ABS-CBN Broadcasting Corporation
Sgt. Esguerra Avenue, Quezon City Philippines

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City, Metro Manila

Attention : **Atty. Justina F. Callangan**
Director, Corporation Finance Department

Mr. Orly Yaneza
Corporation Finance Department

Subject : **Amended 2004 Annual Report (SEC Form 17-A)**

Gentlemen:

We are submitting herewith ABS-CBN Broadcasting Corporations' Amended 2004 Annual Report (SEC Form 17-A) in accordance with the received checklist, along with the list of explanations as to why the required information were not reflected in the company's original filing for the Non-Financial Disclosures section. We have also included the responses of our external auditor, SGV & Co. to the remarks on the Financial Disclosures Section.

We trust that we have sufficiently addressed your concerns.

Very truly yours,

Randolph T. Estrellado
VP-Finance & Chief Financial Officer

CHECKLIST OF AMENDMENTS TO SEC FORM 17-A

NON-FINANCIAL DISCLOSURES CHECKLIST

SUMMARY OF COMMENTS	SEC REMARKS	ABS-CBN EXPLANATIONS
PART I – BUSINESS AND GENERAL INFORMATION		
COVER PAGE	1) Comply w/ required format. 2) Indicate page numbers	Requested changes have been made
ITEM 1. BUSINESS		
Principal products or services and their markets indicating their **relative contribution to sales or revenues of each product or service, or group of related products or services, which contribute ten percent (10%) or more to sales or revenues.**	Incomplete (indicate information per highlighted portion)	This information is disclosed in Note 3: Segment Information of the Financial Statements
Percentage of sales or revenues and net income contributed by foreign sales (broken down into major markets such as Western Europe, Southeast Asia, etc.) for each of the last three years;	Incomplete	This information is disclosed in Note 3: Segment Information of the Financial Statements
Competition.	Incomplete	The competitive environment including the current players in the market, method of competition vs other TV channels and other media, etc. were discussed extensively in Item 1. Additional information pertaining to the Company's minor businesses was also included.
Effect of existing or probable governmental regulations on the business.	Disclose, if any	This has already been extensively discussed in Item 1 under the two (2) headings listed: ● <u>Patents, trademarks, licenses, franchises, concessions, royalty</u> ● <u>Need for any governmental approval of principal products or services</u>
Costs and effects of compliance with environmental laws	Not complied with	The company has already indicated this information under Item 1 with the heading <u>Cost and effect of compliance with environmental laws</u>
Discuss the major risk/s involved in each of the businesses of the company and subsidiaries. **Include a disclosure of the procedures being undertaken to identify, assess and manage such risks.**	Incomplete (re: disclosure of the procedures being undertaken to identify, assess and manage such risks)	Additional information is now included in the <u>Risks Relating to the Company</u>
ITEM 2. PROPERTIES		
Indicate what properties the registrant intends to acquire in the next twelve (12) months, the cost of such acquisitions, the mode of acquisition (i.e. by purchase, lease or	Incomplete	The company does not intend to acquire any such properties within the next (12) months of filing and

otherwise) and the sources of financing it expects to use.		thus no longer indicated such matter in the report.
PART II - OPERATIONAL AND FINANCIAL INFORMATION		
ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDERS' MATTERS		
1. MARKET INFORMATION		
Price information as of the latest practicable trading date	Not disclosed	Stock prices for ABS & ABSP as of end of first quarter 2005 were indicated in the first paragraph after Item 5 heading but the date indicated has a typographical error and should have read "as of March 31, 200**5** instead of 2004
4. RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES, Including Recent Issuance of Securities Constituting an Exempt Transaction		
Furnish the following information as to all securities of the registrant sold by it within the past three (3) years which were not registered under the Code.	Disclose, If any	The company has not had any such transactions for the past 3 years and no longer indicated it in its report for lack thereof.
ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS		
Full Fiscal Years:		
For both full fiscal years and interim periods, disclose the company's and its majority-owned subsidiaries' top (5) key performance indicators. It shall include a discussion of the manner by which the company calculates or identifies the indicators presented on a comparable basis.	Not complied with	The Company discusses its key performance indicators in its Management Discussions and Financial Analysis (MD&A) as shown in its division of different sections discussing its Airtime Revenues, Net Sales & Services, Operating Income, Net Income & EBITDA coupled with the brief explanation of its balance sheet accounts.
Full Fiscal Years:		
Discuss the registrant's financial condition, changes in financial condition and results of operations of each of the last three fiscal years.	Incomplete (re: discussion of the financial condition and results of operations for the year 2002)	The Company's MD&A for every year indicate a comparative analysis of the year indicated in the report as well as the previous year. Hence, the Company's 2002 financial condition was already discussed in its 2003 MD&A. Nonetheless, we have attached the 2002 MD&A for your reference.
(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of obligation.	Disclose, if any	There are no such events as indicated in the Notes to Financial Statements under Commitments and Contingencies (Note 24).
(iii) All material off-balance sheet transactions, agreements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.	Disclose, if any	There are no such transactions as indicated in the Notes to Financial Statements under Commitments and Contingencies (Note 24).
INFORMATION ON INDEPENDENT ACCOUNTANT		

EXTERNAL AUDIT FEES (MC No. 14 Series of 2004)	Not complied with	This is a new requirement that we inadvertently overlooked. We have attached the requested information under Item 6, Information on Independent Accountant and Other Matters.
PART III – CONTROL AND COMPENSATION INFORMATION		
ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER	Required to be disclosed are the incumbent directors. Please change caption.	Changes have been made to Item 9 as indicated.
DIRECTORS AND EXECUTIVE OFFICERS		
(1) Identify Directors. Including Independent Directors, and Executive Officers		
(d) Briefly describe the person's business experience during the past five (5) years;	Incomplete (re: Indicate whether the disclosure on business experience of the named directors and officers covers the past five (5) years)	All the directors and executive officers business experience indicated has spanned the past five (5) years unless otherwise indicated, but suggested changes have been implemented to Item 9.
FAMILY RELATIONSHIP Describe any family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, or persons nominated or chosen by the registrant to become directors of executive officers.	Disclose, if any	The discussion on Family relationships was located between the write-ups of the directors and the executive officers but, has now been moved after the discussion on significant employees. Additional information on Mr. Rafael L. Lopez was also included. This was inadvertently missed by the Company in its review of the report as he is a new addition to the list of executive officers.
ITEM 10. EXECUTIVE COMPESATION		
(3) Compensation of Directors	Incomplete (re: disclose amounts of per diem)	There was a misinterpretation of the rule limiting the disclosure of compensation to the five (5) most highly paid individuals amongst all directors and executive officers. Per diems have been disclosed after the summary compensation table in Item 10.
ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT		
Security Ownership of Certain Record Beneficial Owners	Incomplete (re: please comply with the required tabular presentation)	Changes to the format have been made.
PART IV – CORPORATE GOVERNANCE		
Discussion on Corporate Governance	Not complied with	The provisions contained in the Company's Manual on Corporate

		Governance that has been filed with the Commission already discuss the requested information. Moreover, the Company has filed updates with the commission regarding its compliance with Corporate Governance last February 23, 2005. Nonetheless, the requested information has been included in the amended document.
SIGNATURE PAGE		
Duly signed by (1) **Principal Executive Officer**	Not complied with	The Principal Executive Officer who is also the company's Chairman & CEO was out of the country during the time of the filing. The President & COO, whose signature was already affixed to the document, signed for him in his absence.

FINANCIAL DISCLOSURES CHECKLIST

REQUIREMENTS	SEC REMARKS	ABS-CBN EXPLANATIONS
Statement of Management's Responsibility		
The statement should contain the following: c. Management disclosed to the audit committee and to its External auditor significant deficiencies and weakness on Internal control and fraud committed by employees	(1) Incomplete; (2) Not Notarized	Changes have been effected
(H) RELATED PARTY TRANSACTIONS	None	This was discussed extensively in the Notes to Financial Statements under Note 12. Related Party Disclosures
(B) TRADE RECEIVABLES	Incomplete	Other receivables mainly consist of non-airtime related receivables and car loans to employees. These receivables are not significant on an individual basis, i.e., 5% of the total current assets. On a total basis, other receivables are also below 5% of the total current assets. We will consider showing these items separately in our 2005 financial statements.
(D) FINANCE COSTS	The gross amount of Finance cost/interest expense should be presented on the face of the Income Statement.	The details of interest and other financial charges is presented in Note 20. As disclosed in Note 20, total interest expense and other financial charges, amounting to P802 million, is shown as a separate line item.
EXPENSES	Incomplete disclosure on the Php124 million "Miscellaneous" expenses which is 17% of the company's income	The amount you are referring to pertains to the Company's miscellaneous income. Miscellaneous income in the parent company financial statements, amounting to P125 million, mainly consist of non-airtime related income. These income are not significant on an individual basis, i.e., 10% of revenues. On a total basis, miscellaneous income only represent 1.5% of the total parent company revenues and less than 1% of the total consolidated revenues.
CASH FLOW STATEMENT	There are no reference notes to the Cash Flow Statement as required by SFAS No. 1	Some of the significant items in the cash flow statement can be tied up to the statement of income as these are presented as a separate line item in the statement of income, e.g., depreciation and equity in net losses or earnings of investees. However, starting December 31, 2005, we will comply with this requirement. Thus, we will put cross references on all significant items in the cash flow statement for better presentation.

COVER SHEET

1803
SEC Registration Number

ABS-CBN BROADCASTING CORPORATION
AND SUBSIDIARIES
(Company's Full Name)

Mother Ignacia Street corner Sgt.
Esguerra Avenue, Quezon City
(Business Address: No. Street City/Town/Province)

Randolph T. Estrellado	**415-2272**
(Contact Person)	(Company Telephone Number)

12 *Month* **31** *Day*	**17-AA**	**05** *Month* **19** *Day*
(Fiscal Year)	(Form Type)	(Annual Meeting)

(Secondary License Type, If Applicable)

Corporation Finance	**Items 1,2,5,6,9-11**
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

8,057	**₱3.4 billion**	**$53.3 million**
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-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 December 31, 2004

2. SEC Identification Number 1803   3. BIR Tax Identification No. 301-000406-761V

4. Exact name of issuer as specified in its charter: **ABS-CBN BROADCASTING CORP.**

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

6. [ ] (SEC Use Only)
   Industry Classification Code:

7. ABS-CBN Broadcasting Centre Complex, Sgt. Esguerra Ave cor Mo Ignacia St., QC 1100
   Address of principal office

8. (632) 924-41-01 to 22 / 415-2272
   Issuer's telephone number, including area code

9. Not applicable
   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 Stock, Php1.00 par value	779,583,312
Bank loans	Php 466.943 mln
Long-term debt	Php5,969.406 mln

11. Are any or all of these securities listed on a Stock Exchange.

    Yes [x]   No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange   Class A

12. Check whether the issuer:

(a) has filed all 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 past ninety (90) days.

Yes [x]   No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

Php5,059,381,297   (as of March 31, 2005)

TABLE OF CONTENTS

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

- Business Development

ABS-CBN Broadcasting Corporation ("ABS-CBN" or the "Company") traces its roots from Bolinao Electronic Corporation ("BEC") which was established in 1946 as an assembler of radio transmitting equipment. In 1952, BEC changed its corporate name to Alto Broadcasting Corporation ("ABS"). On September 24, 1956, the Chronicle Broadcasting Network ("CBN") which is owned by the Lopez family was organized. In 1957, ABS acquired CBN and on February 1, 1967, the corporate name was changed to ABS-CBN Broadcasting Corporation.

With the imposition of martial law in September 1972, ABS-CBN's operations ceased as the government took over the Company's studios and equipment. ABS-CBN resumed commercial operations in February 1986 during the height of the EDSA revolution.

- Core Business

ABS-CBN is the largest integrated media and entertainment company in the Philippines. The Company is principally involved in television and radio broadcasting, as well as the production of television programming for domestic and international audiences and other related businesses.

The Company's congressional franchise, Republic Act No. 7966, which allows the Company to operate television and radio stations, was renewed on March 30, 1995 for 25 years. Its broadcasting operations cover the production of television and radio programs that serve its target audience's needs for news, information and entertainment, and public service.

ABS-CBN Broadcasting is the largest integrated media and entertainment company in the Philippines. The Company is principally involved in television and radio broadcasting, as well as the production of television programming for domestic and international audiences and other related businesses. The Company's Very High Frequency ("VHF") television network, which consists of its flagship station in Mega Manila, Channel 2, 23 other owned and operated television stations and ten affiliated stations, is the leading television network in the Philippines. The Company also operates Studio 23, the leading Ultra High Frequency ("UHF") television network with 35 television stations. The two networks reach an estimated 97% and 50% of all television owning households in the Philippines, respectively. The Company's VHF network broadcasts a wide variety of entertainment and news programs nationwide to the mass market, primarily in Filipino. The Company's UHF network has in the past broadcast mostly English language programs imported from the United States, targeting more affluent viewers, but is now broadening the target audience for Studio 23 to include the mass market demographic segment. The Company is also one of the leading radio broadcasting companies, with 19 owned AM and FM radio stations and ten affiliated radio stations throughout the Philippines. The Company's anchor radio stations in Manila, DZMM and DWRR, are the highest-rated stations in Mega Manila in the AM and FM bands, respectively.

Its subsidiaries and associates are involved in the following related businesses: video/audio post production, movie production, audio recording and distribution, film distribution, cable and direct-to-home television distribution and telecommunication services overseas. Other activities of the subsidiaries include merchandising and licensing, internet services, publishing money remittance and food service.

Net revenues in 2004 amounted to P13,575 million of which 68% or P9,265 million came from net airtime and other broadcasting related revenues. The balance was accounted for by net sales and services which include subscription fees and channel lease revenues, telecommunications revenue, sales of inventories and revenue from services.

The Company operates in three major geographical areas. In the Philippines, its home country, the Company is involved in broadcasting, cable operation and other businesses. In the United States and other locations (which includes Middle East), the Company operates its cable and satellite operations to bring television programming outside the Philippines. The Company's activities outside the Philippines represent approximately 20%, 19% and 18% of total revenues in 2004, 2003 and 2002, respectively (see Note 3. Segment Information, in the notes to the financial statements).

Subsidiaries and Affiliates

Company	Principal Activities	Date of Incorporation	Ownership Interest
Subsidiaries			
ABS-CBN Center for Communication Arts, Inc.	Services	1999	100.0
ABS-CBN Middle East FCLLZ (Dubai)	Cable and satellite operations	2002	100.0[a]
ABS-CBN Film Productions, Inc.	Movie production	2003	100.0
ABS-CBN Global Ltd.	Holding company	2002	100.0
ABS-CBN Interactive, Inc.	Services	1999	100.0
ABS-CBN International, Inc.	Cable and satellite operations	1979	80.0[a]
ABS-CBN Publishing, Inc.	Consumer products -- publishing	1992	100.0
Creative Creatures, Inc.	Services	1995	100.0
Creative Programs, Inc.	Cable operation	2000	100.0
E-Money Plus, Inc.	Services	2000	100.0[a]
Professional Services for Television & Radio, Inc.	Services	1996	100.0
Sarimanok News Network, Inc.	Cable operation	1998	100.0
Sky Films, Inc.	Services – movie films	2000	100.0
Star Recording, Inc.	Consumer products -- audio production	1995	100.0
Studio 23, Inc.	Broadcasting	2000	100.0
TV Food Chefs, Inc.	Restaurant & catering services	2001	100.0
Roadrunner Network, Inc.	Services -- post production	1995	98.9
Star Songs, Inc.	Services	2004	100.0
Discontinuing Operations			
ABS-CBN Consumer Products, Inc. [b]	Consumer products	1995	100.0
ABS-CBN Europe Societa Per Azioni [b]	Services	2001	100.0
ABS-CBN Hong Kong, Ltd. [b]	Services	2001	100.0
Cinemagica, Inc. [b]	Services	1996	100.0
Shopping Network, Inc. [c]	Consumer products	2001	100.0
Associates			
AMCARA Broadcasting Network, Inc.	Services	1994	49.0
Star Cinema Productions, Inc.	Movie production	1993	45.0
Sky Vision Corporation.	Cable operation	1990	10.2

[a] indirectly owned through ABS-CBN Global
[b] ceased commercial operations on December 31, 2002
[c] ceased commercial operations on December 31, 2001

Competition

Broadcasting

There are currently 12 commercial television stations – those which derive the majority of their revenues from the sale of advertising and airtime – in Mega Manila (which includes Metro Manila and parts of

Rizal, Laguna, Cavite and Bulacan), with seven on very high frequency (VHF) and five on ultra high frequency (UHF).

The Company's television broadcasting networks compete for advertising revenues, the acquisition of popular programming and for the services of recognized talent and qualified personnel. The Company's television stations also compete with other advertising media, such as radio, newspapers, outdoor advertising and cable television channels, as well as with home video exhibition, the Internet and home computer usage. The Company principally competes with 12 commercial television stations in Mega Manila, including the channels of its major competitor, GMA, which owns and operates Channel 7 in Manila, and which is affiliated with 41 other stations outside of Manila.

The major VHF broadcasting networks in the country and their corresponding Mega Manila channels are as follows:

ABS-CBN Broadcasting Corp.	--	Channel 2
National Broadcasting Network	--	Channel 4
Associated Broadcasting Corp.	--	Channel 5
GMA Network, Inc.	--	Channel 7
Radio Philippine Network	--	Channel 9
ZOE TV	--	Channel 11
Intercontinental Broadcasting Corp.	--	Channel 13

Channels 4, 9 and 13 are currently owned by the Philippine government, although the privatization of Channel 9 and 13 has been proposed.

The principal UHF networks operating in the Philippines and their corresponding Mega Manila channels are as follows:

Studio 23	--	Channel 23, operated by the Company
Southern Broadcasting Network	--	SBN 21
RJ Broadcasting	--	RJTV 29
National Broadcasting Corp. (MTV Phils)	-	Channel 41
Eagle Broadcasting	--	Net 25

The Philippine television industry is dominated by ABS-CBN and GMA, which together accounted for more than 70% of the total audience share in recent years. The following table shows the television stations' average ratings and share in Mega Manila for 2004 for the time block 6:00 a.m. to midnight.

OVERALL CHANNEL RATINGS AND RANKINGS IN MEGA MANILA 01January – 31December 2004 6:00am-12:00mn			
Rank	Channel	Rating (%)	Audience Share (%)
1	ABS-CBN	15.5	37.6
2	GMA	17.1	41.5
3	ABC	1.0	2.3
4	Other VHF	1.9	4.6
5	Studio 23	1.4	3.9
6	Other UHF	0.5	1.2
7	Total Cable	4.3	10.4
	Total Channel	**41.3**	**100.0**

Based on AGB Philippines Mega Manila Households Data

Programming

The Company is a growing supplier of Filipino content for television and cable channels both in the Philippines and, increasingly, throughout the world. The Company faces competition for distribution of its programming from other producers of Filipino programming. The Company competes with other programming providers for channel space and compensation for carriage from cable television operators and other multi-channel distributors. For such program services, distributors select programming based on various considerations, including the prices charged for the programming and the quality, quantity and variety of programming.

International Cable and Satellite Services

Although the Company is the only company currently providing an international DTH and cable channel service targeted specifically at overseas Filipinos, the Company's DTH satellite subscription service in the U.S. presently competes with other satellite television and cable systems, national broadcast networks, and regional and local broadcast stations. GMA has announced plans to establish a DTH satellite service to Filipinos overseas at some point in the future, and recently has had discussions with two DTH operations in the United States, but the timing of the proposed launch of its service remains unclear.

Magazine Publishing

Each of the Company's magazine publications competes for readership and advertising revenues with other magazines of a similar character and with other forms of print and non-print media. Competition for advertising is based on circulation levels, reader demographics and advertising rates.

Movie Production and Distribution

The production and distribution of feature films is a highly competitive business in the Philippines. ABS-CBN Films competes for the services of recognized creative talent and for film rights to scripts, which are essential to the success of a movie. The Company competes with other feature film producers, including other Filipino studios, smaller independent producers and major foreign studios such as Disney, Dreamworks, Fox, MGM, Sony, Universal and Warner Bros. Success in the Philippine movie business depends on the quality of the film, its distribution and marketing success, and the public response to the movie, all of which are hard to predict. The number of films released by the Company's competitors in any given period may create an oversupply of product in the market, which may reduce the Company's share of gross box office admissions and make it more difficult for its films to succeed. ABS-CBN Films also competes with other forms of entertainment and leisure time activities such as DVDs, video cassettes and computer games.

Internet and Interactive Services

In connection with the Company's Internet services and other new interactive products including SMS and MMS, the Company faces competition from Internet service providers, and personal communication and telecommunications companies, some of which are looking to develop their own SMS-related content and value-added services.

Post-Production Services

The post-production services business is also competitive. In addition to other post-production services companies, including one owned by GMA, television and movie studios themselves can also perform similar services in-house. These studios could devote substantially greater resources to the development of post-production services that compete with those provided by the Company. The Company also actively competes with certain industry participants that may be smaller, but that have a unique operating niche or specialty business.

Cable Television Operations

Sky Vision's cable operations directly compete for viewer attention and subscriptions with other providers of entertainment, news and information, including other cable television systems, broadcast television stations and DTH satellite companies. Cable television systems also face strong competition from all media for advertising revenues. Important competitive factors include fees charged for basic and premium services, the quantity, quality and variety of the programming offered, the quality of signal reception, customer service and the effectiveness of marketing efforts.

- Transactions with and/or dependence on related parties

In the parent company financial statements, significant transactions of the Parent Company with its subsidiaries, associates and a related party follow:

	2004	2003
Expenses and charges paid by the Parent Company which are reimbursed by the subsidiaries and associates	**₱358,011**	₱379,771
Technical facilities order charges for the use of the Parent Company's facilities	**163,304**	169,452
Interest income on convertible note	**112,841**	–
Management and other service fees	**72,390**	54,265
Airtime revenue from Sky Films, ABS-CBN Films, Star Cinema and Bayan Telecommunications Holdings, Inc. (Bayantel), a subsidiary of Lopez	**66,523**	71,092
Rental charges of the Parent Company for the use of office space	**37,328**	38,809
Blocktime fees charged to Studio 23 for the use of the Parent Company's equipment	**16,500**	16,423

Other transactions with subsidiaries and associates include cash advances for working capital requirements.

The amounts and balances resulting from the above transactions are reflected in the parent company balance sheets in the following accounts:

	2004	2003
Due from related parties	**₱159,741**	₱150,894
Advances	**1,015,356**	881,389
Due to related parties	**325,068**	201,303

In the consolidated financial statements, transactions of the Company with its associates and related parties follow:

	2004	2003	2002
Termination cost charges of Bayantel to ABS-CBN Global	**₱232,140**	₱99,846	₱147,120
License fees charged by CPI to Central [(a)], PCC and Home Cable	**137,443**	135,788	136,300
Blocktime fees paid by Studio 23 to Amcara [(b)]	**68,000**	82,675	105,063
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related	**46,449**	12,397	77,823

parties			
Airtime revenue from Star Cinema, Bayantel and Manila Electric Company (Meralco), an associate of Lopez	**30,162**	14,031	62,571
Rental charges of the Parent Company for the use of office space	**133**	9,214	7,299
Management and other service fees	**412**	9,755	14,524

Other transactions with associates include cash advances for working capital requirements.

On a consolidated basis, the amounts and balances resulting from the above transactions are reflected in the consolidated balance sheets in the following accounts:

	2004	2003
Receivables	**₱390,485**	₱279,902
Due from related parties	**262,435**	273,303
Advances	**1,445**	56,104
Due to related parties	**162,023**	75,473

a. License Fees Charged by CPI to Central

The Parent Company and CPI acquired from Central the production and distribution business and the related program rights and property and equipment of three cable channels, namely, Lifestyle Channel, Cinema One and Myx Channel for ₱671,141.

CPI entered into a cable lease agreement (Agreement) with Central for the airing of these channels to the franchise areas of Central and its cable affiliates. The Agreement with Central is for a period of five years effective January 1, 2001, renewable upon mutual agreement. Under the terms of the Agreement, CPI receives license fees from Central and its cable affiliates computed based on agreed rates and on the number of subscribers of Central and its cable affiliates. As the owner of the said cable channels, CPI develops and produces its own shows and acquires program rights from various foreign and local suppliers.

b. Blocktime Fees Paid by Studio 23 to Amcara

Studio 23, Inc. owns the program rights being aired in UHF Channel 23 of Amcara. On July 1, 2000, it entered into a blocktime agreement with Amcara for its provincial operations.

