciation	1,700,307	–	20,159	22,483	–	1,742,949
December 31, 2005	14,209,651	3,183,676	11,028,765	4,688,926	98,210	33,209,228
Net Book Value, December 31, 2005	**₱20,243,690**	**₱27**	**₱94,826**	**₱29,005**	**₱30**	**₱20,367,578**
Net Book Value, December 31, 2004	₱21,943,997	₱27	₱114,985	₱47,443	₱30	₱22,106,482

	Condominium Units and Improvements	Transportation Equipment	Production and Cinema Equipment	Furniture, Fixtures and Equipment	Tools	Total
Cost						
January 1, 2004	₱34,453,341	₱8,543,137	₱10,969,589	₱4,713,886	₱98,240	₱58,778,193
Acquisitions	–	–	154,002	–	–	154,002
Disposals	–	(5,359,434)	–	–	–	(5,359,434)
December 31, 2004	34,453,341	3,183,703	11,123,591	4,713,886	98,240	53,572,761
Accumulated Depreciation						
January 1, 2004	10,809,035	8,543,110	10,884,336	4,636,592	98,210	34,971,283
Depreciation	1,700,309	–	124,270	29,851	–	1,854,430
Disposals	–	(5,359,434)	–	–	–	(5,359,434)
December 31, 2004	12,509,344	3,183,676	11,008,606	4,666,443	98,210	31,466,279
Net Book Value, December 31, 2004	**₱21,943,997**	**₱27**	**₱114,985**	**₱47,443**	**₱30**	**₱22,106,482**
Net Book Value, December 31, 2003	₱23,644,306	₱27	₱85,253	₱77,294	₱30	₱23,806,910

10. Other Noncurrent Assets

This account consists of:

	2005	2004
Advertising spot	**₱2,346,850**	₱2,346,850
Deposits and others	**53,750**	68,750
	2,400,600	2,415,600
Less allowance for probable loss	**1,984,677**	1,984,677
	₱415,923	₱430,923

In 2003, the Company entered into an agreement with Viva Entertainment, Inc. (Viva), to co-produce two motion pictures, whereby the Company committed to contribute to the budget by assigning to Viva television commercial spots to be aired on a local television station. In exchange for these advertising spots, the Company shall receive 5% of the net theatrical receipts. As of December 31, 2005, there were no advertising spots aired on a local television.

11. Related Party Transactions

As shown and discussed in Notes 5 and 6, the Company has transactions with its related parties consisting mainly of notes and accounts receivable from certain stockholders and/or companies owned/controlled by said stockholders.

12. Income Taxes

As of December 31, 2005 and 2004, deferred tax assets of the Group have not been recognized in respect of the deductible temporary differences in the table below for offset against future taxable income or tax payable, including MCIT which shall be available for the three succeeding years.

	2005	2004
Allowance for doubtful accounts and probable loss	**₱56,867,551**	₱61,746,162
NOLCO	**14,244,285**	19,455,638
Accrued expenses	**1,392,747**	1,392,747
MCIT	**73,906**	69,024
	₱72,578,489	₱82,663,571

The provision for income tax in 2005 and 2004 represents the MCIT. The carry forward benefit of the excess of the MCIT over the normal corporate income tax can be credited against the normal corporate income tax payable for the three immediately succeeding taxable years.

As of December 31, 2005, the unexpired excess of the MCIT over the normal corporate income tax, which can be offset against future income tax payable, and the NOLCO, which can be offset against future taxable income, are as follows:

Year incurred	MCIT	NOLCO	Expiration Date
2005	₱4,882	₱5,450,665	2008
2004	49,086	3,961,941	2007
2003	19,938	4,831,679	2006
	₱73,906	₱14,244,285	

The reconciliation of the loss before income tax computed at the statutory corporate income tax rate to provision for income tax is as follows:

	2005	2004
Income tax at statutory tax rate	**(₱2,768,391)**	(₱17,526,646)
Additions to (reductions in) income tax resulting from:		
Impairment loss	**1,716,550**	8,377,326
Changes in unrecognized deferred tax assets	**3,277,652**	8,473,565
Effect of change in statutory income tax rate	**(2,206,305)**	–
Loss from operations of a subsidiary	**(7,272)**	(45,589)
Interest subjected to final tax at a lower rate	**(2,828)**	(770)
Provision for decline in value of investments	**–**	771,200
	₱9,406	₱49,086

Republic Act (RA) No. 9337
RA No. 9337 was enacted into law amending various provisions in the existing 1997 National Internal Revenue Code. On October 18, 2005, the Supreme Court has rendered its final decision declaring the validity of the RA No. 9337. Among the reforms introduced by the said RA, which became effective on November 1, 2005, are as follows:

- Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% beginning January 1, 2009;
- Increase in Value-added Tax (VAT) rate from 10% to 12% effective February 1, 2006 as authorized by the Philippine President pursuant to the recommendation of the Secretary of Finance;
- Revised invoicing and reporting requirements for VAT;
- Expanded scope of transactions subject to VAT; and
- Provide thresholds and limitations on the amounts of VAT credits that can be claimed.