- Patents, trademarks, licenses, franchises, concessions, royalty

Republic Act No. 7966, approved on March 30, 1995, granted ABS-CBN the franchise to operate TV and radio broadcasting stations in the Philippines through microwave, satellite or whatever means including the use of new technologies in television and radio systems. The franchise is for a term of 25 years. ABS-CBN is required to secure from the National Telecommunications Commission ("NTC") appropriate permits and licenses for its stations and any frequency in the TV or radio spectrum.

- Agreements of labor contracts, including duration

ABS-CBN management recognizes two labor unions, one for the supervisory employees and another one for the rank and file employees. The collective bargaining agreement (CBA) for the supervisory union will expire on 31 July 2005 while the CBA with the non-supervisory union expires on 10 December 2005.

- <u>Licenses from foreign and local film and programs aired through the networks</u>

ABS-CBN and its subsidiaries have licenses from foreign and local program and feature film owners to distribute the same through its networks. The licenses to distribute the foreign programs and foreign and local feature films grant ABS-CBN and its subsidiaries the right to distribute said programs and films on free, pay, cable, and satellite TV in the Philippines and in territories wherein The Filipino Channel is distributed. These licenses for TV rights have an average term of two (3) to three (3) years. Such programs comprise approximately twenty percent (20%) of the programming of ABS-CBN's Manila VHF Channel 2 and approximately thirty (30%) percent of the content of its Manila UHF Channel 23. ABS-CBN and its wholly-owned subsidiary, Sky Films, Inc., also have the license to distribute local and foreign feature films in the Philippines for theatrical, TV, and video distribution, with limited ancillary rights. The licenses for foreign films have an average term of ten (10) to fifteen (15) years.

- <u>Need for any governmental approval of principal products or services</u>

The principal law governing the broadcasting industry is the 1936 Commonwealth Act. No. 146, as amended, otherwise known as the Public Service Act. This act seeks to protect the public against unreasonable charges and inefficient service by public utilities, including companies engaged in television and radio broadcasting as well as to prevent excessive competition.

The 1987 Philippine Constitution provides that "ownership and management of mass media shall be limited to citizens of the Philippines, or to corporations, cooperatives or associations wholly-owned and managed by such citizens" (Section 11, Article XVI). As a result, the Company is highly regulated by the Philippine Government. The Company's Congressional Franchise, renewed in 1995 for a term of 25 years, allows the Company to engage in the television and radio broadcasting business.

The government departments and agencies that administer the laws governing the broadcasting industry are the National Telecommunications Commission (NTC), the Department of Transportation and Communication (DOTC), the Movie and Television Review and Classification Board (MTRCB), the Videogram Regulatory Board (VRB), and the Department of Labor and Employment

The NTC is the government agency which regulates the broadcasting industry. Among its specific functions is the granting of provisional authorities and certificates of public conveniences to own and operate a broadcasting business within the Philippines. The NTC also regulates the bandwidth allocation used by the different broadcasting companies through the grant of temporary permits and licenses to operate television and radio stations.

The DOTC formulates general and specific policies on the broadcasting industry. Although the DOTC exercises supervision and control over the NTC, it does not have the power to review the acts and resolutions of the NTC. The MTRCB classifies television programs based on their content, including the showing of indecent and excessively violent scenes on television. The VRB issues permits to television stations or networks engaged in the exhibition and distribution of programs in video format.

In addition to the restrictions imposed by the government agencies, a broadcaster must also follow rules and industry standards promulgated by the *Kapisanan ng mga Brodkaster sa Pilipinas* (KBP). The KBP is a trade organization consisting of television and radio operators. It formulates policies and guidelines for the operations of its members and enforces programming and advertising rules.

- <u>Costs and effect of compliance with environmental laws</u>

Whenever required, the Company applies for and secures proper permits, clearances or exemptions from the Department of Environment and Natural Resources, Department of Health, Air Transportation Office, and other regulatory agencies, for the installation and operation of proposed broadcast stations nationwide.

For the past three years, there were no costs related to the effect of compliance with environmental laws.

- Employees

The number of employees and talents of the Parent Company was 4,262 and 4,018 as of December 31, 2004 and 2003, respectively. The number of employees and talents of the Parent Company and its subsidiaries (collectively referred to as the "Company") was 6,561, 6,305 and 6,059 as of December 31, 2004, 2003 and 2002, respectively.

The Company recognizes two labor unions, one for supervisory employees, and one for rank and file employees. The collective bargaining agreement for the supervisory union, which represents approximately 11% employees will expire on July 31, 2005. The agreement with the non-supervisory union, which represents approximately 40% employees will expire on December 11, 2005.

The Company considers its headcount to be adequate for its requirements and does not have any plans to significantly increase or decrease its headcount in the next 12 months.

- Risks Relating to the Company

The Company's results of operations may be negatively affected by adverse economic conditions in the Philippines since its operations depend largely on its ability to sell airtime for advertising. Historically, the advertising industry, relative to other industries, has been particularly sensitive to the general condition of the economy. As a result, the Company's business may be affected by the general condition of the economy of the Philippines.

The Company's management along with its Research and Business Analysis Division identify, assess, and manage the risks the company faces. The Company has diversified its operations from predominantly focusing on broadcasting into various sales and services to develop other revenue generating media platforms. The complete list of the companies subsidiaries and affiliates were previously mentioned.

Item 2. Properties

The properties of the Company consist of production broadcasting, transmission and office facilities, almost all of which are owned by the Company. Broadcast operations are principally conducted in the 44,000 square meter ABS-CBN complex located at Sgt. Esguerra Avenue, Quezon City. The complex also houses the Company's 650-foot transmitter tower and other broadcast facilities and equipment.

The Company also owns a modern 15-story building located beside the existing ABS-CBN complex. The building houses the corporate offices of the Company and its subsidiaries engaged in related businesses. Aside from the corporate offices, the building also has three television soundstages, three sound recoding studios and other television production facilities. The building has a gross floor area of approximately 100,000 square meters and total office space of approximately 58,000 square meters. The ground floor is leased to various businesses including banks, retail stores, coffee shops and restaurants. The Company has received approval from the Philippine Economic Zone Authority to operate as an Information Technology Zone, enabling potential lessees to take advantage of the incentives and benefits under the Special Economic Zone Act of 1995.

The Company also owns television broadcast and production facilities and other real estate properties in various parts of the Philippines, including local television and radio originating stations in Bacolod, Cebu, Davao, Dagupan, Naga, Legaspi, Zamboanga, General Santos, Cagayan de Oro and Iloilo. Other principal properties used in connection with the Company's operations include a training center and a technical operations center. The Company also owns the production and transmission equipment and facilities of its non-affiliated radio stations located both within and outside of Manila.

With the Company having made substantial investments in upgrading its production, broadcasting and transmission equipment in recent years, the Company does not anticipate any major capital expenditures and acquisitions in the next twelve (12) months.

On June 18, 2004, the Parent Company entered into a Senior Credit Agreement (SCA) with several foreign and local banks (Original Lenders) for a dual currency US$120 million syndicated term loan facility for the purpose of refinancing existing indebtedness incurred for the construction of the Eugenio Lopez, Jr. Communications Center, additional investment in the cable TV business and funding capital expenditures and working capital requirements. The Parent Company's obligation under the SCA is secured and covered by a Mortgage Trust Indenture (MTI) which consists of substantially all of the Parent Company's real property and moveable assets used in connection with its business and insurance proceeds related thereto. Further, the Parent Company's obligation under the SCA is jointly and severally guaranteed by its principal subsidiaries.

The SCA contains provision regarding the maintenance of certain financial ratios and limiting, among others, the incurrence of additional debt, the payment of dividends, making investments, the issuing or selling the Parent Company's capital stock or some of its subsidiaries, the selling or exchange of assets, creation of liens and effecting mergers.

- Local and Regional Properties

ABS-CBN also owns real estate properties in various parts of the country. Originating stations have the capacity to produce and broadcast their own programs and to air advertising locally. Relay stations can only re-transmit broadcasts from originating stations. Affiliate stations are not owned by the Company. Rather, they are typically independently owned by local Filipino business people and are contracted to re-broadcast the Company's originating signals during specified time blocks for negotiated fixed fees.

The following table sets forth the location and use of ABS-CBN's television and radio stations as of December 31, 2004:

VHF TV STATIONS

	STATION	CH	STATION TYPE	Location
1	Manila	2	Originating	Mo. Ignacia St., Diliman, QC
2	Cebu	3	Originating	Mt. Busay, Cebu City
3	Bacolod	4	Originating	Mt. Kanlandog, Murcia, Negros Occ.
4	Bukidnon	2	Originating	Mt. Kitanglad, Bukidnon
5	Davao	4	Originating	Shrine Hill, Matina, Davao City
6	General Santos	3	Originating	Brgy. Lagao, Gen. Santos City
7	Zamboanga	3	Originating	Zamboanga City
8	Naga	11	Originating	Naga City
9	Tacloban	2	Originating	Mt. Naga-naga, Tacloban City
10	Dumaguete	12	Originating	Valencia, Negros Or.
11	Isabela	2	Originating	Santiago City, Isabela
12	Tuguegarao	3	Originating	Tuguegarao, Cagayan
13	Cotabato	5	Originating	Cotabato City
14	Baguio	3	Originating	Mt. Sto. Tomas, Benguet

15	Iligan	4	Originating	Iligan City
16	Butuan	11	Originating	Butuan City
17	Ilocos Norte	7	Originating	San Nicolas, Ilocos Norte
18	Legaspi	4	Originating	Mt. Bariw, Legaspi
19	Olongapo	12	Originating	Upper Mabayuan, Olongapo City
20	Batangas	10	Originating	Mt. Banoy, Batangas

21	Bohol	13	Relay	Jagna, Bohol
22	Mt. Province	11	Relay	Mt. Amuyao, Mt. Province
23	Zambales	13	Relay	Mt. Bucao, Botolan, Zambales
24	Albay	10	Relay	Tabaco,, Albay

25	Masbate Comm. Bctg. Co.	10	Affiliate	Masbate, Masbate
26	MIT-RTVN	7	Affiliate	Ozamis City
27	MIT-RTVN	9	Affiliate	Mt. Palpalan, Pagadian City
28	St. Jude Thaddeus Inst. of Tech	12	Affiliate	Surigao City
29	Sulu Tawi-Tawi Broadcasting Corporation	10	Affiliate	Jolo, Sulu
30	Our Lady's Foundation	9	Affiliate	Sorsogon, Sorsogon
31	Calbayog Comm. Bctg. Corp.	10	Affiliate	Calbayog City, Western Samar
32	Palawan Bctg. Corp.	7	Affiliate	Puerto Princesa, Palawan
33	Sumuroy Bctg. Corp.	7	Affiliate	Catbalogan City, Northern Samar

UHF TV STATIONS

NO.	STATION	CH	STATION TYPE	STATION LOCATION
1	Manila**	23	Originating	Metro Manila
2	Cebu	23	Relay Station	Mt. Busay, Cebu City*
3	Davao	21	Relay Station	Matina Hills, Davao City*
4	Dagupan	30	Relay Station	Dagupan City*
5	Naga	24	Relay Station	Naga City*
6	Batangas	36	Relay Station	Mt. Banoy, Batangas*
7	Baguio**	32	Relay Station	Mt. Sto. Tomas (Baguio)*
8	Ilocos Norte	23	Relay Station	San Nicolas, Laoag*
9	Bacolod	22	Relay Station	Bacolod City*
10	Iloilo**	38	Relay Station	La Paz, Iloilo City*
11	Zamboanga	23	Relay Station	Zamboanga City*
12	Gen. Santos	36	Relay Station	General Santos City*
13	Tacloban***	24	Relay Station	Mt. Naga-Naga, Tacloban
14	Cagayan De Oro	23	Relay Station	Cagayan de Oro City*
15	Dumaguete	24	Relay Station	Mt. Palimpinon, Valencia, Negros Oriental*
16	Zambales	23	Relay Station	Mt. Bucao, Botolan, Zambales*
17	Isabela	23	Relay Station	Santiago City*
18	Bohol***	40	Relay Station	Jagna, Bohol
19	Cotabato	24	Relay Station	Marbel, S. Cotabato
20	Rizal***	40	Relay Station	Antipolo, Rizal
21	Legaspi***	23	Relay Station	Legaspi City
22	Olongapo	24	Relay Station	Olongapo City*
23	Iligan	26	Relay Station	Iligan City*
24	Butuan***	22	Relay Station	Butuan City
25	Cotabato***	23	Relay Station	N. Cotabato
26	Pagadian***	24	Relay Station	Pagadian City
27	Palawan	23	Relay Station	P. Princesa, Palawan
28	Surigao***	23	Relay Station	Surigao City
29	Roxas City	21	Relay Station	Roxas City
30	Quezon	22	Relay Station	Baler, Aurora
31	Camarines Norte	23	Relay Station	Daet, Camarines Norte
32	Kalibo	23	Relay Station	Aklan
33	Dipolog	42	Relay Station	Dipolog City
34	Lucena City	24	Relay Station	Lucena City, Lucena
35	Lipa City	38	Relay Station	Lipa City, Batangas
36	Tarlac**	34	Relay Station	Tarlac City

37	San Fernando, Pampanga**	46	Relay Station	San Fernando, Pampanga
38	Cabanatuan**	30	Relay Station	Cabanatuan, Nueva Ecija

* co-located with VHF TV Stations ; **owned by ABS-CBN;*** with pending application with the NTC

FM STATIONS

	STATION	FREQ. MHz	CALL SIGN	STATION TYPE	LOCATION
1	Manila	101.9	DWRR	Originating	Lopez Center, Antipolo City
2	Cebu	97.1	DYLS	Originating	Mt. Busay, Cebu City
3	Bacolod	101.5	DYOO	Originating	Mt. Kanlandog, Murcia, Negros Occ.
4	Davao	101.1	DXRR	Originating	Shrine Hill, Matina, Davao City
5	Baguio	103.1	DZRR	Originating	Mt. Sto. Tomas, Benguet
6	Legaspi	93.9	DWRD	Originating	Mt. Bariw, Legaspi
7	Naga	93.5	DWAC	Originating	Naga City
8	Laoag	95.5	DWEL	Originating	San Nicolas, Ilocos Norte
9	Dagupan	94.3	DWEC	Originating	Dagupan City
10	Iloilo	91.1	DYMC	Originating	Iloilo City
11	Tacloban	94.3	DYTC	Originating	Tacloban City
12	Cagayan De Oro	91.9	DXEC	Originating	Bulua, Cagayan de Oro City
13	Cotabato	95.1	DXPS	Originating	Cotabato City
14	Gen. Santos	92.7	DXBS	Originating	Lagao, Gen. Santos City
15	Zamboanga	98.7	DXFH	Originating	Zamboanga City
16	Masbate Comm. Bctg. Co.	95.9	DYME	Affiliate	Masbate, Masbate
17	Palawan Bctg. Corp.	99.9	DYPR	Affiliate	Puerto Princesa, Palawan
18	Tagbilaran Bctg. Corp.	91.1	DYTR	Affiliate	Tagbilaran City
19	Times Bctg. Corp.	95.9	DXAQ	Affiliate	Dipolog City
20	Times Bctg. Corp.	99.9	DXWO	Affiliate	Pagadian City

AM STATIONS

	STATION	FREQ. KHz	CALL SIGN	STATION TYPE	LOCATION
1	Manila	630	DZMM	Originating	Obando, Bulacan
2	Cebu	1512	DYAB	Originating	Pardo, Cebu City
3	Davao	1296	DXAB	Originating	Matina, Davao City
4	Fairwaves Bctg. Network	837	DZXE	Affiliate	Mira Hills, Vigan, Ilocos Sur
5	Tagbilaran Bctg. Corp.	1116	DYTR	Affiliate	Dampas, Tagbilaran City
6	First United Bctg. Corp.	1080	DXRH	Affiliate	Zamboanga City
7	Times Bctg. Corp.	1242	DXSY	Affiliate	Mariano Marcos, Ozamis City
8	Bicol Bctg. System	603	DWLV	Affiliate	Naga City
9	Manila	630	DZMM	Originating	Obando, Bulacan

Item 3. Legal Proceedings

For the past five years, the Company is not a party in any legal proceedings which involves a claim for damages in an amount, exclusive of interest and cost, exceeding ten per cent (10%) of the current assets of the Company.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

The Company's common shares have been listed on the Philippine Stock Exchange (PSE) since 1992. Its Philippine Deposit Receipts were listed in 1999. Common shares may be exchanged for Philippine

Deposit Receipts, and vice-versa. The Company is the only broadcasting network listed on the PSE. The common shares (ABS) closed at Php15.25 while the Philippine Deposit Receipts (ABSP) closed at Php15.25 on March 31, 2005.

Dividends

The declaration and payment of dividends are subject to certain conditions under existing long-term loan agreements of the Company. These long-term loan agreements require that the declaration and payment of dividends shall be made for as long as payments due on said loans and premiums on insurance of assets are current and updated, and only when such payment will not result in the violation of the required financial ratios under the relevant long-term loan agreements, an event of default as provided in the agreements shall not exist or occur as a result of such payment, and the amount of the cash dividends does not exceed the Company's net income after taxes for the fiscal year preceding the declaration.

Stock Dividend (Per Share)			
Percent	**Declaration Date**	**Record Date**	**Payment Date**
No stock dividend since 1996			

Cash Dividend (Per Share)			
Amount (in Pesos)	**Declaration Date**	**Record Date**	**Payment Date**
Php0.60	March 28, 2001	April 25, 2001	May 25, 2001
Php0.00	--	--	--
Php0.00	--	--	--
Php0.64	July 21, 2004	July 24, 2004	August 10, 2004

	ABS		ABSP	
2004	High	Low	High	Low
First Quarter	27.00	18.00	26.50	17.00
Second Quarter	25.50	19.00	26.00	18.75
Third Quarter	22.75	20.00	22.50	19.75
Fourth Quarter	24.00	18.00	24.25	17.75

	ABS		ABSP	
2003	High	Low	High	Low
First Quarter	16.50	10.50	16.00	10.50
Second Quarter	20.75	10.75	21.00	10.50
Third Quarter	26.50	18.75	27.00	19.00
Fourth Quarter	29.50	24.25	29.50	24.25

The number of shareholders of record as of December 31, 2004 was 8,222. Common shares outstanding as of December 31, 2004 were 779,583,312.

Top 20 Stockholders as of December 31, 2004

As of December 31, 2004, the Top 20 stockholders of ABS-CBN own an aggregate of 750,723,098 or 96.30% of common shares outstanding.

Rank	Shareholder	Citizenship	No. of Shares	% Ownership
1	Lopez, Inc.	Filipino	446,231,607	57.24%
2	PCD Nominee Corporation	Filipino	296,570,244	38.04%
3	Ching Tiong Keng	Filipino	1,111,500	0.14%
4	ABS-CBN Foundation, Inc.	Filipino	780,995	0.10%
5	Carlos Salinas, Sr.	Filipino	736,200	0.09%
6	Eugenio L. Lopez III	Filipino	578,190	0.07%

7	Edan Corporation	Filipino	510,200	0.07%
8	Letitia T. Dee	Filipino	439,590	0.06%
9	Pua Yok Bing	Filipino	407,100	0.05%
10	Phil. Communication Satellite Corp.	Filipino	392,500	0.05%
11	FG Holdings	Filipino	386,270	0.05%
12	Meralco Foundation, Inc.	Filipino	352,600	0.05%
13	Charlotte C. Cheng	Filipino	340,000	0.04%
14	Cynthia D. Ching	Filipino	337,500	0.04%
15	Century Securities Corp.	Filipino	320,000	0.04%
16	Carmela Tiangco	Filipino	301,395	0.04%
17	Cualoping Securities Corp.	Filipino	281,500	0.04%
18	Federico M. Garcia	Filipino	226,207	0.03%
19	Magdaleno B. Albarracin Jr.	Filipino	214,500	0.03%
20	James Ang	Filipino	205,000	0.03%

- Employee Stock Option Plan

The Company had an employee stock option plan (ESOP) which covered 1,403,500 shares at 95% of offer price during the initial public offering. Collections were made in 48 semi-monthly installments without interest through payroll deductions. Shares offered under the Plan have been fully paid and issued since 1995.

On March 29, 2000, the Board of Directors approved another ESOP covering 6,080,306 shares. In 2002, all the shares acquired by the Company covering this ESOP, were exercised by the employees. As of December 31, 2003 and 2002, there are no more outstanding ESOP.

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

- Management Discussion and Analysis

The Management Discussion and Analysis of Financial Condition and the Results of Operation attached hereto as Annex A.

- Information on Independent Accountant and other Related Matters

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor for the following services:

	2004	2003
Audit Fees	**4,730,253**	4,423,193
Tax Fees	**1,295,140**	515,250
All Other Fees	**290,333**	1,884,715

The audit committee's approval policies and procedures for the above services from Sycip, Gorres, Velayo & Co., the external auditors, are discussed in Section 7 of the Company's Manual of Corporate Governance filed with the Commission on September 2, 2002.

Item 7. Financial Statements

The Statement of Management's Responsibility for Financial Statements prepared in accordance with SRC Rule 68, as amended is attached hereto as Annex B.

The Audited Financial Statements as of 31 December 2004 prepared in accordance with SRC Rule 68, as amended and Rule 68.1 is attached hereto as Annex B.

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

There are no changes in and disagreements with accountants on accounting and financial disclosure during the two most recent fiscal years or subsequent interim period.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Board of Directors

The following are the incumbent directors of the Company:

Eugenio L. Lopez III
Augusto Almeda Lopez
Luis F. Alejandro
Oscar M. Lopez
Manuel M. Lopez
Presentacion L. Psinakis
Manuel L. Lopez, Jr.
Federico R. Lopez
Peter D. Garrucho
Cesar B. Bautista (*Independent Director*)
Roberto F. de Ocampo (*Independent Director*)

All the above directors are expected to be nominated as members of the Board of Directors for the ensuing year (2005-2006) except for Roberto F. de Ocampo who will be replaced by Carmelo A. Caluag II, S. J. as an Independent Director. The aforementioned nominees were formally nominated by Lopez, Inc. through its General Manager, Rommel S. Duran. Mr. Duran has no relationship with either Mr. Bautista or Fr. Caluag.

The Company has adopted the SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and compliance therewith has been made.

Below is a summary of the nominees' qualifications as well as a discussion of their business experiences over the past five (5) years:

Eugenio L. Lopez III, Filipino, age 53
Chairman & CEO
Mr. Lopez was elected Chairman of the Company's Board of Directors on December 10, 1997, when his father, the late Eugenio "Geny" Lopez, Jr., turned over the reins of the family-owned company to the younger Mr. Lopez, who had been President since 1993. He joined ABS-CBN in 1986 as Finance Director before he became General Manager in 1988. He graduated with a Bachelor of Arts degree in Political Science from Bowdoin College. He has a Masters degree in Business Administration from Harvard Business School. He worked as General Manager of the MIS Group, Crocker National Bank in San Francisco, USA. Mr. Lopez is a recipient of various Philippine broadcasting industry awards. Mr. Lopez served as Director of the Company from 1986 to 1997 and as Chairman and CEO since 1997.

Augusto Almeda-Lopez, Filipino, age 77
Vice-Chairman
Mr. Augusto Almeda- Lopez joined the Company in 1962. He has served as Vice Chairman since April 26, 1989. He is a graduate of the University of the Philippines College of Law class 1952 and finished an Advanced Management Program course at Harvard University in 1969. Mr. Almeda-Lopez is the Vice-Chairman of the Company and of First Philippine Holdings Corporation. He also serves as the Chairman of ACRIS Corporation and ADTEL, Inc. while he serves as a Director of various companies in the telecommunications, manufacturing and service industries, namely First Philippine Industrial Corporation, First Gen Renewables, Inc., First Electro Dynamics Corporation, Philippine Electric Corporation, Bayan Telecommunications, Inc., Sky Vision Corporation, and Radio Communications of the Philippines, Inc.

Luis F. Alejandro, Filipino, age 52
President & COO
Mr. Luis "Cito" F. Alejandro joined the Company in May 2004, as its President and Chief Operating Officer. With his 24 years of combined experience in brand/marketing operations and general management, he now leads the overall strategic planning and management of Company. He started his career in 1980 at Procter & Gamble where he built a solid 15-year marketing track record which culminated as Category Manager/Marketing Director of the Beauty Care Category. He assumed a U.S. posting and Asia marketing responsibilities towards the latter part of his stint in the consumer goods market leader. In 1995, Alejandro joined Kraft Foods Philippines, Inc. as its President & General Manager. In 1998, he joined Heinz UFC Philippines, Inc. and Southeast Asia Food Inc. as its President and Chief Operating Officer until April 2004. Mr. Alejandro graduated with an economics degree from the Ateneo De Manila University and earned a Masters Degree in Business Management from the Asian Institute of Management.