13. Loss Per Share

Loss per share amounts were computed as follows:

		2005	2004
a.	Net loss	**₱8,549,905**	₱54,962,320
b.	Weighted average number of outstanding common shares	**520,000,000**	520,000,000
c.	Loss per share	**₱0.0164**	₱0.1057

There have been no transactions involving common shares since the reporting date and before the completion of these financial statements.

14. Financial Assets and Liabilities

The Group's financial assets and liabilities are recognized initially at cost which is the fair value of the consideration given (in the case of asset) or received (in the case of liability). Transaction costs are included in the initial measurement of all financial assets and liabilities. Subsequent to initial recognition, assets and liabilities are either valued at amortized cost using the effective interest rate method or at fair value depending on the classification.

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of December 31, 2005 and 2004.

	Carrying Value	Fair Value
Current Financial Assets		
Cash and cash equivalents	₱404,951	₱404,951
Accounts receivable - net	1,998,400	1,998,400
Notes receivables - net	64,635,593	64,635,593
Total Current Financial Assets	₱67,038,944	₱67,038,944
Noncurrent Financial Assets		
Available-for-sale investments	₱566,000	₱566,000
Current Financial Liabilities		
Accounts payable and accrued expenses	₱6,360,435	₱6,360,435

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

Financial Assets
Due to the short-term nature of the transactions, the fair value of cash and cash equivalents and accounts receivable approximate the amount of consideration at the time of initial recognition. Market values have been used to determine the fair value of listed available-for-sale financial assets.

Financial Liabilities
The Group's financial liabilities pertain to accounts payable and accrued expenses and advances from the Group. The carrying values of these liabilities approximate their fair values.

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise cash and cash equivalents, accounts receivables, notes receivables and accounts payable and accrued expenses.

Exposure to credit and liquidity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

Credit Risk
The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group's exposure to bad debts is not significant since receivable balances are monitored on an ongoing basis.

Liquidity Risk
The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash and cash equivalents deemed sufficient to finance current operations and to mitigate the effects of fluctuation in cash flows.

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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-F

Report of Independent Auditors
On Supplementary Schedules

The Stockholders and the Board of Directors
Premiere Entertainment Productions, Inc.
29th Floor, Jollibee Plaza Building
Emerald Avenue, Ortigas Center
Pasig City

We have audited in accordance with auditing standards generally accepted in the Philippines, the consolidated financial statements of Premiere Entertainment Productions, Inc. and Subsidiary as of and for the year ended December 31, 2005 included in this Form 17-A and have issued our report thereon dated April 25, 2006. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management and presented for purposes of complying with the Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respect the financial data required to be set therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-A
Tax Identification No. 102-082-365
PTR No. 4180816, January 2, 2006, Makati City

April 25, 2006

PREMIERE ENTERTAINMENT PRODUCTIONS, INC.
For the Year Ended December 31, 2005

SCHEDULE A. Consolidated Short-term Cash Investments

Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Income received and accrued
PS Bank - Katipunan	142,507	-
	142,507	-

PREMIERE ENTERTAINMENT PRODUCTIONS, INC.
For the Year Ended December 31, 2005

SCHEDULE B.

Consolidated Amounts Receivable from Director, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates).

Name & Designation of Debtor	Beginning Balance	Additions	Deductions: Amount Collected	Deductions: Amount written off	Current	Non Current	Ending Balance
NOTES RECEIVABLE							
Growth Equity Management Inc.	77,950,000	-	-	-	-	77,950,000	77,950,000
Postgrafix Inc.	9,877,273	-	-	-	-	9,877,273	9,877,273
ATC Securities	4,720,000	-	2,033,000	2,687,000	-	-	-
Antonio T. Ong	1,973,763	-	582,164		-	1,391,599	1,391,599
	94,521,036	**-**	**2,615,164**	**2,687,000**	**-**	**89,218,872**	**89,218,872**
ACCOUNTS RECEIVABLE							
Cirio H. Santiago - Chairman	1,167,993	-	614,982	-	-	553,011	553,011
Antonio T. Ong - Director	500,989	-	-	-	-	500,989	500,989
Anselmo Trinidad, Jr. - Vice-Chairman	14,541	-	-	-	-	14,541	14,541
Espiridion Laxa - Chairman Emeritus	2,500	-	-	-	-	2,500	2,500
	1,686,024	**-**	**614,982**	**-**	**-**	**1,071,042**	**1,071,042**

Note:

1 Mr. Antonio T. Ong is also the Chairman of GEMI.
2 Mr. Cirio H. Santiago is a director of Postgrafix Inc.
3 ATC Securities Inc. is a stockholder of the Company.

***Above advances are non-interest bearing note.

PREMIERE ENTERTAINMENT PRODUCTIONS, INC.
For the Year Ended December 31, 2005

SCHEDULE C
Consolidated Non-Current Marketable Equity Securities, Other Long-Term Investments in Stocks, and Other Investments

	Beginning Balance		Additions		Deductions		Ending Balance	
Name of Issuing entity and description of investment	Number of shares or Principal Amount of Bonds & Notes	Amount in Pesos	Equity in earnings/ (losses) of investees for the period	Others (Acquisitions)	Distribution of earnings by investees	Others	No. of shares	Amount in Pesos
GEM Communication Holdings, Inc.	111,800,000	47,742,693	5,281,692	-	-		111,800,000	42,461,001
Others		443,000	-	263,000	-	140,000		566,000
Total		**48,185,693**	**5,281,692**	**263,000**	**-**	**140,000**	**111,800,000**	**43,027,001**

Others:

Splendido Taal Golf Club	1 share	120,000	-	230,000	-	-	1 share	350,000
Mimosa Golf Club	1 share	260,000	-	-	-	140,000	1 share	120,000
AJO.Net Holdings, Inc.	-	-		33,000		-	1,500,000 share	33,000
Others - PLDT shares, etc.		63,000	-	-	-	-		63,000
		443,000	**-**	**263,000**	**-**	**140,000**		**566,000**

Dividendes received from investments not accounted for by the Equity Method
-
-
-
-
-
-
-
-

PREMIERE ENTERTAINMENT PRODUCTIONS, INC.
For the Year Ended December 31, 2005

SCHEDULE D. Consolidated Indebtedness of Unconsolidated Subsidiaries And Affiliates

Name of Affiliates	Balance at beginning of period	Balance at end of period
	-	-

PREMIERE ENTERTAINMENT PRODUCTIONS, INC.
For the Year Ended December 31, 2005

SCHEDULE E. Consolidated Property, Plant and Equipment

Classification	2004 PEP 1	PEP 2	Beginning Balance	Additions at cost	Retirements	Other charges additions (deductions)	Ending Balance
Service Vehicles	3,183,703	-	3,183,703	-	-	-	3,183,703
Production Equipment	7,317,126	-	7,317,126	-	-	-	7,317,126
Office Equipment	2,983,112	-	2,983,112	4,045	-	-	2,987,157
Roving cinema - Equipments	3,095,820	-	3,095,820	-	-	-	3,095,820
Furnitures and Fixtures	1,730,774	-	1,730,774	-	-	-	1,730,774
Leasehold Improvements	2,286,460	-	2,286,460	-	-	-	2,286,460
Cinema Chain - Equipment	710,645	-	710,645	-	-	-	710,645
Tools	98,240	-	98,240	-	-	-	98,240
Condominium unit	32,166,881	-	32,166,881	-	-	-	32,166,881
	53,572,761	**-**	**53,572,761**	**4,045**	**-**	**-**	**53,576,806**

PREMIERE ENTERTAINMENT PRODUCTIONS, INC.
For the Year Ended December 31, 2005

SCHEDULE F. Consolidated Accumulated Depreciation

Description	2004 Beginning Balance		Additions charged to cost and expenses		Retirements		Other charges/ (Deductions)
	PEP 1	PEP 2	PEP 1	PEP 2	PEP 1	PEP 2	
Service Vehicles	904,743	-	-	-	-	-	-
Production Equipment	7,316,239	-	825	-	-	-	
Roving Cinema Equipment	2,981,724	-	19,334	-	-	-	
Roving Cinema Vehicle	2,278,933	-	-	-	-	-	
Leasehold Improvement	2,286,460	-	-	-	-	-	
Office Equipment	2,938,545	-	19,609	-	-	-	
Furniture and Fixtures	1,711,099	-	2,874	-	-	-	
Tools	98,210	-	-	-	-	-	
Cinema Chain Equipment	710,643	-	-	-	-	-	
Cinema Chain Furniture	16,799	-	-	-	-	-	
Condominium Unit	10,222,884	-	1,700,307	-	-	-	
TOTAL	**31,466,279**	**-**	**1,742,949**	**-**	**-**	**-**	**-**

Ending Balance
904,743
7,317,064
3,001,058
2,278,933
2,286,460
2,958,154
1,713,973
98,210
710,643
16,799
11,923,191
33,209,228

PREMIERE ENTERTAINMENT PRODUCTIONS, INC.
For the Year Ended December 31, 2005

SCHEDULE G. Consolidated Intangible Assets-Other Assets

Description	Beginning Balance	Additions at cost	Deductions: Charged to cost and expenses	Deductions: Charged to other accounts	Other charges Additions (Deductions)	Ending Balance
Refundable Deposit	68,750	-	15,000	-	-	53,750
Other assets - ABS CBN	2,346,850	-	-	-	-	2,346,850
	2,415,600	-	15,000	-	-	2,400,600
Less: allowance for probable loss	(1,984,677)					(1,984,677)
	430,923					**415,923**