Oscar M. Lopez, Filipino, age 75
Board Member
Mr. Oscar M. Lopez has served as Director since 1966. He is concurrently Chairman and CEO of Benpres Holdings Corporation and First Philippine Holdings Corporation. He was a recipient of Management Association of the Philippines Management Man of the Year Award for the year 2000 and was also one of the finalists for the Asia Business Leaders Award for the year 2004 given by CNBC and TNT International. On civics, Mr. Lopez is a member of the international board of Conservation International, and Chairman of both First Philippine Conservation, Inc. and the Ophthalmological Foundation of the Philippines. He is also a member of the Conference Board. He studied at Harvard College and graduated cum laude with a Bachelor of Arts Degree. He obtained his Masters degree in Public Administration at the Littauer School of Public Administration also at Harvard University.

Manuel M. Lopez, Filipino, age 63
Board Member
Mr. Manuel M. Lopez has served as a Director of the Company since 1970. Mr. Lopez is the Chairman and Chief Executive Officer of Meralco. First, as its President (1986 – 2000) and later Chairman and CEO (2001 to present), Mr. Lopez led Meralco's successful comprehensive transformation from virtual monopoly to one that is ready for competition and global conditions. He also holds the following positions: Chairman of Philippine Commercial Capital Incorporated; Chairman of Rockwell Land Corporation; Director of Benpres Holdings Corporation, First Philippine Holdings Corporation, First Private Power Corporation as well as First Philippine Infrastructure Development Corporation. He has a Bachelor of Science degree in Business Administration and has completed a Program for Financial & Management Development at the Harvard Business School.

Presentacion L. Psinakis, Filipino, age 70
Board Member
Ms. Psinakis has served as a Director of the Company since 1988. Ms. Psinakis is the founder and President of Griffin Sierra Travel, Inc. (formerly Sierra Tours, Inc.) since its inception in 1967. She is a member of the Board of Trustees of the Eugenio Lopez Foundation, Inc. and also serves as director of the following companies: Lopez Inc., Benpres Insurance Agency, ADTEL Inc., and Philippine Commercial Capital, Inc. She took a Bachelor of Arts course in St. Scholastica's College.

Manuel L. Lopez, Jr., Filipino, age 38
Board Member
Mr. Manuel Lopez, Jr. has served as a Director of the Company since 2000. He was Assistant Vice President for Affiliate Marketing for ABS-CBN International North America from 1993-1996. He then joined SkyCable and became a Director and later became Regional Director for Pilipino Cable Corporation from 1999 to 2001. He is currently Executive Vice-President of Benpres Insurance Agency, Inc. and has been since 2003. He graduated with a Bachelor of Science degree in Business Administration from the De La Salle University.

Federico R. Lopez, Filipino, age 44
Board Member
Mr. Federico R. Lopez has served as a Director of the Company since 1999. He is the President and COO of First Generation Holdings Corporation and all of the holding company's First Gas subsidiaries since 2002. He also holds the position of Vice President at First Philippine Holdings Corporation since 1994. He oversees the development, financing and implementation of its energy-related projects. Over the past eight years, Mr. Lopez has been involved in the financing and development of the Sta. Rita 1000 MW project (now in commercial operations) as well as the 500 MW San Lorenzo Project. Mr. Lopez also sits as director of the Board of Bauang Private Power Corporation, First Philippine Energy Corporation, President of First Philippine Conservation, Inc. and Emphasis Salon Systems, Inc. Mr. Lopez is also a trustee of the Hands On Manila Foundation. He graduated Cum Laude with a Bachelor of Arts degree in Economics and International Relations, from the University of Pennsylvania, USA.

Peter D. Garrucho, Jr., Filipino, age 61
Board Member
Mr. Garrucho has served as a Director of the Company since 1996. He is the Managing Director for Energy of First Philippine Holdings Corporation, and Vice-Chairman and CEO of First Generation Holdings Corporation. He also serves as CEO of a number of power generation companies. On March 2000, he was given by Her Majesty, Queen Elizabeth, the award of an Honorary Officer of the Order of the British Empire. Mr. Garrucho has served in various Cabinet positions in the Philippine Government. He holds a Bachelor of Arts & a Bachelor of Science in Business Administration degree from De La Salle University and a Master of Business Administration degree from Stanford University.

Cesar B. Bautista, Filipino, age 67
Board Member, Independent Director
Mr. Bautista was elected Director of the Company in January 2004. In August 2003, Mr. Bautista recently returned from his posting as Ambassador to the Court of St. James from December 1998 and as Special Envoy of the President to Europe from February 2001. He was the Secretary of Trade and Industry during the presidency of Fidel V. Ramos (1996-1998) and was concurrently a member of the Monetary Board, and was the Chairman of the APEC Economic Minister Meetings, National Development Co., Board of Investments and the Committee on National Museum Development. He is currently a director of Pilipinas Shell, the Equitable Group, MAXICARE, Pacific Activated Carbon Corporation and Bayantel. He was with Unilever (Philippine Refining Co.) for 33 years (1960-1993) where he became Chairman and CEO during the last 7 years. In 1998, he received the “Distinguished Alumnus Award” of the University

of the Philippines and the Distinguished Alumnus Award of the Ohio State University. He was awarded the Presidential Order of Merit and the Order of Sikatuna, rank of Datu, for service to the country.

Carmelo A. Caluag II, S.J., age 46
Board Member, Independent Director
Fr. Caluag is being nominated as an independent director for the ensuing year 2005 to 2006 and replaces Mr. Roberto F. de Ocampo as director. Fr. Caluag is a Trustee of the Ateneo de Manila University since 1998 and of the Ateneo Scholarship Foundation since 2001. He is also currently the Vice President for Development and Alumni Relations of the Ateneo de Manila University. He was the Principal from 1995 to 1998 of the Ateneo de Manila High School. He was a consultant of the Pioneer Insurance Group of companies. He was a Trustee of Ateneo de Naga, Xavier School and Ateneo de Zamboanga, as well as various social and civic organizations. He is a member of the Society of Jesus, being ordained in April 17, 1993. He graduated from Ateneo de Manila University in 1980 and received a M.A. Candidate in Theology from the Loyola School of Theology and a M.S. Educational Administration from Fordham University in 1994. He is finishing a Doctoral Program in Leadership Studies ate the Gonzaga University.

Independent Directors of the Board

The Company's Independent Directors, Mr. Cesar B. Bautista, and Fr. Carmelo A. Caluag II, S.J. have one (1) share of the stock of the Company in their respective names, are both college graduates and possess integrity, probity and assiduousness. They are persons who, apart from their fees as directors of the Company, are independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities as directors of the Company. Specifically, Mr. Bautista and Fr. Caluag: (i) are not directors or officers or substantial stockholders of the Company or its related companies or any of its substantial shareholders (other than as independent directors of any of the foregoing); (ii) are not relatives of any director, officer or substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iii) are not acting as nominees or representatives of a substantial shareholder of the Company, or any of its related companies or any of its substantial shareholders; (iv) have not been employed in any executive capacity by the Company, or any of its related companies or by any of its substantial shareholders within the last five (5) years; (v) are not retained as professional advisers by the Company, any of its related companies or any of its substantial shareholders within the last five (5) years, either personally or through their firms; and (vi) have not engaged and do not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by themselves or with other persons or through a firm of which they are partners or companies of which they are directors or substantial shareholders, other than transactions which are conducted at arms length and are immaterial; and (vii) do not own more than two percent of the shares of the Company and/or its related companies or any of its substantial shareholders. Mr. Bautista and Fr. Caluag do not possess any of the disqualifications enumerated under Section II (5) of the Code of Corporate Governance and Section II (D) of SEC Memorandum Circular No. 16, Series of 2002.

Executive / Corporate Officers

Maria Rosario Santos-Concio, Filipino, age 50
Executive Vice-President
Also known as an actress and producer, Ms. Santos-Concio, as the Company's Executive Vice President and Entertainment Group Head, is in charge of all Entertainment content in the television shows of the Company and its subsidiaries, as well as the films of Star Cinema/ABS-CBN Film Productions, Inc., the Company's cinema production arm. Ms. Concio is also very visible in the Company as host of the network's longest-running drama anthology ***Maalaala Mo Kaya.***

Ms. Santos-Concio began her career with the Company as a Television Production Consultant in 1987, which she joined after working as a line producer for BanCom, Audiovision, Vanguard Films, Regal Films and Vision Exponents. She also worked as a Film Production Manager for the Experimental Cinema of the Philippines. Ms. Santos-Concio was hailed as Best Actress in the 1978 Asian Film Festival for her work in *Itim*, and is the recipient of many cinema and broadcast industry-related awards over the years. Ms. Santos-Concio graduated Cum Laude from St. Paul's College in Manila with a Communications Arts degree.

Nicanor C. Gabunada, Jr., Filipino, age 46
Senior Vice-President
Nicanor C. Gabunada, Jr., Senior Vice President for Integrated Sales and Marketing Division of the Company, is armed with a Bachelor of Science degree in Management Engineering. This valedictorian from the Ateneo de Davao University, earned his masters Degree in Industrial Economics from the Center for Research and Communication, (University of Asia & the Pacific). His various posts prior to his position in this division include VP for Research and Business Analysis (ABS-CBN), Program/PR Director for the Drug Association of the Philippines, Economist/Consultant to the University of Asia and the Pacific and various companies, and General Manager for the Pulse Research Group.

Under his leadership, the Company's Integrated Sales & Marketing evolved into cross-platform teams that provide clients with a basket of media values not only from Channel 2, but from other platforms as well – radio, UHF channel, cable, regional TV/radio, SMS. This seamless structure has resulted in advertising opportunities that provide the most impactful campaigns via traditional and unconventional media vehicles to maximize the "bloom" in advertising campaigns and to deliver a range of unique branding experiences of the consumer with different types of media platforms.

Ruben R. Jimenez, Filipino, age 53
Senior Vice-President
Mr. Jimenez was appointed Senior Vice-President of the Engineering Division in October 2000. He joined the Company as Managing Director of Video Post in 1987. As the group grew to include Audio-Post, Pre-Post, Cinevideo and Star Film Laboratories, he played a key role in forging the merger of these companies into RoadRunner Network Inc. and became its Chief Operating Officer from 1995 to the present. Mr. Jimenez graduated with a Bachelor of Arts degree in Sociology from the University of the Philippines. He has earned units in Master of Business Administration from the Ateneo de Manila University School of Business.

Juan L. Manahan, Filipino, aged 58
Senior Vice President
Mr. Manahan is currently the Senior Vice President for Talent Development and Management where for more than a decade he has spearheaded the highly successful artist search, development and management engine of the company. He was tapped by Mr. Federico M. Garcia in 1986 to help re-launch the Company and has been instrumental in developing all types of shows for the network. Mr. Manahan graduated from the University of California at Berkeley in 1969 with an Art History Degree and has been a freelance television director for 20 years. His artistic eye and vision for the phenomenal has given rise to the biggest and brightest stars in the entertainment industry. He is also the network's most respected director having been in the forefront of the Company's top-rating shows and TV specials.

Jose Ramon D. Olives, Filipino, age 42
Senior Vice-President
Mr. Olives is Senior Vice-President for Business Development and Special Projects and holds a concurrent position of Senior Vice-President for Media Asset Management. Prior to his transfer to Business Development, he held the position of Senior Vice-President for the International Division, overseeing the operations of The Filipino Channel, the premier cable channel of the Company, in North America, Middle

East, Japan and Australia. He is concurrently the Chief of Staff for the Office of the Chairman and the Office of the President. Mr. Olives joined the Company in 1987 as an assistant to the Administrative Director. He is also a board member of Sky Vision Corporation and sits on the executive committee of Beyond Cable, Inc. He has a Bachelor of Arts degree in Communication Research, magna cum laude, from the University of the Philippines.

Ma. Socorro V. Vidanes, Filipino, aged 43
Senior Vice-President
Ms. Vidanes is the Senior Vice-President for Television and over-all in-charge of TV Production & Programming and has held this position since May 1, 2001. Ms. Vidanes has been with the Company since 1986, starting as an Associate Producer. She has been involved in the production of all types of programs - talk shows, variety, reality, new genre, comedy and drama. Ms. Vidanes obtained her degree of Bachelor of Arts in Communication Arts from the Ateneo de Manila University.

Rafael L. Lopez, Filipino, aged 48
Senior Vice President
Mr. Lopez assumed the position of Senior Vice President and Chief Operations Officer of ABS-CBN Global Limited in July 2004. He concurrently serves as the Managing Director of ABS-CBN International in North America and has held this position since July 1998. He started as the Information Technology Head of ABS-CBN International in North America in 1994. Prior to this he spent 12 years working as a systems analyst for Bell Atlantic. He graduated from the San Francisco State University with a Bachelor of Arts degree in Music. He also obtained a degree in computer programming from Control Data Institute and completed the Stanford Business Executive Program for Executives in August 2002.

Ma. Lourdes N. Santos, Filipino, aged 45
Senior Vice-President & Managing Director of ABS-CBN Films
Ms. Santos holds more than two decades of experience in the local film industry having started as a production assistant for Vanguard Films in 1982. She went on to become head of the movie division of Gryk Ortaleza, Inc., an entertainment company, then a line producer for Regal Films in 1986 and the general manager of Vision Films in 1989. She joined the company as executive producer for its drama programs. In 1995, she became the Managing Director of Star Cinema Productions, Inc. Concurrent with her current position as ABS-CBN Films' managing director, Ms. Santos was appointed Senior Vice-President of the Drama Division for the Company's Entertainment Group in 2003. Ms. Santos graduated cum laude in B.S. Hotel and Restaurant Management at the University of Santo Tomas.

Randolph T. Estrellado, Filipino, age 40
Vice-President and Chief Financial Officer
Mr. Estrellado has been with the Lopez Group of Companies since 1996, starting as Assistant Vice-President for Treasury of International Communications Corporation, and later as Assistant Vice-President for Finance of its holding company, Benpres Holdings Corporation. He joined the Company as Assistant Vice-President for Finance in 1998 and was promoted to his current position in 2000. Mr. Estrellado obtained his Masters Degree in Business Administration from Harvard Business School in 1991. He obtained his degree of Bachelor of Science in Business Management, Honors Program, from Ateneo de Manila, graduating cum laude in 1986.

Other members of the Company's senior management team as of 31 January 2005 are as follows:

Leonardo P. Katigbak	Vice President
Evelyn D. Raymundo	Vice President
Joaquin Enrico C. Santos	Vice President
Rodrigo V. Carandang	Vice President
Danilo V. Morales	Vice President
Johnny C. Sy	Vice President & CIO
Ma. Carminda M. De Leon	Vice President

Rolando P. Valdueza	Vice President
Mercedes L. Vargas	Vice President
Joanna G. Santos	Vice President
Ma. Lourdes Lilia K. Espinosa	Vice President
Roldeo Theodore T. Endrinal	Vice President
Laurenti M. Dyogi	Vice President
Roberto G. Labayen	Vice President
Ma. Yolanda R. Alberto	Vice President
Raul Pedro G. Bulaong	Vice President
Jesus J. Maderazo	Vice President
Luchi Cruz-Valdez	Vice President
Peter S. Musngi	Vice President
Orlando G. Galang	Vice President
David R. Dominguez	Vice President
Alden Alfonso M. Castañeda	Vice President
Vivian Y. Tin	Vice President
Mario Carlo P. Nepomuceno	Vice President
Philip Lamberto L. Berba	Vice President
Andrefanio D. Santos	Vice President
Alfredo P. Bernardo	Vice President
Olivia M. Lamasan	Vice President, ABS-CBN Film Prod'n
Ernesto L. Lopez	President, ABS-CBN Publishing, Inc.
Thelma S. San Juan	General Manager, ABS-CBN Publishing, Inc.
Carlo L. Katigbak	Managing Director, ABS-CBN Interactive, Inc.
Rafael L. Lopez	Senior Vice President, ABS-CBN Global Ltd.
Zenon D. Carlos	Managing Director, ABS-CBN Telecoms
Wilhelm O. Ick	Managing Director, ABS-CBN Australia
Rafael O. Jison	Managing Director, ABS-CBN Middle East
Jose C. Nolan	Managing Director, ABS-CBN Europe
Candido Q. Santico, Jr.	Managing Director, ABS-CBN Global Money
Olivia Finina G. de Jesus	Managing Director, Creative Programs Inc.
Arnedo C. Lucas	Managing Director, RNI–Radio, TV, Film
Eric John Hawthorne	Managing Director, RNI–Film Laboratory
Leonardo P. Katigbak	Managing Director, Sky Films, Inc.
Enrico C. Santos	Managing Director, Star Recording, Inc.
Annabelle M. Regalado	Managing Director, Star Songs, Inc.
Myrna D. Segismundo	Managing Director, TV Food Chefs, Inc.
Regina Paz L. Lopez	Managing Director, ABS-CBN Foundation, Inc.
Reno R. Rayel	Executive Director, Bayan Foundation, Inc.

Significant Employees

The company considers it entire work force as significant employees. Everyone is expected to work together as a team to achieve the company's goals and objectives.

Family Relationships

Mr. Oscar M. Lopez is the brother of Mr. Manuel M. Lopez and Mrs. Presentacion L. Psinakis. He is the uncle of Mr. Eugenio L. Lopez III, Mr. Rafael L. Lopez and Mr. Manuel L. Lopez Jr., and the father of Federico R. Lopez. Mr. Eugenio L. Lopez III and Mr. Rafael L. Lopez are brothers.

Involvement of Directors and Officers in Certain Legal Proceedings

For the past five years, the Company is not aware of any bankruptcy proceedings filed by or against any business of which a director, person nominated to become a director, executive officer, or control person of the Company is a party of which any of their property is subject.

For the past five years, the Company is not aware of any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, of any of its director, person nominated to become a director, executive officer, or control person.

For the past five years, the Company is not aware of any order, judgment, or decree not subsequently reversed, superseded, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of a director, person nominated to become a director, executive officer, or control person of the Company in any type of business, securities, commodities, or banking activities.

For the past five years, the Company is not aware of any findings by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self regulatory organization, that any of its director, person nominated to become a director, executive officer, or control person has violated a securities or commodities law.

Item 10. Executive Compensation

Information as to the aggregate compensation paid or accrued during the last two fiscal years and to be paid in the ensuing fiscal year to the Company's chief and five other most highly compensated executive officers follow:

SUMMARY COMPENSATION TABLE Annual Compensation				
Name	Year	Salary (P)	Bonus (P)	Other Annual Compensation
Chief executive and	2005E	63,779,628	0	
most highly compensated	2004	60,169,460	15,042,365	0
executive officers:	2003	58,291,271	16,613,645	0
Luis F. Alejandro				
Ma. Rosario N. Santos-Concio				
Roldeo Theodore T. Endrinal				
Nicanor C. Gabunada, Jr.				
Joaquin Enrico C. Santos				
All managers and up	2005E	702,369,861	0	0
as a group unnamed	2004	662,613,077	161,534,641	0
	2003	417,549,772	106,287,196	0

The directors each receive per diems amounting to Php5,000.00 for every attendance to board meetings. There are no other arrangements for compensation either by way of payments for committee participation or consulting contracts.

There are currently no existing employment contracts with executive officers. There are no arrangements for compensation or payment to be received from the Company in the event of a resignation, retirement or termination of the executive officer's employment or a change in control of the Company. There are no outstanding warrants or stock options held by the Company's executives.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Records and Beneficial Owners as of March 31, 2005:

Title Of class	Name and Address of Beneficial Owner	Citizenship	Record / Beneficial	No. of Shares Held	Per cent Held
Common	Lopez, Inc. 5/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Filipino	Record	446,231,607	57.2%
Common	ABS-CBN Holdings Corp. 4/F Benpres Bldg, Exchange Road cor Meralco Ave., Pasig City	Filipino	Beneficial	270,194,800	34.7%

Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the families of Eugenio Lopez, Jr., Oscar M. Lopez, Presentacion L. Psinakis and Manuel M. Lopez. It has issued convertible notes covering the shares in the Company registered and beneficially owned by it in favor of Benpres Holdings Corporation.

The Board of Directors of Lopez, Inc. has the power to decide how Lopez Inc.'s shares in ABS-CBN Broadcasting Corp. are to be voted.

ABS-CBN Holdings Corporation is owned 50% by Lopez, Inc. and 50% by Oscar M. Lopez, Manuel M. Lopez, Presentacion L. Psinakis, Eugenio Lopez III and Rommel S. Duran. The shares in the Company registered and beneficially owned by it are covered by Philippine Deposit Receipts (PDR) which gives the holder thereof the right to delivery or sale of the underlying share. The PDRs are listed with the Philippine Stock Exchange.

The Board of Directors of ABS-CBN Holdings Corporation has the power to decide how ABS-CBN Holdings Corporation's shares in ABS-CBN Broadcasting Corp. are to be voted.

Security Ownership of Management as of March 31, 2005:

As of March 31, 2005, the Company's directors and senior officers owned an aggregate of 1,593,167 shares of the Company, equivalent to 0.2044% of the Company's total issued and outstanding capital stock.

Title of Class	**Stockholder Name**	**Position**	**Record / Beneficial**	**Citizenship**	**No. of Shares Held**	**Percent Held**
Common	Eugenio Lopez III	Chairman & CEO	Record	Filipino	578,190	0.0742%
Common	Augusto Almeda-Lopez	Vice-Chairman	Record	Filipino	191,009	0.0245%
Common	Luis F. Alejandro	President & COO	Record	Filipino	1	0.0000%

Common	Oscar M. Lopez	Director	Record	Filipino	1	0.0000%
Common	Manuel M. Lopez	Director	Record	Filipino	61,620	0.0079%
Common	Presentacion L. Psinakis	Director	Record	Filipino	144,201	0.0185%
Common	Federico R. Lopez	Director	Record	Filipino	3	0.0000%
Common	Manuel L. Lopez, Jr.	Director	Record	Filipino	1	0.0000%
Common	Peter D. Garrucho, Jr.	Director	Record	Filipino	1	0.0000%
Common	Roberto F. de Ocampo	Director	Record	Filipino	1	0.0000%
Common	Cesar B. Bautista	Director	Record	Filipino	4,320	0.0000%
Common						
Common	Leonardo P. Katigbak	VP & MD, Studio 23, Inc.	Record	Filipino	58,204	0.0075%
Common	Nicanor C. Gabunada, Jr.	Senior Vice President	Record	Filipino	55,053	0.0071%
Common	Jose Ramon D. Olives	Senior Vice President	Record	Filipino	47,109	0.0060%
Common	Evelyn D. Raymundo	Vice President	Record	Filipino	41,076	0.0053%
Common	David R. Dominguez	Vice President	Record	Filipino	40,138	0.0051%
Common	Joaquin Enrico C. Santos	Vice President	Record	Filipino	40,000	0.0051%
Common	Mario Carlo P. Nepomuceno	Vice President	Record	Filipino	35,351	0.0045%
Common	Orlando G. Galang	Vice President	Record	Filipino	31,044	0.0040%
Common	Rodrigo V. Carandang	Vice President	Record	Filipino	30,000	0.0038%
Common	Olivia M. Lamasan	Vice President	Record	Filipino	25,060	0.0032%
Common	Regina Paz L. Lopez	MD, ABS-CBN Foundation, Inc.	Record	Filipino	22,905	0.0029%
Common	Ernesto L. Lopez	President, ABS-CBN Publishing, Inc.	Record	Filipino	21,653	0.0028%
Common	Randolph T. Estrellado	Vice President	Record	Filipino	20,450	0.0026%
Common	Danilo V. Morales	Vice President	Record	Filipino	20,000	0.0026%
Common	Olivia Finina G. De Jesus	MD, Creative Programs, Inc.	Record	Filipino	20,000	0.0026%
Common	Johnny C. Sy	Vice President	Record	Filipino	17,987	0.0023%
Common	Ma. Carminda M. De Leon	Vice President	Record	Filipino	17,850	0.0023%
Common	Ruben R. Jimenez	Senior Vice President	Record	Filipino	17,500	0.0022%
Common	Thelma Sioson-San Juan	GM, ABS-CBN Publishing, Inc.	Record	Filipino	12,162	0.0016%
Common	Rolando P. Valdueza	Vice President	Record	Filipino	11,800	0.0015%
Common	Ma. Socorro V. Vidanes	Senior Vice President	Record	Filipino	10,000	0.0013%
Common	Mercedes L. Vargas	Vice President	Record	Filipino	10,000	0.0013%
Common	Carmenciat A. Guerrero	Vice President	Record	Filipino	4,000	0.0005%
Common	Ma. Yolanda R. Alberto	Vice President	Record	Filipino	2,778	0.0004%
Common	Jose C. Nolan	MD, ABS-CBN Europe, Ltd.	Record	Filipino	1,684	0.0002%
Common	Raul Pedro G. Bulaong	Vice President	Record	Filipino	15	0.0000%
	Security Ownership of all Directors and Officers				**1,593,167**	**0.2044%**

Changes in Control

There have not been any arrangements that have resulted in a change in control of the Company during the period covered by this report. The Company is not aware of the existence of any voting trust arrangement among the shareholders.

Item 12. Certain Relationships and Related Transactions

Relationships and Related Transactions

There had been no material transactions during the past two years, nor is any material transaction presently proposed, to which the Company was or is to be a party in which any director, executive officer of the Company, or security holder of more than 10% of the Company's voting securities, any relative or spouse of any such director or executive officer or owner of more than 10% of the Company's voting securities had or is to have direct or indirect material interest.

Parent Company

Lopez, Inc. is the registered owner of 57.24% of the voting stock of the Company as of February 29, 2004. Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the families of Eugenio Lopez, Jr., Oscar M. Lopez, Presentacion L. Psinakis and Manuel M. Lopez. It has issued convertible notes covering the shares in the Company registered and beneficially owned by it in favor of Benpres Holdings Corporation.

Resignation of Directors

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of the Company because of a disagreement with the Company on matters relating to the Company's operations, policies and practices.

PART IV - CORPORATE GOVERNANCE

Item 13. Corporate Governance

The evaluation system established by the company to measure or determine the level of compliance of the Board of Directors and top-level management can be found in Section 2 (Duties and Responsibilities of the Board), Section 3 (Nominations and Qualifications of the Board), and Section 13 (Monitoring and Assessment) of its Manual of Corporate Governance (the "Manual") filed with the Commission on September 2, 2002.

The Company's efforts to fully comply with the adopted leading practices on good corporate governance are as follows: (1) It has formed its Audit Committee and has elected its compliance officer, Mr. Alfredo P. Bernardo, whose duties and responsibilities ensure continuous improvement towards full compliance and; (2) It has also created policies regarding Penalties for Non-Compliance with the Manual. The scope of these efforts can be found in Section 1 (Compliance Officer), Section 5 (Audit Committee), and Section 14 (Penalties for Non-Compliance with the Manual) of the Company's Manual.

Based on the certification of compliance with the Company's Manual filed with the Commission on February 23, 2005, there have been no deviations from the Company's Manual in the past year.

Furthermore, the Company's Manual calls for the continuous assessment and evaluation of the Company's corporate governance policies and procedures. Currently, the Company does not see a need for further improvement in its corporate governance policies.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

For the past six months, the Company has filed the following SEC Form 17-C reports and financial statements:

Subject of 17-C	Date Filed
Item 9: Other Events – Preliminary Financial Results distributed in Investors Briefing	March 31, 2005
Item 9: Other Events – Postponement & rescheduling of Stockholders Meeting	March 18, 2005
Item 9: Other Events – Notice of Stockholders Meeting	February 11, 2005

Financial Statements	Date Filed
3Q2004 17-Q	November 16, 2004

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 ________________________on__________, 2005.

By:

EUGENIO L. LOPEZ III Chairman & CEO	RANDOLPH T. ESTRELLADO Vice President & CFO/Comptroller
LUIS F. ALEJANDRO President & COO	MANUEL L.M. TORRES Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2005 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAME	RES.CERT.NO.	DATE OF ISSUE	PLACE OF ISSUE
EUGENIO L. LOPEZ III	15657943	January 6, 2005	Quezon City
LUIS F. ALEJANDRO	15695987	January 11, 2005	Quezon City
RANDOLPH T. ESTRELLADO	15718904	January 11, 2005	Quezon City
MANUEL L.M. TORRES	16167814	January 19, 2005	Pasig City

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Book No. ______________
Series of ______________

ANNEX A
Management Discussion and Analysis of Financial Condition and Results of Operations for 2004

REVENUES

ABS-CBN Broadcasting Corp.'s (ABS-CBN) total revenues, consisting of gross airtime, other broadcast related revenues and net sales and services, increased 7% to P15,560 million in 2004, driven primarily by robust revenue growth in net sales and services.

Airtime Revenues and Other Broadcasting Revenues

Consolidated gross airtime and other broadcasting related revenues reached P11,310 million in 2004, up slightly by 2% from the previous year.

	Consolidated			
Gross Revenues			**Variance**	
Amounts in million pesos	**2004**	**2003**	**Php**	**%**
Airtime revenues	11,086	10,858	228	2%
Other broadcasting related	224	206	18	8%
Total	**11,310**	**11,064**	**246**	**2%**

Parent airtime revenues, which consists of advertising revenues from TV-VHF (Channel 2), AM and FM radio, and the regional network, increased by 2% to Php10,134 million in 2004. Airtime revenues from Channel 2, which make up 93% of parent airtime revenues, grew by a similarly subdued 2% as commercial loading remained at 50% with the drop in Mega Manila ratings to 38% from 41% last year.

Airtime revenues from subsidiaries recorded a 6% year-on-year (YoY) growth to Php952 million with all platforms registering growth in 2004. Studio 23's airtime revenues increased by 4% to Php612 million during the year as its commercial loading improved to 10% from 9% in 2003. Other platforms consisting of airtime revenues of ABS-CBN Global, ABS-CBN News Channel and cable channels of Creative Programs Inc. likewise recorded revenue growth of 10% driven primarily by volume growth.

	Consolidated			
Airtime Revenues			**Variance**	
Amounts in million pesos	**2004**	**2003**	**Php**	**%**
Parent*	10,134	9,960	174	2%
Studio 23	612	588	24	4%
Other Platforms	340	310	30	10%
Total Airtime	**11,086**	**10,858**	**228**	**2%**

**Net of eliminated airtime revenues from intercompany transactions*

Other broadcasting related revenues, consisting mainly of SMS or text-based revenue, amounted to Php224 million, 8% higher than last year. The growth in SMS revenues arose from the popularity of ring tone downloads connected with cable music channel Myx as well as from program promos such voting for a favorite contestant in *Star Circle Quest* or a desired ending in the soap opera *Sana'y Wala Nang Wakas*.

Deductions as a ratio to airtime revenues and other broadcast related revenues remained at 18% in 2004, the same level as in 2003. Thus, consolidated net airtime and other broadcasting related revenues increased by a similar 2% to Php9,265 million.

__Net Sales and Services__

In contrast, net sales and services, which include subscription fees, sale of inventories, and non-broadcast related revenues, grew double digit by 21% to Php4,310 million in 2004.

Net Sales and Services			**Variance**	
Amounts in million pesos	**2004**	**2003**	**Php**	**%**
ABS-CBN Global	3,048	2,371	677	29%
ABS-CBN Film Productions, Inc.	390	295	95	32%
Creative Programs, Inc.	239	241	(2)	-1%
Other Subsidiaries	633	650	(17)	-3%
Total Net Sales and Services	**4,310**	**3,557**	**753**	**21%**

ABS-CBN Global continued to be the biggest contributor to net sales and services with its net revenues accounting for 71% of total net sales and services. ABS-CBN Global's net sales and services increased by a vigorous 29% to Php3,048 million from the year ago. Bulk of ABS-CBN Global's revenues came from subscription revenues of its cable and direct-to-home service with an estimated viewership base of 1.6 million worldwide by end 2004, up 22% from a year ago. To reach even more viewers, ABS-CBN Global launched its own DTH service in Australia last June 2004 where ABS-CBN's channels were previously distributed by a third party DTH provider.

ABS-CBN Films, contributing 9% to total net sales and services, registered a 33% growth YoY to Php390 million as, under the trade name Star Cinema, it produced several blockbuster movies in 2004. Top gross earning movies in 2004 include romance-drama films *Milan* and *All My Life*, and suspense-horror film *Feng Shui*. Aside from box office receipts, ABS-CBN Films also generated revenues from its share of video sales of its movies.

The healthy growth of net sales and services lifted consolidated net revenues by 7% to Php13,575 million from Php12,641 million in 2003.

EXPENSES

Meanwhile, consolidated cost and operating expenses reached Php12,049 million, increasing by 16% from last year due primarily to cash operating expenses.

Cash operating expenses, consisting of production cost, general and administrative expenses and cost of sales and services, increased by 19% to Php9,766 million driven largely by the growth in production cost and cost of sales and services.

Cash Operating Expenses			**Variance**	
Amounts in million pesos	**2004**	**2003**	**Php**	**%**
Production cost	4,161	3,501	660	19%
General and administrative	3,397	2,923	474	16%
Cost of sales	2,209	1,817	392	22%
Total Cash Operating Expenses	**9,767**	**8,241**	**1,526**	**19%**

Production cost, still the biggest cost item accounting for 35% of total operating expenses, reached Php4,161 million, increasing by 19% from the prior year. The rise in production cost was primarily because of the growth in personnel expenses and talent fees due to an increase in station produced shows in place of canned programs. Specifically, local programs replaced the Spanish telenovelas and animation programs being aired in the afternoon timeslot. Growth of production cost was also a result of the higher cost involved in producing fantasy type soap operas such as *Marina* and *Krystala* due to the special effects required for this genre.

Production Cost			**Variance**	
Amounts in million pesos	**2004**	**2003**	**Php**	**%**
Personnel expenses and talent fees	2,525	2,094	431	21%
Facilities related expenses	716	652	64	10%
Other program expenses	920	755	165	22%
Total Production Cost	**4,161**	**3,501**	**660**	**19%**

Similarly, general and administrative expenses (gaex) grew double digit driven by higher personnel expenses and ABS-CBN Global's entry into new territories. The increase in personnel cost was due to higher headcount, salary increases, separation costs, and pay out of incentives for prior year's performance. In addition, ABS-CBN Global's start-up operations in Europe and Australia contributed to the growth of taxes and licenses and advertising and promotions.

General and admin expenses			**Variance**	
Amounts in million pesos	**2004**	**2003**	**Php**	**%**
Personnel expenses	1,644	1,375	269	20%
Facilities related expenses	408	369	39	10%
Contracted services	338	335	3	1%
Taxes and licenses	169	136	33	24%
Entertainment, amusement and recreation	128	111	17	15%
Provision for doubtful accounts	164	179	(15)	-8%
Advertising and promotions	95	17	78	459%
Other expenses	450	400	50	12%
Total GAEX	**3,397**	**2,923**	**474**	**16%**

Cost of sales and services, the cost related to the net sales and services of subsidiaries, reached Php2,209 million in 2004, growing at the same pace as net sales and services. Cost of sales as a percentage to net sales was maintained at 51% as the improvement in ABS-CBN Global's cost margin offset the increase in cost margins of the other subsidiaries.

Cost of Sales and Services			**Variance**	
Amounts in million pesos	**2004**	**2003**	**Php**	**%**
ABS-CBN Global	1,474	1,234	240	19%
ABS-CBN Films Prod'n	191	126	65	52%
Creative Programs, Inc.	61	71	(10)	-14%
Other Subsidiaries	483	386	97	25%
Total Cost of Sales and Services	**2,209**	**1,817**	**392**	**22%**

Non-cash operating expenses, consisting of depreciation and amortization, increased 6% YoY to Php2,283 million. The increase in non-cash operating expenses was due to an increase in amortization as depreciation expense decreased by 9% to Php1,146 million. Amortization grew by 28% to Php1,137 million as ABS-CBN adopted a more aggressive amortization policy particularly given the reduced number of movie nights in the program grid. Beginning 2004, the company opted to amortize the entire cost of film or program package once the primary film or program is aired. Typically, films or programs are sold as a package where strong titles are bundled with weaker titles.

INCOME FROM OPERATIONS

Consequently, income from operations stood at Php1,526 million in 2004, down by 32% from 2003 as operating expenses growth overtook total revenue growth. As a result of lower operating income in 2004, operating income margin was down to 11% from 18% in the previous year.

OTHER EXPENSES

Other expenses, net of other income, fell to Php483 million from Php584 million last year due to lower losses from equity in investee companies and higher miscellaneous income. Losses from equity in net earnings of investees were lower at Php47 million from Php115 million due to an improvement in Sky Vision Corporation's (Sky Vision) net income of which the company currently owns 10%.

Miscellaneous income, meanwhile, was up 60% to Php214 million primarily from higher space rental income which accounted for 36% of total miscellaneous income. These improvements in losses from equity in investees and in miscellaneous income offset the increase in net interest expense which grew 8% YoY to Php650 million due to higher debt level.

NET INCOME and EBITDA

Net income, therefore, amounted to Php758 million, 25% lower than the Php1,008 million in 2003. Resulting net income margin stood at 6% from 8% the previous year.

EBITDA, or earnings before interest, taxes, depreciation and amortization, correspondingly declined by 10% to Php3,976 million in 2004 with EBITDA margin at 29% from 35% the prior year.

BALANCE SHEET ACCOUNTS

ABS-CBN ended the year with consolidated assets of Php23,652 million, 6% higher compared to the previous year. The increase can largely be attributed to an additional investment of US$30 million in Sky Vision in the form of a convertible note (classified as noncurrent receivable from Sky Vision in the balance sheet). This convertible note carries a 13% per cent interest per annum and will mature on June 30, 2006.

Consolidated net trade receivables increased by 3% to Php3,414 million, translating to an average DSO of 91 days, an improvement from the 93 days DSO level in 2003. Parent net trade receivables, on the other hand, decreased by 9% to Php1,865 million, which translated to an average DSO of 86 days, also an improvement from the reported DSO level of 90 days in 2003.

Long-term debt amounted to Php5,969 million while short term debt stood at Php467 million. In June 2004, the company signed a US$120 million senior credit agreement with several local and foreign banks, proceeds of which were used to pay down all existing loans of the company and used for additional investment in Beyond Cable. The foreign exchange exposure of the principal amount is fully hedged hence the company will not be exposed to foreign exchange risk other than on the interest. Factoring in ABS-CBN's cash position of Php1,292 million, net debt to equity stood at 39%. In 2004, capital expenditure and program rights acquisition in 2004 amounted to Php1,240 million, slightly higher than last year's Php1,201 million.

Causes for any material changes in the Balance Sheet (increase or decrease of 5% or more in the financial statements & other material movements / changes)

- Cash and cash equivalents decreased by 18% to Php1,292 million from end-2003 due to higher operating expenses compared to revenues.

- Other current assets increased by 24% YoY to P629 million due primarily to production expenses of yet to be aired episodes of the Company's programs.

- Investments and advances decreased by 30% to P240 million from end-2003 with the payment of advances made to subsidiaries.

- Program rights-non current decreased by 14% to P804 million from end-2003 as the acquisition of film and program rights remained relatively unchanged from the year ago.

- Other assets increased by 11% to P3,343 million from end-2003 due mainly to the deferred costs of the senior credit agreement signed in June 2004.

- Bank loans increased by 112% to P467 million from end-2003 levels as the Company borrowed in order to meet its funding requirements prior to the full draw down of the US$120 million loan.

- Accounts payable and accrued expenses increased by 18% to P2,873 million from end-2003 due to an increase in payables to suppliers.

- Income tax payable decreased by 89% to P14 million from end-2003 due to lower profitability of the Company.

- Current portion of long-term debt decreased by 62% to P807 million from end-2003 with the new principal amortization on the five-year US$120 million syndicated loan.

- Obligations under capital lease increased by 19% to P66 million due mainly to leases of company vehicles.

- Long-term debt (net of current portion) increased by 49% to P5,163 million with the signing and partial drawdown of the US$120 million syndicated loan in June 2004.

- The change in due from and due to affiliated companies is the result of the ordinary course of business of the Company.

- The change in obligations for program rights-non current is due to new program rights acquisition in 2004.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR 2003

In 2003, ABS-CBN Broadcasting Corporation (ABS-CBN), reaped the benefits of an improved economic environment, coupled with a stronger and leaner organization focused on its core operations. As a result, ABS-CBN delivered double-digit revenue, earnings, and cash flow growth, despite a more competitive business environment.

Furthermore, ABS-CBN's efforts to focus on complementary businesses also bore fruit as this improved performance can be seen not only in the principal business of broadcasting, but in the remaining allied businesses of cable and satellite programming, motion picture production, and other content generation and distribution businesses.

Airtime Revenues and Other Broadcasting Related Revenues

Consolidated gross airtime and other broadcasting related revenues increased by 12% to Php11,064 million in 2003 from Php9,914 million in 2002 with growth primarily coming from airtime revenues.

	Parent Company				Consolidated			
Gross Revenues			Variance				Variance	
Amounts in Php mln	**2003**	**2002**	**Php**	**%**	**2003**	**2002**	**Php**	**%**
Airtime revenues	10,021*	8,752	1,269	14%	10,858	9,519	1,339	14%
Other broadcasting related	72	251	(180)	- 72%	206	395	(188)	- 48%
Total	**10,092**	**9,003**	**1,089**	**12%**	**11,064**	**9,914**	**1,150**	**12%**

**Before elimination from intercompany transactions*

Consolidated airtime revenues increased by 14%, or Php1,339 million, to Php10,858 million on the back of the strong growth in advertising minutes, as the recovery in advertising spending in the second half of 2002 was sustained in 2003 amidst an improved economic outlook and stable consumer spending.

Parent airtime revenues, which consists of advertising revenues from TV-VHF (Channel 2), AM and FM radio, and the regional network, increased by 14% to Php9,960 million from Php8,752 million in 2002. Airtime revenues from Channel 2 alone, which accounts for 93% of parent airtime revenues, grew by 15% as its commercial loading improved to 50% from 42% the previous year.

Airtime revenues from subsidiaries increased by 17% to Php898 million with all platforms registering growth in 2003. Studio 23's airtime revenues, which accounts for 5% of consolidated airtime revenues, increased by 15% to Php588 million in 2003 as its commercial loading also improved to 9% from 6%.

	Consolidated			
Airtime Revenues			Variance	
Amounts in Php mln	**2003**	**2002**	**Php**	**%**
Parent*	9,960	8,752	1,208	14%
Studio 23	588	511	77	15%
Other Platforms	310	256	53	21%
Total Airtime	**10,858**	**9,519**	**1,339**	**14%**

**Net of eliminated airtime revenues from intercompany transactions*

Other broadcasting related revenues, on the other hand, decreased by 48% to Php206 million in 2003 from Php395 million in 2002, due to a drop in SMS related revenues. In the first quarter of 2003, the Philippine Amusement and Gaming Corp. (PAGCOR) raised concerns that television audience interaction via SMS represented a form of gambling. As a result of this, the Company temporarily limited further development and promotion of new SMS or text based products and services. However, by the second half of 2003, SMS revenues had picked up as new mobile services such as downloadable logos, picture messages, wallpapers and ring tones were launched in order to harvest the ancillary business from the various programs of the Company.

Deductions from airtime revenues increased by 8% to Php1,981 million from Php1,830 million in 2002. Deductions as a ratio to gross airtime revenues stood at 18% in 2003, lower than 2002 due to a slower increase in marketing expenses compared to gross airtime revenues.

As a result, consolidated net airtime and other broadcasting related revenues increased by 12% to Php9,084 million from Php8,084 million in 2002.

Net Sales and Services

Net sales and services, which include subscription fees, sale of inventories, and non-broadcast related revenues, increased by 29% to Php3,632 million in 2003 from Php2,825 million in 2002.

ABS-CBN Global's net sales and services, which accounted for 65% of total net sales and services, increased by 24% to Php2,371 million in 2003 from Php1,918 million in 2002. Bulk of ABS-CBN Global's revenues came from subscription revenues of its cable and direct-to-home service with an estimated viewership base of 1.3 million by end 2003, up 24% from a year ago. Of its total viewers, around 53% are located in North America. Furthermore, ABS-CBN Europe launched its services in December 2003.

Aside from a healthy growth in subscribers, revenues also benefited from a 15% increase in DTH fees to US$23 as a fourth TV channel was included in the channel line up of DTH subscribers. The growth in subscribers and the increase in DTH fees were partially offset, however, by lower installation revenues as the Company reduced its prices to increase subscriber penetration rates so as to saturate the market prior to the entry of competition.

ABS-CBN Film Productions, a 100% owned subsidiary, was established in the second quarter of 2003 to handle the Company's movie production and distribution business. This contributed Php337 million or 9% to total net sales and services. Under the trade name Star Cinema, it released several blockbuster films in 2003 including *Tanging Ina (No Ordinary Mom)*, which achieved an unprecedented first in Philippine box office history with gross ticket sales of over Php178 million.

Creative Programs, Inc. (CPI) developer and producer of cable television channels, reported a 7% increase in net sales and services to Php241 million from Php225 million in the previous year. CPI benefited from the subscriber growth of ABS-CBN Global as Cinema One, the movie channel of CPI, is included in the channel line up of ABS-CBN Global.

Wider circulation of ABS-CBN Publishing's magazines as well as increased sales from Star Records also contributed to the growth in total net sales and services.

Net Sales and Services Amounts in Php mln	2003	2002	Variance Php	 %
ABS-CBN Global	2,371	1,918	453	24%
ABS-CBN Film Productions	337	0	337	100%
Creative Programs, Inc.	241	225	17	7%
ABS-CBN Publishing	178	174	4	2%
Star Records	176	165	12	7%
Other Subsidiaries	329	344	(15)	-4%
Total Net Sales and Services	**3,632**	**2,825**	**807**	**29%**

With strong growth of airtime revenues and net sales and services, consolidated net revenues increased by 17% to Php12,715 million from Php10,909 million in 2002.

Cost and Operating Expenses

Compared to net revenues, consolidated cost and operating expenses increased by a lower rate of 12% to Php10,401 million from Php9,276 million in 2002.

Cash operating expenses, consisting of production cost, cost of sales and services, and general and administrative expenses, increased by 17% to Php8,364 million driven primarily by the growth in cost of sales and services of subsidiaries.

Cash Operating Expenses Amounts in Php mln	2003	2002	Variance Php	 %
Production cost	3,501	3,083	417	14%
Cost of sales and services	1,817	1,481	335	23%
General and administrative	3,046	2,608	438	17%
Total Cash Operating Expenses	**8,364**	**7,173**	**1,191**	**17%**

Production cost, the biggest cost item accounting for 34% of total operating expenses, increased by 14% to Php3,501 million from Php3,083 million in 2002. The increase in production cost was mainly due to a 17% increase in personnel expenses and talent fees as the Company further aired more station produced programs in response to increased competition in free to air TV. For example, movie nights were reduced from thrice a week to twice a week in 2003 as the weekend programming was reformatted to air more station produced programs in lieu of Filipino movies. In addition, more special programs and events were produced and aired in 2003 as ABS-CBN celebrated its 50^{th} year in television.

Cost of sales and services increased by 23% to Php1,817 million from Php1,481 million in 2002. Nonetheless, the growth in cost of sales and services was lower than the increase in net sales and services, reflecting the improved cost efficiencies of the Company's major subsidiaries.

ABS-CBN Global's cost of sales, which accounted for 68% of total cost of sales, grew by 30% to Php1,234 million, slightly higher than the growth of its net sales and services. As mentioned earlier, as part of ABS-CBN Global's strategy to increase subscriber penetration rates, it reduced margins on the installation and sale of set-top boxes to its customers.

Cost of Sales and Services Amounts in Php mln	2003	2002	Variance Php	 %
ABS-CBN Global	1,234	948	286	30%
ABS-CBN Film Productions	126	0	126	100%
Creative Programs, Inc.	71	103	(32)	-31%
ABS-CBN Publishing	115	90	25	28%
Star Records	82	79	2	3%
Other Subsidiaries	188	260	(72)	-28%
Total Cost of Sales and Services	**1,817**	**1,481**	**335**	**23%**

General and administrative expenses (GAEX) increased by 17% to Php3,046 million from Php2,608 million in 2002. The increase in GAEX was partly due to start up expenses for ABS-CBN Europe (TFC3). Excluding the effect of start up expenses of ABS-CBN Europe, GAEX would have increased by 14% to Php2,991 million.

Personnel expenses, which accounts for 44% of total GAEX, increased by 20% to Php1,333 million from Php1,108 million as the Company paid out performance based incentives to its employees in line with improved operating results.

Non-cash operating expenses, depreciation and amortization of program rights, decreased by 3% to Php2,037 million in 2003 from Php2,103 million in 2002. The decline in non-cash operating expenses was due to the 13% decrease in depreciation expense to Php1,218 million from Php1,394 million as a result of minimal capital expenditure in 2003.