PREMIERE ENTERTAINMENMT PRODUCTIONS, INC.
For the Year Ended December 31, 2005

SCHEDULE H. Consolidated Long Term Debt

Name of Issuer and type of obligation	Amount authorized by Indenture	Amount shown as Current	Amount shown as Long-Term	Remarks
	-	-	-	
	-	-	-	
	-	-	-	

PREMIERE ENTERTAINMENT PRODUCTIONS, INC.
For the Year Ended December 31, 2005

SCHEDULE I. Consolidated Indebtedness to Affiliates and Related parties
(Long Term Loans from Related Companies)

Name of Affiliates	Beginning Balance	Ending Balance
	-	-
	-	-
	-	-

PREMIERE ENTERTAINMENT PRODUCTINS, INC.
For the Year Ended December 31, 2005

SCHEDULE K. Capital Stock

Title of Issue	Number of shares authorized	Number of shares issued and outstanding	Number of shares Reserved for Options, Warrants, Conversion and Other Rights	Number of shares held by		
				Affiliates	Directors, Officers and Employees	Others
Common share	**1,000,000,000**	**520,000,000**	**50,000,000**	**60,000,000**	**50,438,413**	**409,561,587**

As of December 31, 2005

Antonio T. Ong	Director	41,500,000
Cirio H. Santiago	Chairman of the Board	6,663,413
Anselmo Trinidad, Jr.	Director	2,000,000
Teofilo Henson	Director	250,000
Roberto A. Atendido	Director	10,000
Anastacio P. Diaz	Director/President/CEO	10,000
Espiridion D. Laxa	Chairman Emeritus	5,000
		50,438,413

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.

I solemnly swear that all matters set forth in the General Form for Financial Statements (GFFS) has the basic and materials data in the Audited Financial Statements For the years ended December 31, 2005 and 2004 as contained in the accompanying diskette are true and correct to the best of my knowledge and belief.

TEOFILO A. HENSON
Principal Finance Officer/Treasurer

APR 28 2006

SUBSCRIBED AND SWORN to before me this ____________ day of April ____________, 2006 affiant exhibiting to me his Community Tax Certificate No. 21511648 issued in Quezon City on February 21, 2006.

JOEL G. GORDOLA
NOTARY PUBLIC
UNTIL DEC. 31, 2006
ROLL # 25103
PTR NO. 7071217/1-2-06 Q.C.
NOTARY PUBLIC

Doc. No. 749
Page No. 17
Book No. 79
Series of 2006

Control No.:
Form Type: *GFFS (rev 2006)*

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: PREMIERE ENTERTAINMENT PRODUCTIONS, INC. AND SUBSIDIARY

CURRENT ADDRESS: 29th Floor, Jollibee Plaza Building, Emerald Avenue, Ortigas Center, Pasig City

TEL. NO.: 637-2711 to 12 FAX NO.: 631-3020

COMPANY TYPE : Film Productions PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

F I N A N C I A L D A T A	2005 (in P'000)	2004 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)	179,567	187,887
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	70,003	71,411
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	405	341
A.1.1.1 On hand and in banks	262	63
A.1.1.2 short term investments	143	278
A.1.1.3 In foreign banks/entities		
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	1,998	3,000
A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)	1,998	3,000
A.1.2.1.1 Due from customers (trade)	2,430	2,836
A.1.2.1.2 Due from related parties	1,671	1,671
A.1.2.1.3 Others, specify (A.1.2.1.3.1+A.1.2.1.3.2)	5,929	6,721
A.1.2.1.3.1 Others	5,929	6,721
A.1.2.1.3.2		
A.1.2.1.4 Allowance for doubtful accounts (negative entry)	(8,032)	(8,228)
A.1.2.2 Due from foreign entities, specify (A.1.3.2.1 + A.1.3.2.2 + A.1.3.2.3 + A.1.3.2.4)	0	0
A.1.2.2.1		
A.1.2.2.2		
A.1.2.2.3		
A.1.2.2.4 Allowance for doubtful accounts (negative entry)		
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)	0	0
A.1.3.1 Raw materials and supplies		
A.1.3.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)		
A.1.3.3 Finished goods		
A.1.3.4 Merchandise/Goods in transit		
A.1.3.5 Unbilled Services (in case of service providers)		
A.1.3.6 Others, specify (A.1.3.6.1+A.1.3.6.2)	0	0
A.1.3.6.1		
A.1.3.6.2		
A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4+A.1.4.5+A.1.4.6)	64,636	65,255
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 + A.1.4.1.5)	0	0
A.1.4.1.1 National Government		
A.1.4.1.2 Public Financial Institutions		
A.1.4.1.3 Public Non-Financial Institutions		
A.1.4.1.4 Private Financial Institutions		
A.1.4.1.5 Private Non-Financial Institutions		
A.1.4.2 Held to Maturity Investments - issued by domestic entities (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)	0	0
A.1.4.2.1 National Government		
A.1.4.2.2 Public Financial Institutions		
A.1.4.2.3 Public Non-Financial Institutions		
A.1.4.2.4 Private Financial Institutions		
A.1.4.2.5 Private Non-Financial Institutions		