Amortization of program rights increased by 16% to Php819 million in 2003 from Php709 million in 2002. Parent company program rights amortization, which accounted for 59% of total amortization, increased by 16% to Php486 million as the Company aired newer and relatively more expensive cartoons and foreign programming, particularly Chinese and Korean dramas dubbed into Filipino such as the highly successful Taiwanese soap opera *Meteor Garden*.

Income from Operations

Income from operations increased by 42% to Php2,314 million in 2003 from Php1,632 million in 2002. With net revenues growing faster at 17% compared to operating expenses growing at 12%, operating margins improved to 18% in 2003 from 15% a year ago.

Other Income (Expenses)

Other expenses, net of other income, decreased by 16% to Php642 million from Php763 million due to lower interest expense and lower losses from equity in investee companies.

Interest charges, net of interest income, decreased by 12% to Php586 million from Php669 million the previous year due to lower interest rates in 2003 compared to 2002. The decline in losses from equity in investee companies was due to an improvement in Sky Vision's financial results of which the Company owns 10.2%.

Net Income and EBITDA

Net income before discontinuing operations amounted to Php1,011 million, which was 131% higher than the Php438 million in 2002. In 2003, losses from discontinued operations amounting to Php2 million was due to the sale of assets from the winding down of the various subsidiaries that were discontinued in the previous year.

Net income after discontinuing operations surged by more than 500% to Php1,009 million from Php166 million in 2002.

Meanwhile, EBITDA, which reflects the Company's cash generating abilities, increased by 18% to Php4,295 million in 2003 from Php3,642 million in 2002. Consequently, EBITDA margin improved to 34% from 33% in the previous year.

Assets

ABS-CBN ended 2003 with total consolidated assets of Php22,203 million, an increase of 2% or Php465 million from 2002. Cash and cash equivalents amounted to Php1,580 million due to the improvement in operations and management of working capital.

Total receivables–net increased by 11% to Php3,788 million which translated to an average days sales outstanding (DSO) of 90 days, an improvement from the 99 days DSO level in 2002. Similarly, consolidated trade receivables increased by 6% to Php3,555 million resulting in a reduction of average trade DSO to 86 days from 94 days in 2002. Parent trade receivables, which grew by 4% to Php2,155 million, had an average DSO of 76 days, improving by 13 days from the reported DSO level of 89-days in the prior year.

To account for the maturities within the next 12 months, current portion of long-term debt increased to Php2,116 million from Php484 million. Consequently, the movement from long-term debt to current portion resulted to a reduction in long-term debt to Php3,454 million from Php5,393 million. Net interest bearing debt in 2003 was down to Php4,210 million translating to a net debt-to-equity of 32% from 46% in 2002.

Free Cash Flow

Free cash flow, defined as cash from operating activities less cash used in investing activities, increased by 39% or Php583 million to Php2,065 million. The increase in free cash flow was driven by the Company's continuing efforts to drive revenue growth, to optimize operating efficiencies, and to closely manage capital spending.

Capital expenditure and program rights acquisition in 2003 amounted to Php1,558 million, Php105 million lower than 2002 spending of Php1,663 million. For 2004, the Company's capital expenditure is estimated to be at the same level as in 2003.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR 2002

In 2002, ABS-CBN Broadcasting Corporation (ABS-CBN) faced the trials of a continuing economic slowdown and a more competitive business environment and has emerged a transformed organization, better prepared to face the future's many changes and challenges.

2002 was indeed a difficult year for your Company. It began with a global slowdown in advertising spending, an aftermath of the World Trade Center tragedy that lingered until the first half of the year. It also saw ABS-CBN coping with the leading competitor's copycat strategy to gain market share that forced the Company to compete in new and more innovative ways, but at the price of driving up costs.

This combination naturally put pressure on your Company's operating margins. Faced with such a demanding environment in 2002, ABS-CBN chose to (a) focus on its core operations, (b) strengthen its balance sheet, and (c) increase its free cash flow. By year's end, ABS-CBN had successfully managed to accomplish all three objectives and has become a leaner, stronger, and more resilient organization.

Airtime Revenues and Other Broadcasting Related Revenues

Consolidated gross revenues from airtime and other broadcasting-related revenues reached Php9,914 million in 2002, relatively flat compared to the Php9,923 million achieved in the prior year but showing strong recovery, given the weakness at the start of the year.

Amounts in P'000	Parent Company			Consolidated		
	2002	2001	%	2002	2001	%
Gross Revenues						
Airtime Revenues	8,751,893	9,083,912	-3.7%	9,519,336	9,871,828	-3.6%
Other Broadcasting-related	251,453	38,879	546.8%	394,810	50,676	679.1%
TOTAL	9,003,346	9,122,791	-1.3%	9,914,146	9,922,504	-0.1%

Consolidated airtime revenues decreased 4%, or Php352 million, to Php9,519 million due to the absence of government and political advertising, which amounted to Php589 million in 2001. Beginning 2002, ABS-CBN stopped airing government advertisements that are paid via tax credits since the Company already had accumulated sufficient credits to cover its importation requirements. Excluding government and political advertising, commercial airtime revenues actually grew 3% year-on-year.

Parent company airtime revenues, which accounted for 92% of consolidated airtime revenues, declined 4% to Php8,752 million. Parent company airtime revenues constitute advertising revenues from TV-VHF (Channel 2), AM and FM radio, and the regional network. Excluding government and political advertising, parent company commercial revenues also grew 3%. Further, with commercial airtime minutes of Channel 2 down 3% for the year, the growth in commercial revenue reflected an effective rate increase of 6%.

Airtime revenues from other platforms decreased 3% to Php767 million due mainly to the decline registered by Studio 23, which accounted for 5% of total commercial airtime revenues. The drop in Studio 23 was in line with the weakening of most niche advertising platforms as advertisers concentrated on dominant mass-market advertising media.

Amounts in P'000	Parent Company			Consolidated		
Airtime Revenues	2002	2001	%	2002	2001	%
Parent Commercial Airtime	8,751,893	8,495,093	3.0%	8,751,893	8,495,093	3.0%
Government & Political Ad	-	588,819	100.0%	-	588,819	100.0%
Other Platforms	-	-	-	767,443	787,916	-2.6%
TOTAL	8,751,893	9,083,912	-3.7%	9,519,336	9,871,828	-3.6%

Other broadcasting-related revenues amounted to Php395 million, reflecting an eight-fold increase from Php51 million in 2001. Other broadcasting-related revenues are primarily revenues from short messaging system (SMS) or text-based revenues pioneered by ABS-CBN Interactive. Bulk of text-based revenues in 2002 was attributable to the Company's highly rated game show Game KNB?.

Consolidated net airtime revenues and other broadcasting-related services decreased 2% to Php8,084 million due to comparatively higher deductions to gross airtime revenues. Deductions as a ratio to gross airtime revenues went up to 19% from 17% in the prior year due to the absence of government and political advertising revenues, from which agency commissions and marketing expenses are generally not taken.

Net Sales & Services

Net sales and services posted a 37% growth to Php2,825 million from Php2,056 million in 2001 primarily due to the strong revenue growth of most of the subsidiaries.

Amounts in P'000	2002	2001	% Change
ABS Global	1,910,773	1,401,546	36.3%
Creative Programs, Inc.	224,635	129,661	73.2%
ABS-CBN Publishing	173,619	131,703	31.8%
RoadRunner Network	171,336	184,101	-6.9%
Star Records	164,718	121,105	36.0%
Other subsidiaries	179,849	87,627	105.2%
TOTAL NET SALES & SERVICES	2,824,930	2,055,743	37.4%

Due to the expansion of ABS-CBN's offshore businesses and to start the process of realizing the full value of its international operations, the Company spun-off its international subsidiaries into a separate holding company called ABS-CBN Global Ltd. in 2002. ABS-CBN Global is a wholly owned subsidiary of ABS-CBN and is now the parent company of ABS-CBN International-North America, ABS-CBN Middle East FZ-LLC, and E-Money Plus.

In 2002, ABS-CBN Global's revenues grew 36% to Php1,911 million and accounted for 68% of total net sales and services. Its cable and direct-to-home (DTH) subscribers grew 14% to 148,925 worldwide, of which 72% or 107,716 were subscribers of The Filipino Channel (TFC) in North America. The growth of ABS-CBN Global's revenues can also be traced to the consolidation of ABS-CBN Middle East, whose revenue in prior years was treated as pre-operating.

Creative Programs, Inc. (CPI) reported a 73% jump in net sales to Php225 million due to an increase in subscription fees as it expanded its coverage to the Home Cable system, in addition to its existing relationship with Sky Vision, Pilipino Cable, and other provincial cable operators.

ABS-CBN Publishing's revenues grew 32% to Php174 million as its circulation widened with flagship titles Metro, Guide, and Food. The successful launch of Pink magazine, the first local shopping magazine for teenagers, further boosted its sales.

Road Runner Network's revenues fell 7% to Php171 million as the increase in its TV commercial postproduction work was offset by a decline in revenues from feature films.

Star Records increased revenues by 36% to Php165 million boosted by the strong sales of its original soundtracks (OST), led by Got 2 Believe, the industry's best selling OST of the year.

Combining net airtime and other broadcasting-related revenues and net sales and services, consolidated net revenues in 2002 amounted to Php10,909 million, an increase of 6% from Php10,342 million in the previous year.

Income From Operations

Consolidated cash operating expenses (opex), which consists of production costs, cost of sales and services, and general and administrative expenses, grew 18% to Php7,173 million. Parent company cash operating expenses grew at a slightly slower pace at 12% to Php4,111 million.

Production costs, the Company's largest cost component, accounting for 43% of consolidated cash opex, increased 16% to Php3,083 million. Plans to curtail growth in production cost to within the increase in airtime revenue were hampered due to more intense competition. Thus, instead of increasing replay patterns, the Company increased the number of hours of original programming and spent on improving production values.

As a result, talent fees, which account for 38% of total production costs, grew 13% to Php1,172 million while facilities-related expenses, such as location rentals and other utilities, increased 15% to Php628 million.

Other program expenses grew 27% to Php671 million primarily due to prizes paid out for the Company's noontime variety show MTB and top rated game show Game KNB?.

General and administrative expenses (gaex) increased 12% to Php2,608 million. Parent company gaex grew 5% to Php1,152 million while subsidiaries gaex increased 18% to Php1,457 million.

The growth in consolidated gaex came primarily from new cost items amounting to Php90 million in 2002. These cost items include the cost of operating the new broadcast complex, ELJ Communication Center (ELJCC), and the payment of higher franchise taxes. Excluding these incremental items, growth of gaex was kept to a single-digit 8% growth from the prior year, reflecting the Companyis cost containment measures.

Cost of sales and services registered an increase of 35% to PhP1,481 million, roughly in line with the growth of net sales and services. ABS-CBN Global accounted for 64% of total cost of sales and services.

Amounts in P'000	2002	2001	% Change
ABS Global	943,806	720,079	31.1%
Creative Programs, Inc.	103,402	77,184	34.0%
ABS-CBN Publishing	90,262	76,371	18.2%
RoadRunner Network	117,934	99,524	18.5%
Star Records	79,475	44,631	78.1%
Other subsidiaries	146,492	83,212	76.0%
TOTAL COST OF SALES & SERVICES	1,481,371	1,101,002	34.5%

Consolidated non-cash operating expenses, composed of depreciation and amortization of program rights, increased 44% to Php2,103 million, with parent company comprising Php1,521 million, up 46% year-on-year.

The increase in depreciation expense by 47% to P1,394 million was propelled primarily by the full-year impact of the completion of ELJCC, which commenced operation in November of 2001.

Consolidated amortization of program rights increased 39% to Php709 million. Parent company amortization increased 44% to P420 million not only due to the competitive demand to show more first-run movies and canned programs, but also due to the write-off of rights to movies deemed no longer commercially viable for replay or re-airing. This write-off from the Parent company program inventory amounted to Php100 million.

Consolidated operating expenses, composed of both cash and non-cash items, grew 23% to Php9,276 million. Parent company operating expenses amounted to Php5,632 million, a growth rate of 19%, while subsidiary related operating expenses grew 29% to Php3,644 million.

As a result of expenses growing faster than revenues, income from operations declined 42% to Php1,632 million compared to the previous year.

Net Income & EBITDA

Ordinary deductions from operating income before income taxes increased 24% to Php763 million due to higher interest expense and higher losses from equity in investees, or companies where ABS-CBN holds less than majority ownership.

Net interest expense increased 6% to Php669 million. The growth in net interest expense was the result of higher interest rates particularly in the first nine months of the year, as well as the cessation of the capitalization of interest from long-term loans used to finance ELJCC. The finalization of the Exchangeable Notes Facility Agreement (ENFA) in September 2002 partially offset the impact of the initially higher interest rates, bringing down the Company's average interest rate from 11% to 9% in the last quarter of the year.

On the other hand, higher losses from equity in investee companies reflected the higher net loss from cable operator Sky Vision, where the Company holds a 10% stake.

With higher deductions from operating income, net income from continuing operations before income taxes declined 60% to Php870 million.

In line with the Company's decision to focus on its core businesses and conduct a rigid review of its subsidiaries, ABS-CBN decided to cease operations of several subsidiaries that were deemed not critical to the success of the main business. As a result, net income for the year includes a non-recurring charge of

Php272 million after taxes, reflecting losses from discontinued operations.

These non-recurring charges arose primarily from the write-off of investments and advances in the closure of the following subsidiaries, namely, ABS-CBN Consumer Products Inc., ABS-CBN Europe Societa Per Azioni, Cinemagica, Inc., Hong Kong Club Ltd., Shopping Network Inc., and PinoyAuctions.

Amounts in P'000	2002	2001
ABS-CBN Consumer Products	(113,491)	(13,368)
Shopping Network Inc.	(20,793)	(7,628)
Cinemagica	(33,469)	50,860
ABS-CBN Hongkong Club	(57,857)	(17,200)
ABS-CBN Europe Societa Per Azioni	(28,801)	(20,883)
Pinoy Auctions	(17,903)	-
TOTAL	(272,314)	(8,219)

Despite these non-recurring charges, net income for 2002 still reached Php166 million, compared to Php1,378 million in the prior year. Excluding the impact of losses from discontinued operations, net income for 2002 would have amounted to Php438 million, down 68% from the prior year.

Again excluding losses from discontinued operations, consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) would have amounted to Php3,642 million, reflecting a more moderate decline of 15% from Php4,267 million in 2001. Parent company operations accounted for Php3,031 million of this amount, while the subsidiaries generated the balance of Php610 million.

Excluding government revenue from last year's EBITDA, particularly since those government revenues were essentially non-cash earnings, the pro forma decline in EBITDA would have been an even more benign 5%.

Assets

As with its operations, ABS-CBN similarly conducted a rigid review of its assets, assessed future values, and implemented measures to further strengthen its balance sheet. As a result, the Company ended the year with total consolidated assets of Php21,738 million, slightly lower than the Php21,911 million of the previous year.

Most significant of these measures was the Company's adoption of Statement of Financial Accounting Standards/International Accounting Standards (SFAS/IAS) #38, which requires the direct expensing of pre-operating and projected development costs instead of being amortized over a number of years. As such, all pre-operating expenses and project development cost previously included in other non-current assets amounting to Php777 million were reversed and adjusted to retained earnings.

Investments and advances likewise decreased to Php695 million from Php1,062 million due primarily to the write-off of investments and advances in the five discontinued subsidiaries. Similarly, property and equipment declined Php370 million to Php11,266 million, primarily due to lower additions to property and equipment compared to depreciation charges.

On the other hand, trade accounts receivables increased 6% to Php3,461 million from Php3,264 in the prior year. Parent company brought down its trade receivable levels by 11% to Php2,074 million resulting in the reduction of its days sales outstanding (DSO) to 84-days from 93-days in the prior year. Consolidated trade DSO however was unchanged at 99-days as subsidiaries' trade receivables went up 48% to Php1,388 million.

Free Cash Flow & Capitalization

In line with its objective of increasing free cash flow, ABS-CBN strictly managed its working capital and investment activities during the year. The Company reduced cash used in investing activities to Php929 million, from Php2,300 million last year, by capping capital expenditure to only Php903 million and focusing its spending primarily on maintenance requirements, mainly for broadcast equipment.

As a result of these measures, free cash flow, defined as cash from operating activities less cash used in investing activities, increased seven-fold to Php1,526 million. This further allowed ABS-CBN to repay Php560 million of maturing long-term debts, funded solely from the Company's operations.

Bank loans at the end of the year amounted to Php426 million, down 89% from end-2001, while long-term debt increased to Php5,393 million from Php2,440 million. These significant changes in the Company's short-term and long-term debt levels were the result of the finalization of the Company's ENFA. The ENFA was signed with the majority of the Company's short-term creditors last September 2, 2002, for the purpose of raising permanent working capital and refinancing its short-term debts.

Two foreign creditor banks did not participate in the ENFA, demanded payment from the Company, and declared an event of default. ABS-CBN's outstanding loans with these two banks total approximately Php300 million and constitute only 1% of ABS-CBN's total assets. By year's end, however, documentation for the participation of one of these two banks to the ENFA was in progress, while the search for a replacement funder for the other bank was underway.

With the drawdown from the ENFA on September 16, 2002, ABS-CBN considerably improved its current ratio to 1.70x from 0.87x in 2001. Lastly, ABS-CBN's balance sheet continued to reflect strength and stability with a debt-to-equity ratio of 79% and a net interest bearing debt-to-equity ratio of 46%.

ANNEX B

Management's Responsibility for Financial Statements and Audited Financial Statements

Management's Responsibility for Financial Statements

The management of ABS-CBN Broadcasting Corporation is responsible for all information and representations contained in the parent company and consolidated balance sheets as of December 31, 2004 and 2003 and the related parent company and consolidated statements of income and retained earnings and cash flows for each of the three years in the period ended December 31, 2004, 2003, and 2002. 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 appointed by the stockholders, have audited the parent and consolidated financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and have expressed their opinion on the fairness of presentation upon completion of such audit, in their report to stockholders and the Board of Directors.

Signed under oath by the following:

EUGENIO LOPEZ III
Chairman and Chief Executive Officer

LUIS F. ALEJANDRO
President and Chief Operating Officer

RANDOLPH T. ESTRELLADO
Vice President and Chief Financial Officer

Doc. No. ____________
Page No. ____________
Book No. ____________
Series of ____________

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ABS-CBN BROADCASTING CORPORATION

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

For the Year Ended December 31, 2004

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* *These schedules, which are required by RSA Rule 68.1, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to consolidated financial statements*

Schedule I Capital Stock

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares reserved for options, warrants conversions and other rights	Number of Shares Held by Related Parties		Directors, Officers and Employees	Others
Common stock at P1 par value	1,500,000,000	779,583,312	-	446,231,607	(a)	1,593,167	-
			-	270,194,800	(b)		
	1,500,000,000	**779,583,312**	**-**	**716,426,407**		**1,593,167**	**-**

(a) Lopez, Inc.
(b) Under PCD Nominee Corporation owned by ABS-CBN Holdings Corporation

ABS-CBN BROADCASTING CORPORATION AND SUBSIDIARIES

Parent Company Financial Statements
December 31, 2004 and 2003

Consolidated Financial Statements
December 31, 2004 and 2003
and Years Ended December 31, 2004, 2003 and 2002

and

Report of Independent Auditors

SGV & Co

■ SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

■ Phone: (632) 891-0307
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
ABS-CBN Broadcasting Corporation
Mother Ignacia Street corner Sgt. Esguerra Avenue
Quezon City

We have audited the accompanying parent company balance sheets of ABS-CBN Broadcasting Corporation as of December 31, 2004 and 2003, and the related parent company statements of income, changes in stockholders' equity and cash flows for the years then ended and the consolidated balance sheets of ABS-CBN Broadcasting Corporation and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2004. 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.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABS-CBN Broadcasting Corporation as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, and the financial position of ABS-CBN Broadcasting Corporation and Subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the Philippines.

Sycip Gorres Velayo & Co

Maria Vivian G. Cruz
Partner
CPA Certificate No. 83687
SEC Accreditation No. 0073-A
Tax Identification No. 102-084-744
PTR No. 1195841, January 3, 2005, Makati City

March 18, 2005

ABS-CBN BROADCASTING CORPORATION AND SUBSIDIARIES

BALANCE SHEETS

(Amounts in Thousands)

	Parent Company		Consolidated	
	December 31			
	2004	2003 (As restated - Note 2)	**2004**	2003 (As restated - Note 2)
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4)	**₱356,772**	₱803,202	**₱1,291,557**	₱1,580,355
Receivables - net (Notes 5, 7 and 12)	**2,181,412**	2,338,136	**3,757,824**	3,789,278
Current portion of program rights (Note 9)	**490,685**	566,992	**872,983**	880,975
Other current assets - net (Note 6)	**296,182**	193,317	**629,426**	508,681
Total Current Assets	**3,325,051**	3,901,647	**6,551,790**	6,759,289
Noncurrent Assets				
Due from related parties (Notes 7 and 12)	**159,741**	150,894	**262,435**	273,303
Investments and advances (Notes 5, 7, 9, 12 and 15)	**3,622,061**	3,417,545	**239,962**	342,111
Noncurrent receivables from Sky Vision (Note 7)	**1,800,428**	–	**1,800,428**	–
Property and equipment at cost - net (Notes 8, 12, 13 and 14)	**10,250,015**	10,580,136	**10,650,285**	10,909,767
Program rights - net of current portion (Note 9)	**685,363**	863,633	**804,339**	936,212
Other noncurrent assets - net (Notes 7, 9, 12, 13, 22 and 27)	**2,280,872**	2,107,730	**3,343,012**	3,005,353
Total Noncurrent Assets	**18,798,480**	17,119,938	**17,100,461**	15,466,746
	₱22,123,531	₱21,021,585	**₱23,652,251**	₱22,226,035

	Parent Company 2004	Parent Company 2003	Consolidated 2004	Consolidated 2003
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Bank loans (Note 10)	**₱466,943**	₱220,577	**₱466,943**	₱220,577
Accounts payable and other current liabilities (Note 11)	**1,529,643**	1,419,432	**2,872,892**	2,442,367
Income tax payable	**–**	101,634	**13,633**	124,357
Current portion of:				
Long-term debt (Notes 8, 9 and 13)	**806,633**	2,115,971	**806,633**	2,115,971
Obligations for program rights (Note 9)	**80,689**	149,855	**250,007**	256,183
Obligations under capital lease (Notes 2, 8 and 14)	**66,356**	55,951	**66,356**	55,951
Total Current Liabilities	**2,950,264**	4,063,420	**4,476,464**	5,215,406
Noncurrent Liabilities				
Long-term debt - net of current portion (Notes 8, 9, 10 and 13)	**5,162,773**	3,453,903	**5,162,773**	3,453,903
Due to related parties (Note 12)	**325,068**	201,303	**162,023**	75,473
Deferred tax liabilities - net (Note 22)	**155,373**	165,183	**155,373**	165,183
Obligations for program rights - net of current portion (Note 9)	**44,275**	2,777	**167,592**	13,370
Obligations under capital lease - net of current portion (Notes 2, 8 and 14)	**132,331**	48,648	**132,331**	48,648
Other noncurrent liabilities (Note 27)	**–**	–	**–**	16,652
Total Noncurrent Liabilities	**5,819,820**	3,871,814	**5,780,092**	3,773,229
Minority Interest	**–**	–	**42,248**	151,049
Stockholders' Equity (Note 15)				
Capital stock	**779,583**	779,583	**779,583**	779,583
Capital paid in excess of par value	**706,047**	706,047	**706,047**	706,047
Equity adjustments from translation of subsidiaries (Note 7)	**138,334**	130,251	**138,334**	130,251
Retained earnings	**11,929,483**	11,670,470	**11,929,483**	11,670,470
Philippine deposit receipts convertible to common shares	**(200,000)**	(200,000)	**(200,000)**	(200,000)
Total Stockholders' Equity	**13,353,447**	13,086,351	**13,353,447**	13,086,351
	₱22,123,531	₱21,021,585	**₱23,652,251**	₱22,226,035

See accompanying Notes to Financial Statements.

ABS-CBN BROADCASTING CORPORATION AND SUBSIDIARIES

STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Amounts)

	Parent Company		Consolidated		
	Years Ended December 31				
	2004	2003 (As restated - Note 2)	**2004**	2003 (As restated - Note 2)	2002 (As restated - Note 2)
AIRTIME AND OTHER BROADCASTING RELATED REVENUES (Note 12)	**₱10,232,541**	₱10,092,171	**₱11,310,300**	₱11,064,409	₱9,914,146
Less agency commission, marketing expenses and co-producers' share (Note 16)	**1,879,177**	1,861,144	**2,045,749**	1,980,743	1,830,221
	8,353,364	8,231,027	**9,264,551**	9,083,666	8,083,925
NET SALES AND SERVICES (Note 12)	–	–	**4,310,119**	3,556,894	2,824,930
	8,353,364	8,231,027	**13,574,670**	12,640,560	10,908,855
COST AND OPERATING EXPENSES					
Production costs (Notes 12, 17, 23 and 24)	**3,982,106**	3,361,497	**4,160,630**	3,500,521	3,083,396
Cost of sales and services (Notes 12, 18, 23 and 24)	–	–	**2,208,745**	1,816,706	1,481,371
General and administrative (Notes 12, 19, 23 and 24)	**1,818,186**	1,326,590	**3,396,528**	2,922,825	2,523,664
Depreciation (Note 8)	**982,330**	1,091,226	**1,146,303**	1,260,846	1,419,545
Amortization (Notes 2 and 9)	**671,184**	509,516	**1,136,566**	885,186	764,664
	7,453,806	6,288,829	**12,048,772**	10,386,084	9,272,640
INCOME FROM OPERATIONS	**899,558**	1,942,198	**1,525,898**	2,254,476	1,636,215
OTHER INCOME (EXPENSES)					
Interest and other financial charges - net (Notes 10, 13 and 20)	**(662,380)**	(614,200)	**(649,953)**	(603,363)	(686,648)
Equity in net earnings (losses) of investees (Note 7)	**267,962**	(219,623)	**(47,490)**	(115,367)	(139,028)
Miscellaneous - net (Notes 12 and 21)	**480,107**	473,020	**214,377**	135,078	45,185
	85,689	(360,803)	**(483,066)**	(583,652)	(780,491)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	**985,247**	1,581,395	**1,042,832**	1,670,824	855,724
PROVISION FOR INCOME TAX (Note 22)	**226,834**	570,954	**284,419**	660,383	427,009
INCOME FROM CONTINUING OPERATIONS AFTER INCOME TAX	**758,413**	1,010,441	**758,413**	1,010,441	428,715
LOSS FROM DISCONTINUING OPERATIONS AFTER INCOME TAX (Note 27)	**(466)**	(2,253)	**(466)**	(2,253)	(272,314)
NET INCOME (Note 25)	**₱757,947**	₱1,008,188	**₱757,947**	₱1,008,188	₱156,401
EARNINGS PER SHARE (EPS) (Note 25)					
Basic EPS					
Income from continuing operations after income tax	**₱0.985**	₱1.313	**₱0.985**	₱1.313	₱0.557
Loss from discontinuing operations after income tax	**–**	(0.003)	**–**	(0.003)	(0.354)
	₱0.985	₱1.310	**₱0.985**	₱1.310	₱0.203

See accompanying Notes to Financial Statements.

ABS-CBN BROADCASTING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Amounts in Thousands, Except Number of Shares and Per Share Amounts)

	Years Ended December		
	2004	2003 (As restated - Note 2)	2002 (As restated - Note 2)
CAPITAL STOCK - ₱1 par value (Note 15)			
Authorized - 1,500,000,000 shares			
Issued - 779,583,312 shares	**₱779,583**	₱779,583	₱779,583
CAPITAL PAID IN EXCESS OF PAR VALUE	**706,047**	706,047	706,047
EQUITY ADJUSTMENTS FROM TRANSLATION OF SUBSIDIARIES (Note 7)			
Balance at beginning of year	**130,251**	109,201	98,150
Translation adjustments during the year	**8,083**	21,050	11,051
Balance at end of year	**138,334**	130,251	109,201
RETAINED EARNINGS			
Appropriated	**8,300,00**	8,300,00	8,300,00
Unappropriated:			
Balance at beginning of year as previously reported	**3,392,20**	2,396,31	2,230,53
Change in accounting for leases (Note 2)	**(21,7**	(20,7	(11,3
Balance at beginning of year as restated	**3,370,47**	2,375,57	2,219,17
Net income	**757,9**	1,008,18	156,4
Cash and scrip dividends - ₱0.64 per share in 2004, and ₱0.017 per share in 2003 (Notes 15 and 27)	**(498,934)**	(13,290)	–
Balance at end of year	**3,629,483**	3,370,470	2,375,572
	11,929,483	11,670,470	10,675,572
PHILIPPINE DEPOSIT RECEIPTS CONVERTIBLE TO COMMON SHARES (Note 15)	**(200,000)**	(200,000)	(200,000)
	₱13,353,447	₱13,086,351	₱12,070,403

See accompanying Notes to Financial Statements.

ABS-CBN BROADCASTING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Parent Company		Consolidated		
	Years Ended December 31				
	2004	2003 (As restated - Note 2)	**2004**	2003 (As restated - Note 2)	2002 (As restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES					
Income from continuing operations before income tax	**₱985,247**	₱1,581,395	**₱1,042,832**	₱1,670,824	₱855,724
Adjustments for:					
Depreciation	**982,330**	1,091,226	**1,146,303**	1,260,846	1,419,545
Interest expense and other financial charges	**802,782**	654,068	**802,850**	655,433	709,772
Amortization of:					
Deferred charges and debt issue cost	**107,880**	23,368	**200,389**	23,368	5,775
Production and distribution business	**–**	–	**49,039**	42,588	49,392
Equity in net losses (earnings) of investees	**(267,962)**	219,623	**47,490**	115,367	139,028
Provision for decline in values of marketable securities and club shares	**918**	48,286	**918**	48,286	–
Gain on sale of property and equipment	**(292)**	(63,572)	**(292)**	(47,656)	–
Interest income	**(140,402)**	(39,868)	**(152,897)**	(52,070)	(23,124)
Unrealized foreign exchange losses (gains)	**1,448**	(5,168)	**(940)**	(5,168)	10,813
Minority interest	**–**	–	**10,419**	27,393	(3,167)
Operating income before working capital changes	**2,471,949**	3,509,358	**3,146,111**	3,739,211	3,163,758
Decrease (increase) in:					
Receivables	**226,928**	(145,833)	**106,393**	(345,375)	(151,573)
Program rights	**395,067**	246,448	**455,149**	281,902	(56,410)
Other current assets	**(102,865)**	(5,128)	**(120,394)**	(150,800)	(70,442)
Increase (decrease) in:					
Accounts payable and other current liabilities	**101,957**	(488,204)	**326,725**	(167,620)	60,729
Obligations for program rights	**(168,158)**	(58,814)	**(167,238)**	(114,780)	188,923
Cash generated from operations	**2,924,878**	3,057,827	**3,746,746**	3,242,538	3,134,985
Income tax paid	**(338,278)**	(681,896)	**(431,653)**	(754,037)	(645,247)
Net cash provided by operating activities of continuing operations	**2,586,600**	2,375,931	**3,315,093**	2,488,501	2,489,738
Net cash provided by (used in) operating activities of discontinuing operations	**–**	–	**(10,969)**	2,520	(104,589)
Net cash provided by operating activities	**2,586,600**	2,375,931	**3,304,124**	2,491,021	2,385,149
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property and equipment	**(574,356)**	(544,264)	**(808,117)**	(664,143)	(888,663)
Decrease (increase) in:					
Amounts due from related parties	**(8,847)**	9,550	**15,091**	164	174,583
Investments and advances	**71,529**	(353,721)	**54,659**	151,284	(163,548)
Noncurrent receivables from Sky Vision	**(1,687,587)**	–	**(1,687,587)**	–	–
Other non-current assets	**(288,278)**	28,941	**(584,241)**	10,923	(48,328)
Interest received	**29,033**	38,378	**41,528**	50,580	23,124
Proceeds from sale of property and equipment	**25,783**	77,137	**26,771**	77,537	–
Net cash used in investing activities of continuing operations	**(2,432,723)**	(743,979)	**(2,941,896)**	(373,655)	(902,832)
Net cash provided by investing activities of discontinuing operations	**–**	–	**1,551**	4,457	38,693
Net cash used in investing activities	**(2,432,723)**	(743,979)	**(2,940,345)**	(369,198)	(864,139)

(Forward)

	Parent Company		Consolidated		
	Years Ended December 31				
	2004	2003 (As restated - Note 2)	**2004**	2003 (As restated - Note 2)	2002 (As restated - Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest and other financial charges paid	**(₱815,627)**	(₱653,758)	**(₱815,695)**	(₱655,123)	(₱726,382)
Payments of:					
Long-term debt	**(5,569,874)**	(506,898)	**(5,569,874)**	(506,898)	(560,007)
Bank loans	**–**	(14,102)	**–**	(14,102)	(388,455)
Cash and scrip dividends	**(498,934)**	(13,290)	**(498,934)**	(13,290)	–
Capital lease	**(59,832)**	(29,653)	**(59,832)**	(29,653)	(21,755)
Proceeds from:					
Long-term debt	**5,975,277**	–	**5,975,277**	–	–
Bank loans	**246,366**	–	**246,366**	–	376,057
Increase (decrease) in amounts due to related parties	**123,765**	(90,362)	**84,911**	(46,982)	145,057
Net cash used in financing activities of continuing operations	**(598,859)**	(1,308,063)	**(637,781)**	(1,266,048)	(1,175,485)
Net cash provided by (used in) financing activities of discontinuing operations	**–**	–	**(3,773)**	(21,095)	64,725
Net cash used in financing activities	**(598,859)**	(1,308,063)	**(641,554)**	(1,287,143)	(1,110,760)
EFFECTS OF EXCHANGE RATE CHANGES AND TRANSLATION ADJUSTMENTS TO CASH AND CASH EQUIVALENTS	**(1,448)**	13,872	**(24,214)**	15,969	(314)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
Net increase (decrease) in cash and cash equivalents of continuing operations	**(446,430)**	337,761	**(288,798)**	864,767	411,107
Net decrease in cash of discontinuing operations	**–**	–	**(13,191)**	(14,118)	(1,171)
	(446,430)	337,761	**(301,989)**	850,649	409,936
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
Cash and cash equivalents at beginning of year of continuing operations	**803,202**	465,441	**1,580,355**	715,588	304,481
Cash at beginning of year of discontinuing operations	**–**	–	**13,191**	27,309	28,480
	803,202	465,441	**1,593,546**	742,897	332,961
CASH AND CASH EQUIVALENTS AT END OF YEAR					
Cash and cash equivalents at end of year of continuing operations	**356,772**	803,202	**1,291,557**	1,580,355	715,588
Cash at end of year of discontinuing operations	**–**	–	**–**	13,191	27,309
	₱356,772	₱803,202	**₱1,291,557**	₱1,593,546	₱742,897

See accompanying Notes to Financial Statements.

ABS-CBN BROADCASTING CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousands Unless Otherwise Specified)

1. **Corporate Information**

ABS-CBN Broadcasting Corporation ("ABS-CBN" or "Parent Company") is incorporated in the Philippines. The Parent Company's core business is television and radio broadcasting. Its subsidiaries and associates are involved in the following related businesses: video/audio post production, movie production, audio recording and distribution, film distribution, cable and direct-to-home television distribution and telecommunication services overseas. Other activities of the subsidiaries include merchandising and licensing, internet services and publishing. As fully discussed in Note 27, the Parent Company has discontinued the operations of several subsidiaries in 2002.

The number of employees and talents of the Parent Company was 4,262 and 4,018 as of December 31, 2004 and 2003, respectively. The number of employees and talents of the Parent Company and its subsidiaries (collectively referred to as the "Company") was 6,561, 6,305 and 6,059 as of December 31, 2004, 2003 and 2002, respectively.

The Parent Company is 57% owned by Lopez, Inc. (Lopez) (see Note 15).

The registered office address of the Company is Mother Ignacia Street corner Sgt. Esguerra Avenue, Quezon City.

The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 18, 2005.

2. **Summary of Significant Accounting Policies**

The principal accounting policies adopted in preparing the accompanying financial statements are as follows:

Basis of Preparation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the Philippines under the historical cost convention.

Change in Accounting for Revenue Recognition

In 2004, ABS-CBN International, Inc. (ABS-CBN International) and ABS-CBN FC-LLZ Dubai (ABS-CBN Dubai) changed its accounting policy for revenue recognition. Previously, ABS-CBN International and ABS-CBN Dubai recognized the gain or loss on sale of decoders outright. Effective January 1, 2004, gain or loss on sale of decoders is deferred and amortized over the average subscription period of three years on the basis that the installation and sale of decoders has no stand alone value and was aggregated and recognized ratably over the longer of contract term or the estimated customer service life. The change in accounting policy has no material impact on the financial statements.

Changes in Accounting Policies
On January 1, 2004, the Company adopted the following Statements of Financial Accounting Standards (SFAS)/International Accounting Standards (IAS):

- SFAS 17/IAS 17, "Leases," which resulted in the capitalization of finance leases as assets at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Finance leases are those that transfer substantially all risks and rewards of ownership to the lessees. Adoption of the standard also resulted in the recognition of lease payments under operating leases on a straight-line basis. Previously, all leases were considered as operating leases and lease payments were expensed on the basis of the terms of the lease agreements. The changes in policy were reflected in the financial statements on a retroactive basis. The restatement resulted in the recognition of capitalized leased assets amounting to ₱172,616 and ₱86,468 as of January 1, 2004 and 2003, respectively (see Note 8) and liabilities amounting to ₱104,599 and ₱61,777 as of January 1, 2004 and 2003, respectively (see Note 14). The restatement also resulted to an increase in other receivables amounting to ₱1,470 and ₱88 as of January 1, 2004 and 2003, respectively (see Note 5). Net income decreased by ₱986 and ₱9,379 in 2003 and 2002, respectively, retained earnings decreased by ₱21,731, ₱20,745 and ₱11,366 as of January 1, 2004, 2003 and 2002, respectively, and earnings per share (EPS) decreased by ₱0.001 and ₱0.012 in 2003 and 2002, respectively.

- SFAS 12/IAS 12, "Income Taxes," which prescribes the accounting treatment for current and deferred income taxes. The standard requires the use of a balance sheet liability method in accounting for deferred income taxes. It requires the recognition of a deferred tax liability and, subject to certain conditions, deferred tax assets for all temporary differences with certain exceptions. The standard provides for the recognition of deferred tax asset when it is probable that taxable income will be available against which the deferred tax asset can be used. It also provides for the recognition of deferred tax liability with respect to asset valuations. Except for the reclassification of deferred tax assets and liabilities to noncurrent assets and liabilities accounts in the balance sheets, adoption of the standard has no material impact on the Company's financial position and results of operations.

New Accounting Standards Effective in 2005
New accounting standards based on IAS and International Financial Reporting Standards (IFRS), referred to as Philippine Accounting Standards (PAS) or Philippine Financial Reporting Standards (PFRS), respectively, will be effective in 2005. The Company will adopt the following relevant new accounting standards effective January 1, 2005:

- PAS 19, "Employee Benefits," will result in the use of the projected unit credit method in measuring retirement benefit expense and a change in the manner of computing benefit expense relating to past service cost and actuarial gains and losses. It requires the Company to determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

  Based on the actuarial valuation dated December 31, 2004 computed under PAS 19, the consolidated liabilities is estimated to increase by ₱382,223 while retained earnings is estimated to decrease by ₱259,911 as of January 1, 2004.

- PAS 21, “The Effects of Changes in Foreign Exchange Rates,” requires a company to determine its functional currency and measure its results and financial position in that currency. Translation procedures are specified when the presentation currency used for reporting differs from the company's functional currency. The standard will not have an impact on the Company.

- PAS 32, “Financial Instruments: Disclosure and Presentation,” covers the disclosure and presentation of all financial instruments. The standard requires more comprehensive disclosures about the Company’s financial instruments, whether recognized or unrecognized in the financial statements. New disclosure requirements include terms and conditions of financial instruments used by the Company, types of risks associated with both recognized and unrecognized financial instruments (price risk, credit risk, liquidity risk, and cash flow risk), fair value information of both recognized and unrecognized financial assets and financial liabilities, and the Company’s financial risk management policies and objectives. The standard also requires financial instruments to be classified as liabilities or equity in accordance with its substance and not its legal form.

- PAS 39, “Financial Instruments: Recognition and Measurement,” establishes the accounting and reporting standards for recognizing, measuring, and disclosing information about a Company’s financial assets and financial liabilities. The standard requires a financial asset or financial liability to be recognized initially at fair value. Subsequent to initial recognition, the Company should continue to measure financial assets at their fair values, except for loans and receivables and held-to-maturity investments, which are to be measured at cost or amortized cost using the effective interest rate method. Financial liabilities are subsequently measured at cost or amortized cost, except for liabilities classified as “at fair value through profit and loss” and derivatives, which are subsequently to be measured at fair value.

  PAS 39 also covers the accounting for derivative instruments. This standard has expanded the definition of a derivative instrument to include derivatives (and derivative-like provisions) embedded in non-derivative contracts. Under the standard, every derivative instrument is recorded in the balance sheet as either an asset or liability measured at its fair value. Derivatives that do not qualify as hedges are adjusted to fair value through income. If a derivative is designated and qualify as a hedge, depending on the nature of the hedging relationship, changes in the fair value of the derivative are either offset against the changes in fair value of the hedged assets, liabilities, and firm commitments through earnings, or recognized in stockholders’ equity until the hedged item is recognized in earnings. The Company must formally document, designate and assess the hedge effectiveness of derivative transactions that receive hedge accounting treatment.

  The Company’s unamortized debt issue costs which amounted to ₱291,160 as of December 31, 2004 will be presented in the balance sheet as a deduction to the related loans and will be amortized using the effective interest method upon adoption of PAS 39. Accordingly, amortization expense of such debt issue costs is expected to increase by ₱86 million in 2005.

  The Company has formed a team to quantify the impact of adopting PAS 32 and PAS 39 and is currently reviewing its existing processes and information systems to determine the required changes in order to comply with the requirements of PAS 32 and 39. The Company expects increased volatility in net earnings due to fair value accounting for financial instruments.

- PFRS 2, “Share-Based Payments,” will result in a charge to net income for the cost of share options granted. The Company currently does not recognize an expense from share options granted but discloses required information for such options. This standard will not have a material impact on the Company.

- PFRS 3, “Business Combination,” which will result in the cessation of the amortization of goodwill and a requirement for an annual test for goodwill impairment. Any resulting negative goodwill after performing reassessment will be credited to income. Moreover, pooling of interests in accounting for business combination will no longer be permitted. Goodwill that will no longer be amortized but will be subjected to impairment review amounted to ₱286,614 as of December 31, 2004.

- PFRS 5, “Non-current Assets Held for Sale and Discontinued Operations,” specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. It requires assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and the depreciation on such assets to cease. Furthermore, assets that meet the criteria to be classified as held for sale should be presented separately on the face of the balance sheets and the results of discontinued operations to be presented separately in the statements of income. The adoption of PFRS 5 has no impact in the financial statements of the Company.

The Company will also adopt in 2005 the following new standards:

- PAS 1, “Presentation of Financial Statements,” provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; provides the base criteria for classifying liabilities as current or noncurrent; prohibits the presentation of income from operating activities and extraordinary items as separate line items in statement of income; and specifies the disclosures about key sources of estimation, uncertainty and judgments management has made in the process of applying the entity’s accounting policies. It also requires changes in the presentation of minority interest in the balance sheet and statement of income.

- PAS 2, “Inventories,” reduces the alternatives for measurement of inventories. It does not permit the use of the last in, first out (LIFO) formula to measure the cost of inventories.

- PAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors,” removes the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. It defines material omission or misstatements, and describes how to apply the concept of materiality when applying accounting policies and correcting error.

- PAS 10, “Events After the Balance Sheet Date,” provides a limited clarification of the accounting for dividends declared after the balance sheet date.

- PAS 16, “Property, Plant and Equipment,” provides additional guidance and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The Company is currently reviewing the componentization of its assets to assess the impact of this standard.

- PAS 17, “Leases,” provides a limited revision to clarify the classification of a lease of land and buildings and prohibits expensing of initial direct costs in the financial statements of the lessors.

- PAS 24, “Related Party Disclosures,” provides additional guidance and clarity in the scope of the Standard, the definitions and disclosures for related parties. It also requires disclosure of the compensation of key management personnel by benefit type.

- PAS 27, “Consolidated and Separate Financial Statements,” reduces alternatives in accounting for subsidiaries in consolidated financial statements and in accounting for investments in the separate financial statements of a parent, venturer or investor. Investments in subsidiaries will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements. This standard also requires strict compliance with adoption of uniform accounting policies and requires the parent to make appropriate adjustments to the subsidiary’s financial statements to conform them to the parent’s accounting policies for reporting like transactions and other events in similar circumstances.

- PAS 28, “Investments in Associates,” reduces alternatives in accounting for associates in consolidated financial statements and in accounting for investments in the separate financial statements of an investor. Investments in associates will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements. This standard also requires strict compliance with adoption of uniform accounting policies and requires the investor to make appropriate adjustments to the associate’s financial statements to conform them to the investor’s accounting policies for reporting like transactions and other events in similar circumstances.

  When the Company adopts PAS 27 and 28 in 2005, its investments in subsidiaries and associate will be accounted for under cost method in the parent company financial statements. Accordingly, this will increase retained earnings by ₱1,605,713, ₱1,873,675 and ₱1,654,052 as of January 1, 2005, 2004 and 2003, respectively and will result to a reversal of equity adjustments from translation of subsidiaries amounting to ₱138,334 and ₱130,251 as of December 31, 2004 and 2003, respectively. The carrying amount of the investments will increase by ₱1,467,379 and ₱1,743,424 as of December 31, 2004 and 2003, respectively, and net income will decrease by ₱267,962 in 2004 and will increase by ₱219,623 in 2003.

Except for the impact of PAS 16, PAS 27 and PAS 28, the Company does not expect any significant changes in the accounting policies when it adopts the above revised standards in 2005.

Basis of Consolidation and Investments

The consolidated financial statements of the Company include the Parent Company and its subsidiaries as of December 31 of each year (see Note 7).

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company.

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition to the date of disposal.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated.

The net income attributable to minority shareholders' interests are shown as part of "Miscellaneous - net" account in the statements of income.

The Company's investments in its associates are accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is not a subsidiary. The investments in associates are carried in the balance sheets at cost plus post-acquisition changes in the Company's share in the net assets of the associates, less any impairment in value. The statements of income reflect the Company's share in the results of operations of the associates. Unrealized gains arising from transactions with its associates are eliminated to the extent of the Company's interest in the associates, against the investments in the associates. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. The Company's investments in subsidiaries and associates include goodwill (net of accumulated amortization) on acquisition, which is treated in accordance with the accounting policy for goodwill stated below.

In the parent company financial statements, investments in subsidiaries are accounted for under the equity method of accounting.

Other Investments

Other investments are valued at cost less any permanent decline in value and are included in the "Other noncurrent assets - net" account in the balance sheets.

Foreign Currency Transactions and Translation

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate at balance sheet date. All differences are taken to the statements of income.

For income tax reporting purposes, exchange gains and losses are treated as taxable income or deductible expense in the period these are realized.

Financial statements of foreign consolidated subsidiaries that are not integral to the operations of the Parent Company are translated at closing exchange rates with respect to the balance sheets, and at the average exchange rates for the year with respect to the statements of income. Resulting translation differences are included in equity (under "Equity adjustments from translation of subsidiaries"). Upon disposal of a foreign entity, accumulated exchange differences are recognized in the statements of income as a component of the gain or loss on disposal.

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

Receivables
Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. Other receivables are stated at face value, after allowance for doubtful accounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable.

The Company maintains an allowance for doubtful accounts at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is evaluated by management based on collection experience and other factors that may affect collectibility. A review of the age and status of receivables, designed to identify potential charges to the allowance, is performed on a continuous basis. The allowance is established by charges to income in the form of provision for doubtful accounts.

Program Rights
Rights to programs available for broadcast are initially capitalized at the amounts of total license fees under the covering license agreements and are charged to income on the basis of program usage. To the extent that a given future expected benefit period is shorter than the initial Company estimates, the Company writes off the purchase price or the license fee sooner than anticipated.

The Company classifies its program rights into current and noncurrent amounts based on estimated year of usage.

Inventories
Inventories included under "Other current assets - net" account in the balance sheets are valued at the lower of cost or net realizable value. Net realizable value of inventories that are for sale is the selling price in the ordinary course of business, less the cost of marketing and distribution. Net realizable value of inventories not held for sale is the current replacement cost. Cost is determined on the first-in, first-out method. Unrealizable inventories are written off.