NOTE:

This general form is applicable to companies engaged in Agriculture, Fishery, Forestry, Mining, and Quarrying, Manufacturing, Electricity, Gas and Water, Construction, Wholesale and Retail Trade, Transportation, Storage and Communications, Hotels and Restaurants, Real Estate, Community, Social and Personal Services, other forms of production, and general business operations. This form is also applicable to other companies that do not have industry-specific Special Forms. Special forms shall be used by publicly-held companies and those engaged in non-bank financial intermediation activities, credit granting, and activities auxiliary to financial intermediation, which require secondary license from SEC.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

Control No.:
Form Type: GFFS (rev 2006)

GENERAL FORM FOR FINANCIAL STATEMENTS
NAME OF CORPORATION: PREMIERE ENTERTAINMENT PRODUCTIONS, INC. AND SUBSIDIARY
CURRENT ADDRESS: 29th Floor, Jollibee Plaza Building, Emerald Avenue, Ortigas Center, Pasig City
TEL. NO.: 637-2711 to 12 FAX NO.: 631-3020
COMPANY TYPE : Film Productions PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2005 (in P'000)	2004 (in P'000)
A.1.4.3 Loans and Receivables - issued by domestic entities: (A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)	64,636	65,255
A.1.4.3.1 National Government		
A.1.4.3.2 Public Financial Institutions		
A.1.4.3.3 Public Non-Financial Institutions		
A.1.4.3.4 Private Non-Financial Institutions	89,219	94,521
A.1.4.3.5 Allowance for doubtful accounts	(24,583)	(29,266)
A.1.4.4 Available-for-sale financial assets - issued by domestic entities: (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)		0
A.1.4.4.1 National Government		
A.1.4.4.2 Public Financial Institutions		
A.1.4.4.3 Public Non-Financial Institutions		
A.1.4.4.4 Private Financial Institutions		
A.1.4.4.5 Private Non-Financial Institutions		
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4		
A.1.4.5.1 Financial Assets at fair value through profit or loss		
A.1.4.5.2 Held-to-maturity investments		
A.1.4.5.3 Loans and Receivables		
A.1.4.5.4 Available-for-sale financial assets		
A.1.4.6 Allowance for decline in market value (negative entry)		
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3	2,964	2,815
A.1.5.1 Prepaid expenses and other current assets	2,964	2,815
A.1.5.2		
A.1.5.3		
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7+A.2.8	20,367	22,106
A.2.1 Land		0
A.2.2 Building and improvements including leasehold improvement	34,453	34,453
A.2.3 Machinery and equipment (on hand and in transit)	11,123	11,123
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipmen	3,184	3,184
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)	4,816	4,812
A.2.5.1 Furniture, fixtures and equipment	4,718	4,714
A.2.5.2 Tools	98	98
A.2.5.3		
A.2.5.4		
A.2.5.5		
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4)	0	0
A.2.6.1		
A.2.6.2		
A.2.6.3		
A.2.6.4		
A.2.7 Accumulated Depreciation (negative entry)	(33,209)	(31,466)
A.2.8 Impairment Loss or Reversal (if loss, negative entry)		
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3)	0	0
A.3.1 Equity in domestic subsidiaries/affiliates		
A.3.2 Equity in foreign branches/subsidiaries/affiliates		
A.3.3 Others, specify (A.3.1.1 + A.3.2.1 + A.3.3.1 + A.3.3.4)	0	0
A.3.3.1		
A.3.3.2		
A.3.3.3		
A.3.3.4		
A.4 Available-for-sale investments	566	
A.5 Investments in shares of stocks		443
A.6 Intangible Assets (A.6.1 + A.6.2)	45,754	45,754
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2 + A.6.1.3 + A.6.1.4)	0	0
A.6.1.1		
A.6.1.2		
A.6.1.3		
A.6.1.4		
A.6.2 Others, specify (A.6.2.1 + A.6.2.2 + A.6.2.3 + A.6.2.4)	0	0
A.6.2.1		
A.6.2.2		
A.6.2.3		
A.6.2.4		
A.7 Investments and advances	42,461	47,742
A.8 Assets included in Disposal Groups Classified as Held for Sale		

Control No.:
Form Type: GFFS (rev 2006)