Property and Equipment
Property and equipment, except land, are carried at cost (including capitalized interest), less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income as incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Land improvements	10 years
Building and improvements	20 to 40 years
Television, radio, movie and auxiliary equipment	10 to 15 years
Other equipment	3 to 10 years

The useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation 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 and the related accumulated depreciation and impairment loss are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

Construction in progress represents equipment under installation and building under construction and is stated at cost which includes cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Impairment of Assets

The carrying values of property and equipment and other long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of an asset is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction. 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 assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss, if any, is recognized in the statements of income when incurred.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is credited to current operations.

Deferred Charges

Gain or loss on sale of decoders which has no stand alone value without the subscription revenues are aggregated and recognized ratably over the longer of subscription contract term or the estimated customer service life. These are presented as part of “Other noncurrent assets - net” account in the balance sheets.

Unamortized Debt Issue Costs

Costs such as participation fees, legal fees and other direct costs incurred in connection with securing a long-term debt are deferred and amortized on a straight-line basis over the term of the loan. Debt issue costs are removed from the account when the related loans are fully settled or restructured. These are presented as part of “Other noncurrent assets - net” account in the balance sheets.

Goodwill

Goodwill, which is stated at cost less accumulated amortization and any impairment in value, represents the excess of the cost of the acquisition over the Company’s share in the fair value of identifiable net assets of a subsidiary and associate at the date of acquisition. The investments in subsidiaries and associates in the Parent Company financial statements and the investments in associates in the consolidated financial statements included goodwill (net of accumulated amortization). Goodwill is amortized on a straight-line basis over the estimated useful life of 10 to 20 years.

Tax Credits

Tax credits from government airtime sales availed under Presidential Decree No. 1362 are recognized in the books upon actual airing of government commercials and advertisements. This is included under “Other noncurrent assets - net” account in the balance sheets.

Production and Distribution Business

Production and distribution business, included under “Other noncurrent assets - net” account in the consolidated balance sheets, is recorded at acquisition cost less any impairment in value. This is amortized on a straight-line basis over a period of 10 to 20 years.

Income Tax

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 income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) and unused tax losses, 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 unused tax losses can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in other subsidiaries and associates, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income 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 all or part of the deferred income tax asset to be utilized.

Deferred income 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.

Revenue

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

Airtime revenue is recognized as income on the dates the advertisements are aired. The fair values of barter transactions are included in airtime revenue and the related accounts. These transactions represent advertising time exchanged for program materials, merchandise or service.

Other broadcasting related revenue are short-messaging-system/text-based revenues, sale of news materials and Company-produced programs which are recognized upon delivery.

Net sales and services of subsidiaries include:

a. Subscription fees and channel lease revenue, which are recognized under the accrual basis in accordance with the terms of the agreements. Subscription revenues received in advance (shown as part of “Other current liabilities” under the “Accounts payable and other current liabilities” account in the consolidated balance sheets) is deferred and recognized as revenue over the period during which the service is performed.

b. Telecommunications revenue, which are recognized when earned. These are stated net of the share of the other telecommunications carriers, if any, under existing correspondence and interconnection agreements. Interconnection fees and charges are based on agreed rates with the other telecommunications carriers.

   Income from prepaid phone cards are realized based on actual usage hours or expiration of the unused value of the card, whichever comes earlier. Income from prepaid card sales for which the related services have not been rendered as of balance sheet date, is presented as “Other current liabilities” under “Accounts payable and other current liabilities” account in the consolidated balance sheets.

c. Sales of inventories, which are recognized, net of discounts, when delivery has taken place and transfer of risks and rewards has been completed.

d. Revenue from services, which are recognized when services are rendered.

Rental income is recognized as income on a straight-line basis over the lease term. For income tax purposes, rental income is taxable based on the provisions of the lease contracts.

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

Dividends are recognized when the shareholders' right to receive payment is established.

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statements of income on a straight-line basis over the lease term. For income tax purposes, rental expense is deductible based on the provisions of the lease contracts.

Provisions

Provisions are recognized when the Company 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

For income tax reporting purposes, interest is treated as a deductible expense during the period the interest is incurred.

Pension Plan

Pension expense is determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Pension expense includes current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions over the expected average remaining working lives of the covered employees.

Financial Instruments

The Company enters into long-term foreign currency swap agreements to manage its foreign currency exposures relating to certain long-term foreign currency-denominated loans. Translation gains or losses on foreign currency swaps entered into as hedges are computed by multiplying the swap notional amounts by the difference between the spot exchange rate prevailing on balance sheet date and the spot exchange rate on the contract inception date (or the last reporting date). The resulting translation gains or losses are offset against the translation losses or gains on the underlying foreign currency-denominated liabilities.

The Company also enters into interest rate swaps to manage its interest rate exposures on underlying floating-rate loans. Swap costs accruing on foreign currency swaps and interest rate swaps that are currently due to or from the swap counterparties are charged to current operations. Mark-to-market values of the foreign currency swaps are not included in the determination of net income but are disclosed in the relevant note to these financial statements.

EPS

Basic EPS amounts are calculated by dividing the net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is 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 Company'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 when material.

3. **Segment Information**

Segment information is prepared on the following bases:

Business segments: for management purposes, the Company is organized into three business activities - broadcasting, cable and satellite, and other businesses. This segmentation is the basis upon which the Company reports its primary segment information. The broadcasting segment is principally the television and radio broadcasting activities which generates revenue from sale of national and regional advertising time. Cable and satellite business primarily develops and produces programs for cable television, including delivery of television programming outside the Philippines through its DTH satellite service, cable television channels and blocked time on television stations. Other businesses include movie production, consumer products and services.

Geographical segments: although the Company is organized into three business activities, they operate in three major geographical areas. In the Philippines, its home country, the Company is involved in broadcasting, cable operations and other businesses. In the United States and other locations (which includes Middle East and Milan), the Company operates its cable and satellite operations to bring television programming outside the Philippines.

Inter-segment transactions: segment revenue, segment expenses and segment results include transfers among business segments and among geographical segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar services. Those transfers are eliminated in consolidation.

Business Segment Data

The following tables present revenue and income information and certain asset and liability information regarding business segments for the years ended December 31, 2004, 2003 and 2002:

	Broadcasting			Cable and satellite			Other Businesses			Eliminations			Consolidated		
	2004	2003 (As restated - see Note 2)	2002 (As restated - see Note 2)	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003 (As restated - see Note 2)	2002 (As restated - see Note 2)
Revenue															
External sales	₱8,791,863	₱8,557,634	₱7,725,348	₱3,515,918	₱2,956,024	₱2,359,011	₱1,266,889	₱1,126,902	₱824,496	₱–	₱–	₱–	₱13,574,670	₱12,640,560	₱10,908,855
Inter-segment sales	59,027	73,070	–	117,605	120,455	85,810	94,776	53,981	91,188	(271,408)	(247,506)	(176,998)	–	–	–
Total revenue	₱8,850,890	₱8,630,704	₱7,725,348	₱3,633,523	₱3,076,479	₱2,444,821	₱1,361,665	₱1,180,883	₱915,684	(₱271,408)	(₱247,506)	(₱176,998)	₱13,574,670	₱12,640,560	₱10,908,855
Results															
Segment result	₱874,512	₱1,867,176	₱1,568,995	₱235,607	(₱29,111)	(₱66,625)	₱69,719	₱74,128	(₱191,115)	₱346,060	₱342,283	₱324,960	₱1,525,898	₱2,254,476	₱1,636,215
Interest and other financial charges - net	(661,742)	(613,707)	(690,913)	8,159	7,798	2,136	3,630	2,546	3,133	–	–	(1,004)	(649,953)	(603,363)	(686,648)
Equity in net earnings (losses) of associates	267,962	(219,623)	(416,843)	–	–	–	–	–	–	(315,452)	104,256	277,815	(47,490)	(115,367)	(139,028)
Others	492,179	548,342	277,216	16,429	12,715	11,845	51,602	33,512	20,185	(335,414)	(432,098)	(267,228)	224,796	162,471	42,018
Minority interest	–	–	–	(10,727)	(27,195)	3,318	223	–	–	85	(198)	(151)	(10,419)	(27,393)	3,167
Income tax	(228,977)	(570,875)	(394,392)	(41,906)	(44,422)	(22,141)	(13,536)	(45,086)	(10,476)	–	–	–	(284,419)	(660,383)	(427,009)
Loss from discontinuing operations after tax	(466)	(2,253)	(272,314)	–	–	–	–	–	–	–	–	–	(466)	(2,253)	(272,314)
Net income (loss)	₱743,468	₱1,009,060	₱71,749	₱207,562	(₱80,215)	(₱71,467)	₱111,638	₱65,100	(₱178,273)	(₱304,721)	₱14,243	₱334,392	₱757,947	₱1,008,188	₱156,401
Assets and Liabilities															
Segment assets	₱20,027,343	₱19,039,510	₱18,450,030	₱3,695,695	₱2,863,943	₱1,910,588	₱1,194,186	₱1,167,642	₱883,594	(₱1,539,776)	(₱1,140,653)	₱61,404	₱23,377,448	₱21,930,442	₱21,305,616
Investments in associates - at equity	2,606,705	2,539,878	2,370,716	–	–	–	–	–	–	(2,368,188)	(2,253,871)	(1,969,353)	238,517	286,007	401,363
Consolidated total assets	₱22,634,048	₱21,579,388	₱20,820,746	₱3,695,695	₱2,863,943	₱1,910,588	₱1,194,186	₱1,167,642	₱883,594	(₱3,907,964)	(₱3,394,524)	(₱1,907,949)	₱23,615,965	₱22,216,449	₱21,706,979
Segment liabilities	₱9,064,100	₱8,246,306	₱8,540,554	₱1,820,283	₱1,331,504	₱570,401	₱834,644	₱489,140	₱329,466	(₱1,617,844)	(₱1,243,498)	(₱90,418)	₱10,101,183	₱8,823,452	₱9,350,003
Other Segment Information															
Capital expenditures:															
Property and equipment	₱752,196	₱782,019	₱714,638	₱147,517	₱48,246	₱104,956	₱13,587	₱76,726	₱83,096	₱–	₱–	₱–	₱913,300	₱906,991	₱902,690
Intangible assets	887,516	637,677	875,626	141,164	36,075	–	41,666	105,389	212,359	(14,346)	(46,403)	–	1,056,000	732,738	1,087,985
Depreciation and amortization of program rights	1,762,888	1,783,965	1,747,553	176,649	142,152	134,719	98,229	183,647	246,770	(4,325)	(29,688)	–	2,033,441	2,080,076	2,129,042
Noncash expenses other than depreciation and amortization of program rights	281,322	242,369	127,404	201,068	111,969	113,269	23,133	31,653	29,607	–	–	–	505,523	385,991	270,280

Geographical Segment Data

The following tables present revenue and expenditure and certain asset information regarding geographical segments for the years ended December 31, 2004, 2003 and 2002:

	Philippines			United States			Others			Eliminations			Consolidated		
	2004	2003 (As restated - see Note 2)	2002 (As restated - see Note 2)	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003 (As restated - see Note 2)	2002 (As restated - see Note 2)
Revenue															
External sales	₱10,615,932	₱10,274,042	₱8,921,334	₱2,621,035	₱2,176,185	₱1,749,326	₱337,703	₱190,333	₱238,195	₱–	₱–	₱–	₱13,574,670	₱12,640,560	₱10,908,855
Inter-segment sales	271,408	247,506	176,998	–	–	–	–	–	–	(271,408)	(247,506)	(176,998)	–	–	–
Total revenue	₱10,887,340	₱10,521,548	₱9,098,332	₱2,621,035	₱2,176,185	₱1,749,326	₱337,703	₱190,333	₱238,195	(₱271,408)	(₱247,506)	(₱176,998)	₱13,574,670	₱12,640,560	₱10,908,855
Other Segment Information															
Segment assets	₱22,070,786	₱22,244,479	₱21,938,833	₱1,911,374	₱1,211,504	₱821,615	₱3,541,769	₱2,154,990	₱854,480	(₱3,907,964)	(₱3,394,524)	(₱1,907,949)	₱23,615,965	₱22,216,449	₱21,706,979
Capital expenditures															
Property and equipment	806,731	852,168	849,440	65,065	40,645	31,505	41,504	14,178	21,745	–	–	–	913,300	906,991	902,690
Intangible assets	1,018,315	779,141	875,626	6,039	–	–	45,992	–	212,359	(14,346)	(46,403)	–	1,056,000	732,738	1,087,985

4. Cash and Cash Equivalents

	Parent Company		Consolidated	
	2004	2003	**2004**	2003
Cash on hand and in banks	**₱243,720**	₱128,967	**₱1,100,145**	₱800,806
Short-term investments	**113,052**	674,235	**191,412**	779,549
	₱356,772	₱803,202	**₱1,291,557**	₱1,580,355

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term investment rates.

5. Receivables

	Parent Company		Consolidated	
	2004	2003 (As restated - see Note 2)	**2004**	2003 (As restated - see Note 2)
Trade receivables (see Notes 7 and 12)	**₱2,053,097**	₱2,155,399	**₱3,888,906**	₱3,554,687
Advances to suppliers	**35,459**	70,033	**46,875**	70,033
Other receivables	**280,941**	223,727	**297,385**	398,764
	2,369,497	2,449,159	**4,233,166**	4,023,484
Less allowance for doubtful accounts	**188,085**	111,023	**475,342**	234,206
	₱2,181,412	₱2,338,136	**₱3,757,824**	₱3,789,278

6. Other Current Assets

	Parent Company		Consolidated	
	2004	2003 (As restated - see Note 2)	**2004**	2003 (As restated - see Note 2)
Prepaid taxes	**₱203,903**	₱127,733	**₱294,523**	₱238,250
Inventories at net realizable value	**18,072**	9,799	**166,095**	148,890
Prepaid expenses and others	**74,207**	55,785	**168,808**	121,541
	₱296,182	₱193,317	**₱629,426**	₱508,681

Inventories consist mainly of materials and supplies of the Parent Company and records and other consumer products held for sale by subsidiaries. The cost of inventories in the consolidated financial statements amounted to ₱173,209 and ₱157,951 in 2004 and 2003, respectively.

7. Investments and Advances

	Parent Company		Consolidated	
	2004	2003	**2004**	2003
Investments in subsidiaries and associates - at equity	**₱2,606,705**	₱2,536,156	**₱238,517**	₱286,007
Advances to subsidiaries and associates (see Note 12)	**1,015,356**	881,389	**1,445**	56,104
	₱3,622,061	₱3,417,545	**₱239,962**	₱342,111

Investments in subsidiaries and associates follow:

Company	Place of Incorporation	Principal Activities	Ownership Interest	
			2004	2003
Subsidiaries				
Continuing Operations				
ABS-CBN Center for Communication Arts, Inc.	Philippines	Services	**100.0**	100.0
ABS-CBN Dubai	Dubai, KSA	Cable and satellite operations	**100.0**[(a)]	100.0[(a)]
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	**100.0**	100.0
ABS-CBN Global, Ltd. (ABS-CBN Global)	Cayman Islands	Holding company	**100.0**	100.0
ABS-CBN Interactive, Inc.	Philippines	Services	**100.0**	100.0
ABS-CBN International	California, USA	Cable and satellite operations	**98.0**[(a)]	80.0[(a)]
ABS-CBN Publishing, Inc.	Philippines	Consumer products - publishing	**100.0**	100.0
Creative Programs, Inc. (CPI)	Philippines	Cable operation	**100.0**	100.0
E-Money Plus, Inc.	Philippines	Services	**100.0**[(a)]	100.0[(a)]
Professional Services for Television & Radio, Inc.	Philippines	Services	**100.0**	100.0
Sarimanok News Network, Inc. (SNN)	Philippines	Cable operation	**100.0**	100.0
Sky Films, Inc. (Sky Films)	Philippines	Services - movie films	**100.0**	100.0
Star Recording, Inc.	Philippines	Consumer products - audio production	**100.0**	100.0
Studio 23, Inc. (Studio 23)	Philippines	Broadcasting	**100.0**	100.0
TV Food Chefs, Inc.	Philippines	Services	**100.0**	100.0
Roadrunner Network, Inc. (Roadrunner)	Philippines	Services - post production	**98.9**	98.9
Star Songs, Inc.	Philippines	Services	**100.0**	-
Discontinuing Operations				
ABS-CBN Consumer Products, Inc. [(b)]	Philippines	Consumer products	**100.0**	100.0
ABS-CBN Europe Societa Per Azioni [(b)]	Italy	Services	**100.0**	100.0
ABS-CBN Hongkong, Ltd. [(b)]	Hong Kong	Services	**100.0**	100.0
Cinemagica, Inc. [(b)]	Philippines	Services	**100.0**	100.0
Shopping Network, Inc. [(c)]	Philippines	Consumer products	**100.0**	100.0
Creative Creatures, Inc. (CCI) [(d)]	Philippines	Services	**100.0**	100.0
Associates				
AMCARA Broadcasting Network, Inc. (Amcara)	Philippines	Services	**49.0**	49.0
Star Cinema Productions, Inc. (Star Cinema)	Philippines	Movie production	**45.0**	45.0
Sky Vision Corporation (Sky Vision)	Philippines	Cable operation	**10.2**	10.2

[(a)] *indirectly-owned through ABS-CBN Global*
[(b)] *ceased commercial operations on December 31, 2002*
[(c)] *ceased commercial operations on December 31, 2001*
[(d)] *ceased commercial operations on October 31, 2003*

	Parent Company		Consolidated		
	2004	2003	**2004**	2003	2002
Acquisition costs	**₱4,074,084**	₱4,279,580	**₱541,292**	₱541,292	₱541,281
Accumulated equity in net losses:					
Balance at beginning of year	**(1,873,675)**	(1,654,052)	**(255,285)**	(139,918)	(890)
Equity in net earnings (losses) for the year	**267,962**	(219,623)	**(47,490)**	(115,367)	(139,028)
Balance at end of year	**(1,605,713)**	(1,873,675)	**(302,775)**	(255,285)	(139,918)
Equity adjustments from translation of subsidiaries:					
Balance at beginning of year	**130,251**	109,201	**–**	–	–
Translation adjustments during the year	**8,083**	21,050	**–**	–	–
Balance at end of year	**138,334**	130,251	**–**	–	–
	₱2,606,705	₱2,536,156	**₱238,517**	₱286,007	₱401,363

Equity in net earnings (losses) includes goodwill amortization of ₱43,576 both in 2004 and 2003 in the parent company statements of income and ₱20,152 both in 2004 and 2003 and ₱13,192 in 2002 in the consolidated statements of income.

The detailed carrying values of investments which are carried under the equity method follow:

	Parent Company		Consolidated	
	2004	2003	**2004**	2003
CPI	**₱1,056,353**	₱997,603	**₱–**	₱–
ABS-CBN Global	**595,107**	378,739	**–**	–
Roadrunner	**264,166**	276,242	**–**	–
Sky Vision	**194,202**	240,334	**194,202**	240,334
SNN	**150,467**	204,308	**–**	–
ABS-CBN Films	**120,799**	58,668	**–**	–
Studio 23	**61,129**	77,826	**–**	–
Amcara	**44,315**	45,673	**44,315**	45,673
Others	**120,167**	256,763	**–**	–
	₱2,606,705	₱2,536,156	**₱238,517**	₱286,007

The carrying value of the investments exceeded the Company's equity in net assets of the subsidiaries and associates by ₱286,614 and ₱356,172 as of December 31, 2004 and 2003, respectively, in the parent company financial statements, and ₱194,202 and ₱240,334 as of December 31, 2004 and 2003, respectively, in the consolidated financial statements.

Condensed financial information of the associates follows:

	2004	2003	2002
Current assets	**₱11,684**	₱4,659	₱238,523
Noncurrent assets	**517,244**	1,042,677	2,266,026
Current liabilities	**209,051**	450,928	358,804
Noncurrent liabilities	**776,352**	601,244	1,149,006
Revenue	**134,461**	125,821	487,177
Cost and expenses	**616,787**	108,056	550,290
Operating income (loss)	**31,192**	64,942	(63,113)
Net loss	**(483,284)**	(780,684)	(862,583)

CPI

CPI acquired the production and distribution business of three cable channels of Central CATV, Inc. (Central), a subsidiary of Sky Vision, and has a cable lease agreement with Central and its cable affiliates for the airing of these channels to their franchise areas.

Sky Vision

On July 18, 2001, the Parent Company, along with Lopez and Benpres Holdings Corporation (BHC) (collectively, the Benpres Group), signed a Master Consolidation Agreement (MCA) whereby they agreed with the Philippine Long Distance Telephone Company and Mediaquest Holdings, Inc. (collectively, the PLDT Group) to consolidate their respective ownership or otherwise their rights and interests in Sky Vision and Unilink Communications Corporation (Unilink) under a holding company to be established for that purpose. Beyond Cable Holdings, Inc. (Beyond) was incorporated on December 7, 2001 as the holding company. Sky Vision owns Central and Pilipino Cable Corporation (PCC), which in turn operate cable television systems in Metro Manila and key provincial areas under the tradenames “Sky Cable” and “Sun Cable.” Unilink owns The Philippine Home Cable Holdings, Inc. (Home), which operates cable television systems in Metro Manila and key provincial areas under the tradename “Home Cable.”

Pursuant to the MCA, the Benpres Group and the PLDT Groups shall, respectively, own 66.5% and 33.5% of Beyond upon the transfer of their respective ownership and rights and interests in Sky Vision and Unilink into Beyond. Although the original agreement envisions the transfers to be completed within six months from signing date, or by January 18, 2002, the Benpres Group and the PLDT Group agreed to extend this Closing date.

On December 3, 2003, the Benpres and PLDT Groups, together with the PLDT Beneficial Trust Fund, executed an Amendment Agreement to the MCA whereby additional closing conditions were incorporated into the MCA and wherein the Closing Date was extended until such time the parties shall have completed all conditions precedent under the MCA and the Amendment Agreement, including the share transfers described above.

The MCA also provides for the Benpres Group to sell 33.0% of Beyond to a strategic and/or financial investor. The sale of shares in Beyond is part of the Balance Sheet Management Plan of Benpres.

In a separate Memorandum of Agreement (Agreement) executed on April 8, 2004, the major stockholders of Home and Sky Vision have agreed to consolidate the ownership of their respective shares in Home and Sky Vision and to combine the operations, assets and liabilities of Home and the Central. Under the terms of the Agreement, the transfer of title to Home’s assets and liabilities including attendant risk and rewards, shall be retroactive to January 1, 2004. However, the Agreement allowed Home to continue its operations, and accordingly, full complimentary use of the property and equipment transferred to the Central, until December 31, 2004, after which Home will cease commercial operations. The valuation of the assets and liabilities of Home as of December 31, 2003 is used as the basis for determining the consideration for the transfer.

In relation to the consolidation discussed above, a competitor broadcasting company filed a case before National Telecommunications Commission (NTC) asking for NTC to declare as null and void the consolidation of the cable operating companies. On November 16, 2004, the NTC denied the motion for cease and desist order filed by the competitor broadcasting company. On November 30, 2004, the competitor broadcasting company filed a motion for consideration which is still pending with the NTC. It is the opinion of the Company’s legal counsels that the case filed by the competitor broadcasting company is without legal basis.

On June 30, 2004, Sky Vision and Central ("Issuer") issued a convertible note (the 'note") to the Parent Company amounting to US$30 million. The Parent Company's long-term receivable from Sky Vision, including accrued interest receivable of ₱112.8 million, as of December 31, 2004 is presented separately as "Noncurrent receivables from Sky Vision" in the 2004 balance sheet. The note is subject to interest of 13% per annum and will mature on June 30, 2006. The principal and accrued interest as of maturity date shall be mandatorily converted, based on the prevailing U.S. Dollar to Philippine Peso exchange rate on Maturity Date, at a conversion price equivalent to a twenty percent (20%) discount of: (a) the market value of the Shares, in the event of a public offering of the Issuer before Maturity Date; (b) the valuation of the Shares by an independent third party appraiser that is a recognized banking firm, securities underwriter or one of the big three international accounting firms or their Philippine affiliate jointly appointed by the Benpres Group and PLDT Group pursuant to the MCA dated July 18, 2001 as amended or supplemented.