GENERAL FORM FOR FINANCIAL STATEMENTS
NAME OF CORPORATION: PREMIERE ENTERTAINMENT PRODUCTIONS, INC. AND SUBSIDIARY
CURRENT ADDRESS: 29th Floor, Jollibee Plaza Building, Emerald Avenue, Ortigas Center, Pasig City
TEL. NO.: 637-2711 to 12 FAX NO.: 631-3020
COMPANY TYPE : Film Productions PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2005 (in P'000)	2004 (in P'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3	0	0
A.9.1. From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3 + A.9.1.4)	0	0
A.9.1.1		
A.9.1.2		
A.9.1.3		
A.9.1.4		
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3 + A.9.2.4)	0	0
A.9.2.1		
A.9.2.2		
A.9.2.3		
A.9.2.4		
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)		
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4+A.10.5)	416	431
A.10.1 Deferred charges - net of amortization		
A.10.2 Deferred Income Tax		
A.10.3 Advance/Miscellaneous deposits		
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4)	416	431
A.10.4.1 Advertising spots	2,347	2,347
A.10.4.2 Deposits and others	54	69
A.10.4.3 Less: allowance for impairment loss	(1,985)	(1,985)
A.10.4.4		
A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)		
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	35,265	35,125
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)	6,365	6,225
B.1.1 Trade and Other Payables to Domestic Entities	6,360	6,225
B.1.1.1 Loans/Notes Payables		
B.1.1.2 Trade Payables and accruals	6,360	6,225
B.1.1.3 Payables to Related Parties, specify (B.1.1.3.1 + B.1.1.3.2 + B.1.1.3.3)		
B.1.1.3.1		
B.1.1.3.2		
B.1.1.3.3		
B.1.1.4 Others, specify (B.1.1.4.1 + B.1.1.4.2 + B.1.1.4.3)		
B.1.1.4.1		
B.1.1.4.2		
B.1.1.4.3		
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1+B.1.2.2+B.1.2.3+B.1.2.4)		
B.1.2.1		
B.1.2.2		
B.1.2.3		
B.1.2.4		
B.1.3 Provisions		
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions) (B.1.4.1 + B.1.4.2 + B.1.4.3)	0	0
B.1.4.1		
B.1.4.2		
B.1.4.3		
B.1.4.4		
B.1.5 Income tax payable	5	0
B.1.6 Deferred Tax Liabilities		
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions)	0	0
B.1.7.1 Dividends declared and not paid at balance sheet date		
B.1.7.2 Acceptances Payable		
B.1.7.3 Liabilities under Trust Receipts		
B.1.7.4 Portion of Long-term Debt Due within one year		
B.1.7.5 Deferred Income		
B.1.7.6 Any other current liability in excess of 5% of Total Current Liabiilities, specify: (B.1.7.6.1 + B.1.7.6.2 + B.1.7.6.3 + B.1.7.6.4)	0	0
B.1.7.6.1		
B.1.7.6.2		
B.1.7.6.3		
B.1.7.6.4		

Control No.:
Form Type: GFFS (rev 2006)

GENERAL FORM FOR FINANCIAL STATEMENTS
NAME OF CORPORATION: PREMIERE ENTERTAINMENT PRODUCTIONS, INC. AND SUBSIDIARY
CURRENT ADDRESS: 29th Floor, Jollibee Plaza Building, Emerald Avenue, Ortigas Center, Pasig City
TEL. NO.: 637-2711 to 12 FAX NO.: 631-3020
COMPANY TYPE : Film Productions PSIC:
If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

F I N A N C I A L D A T A		2005 (in P'000)	2004 (in P'000)
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)		0	0
B.2.1 Domestic Public Financial Institutions			
B.2.2 Domestic Public Non-Financial Institutions			
B.2.3 Domestic Private Financial Institutions			
B.2.4 Domestic Private Non-Financial Institutions			
B.2.5 Foreign Financial Institutions			
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)			
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale			
B.5 Other Liabilities (B.5.1 + B.5.2)		28,900	28,900
B.5.1 Deferred Income Tax			
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4)		28,900	28,900
B.5.2.1 Subscriptions payable		28,900	28,900
B.5.2.2			
B.5.2.3			
B.5.2.4			
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)		144,302	152,762
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)			
C.1.1 Common shares	1,000,000,000 shares		
C.1.2 Preferred Shares			
C.1.3 Others			
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3			
C.2.1 Common shares	P1 par value, authorized 1,000,000,000 shares and issued 520,000,000 shares		
C.2.2 Preferred Shares			
C.2.3 Others			
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)			
C.3.1 Common shares	P1 par value, authorized 1,000,000,000 shares and issued 520,000,000 shares	520,000	520,000
C.3.2 Preferred Shares			
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus			
C.5 Minority Interest			
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4 + C.6.5)			
C.6.1 Net unrealized gain on available-for-sale investments recognized in equity		90	0
C.6.2			
C.6.3			
C.6.4			
C.6.5			
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus			
C.8 Retained Earnings (C.8.1 + C.8.2)			
C.8.1 Appropriated		(375,788)	(367,238)
C.8.2 Unappropriated			
C.9 Head / Home Office Account (for Foreign Branches only)			
C.10 Cost of Stocks Held in Treasury (negative entry)			
D. TOTAL LIABILITIES AND EQUITY (B + C)		179,567	187,887

Control No.:	
Form Type:	*GFFS (rev 2006)*

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: PREMIERE ENTERTAINMENT PRODUCTIONS, INC. AND SUBSIDIARY

CURRENT ADDRESS: 29th Floor, Jollibee Plaza Building, Emerald Avenue, Ortigas Center, Pasig City

TEL. NO.: 637-2711 to 12 FAX NO.: 631-3020

COMPANY TYPE : Film Productions PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2005 (in P'000)	2004 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3)	2,455	4,357
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining,utilities, trade, services, etc.) (from Primary Activity)		
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the Equity		
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	2,432	4,357
A.3.1 Rental Income from Land and Buildings	199	199
A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)		
A.3.3 Sale of Real Estate or other Property and Equipment		
A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)		
A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7)	2,233	4,158
A.3.5.1 Reversal of allowance for doubtufl accounts	2,191	0
A.3.5.2 Sponsored film exhibits	0	3,448
A.3.5.3 Others	42	710
A.3.5.4		
A.3.5.5		
A.3.5.6		
A.3.5.7		
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	23	2
A.4.1 Interest Income	23	2
A.4.2 Dividend Income		
A.4.3 Gain / (Loss) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4 + A.4.3.5 + A.4.3.6 + A.4.3.7)	0	0
A.4.3.1		
A.4.3.2		
A.4.3.3		
A.4.3.4		
A.4.4 Gain / (Loss) on Foreign Exchange (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)	0	0
A.4.4.1		
A.4.4.2		
A.4.4.3		
A.4.4.4		
B. COST OF GOODS SOLD (B.1 + B.2 + B.3)	0	0
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)	0	0
B.1.1 Direct Material Used		
B.1.2 Direct Labor		
B.1.3 Other Manufacturing Cost / Overhead		
B.1.4 Goods in Process, Beginning		
B.1.5 Goods in Process, End (negative entry)		
B.2 Finished Goods, Beginning		
B.3 Finished Goods, End (negative entry)		
C. COST OF SALES (C.1 + C.2 + C.3)	0	0
C.1 Purchases		
C.2 Merchandise Inventory, Beginning		
C.3 Merchandise Inventory, End (negative entry)		
D. COST OF SERVICES, SPECIFY (D.1 + D.2 + D.3 + D.4 + D.5 + D.6)	0	0
D.1		
D.2		
D.3		
D.4		
D.5		
D.6		

Control No.:
Form Type: *GFFS (rev 2006)*

GENERAL FORM FOR FINANCIAL STATEMENTS

NAME OF CORPORATION: PREMIERE ENTERTAINMENT PRODUCTIONS, INC. AND SUBSIDIARY
CURRENT ADDRESS: 29th Floor, Jollibee Plaza Building, Emerald Avenue, Ortigas Center, Pasig City
TEL. NO.: 637-2711 & 12 FAX NO.: 631-3020
COMPANY TYPE : Film Productions PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2005 (in P'000)	2004 (in P'000)
E. OTHER DIRECT COSTS, SPECIFY (E.1 + E.2 + E.3 + E.4 + E.5 + E.6)	0	0
E.1		
E.2		
E.3		
E.4		
E.5		
E.6		
F. GROSS PROFIT (A - B - C - D - E)	2,455	4,357
G. OPERATING EXPENSES (G.1 + G.2 + G.3 + G.4)	10,974	59,128
G.1 Selling or Marketing Expenses		
G.2 Administrative Expenses		
G.3 General Expenses	5,692	8,272
G.4 Other Expenses, specify (G.4.1 + G.4.2 + G.4.3 + G.4.4 + G.4.5 + G.4.6)	5,282	50,856
G.4.1 Impairment loss	5,282	26,179
G.4.2 Provision for probable losses of film costs	0	22,267
G.4.3 Provision for decline in value of investments	0	2,410
G.4.4		
G.4.5		
G.4.6		
H. FINANCE COSTS		
I. NET INCOME (LOSS) BEFORE TAX (F - G - H)	(8,519)	(54,771)
J. INCOME TAX EXPENSE (negative entry)	(9)	(49)
K. INCOME AFTER TAX	(8,528)	(54,820)
L. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on theMeasurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)		
L.1 Loss from operations of a subsidiary	(22)	(142)
M. Profit or Loss Attributable to Minority Interest		
N. Net Loss	(8,550)	(54,962)

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If these are based on consolidated financial statements, please so indicate in the caption.

Table 3. Cash Flow Statements

FINANCIAL DATA	2005 (in P'000)	2004 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) Before Tax and Extraordinary Items	(8,519)	(54,771)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	1,743	1,855
Provisions: Decline in value of investments	0	2,410
Probable losses of film costs	0	22,268
Others, specify: Interest expense	1	1
Interest income	(23)	(3)
Impairment loss	5,282	26,179
Changes in Assets and Liabilities:		
Decrease (Increase) in:		
Accounts receivables	1,002	932
Prepaid expenses and other current assets	(149)	267
Other Current Assets		
Others, specify:		
Increase (Decrease) in:		
Accounts payable and accrued expenses	134	181
Income and Other Taxes Payable		
Others, specify: Interest received	23	3
Income tax paid	(4)	(49)
Interest paid	(2)	(1)
A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)	(512)	(728)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Long-Term Receivables		
(Increase) Decrease in Investment		
Acquisition of property and equipment	(4)	(154)
Others, specify:		
B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)	(4)	(154)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Long-term Debt		
Issuance of Securities		
Others, specify:		
Payments of:		
Notes receivables	587	0
(Long-term Debt)		
(Stock Subscriptions)		
Others, specify (negative entry):		
Advances to subsidiary	(7)	(7)
C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)	580	(7)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	64	(889)
Cash and Cash Equivalents		
Beginning of year	341	1,230
End of year	405	341

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If these are based on consolidated financial statements, please so indicate in the caption.

Table 4. Statement of Changes in Equity

	(Amount in P'000)					
F I N A N C I A L D A T A	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Translation Differences	Retained Earnings	TOTAL
A. Balance, *2003*	520,000				-312,276	207,724
A.1 Correction of Error(s)						
A.2 Changes in Accounting Policy						
B. Restated Balance						
C. Surplus						
C.1 Surplus (Deficit) on Revaluation of Properties						
C.2 Surplus (Deficit) on Revaluation of Investments						
C.3 Currency Translation Differences						
C.4 Other Surplus (specify)						
C.4.1						
C.4.2						
C.4.3						
C.4.4						
C.4.5						
D. Net Income (Loss) for the Period					(54,962)	(54,962)
E. Dividends (negative entry)						
F. Appropriation for (specify)						
F.1						
F.2						
F.3						
F.4						
F.5						
G. Issuance of Capital Stock						
G.1 Common Stock						
G.2 Preferred Stock						
G.3 Others						
H. Balance, *2004*	520,000	0	0	0	(367,238)	152,762
H.1 Correction of Error (s)						
H.2 Changes in Accounting Policy						
I. Restated Balance						
J. Surplus						
J.1 Surplus (Deficit) on Revaluation of Properties						
J.2 Surplus (Deficit) on Revaluation of Investments						
J.3 Currency Translation Differences						
J.4 Other Surplus (specify)						
J.4.1						
J.4.2						
J.4.3						
J.4.4						
J.4.5						
K. Net Income (Loss) for the Period					(8,550)	(8,550)
L. Dividends (negative entry)						
M. Net unrealized gain on available for sale					90	90
M.1						
M.2						
M.3						
M.4						
M.5						
N. Issuance of Capital Stock						
N.1 Common Stock						
N.2 Preferred Stock						
N.3 Others						
O. Balance, *2005*	520,000	0	0	0	-375,698	144,302

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If these are based on consolidated financial statements, please so indicate in the caption.

Table 5. Details of Income and Expenses, by source

(applicable to corporations transacting with foreign corporations/entities)

FINANCIAL DATA	2005 (in P'000)	2004 (in P'000)
A. REVENUE / INCOME (A.1 + A.2)		
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining,utilities, trade, services, etc.) (from Primary Activity) (A.1.1 +A.1.2)		
A.1.1 Domestic		
A.1.2 Foreign		
A.2 Other Revenue (A.2.1 +A.2.2)		
A.2.1 Domestic		
A.2.2 Foreign, specify (A.2.2.1+A.2.2.2+ A.2.2.3+ A.2.2.4+ A.2.2.5+ A.2.2.6+A.2.2.7+ A.2.2.8+A.2.2.9+A.2.2.10)		
A.2.2.1		
A.2.2.2		
A.2.2.3		
A.2.2.4		
A.2.2.5		
A.2.2.6		
A.2.2.7		
A.2.2.8		
A.2.2.9		
A.2.2.10		
B. EXPENSES (B.1 + B.2)		
B.1 Domestic		
B.2 Foreign, specify (B.2.1+B.2.2+B.2.3+B.2.4+B.2.5+B.2.6+B.2.7+B.2.8+B.2.9+B.2.10)		
B.2.1		
B.2.2		
B.2.3		
B.2.4		
B.2.5		
B.2.6		
B.2.7		
B.2.8		
B.2.9		
B.2.10		