As of December 31, 2004 and 2003, total amount of the Company's related investments in Sky Vision is as follows:

	2004	2003
Noncurrent receivable from Sky Vision	**₱1,800,428**	₱–
Receivable of CPI from Sky Vision (see Note 5)	**390,485**	368,296
Portion of the production and distribution business related to Central and its cable affiliates	**239,189**	175,938
Carrying value of investment in Sky Vision	**194,202**	240,334
Receivable of ABS-CBN from Sky Vision (see Note 5)	**61,466**	–
	₱2,685,770	₱784,568

8. Property and Equipment at Cost

	Parent Company						
	Land and Land Improvements	Building and Improvements	Television, Radio, Movie and Auxiliary Equipment	Other Equipment	Construction in Progress	**Total December 31, 2004**	December 31, 2003 (As restated - see Note 2)
Cost:							
At January 1	₱292,775	₱9,334,268	₱4,148,623	₱2,146,321	₱171,217	₱16,093,204	₱15,469,258
Additions	–	–	160,791	192,533	324,376	677,700	779,741
Disposals	–	(19,514)	(1,078)	(53,315)	–	(73,907)	(15,171)
Reclassifications	5,128	204,022	94,056	107,844	(411,050)	–	–
Transfers to subsidiaries	–	–	–	–	–	–	(140,624)
At December 31	297,903	9,518,776	4,402,392	2,393,383	84,543	16,696,997	16,093,204
Accumulated depreciation:							
At January 1	–	812,931	3,111,854	1,588,283	–	5,513,068	4,554,652
Depreciation charge for the year	–	360,631	314,295	307,404	–	982,330	1,091,226
Disposals	–	–	–	(48,416)	–	(48,416)	(1,606)
Transfers to subsidiaries	–	–	–	–	–	–	(131,204)
At December 31	–	1,173,562	3,426,149	1,847,271	–	6,446,982	5,513,068
Net book value	₱297,903	₱8,345,214	₱976,243	₱546,112	₱84,543	₱10,250,015	₱10,580,136

	Consolidated						
	Land and Land Improvements	Building and Improvements	Television, Radio, Movie and Auxiliary Equipment	Other Equipment	Construction in Progress	**Total December 31, 2004**	December 31, 2003 (As restated - see Note 2)
Cost:							
At January 1	₱292,776	₱9,400,560	₱4,930,469	₱2,606,479	₱171,217	**₱17,401,501**	₱16,560,854
Additions	–	6,931	273,122	302,672	330,575	**913,300**	906,991
Disposals	–	(26,315)	(1,352)	(47,255)	–	**(74,922)**	(6 34
Reclassifications	5,128	204,022	94,055	107,844	(411,049)	**–**	–
At December 31	297,904	9,585,198	5,296,294	2,969,740	90,743	**18,239,879**	17,401,501
Accumulated depreciation:							
At January 1	–	867,487	3,698,497	1,925,750	–	**6,491,734**	5,267,351
Depreciation charge for the year	–	367,129	370,609	408,565	–	**1,146,303**	1,260,846
Disposals	–	–	–	(48,443)	–	**(48,443)**	(36,463)
Reclassifications	6,896	(6,318)	8,009	(8,587)	–	**–**	–
At December 31	6,896	1,228,298	4,077,115	2,277,285	–	**7,589,594**	6,491,734
Net book value	₱291,008	₱8,356,900	₱1,219,179	₱692,455	₱90,743	**₱10,650,285**	₱10,909,767

Property and equipment of the Parent Company with a carrying amount of ₱9,952 million as of December 31, 2004 was pledged as collateral to secure the Parent Company's long-term debt (see Note 13).

Unamortized borrowing costs capitalized as part of property and equipment amounted to ₱1,050,167 and ₱1,088,964 as of December 31, 2004 and 2003, respectively. No borrowing cost was capitalized beginning 2002.

Property and equipment includes the following amounts where the Company is a lessee under a finance lease (see Note 14):

	2004	2003 (As restated - see Note 2)
Cost - capitalized finance lease	**₱254,860**	₱172,616
Accumulated depreciation	**135,206**	85,242
Net book value	**₱119,654**	₱87,374

9. **Other Noncurrent Assets**

	Parent Company		Consolidated	
	2004	2003 (As restated - see Note 2)	**2004**	2003 (As restated - see Note 2
Tax credits:				
With tax credit certificates (TCCs)	**₱1,809,118**	₱1,745,968	**₱1,809,118**	₱1,745,968
Pending issuance of TCCs but supported by telecast orders	**54,572**	166,763	**54,572**	166,763
Unamortized debt issue cost - net	**291,160**	93,249	**291,160**	93,249
Production and distribution business - net (see Notes 7 and 12)	**–**	–	**617,552**	666,591
Deferred tax assets (see Note 22)	**–**	–	**36,286**	9,586
Deferred charges and others (net of amortization of ₱92,509 in 2004)	**126,022**	101,750	**534,324**	323,196
	₱2,280,872	₱2,107,730	**₱3,343,012**	₱3,005,353

Tax credits represent claims on the government arising from airing of government commercials and advertisements. Pursuant to Presidential Decree No. 1362, these will be collected in the form of TCCs which the Parent Company can use in paying for import duties and taxes on its broadcasting equipment. The Parent Company expects to utilize these tax credits within the next 10 years.

Production and distribution business consists of the production and distribution business of CPI as discussed in Note 12, and the distribution business in Middle East which represents the unamortized portion of the goodwill that arose from the sponsorship between Arab Digital Distribution (ADD) and ABS-CBN Dubai. This agreement grants the Company the right to operate in the Middle East with ADD as Saudi sponsor. The goodwill is amortized over a period of 10 years.

Movements of program rights (shown separately in the balance sheets), production and distribution business and unamortized debt issue cost follows:

	Program Rights		Production and Distribution Business	Unamortized Debt Issue Cost
	Parent Company	Consolidated	Consolidated	Parent Company and Consolidated
Balance at January 1, 2004	₱1,430,625	₱1,817,187	₱666,591	₱93,249
Additions	308,727	747,273	–	305,791
Amortization and write-off during the year	(563,304)	(887,138)	(49,039)	(107,880)
Balance at December 31, 2004	1,176,048	1,677,322	617,552	₱291,160
Less current portion	490,685	872,983	–	–
Noncurrent portion	₱685,363	₱804,339	₱617,552	₱291,160

In the consolidated financial statements, goodwill amounting to ₱194,202 as of December 31, 2004 (₱240,334 in 2003) which represents goodwill in associates, is presented under "Investments and advances" account in the balance sheets, while goodwill amounting to ₱89,447 as of December 31, 2004 (₱115,838 in 2003) which represents goodwill from subsidiaries are presented as part of "Other noncurrent assets - net" account (included in "Deferred charges and others") in the balance sheets.

Investment in club shares (included in "Deferred charges and others") with a carrying value of ₱17,587 as of December 31, 2004 was pledged as part of the collateral to secure the Parent Company's long-term debt (see Note 13).

10. Bank Loans

This represents peso-denominated loans obtained from local banks which bear average annual interest rates of 11.017% in 2004 and 9.92% in 2003.

In 2003, this includes the ₱100,000 loan from Standard Chartered Bank where the Parent Company received a notice of default. This was fully paid in 2004.

11. Accounts Payable and Other Current Liabilities

	Parent Company		Consolidated	
	2004	2003 (As restated - see Note 2)	**2004**	2003 (As restated - see Note 2)
Trade	**₱392,899**	₱333,851	**₱886,643**	₱696,121
Accrued production cost and other expenses (see Note 23)	**740,281**	685,054	**1,219,473**	980,566
Accrued taxes	**292,045**	305,788	**369,980**	417,782
Accrued interest	**20,997**	33,842	**20,997**	33,842
Other current liabilities	**83,421**	60,897	**375,799**	314,056
	₱1,529,643	₱1,419,432	**₱2,872,892**	₱2,442,367

12. Related Party Disclosures

In the parent company financial statements, significant transactions of the Parent Company with its subsidiaries, associates and a related party follow:

	2004	2003
Expenses and charges paid by the Parent Company which are reimbursed by the subsidiaries and associates	**₱358,011**	₱379,771
Technical facilities order charges for the use of the Parent Company's facilities	**163,304**	169,452
Interest income on convertible note (see Note 7)	**112,841**	–
Management and other service fees	**72,390**	54,265
Airtime revenue from Sky Films, ABS-CBN Films, Star Cinema and Bayan Telecommunications Holdings, Inc. (Bayantel), a subsidiary of Lopez	**66,523**	71,092
Rental charges of the Parent Company for the use of office space	**37,328**	38,809
Blocktime fees charged to Studio 23 for the use of the Parent Company's equipment	**16,500**	16,423

Other transactions with subsidiaries and associates include cash advances for working capital requirements.

The amounts and balances resulting from the above transactions are reflected in the parent company balance sheets in the following accounts:

	2004	2003
Due from related parties	**₱159,741**	₱150,894
Advances to subsidiaries and associates (see Note 7)	**1,015,356**	881,389
Due to related parties	**325,068**	201,303

In the consolidated financial statements, transactions of the Company with its associates and related parties follow:

	2004	2003	2002
Termination cost charges of Bayantel to ABS-CBN Global	**₱232,140**	₱99,846	₱147,120
License fees charged by CPI to Central, [a] PCC and Home Cable	**137,443**	135,788	136,300
Blocktime fees paid by Studio 23 to Amcara [b]	**68,000**	82,675	105,063
Expenses and charges paid for by the Parent Company which are reimbursed by the concerned related parties	**46,449**	12,397	77,823
Airtime revenue from Star Cinema, Bayantel and Manila Electric Company (Meralco), an associate of Lopez	**30,162**	14,031	62,571
Management and other service fees	**412**	9,755	14,524
Rental charges of the Parent Company for the use of office space	**133**	9,214	7,299

Other transactions with associates include cash advances for working capital requirements.

On a consolidated basis, the amounts and balances resulting from the above transactions are reflected in the consolidated balance sheets in the following accounts:

	2004	2003
Receivables (see Note 5)	**₱390,485**	₱279,902
Due from related parties	**262,435**	273,303
Advances to subsidiaries and associates (see Note 7)	**1,445**	56,104
Due to related parties	**162,023**	75,473

a. License Fees Charged by CPI to Central

The Parent Company and CPI acquired from Central the production and distribution business and the related program rights and property and equipment of three cable channels, namely, Lifestyle Channel, Cinema One and Myx Channel for ₱671,141.

CPI entered into a cable lease agreement (Agreement) with Central for the airing of these channels to the franchise areas of Central and its cable affiliates. The Agreement with Central is for a period of five years effective January 1, 2001, renewable upon mutual agreement. Under the terms of the Agreement, CPI receives license fees from Central and its cable affiliates computed based on agreed rates and on the number of subscribers of Central and its cable affiliates. As the owner of the said cable channels, CPI develops and produces its own shows and acquires program rights from various foreign and local suppliers.

b. Blocktime Fees Paid by Studio 23 to Amcara

Studio 23, owns the program rights being aired in UHF Channel 23 of Amcara. On July 1, 2000, it entered into a blocktime agreement with Amcara for its provincial operations.

13. **Long-term Debt**

	Parent Company and Consolidated	
	2004	2003
Term loan under the Senior Credit Agreement (SCA)	**₱5,969,406**	₱–
Exchangeable notes	**–**	3,209,868
Syndicated loans payable to local banks	**–**	1,860,000
Loan payable to a local bank	**–**	500,006
	5,969,406	5,569,874
Less current portion	**806,633**	2,115,971
	₱5,162,773	₱3,453,903

<u>Term Loan under the SCA</u>
On June 18, 2004, the Parent Company entered into a SCA with several foreign and local banks (Original Lenders) for a US$120 million dual currency syndicated term loan facility for the purpose of refinancing existing indebtedness incurred for the construction of the Eugenio Lopez, Jr. Communications Center, additional investment in the cable TV business and funding capital expenditures and working capital requirements. The SCA is classified in three (3) groups namely: Tranche A, a floating rate facility (3.5% + LIBOR) amounting to US$62 million; Tranche B, a floating rate facility (3.5% + MART1 T-bill) amounting to ₱2,688 million; and, Tranche C, a fixed rate facility (3.5% + FXTN) amounting to ₱560 million. Both Tranche A and Tranche B have a term of five years with 17 quarterly unequal payments and Tranche C has a term of four years with four annual unequal installments. The Parent Company's obligation under the SCA is secured and covered by a Mortgage Trust Indenture (MTI) which consists of substantially all of the Parent Company's real property and moveable assets used in connection with its business and insurance proceeds related thereto. Further, the Parent Company's obligation under the SCA is jointly and severally guaranteed by its principal subsidiaries.

The SCA contains provision regarding the maintenance of certain financial ratios and limiting, among others, the incurrence of additional debt, the payment of dividends, making investments, the issuing or selling the Parent Company's capital stock or some of its subsidiaries, the selling or exchange of assets, creation of liens and effecting mergers. As of December 31, 2004, the Parent Company is in compliance with the provisions of the SCA.

To hedge against foreign exchange and interest rate exposure on the facility drawdowns, the Parent Company entered into an International Swap Dealers Association, Inc. Master Agreement on June 18 and 23, 2004 with ING Bank N. V. (Manila Branch) and ABN AMRO Bank, Inc., respectively. By virtue of these master agreements, the Parent Company entered into long-term principal-only currency swaps that hedge 100% of the Tranche A Principal against foreign exchange risk. The long-term principal-only currency swaps have an aggregate notional amount of US$53 million as of December 31, 2004 and a weighted average swap rate of ₱56.31 to US$1. Under these agreements, the Parent Company effectively swaps the principal amount of certain US dollar-denominated loans under the SCA into Philippine peso-denominated loans with payments up to June 2007 and June 2009. The Company is also obligated to pay swap costs based on a fixed rate of 8.0% on 43.5% of the aggregate notional amount and 3-month PHIREF minus 2.9% on 56.5% of the aggregate notional amount. To manage the interest rate exposure from the floating rate loans, the Company also entered into USD interest rate swaps and PHP interest rate swaps which effectively swap certain floating rate loans into fixed-rate loans. These USD interest rate swaps and PHP interest rate swaps have an aggregate notional amount of US$39 million and ₱716 million, respectively, with payments up to September 2006 and March 2008.

The estimated unrealized net mark-to-market loss on these long-term principal-only currency swaps and interest rate swaps amounted to about ₱161 million as of December 31, 2004, as confirmed by the counterparty. This net loss is not included in the determination of net income for the year but is presented only for disclosure purposes.

As of December 31, 2004, the Parent Company has been able to draw from the SCA a total amount of ₱5,969,406 and it expects to draw the remaining amount of US$8,622 and ₱278,437 from the Tranche A and B facilities, respectively, during the first quarter of 2005. Including the hedge cost, effective interest rate is 12.403% for Tranche A, 12.710% for Tranche B and 15.122% for Tranche C.

As indicated in the SCA, all existing loans of the Parent Company outside the SCA were settled via proceeds of the term loan facility.

Repayments of the term loan under the SCA are scheduled as follows:

2005	₱806,633
2006	1,226,317
2007	1,519,481
2008	1,515,787
2009	901,188
	₱5,969,406

In 2003, the long-term debt consists of the following:

a. Exchangeable Notes

On September 2, 2002, the Parent Company entered into an Exchangeable Notes Facility Agreement (ENFA) with a local bank and certain financial institutions (Facility Lenders) for a term loan facility with an aggregate amount of ₱3,437,726 for the purpose of raising permanent working capital and/or refinancing of its short-term loans used or to be used to upgrade its existing plant and network facilities. The term loan facility is classified as Floating Rate Notes and Fixed Rate Notes both with a term of 5 years and which are exchangeable into bonds subject to the bond issuance requirements as provided for in the ENFA. The ENFA is covered by a MTI entered into by the Parent Company and facility lenders over the Company's property and equipment with a net book value of ₱9,219 million and investment in club shares with a carrying value of ₱17,232 as of December 31, 2003.

On September 16, 2002, short-term loans amounting to ₱3,437,726 were converted to ₱2,838,236 floating rate notes and ₱599,490 fixed rate notes with an interest rate of 8.0808% and 13.1313%, respectively. Interest payments are due every quarter starting December 16, 2002 while principal payments will be due every quarter starting September 16, 2003 until September 16, 2007.

b. Syndicated Loans Payable to Local Banks

Syndicated loans payable to local banks consist of long-term loans under JEXIM 4 program of a local development bank amounting to ₱2,000,000. The loan was used to finance the construction of the multi-storey building and acquisition of equipment. The loan is payable in 15 unequal quarterly payments commencing in May 2002 with interest payable quarterly in arrears at 10.93% per annum.

c. Loan Payable to a Local Bank

The Parent Company has a Loan Agreement with a local bank for US$37,908 payable in two equal installments, without need of notice or demand, on March 19, 2002 and 2004. Interest is payable quarterly at three-fourths percent (3/4%) above 3-month LIBOR.

The Parent Company has a forward foreign exchange agreement (forward contract) with the same bank which is co-terminus with the term of the loan. Under the terms of the forward contract, the Parent Company shall pay the local bank, on each due date of the loan, the equivalent Philippine peso amount of the dollar loan based on its original spot exchange rate of ₱26.38. The Philippine peso amount of the loan shown in the 2003 balance sheet is based on its original spot exchange rate of ₱26.38.

14. Obligations Under Capital Lease

The Company has finance leases over various items of equipment. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2004	2003 (As restated - see Note 2)
Within one year	**₱87,979**	₱65,476
After one year but not more than five years	**161,806**	52,604
Total minimum lease payments	**249,785**	118,080
Less amounts representing finance charges	**51,098**	13,481
Present value of minimum lease payments	**198,687**	104,599
Less current portion	**66,356**	55,951
	₱132,331	₱48,648

15. **Stockholders' Equity**

a. On April 24, 1998, BHC, then major stockholder of ABS-CBN, transferred all of its investments in ABS-CBN to Lopez, BHC's parent company, in exchange for convertible and nonconvertible notes (Notes). The convertible notes can be exchanged by BHC for the ABS-CBN shares transferred. The Notes shall terminate on any earlier date if the convertible notes have been converted or when Lopez has satisfied its obligations with respect to all such convertible notes that have been properly converted. After the transfer, Lopez had all the voting rights associated with the shares.

   On December 28, 1998, BHC sold a portion of the Notes to ABS-CBN for ₱800,000, the equivalent market value of the underlying 40 million ABS-CBN shares.

   On September 29, 1999, ABS-CBN Holdings Corporation (50% owned by Lopez) offered 132 million Philippine Deposit Receipts (PDRs) relating to 132 million ABS-CBN shares. Each PDR grants the holder, upon payment of the exercise price and subject to certain other conditions, the delivery of one ABS-CBN share or the sale of and delivery of the proceeds of such sale of one ABS-CBN share. The ABS-CBN shares are still subject to ownership restrictions on shares of corporations engaged in mass media and ABS-CBN may reject the transfer of shares to persons other than Philippine nationals. The PDRs may be exercised at any time from October 7, 1999 until the expiry date as defined in the terms of the offering. Any cash dividends or other cash distributions in respect of the underlying ABS-CBN shares shall be applied by ABS-CBN Holdings Corporation towards payment of operating expenses and any amounts remaining shall be distributed pro-rata among outstanding PDR holders. The PDRs were listed in the Philippine Stock Exchange on October 7, 1999.

   The Notes held by ABS-CBN were amended to allow for conversion into shares or into PDRs. ABS-CBN converted ₱200,000 of the Notes into PDRs underlying 10 million ABS-CBN shares and these are shown as "Philippine deposit receipts convertible to common shares" in the Stockholders' Equity section of the balance sheets. The remaining ₱600,000 of the Notes underlying 30 million ABS-CBN shares were converted into 30 million PDRs and these PDRs were included in the PDR offering described above.

b. On March 29, 2000, the BOD approved an Employee Stock Option Plan (ESOP) covering 6,080,306 shares. In 2002, all the shares acquired by the Parent Company covering this ESOP, were exercised by the employees. As of December 31, 2004 and 2003, there are no more outstanding ESOP.

c. On June 3, 2004, the BOD approved the declaration of cash dividend of ₱0.64 per share to all stockholders of record as of July 26, 2004 payable on August 10, 2004.

d. Unappropriated retained earnings available for dividend distribution is adjusted to exclude the Parent Company's accumulated equity in net losses of subsidiaries and associates amounting to ₱1,605,713, ₱1,873,675 and ₱1,654,052 as of December 31, 2004, 2003 and 2002, respectively.

16. Agency Commission, Marketing Expenses and Co-producers' Share

	Parent Company		Consolidated		
	2004	2003	**2004**	2003	2002
Agency commission	**₱1,484,063**	₱1,427,440	**₱1,609,026**	₱1,542,477	₱1,418,258
Marketing expenses and co-producers' share	**395,114**	433,704	**436,723**	438,266	411,963
	₱1,879,177	₱1,861,144	**₱2,045,749**	₱1,980,743	₱1,830,221

Industry rules allow ABS-CBN to sell up to 18 minutes of commercial spots per hour of television programming. These spots are sold mainly through advertising agencies which act as the buying agents of advertisers, and to a lesser extent, directly to advertisers. Substantially, all gross airtime revenue, including airtime sold directly to advertisers, is subject to a standard 15% agency commission.

Marketing expenses are commissions paid to the Company's account executives who promote the Company's entertainment programs and news and current affairs programs to advertising agencies.

The Company has co-produced shows which are programs produced by ABS-CBN together with independent producers. Under this arrangement, ABS-CBN provides the technical facilities and airtime, and handles the marketing of the shows. The co-producer shoulders all other costs of production. The revenue earned on these shows is shared between ABS-CBN and the co-producer.

17. Production Costs

	Parent Company		Consolidated		
	2004	2003	**2004**	2003	2002
Personnel expenses and talent fees (see Note 23)	**₱2,427,732**	₱2,021,474	**₱2,524,568**	₱2,093,655	₱1,784,635
Facilities related expenses (see Notes 12 and 24)	**711,049**	626,193	**716,189**	651,983	627,836
Other program expenses (see Note 12)	**843,325**	713,830	**919,873**	754,883	670,925
	₱3,982,106	₱3,361,497	**₱4,160,630**	₱3,500,521	₱3,083,396

18. Cost of Sales and Services

	Consolidated		
	2004	2003	2002
Inventory cost	**₱545,228**	₱483,281	₱429,436
Facilities related expenses (see Notes 12 and 24)	**478,384**	312,266	311,852
Termination costs (see Note 12)	**451,233**	393,898	249,418
Personnel expenses (see Note 23)	**209,200**	152,292	129,053
Other expenses (see Note 12)	**524,700**	474,969	361,612
	₱2,208,745	₱1,816,706	₱1,481,371

19. General and Administrative Expenses

	Parent Company		Consolidated		
	2004	2003 (As restated - see Note 2)	**2004**	2003 (As restated - see Note 2)	2002 (As restated - see Note 2)
Personnel expenses (see Note 23)	**₱861,034**	₱578,494	**₱1,644,250**	₱1,374,699	₱1,107,850
Facilities related expenses (see Notes 12 and 24)	**212,021**	183,354	**407,653**	369,253	334,319
Contracted services	**129,695**	134,277	**337,774**	334,628	180,723
Taxes and licenses	**116,706**	112,570	**168,959**	136,206	111,611
Entertainment, amusement and recreation	**110,241**	99,201	**128,428**	111,462	101,485
Provision for doubtful accounts	**77,062**	73,508	**164,045**	179,430	153,477
Advertising and promotions	**32,869**	–	**95,448**	17,206	70,285
Other expenses (see Note 12)	**278,558**	145,186	**449,971**	399,941	463,914
	₱1,818,186	₱1,326,590	**₱3,396,528**	₱2,922,825	₱2,523,664

20. Interest and Other Financial Charges

	Parent Company		Consolidated		
	2004	2003 (As restated - see Note 2)	**2004**	2003 (As restated - see Note 2)	2002 (As restated - see Note 2)
Interest expense and other financial charges	**(₱802,782)**	(₱654,068)	**(₱802,850)**	(₱655,433)	(₱709,772)
Interest income	**140,402**	39,868	**152,897**	52,070	23,124
	(₱662,380)	(₱614,200)	**(₱649,953)**	(₱603,363)	(₱686,648)

21. Miscellaneous

	Parent Company		Consolidated		
	2004	2003 (As restated - see Note 2)	**2004**	2003 (As restated - see Note 2)	2002 (As restated - see Note 2)
Intercompany revenue (see Note 12)	**₱281,103**	₱303,188	**₱1,036**	₱9,772	₱24,544
Space rental	**78,247**	47,078	**78,247**	47,078	6,969
Foreign exchange losses	**(4,128)**	(10,705)	**(2,347)**	(8,182)	(7,410)
Minority interest	**–**	–	**(10,419)**	(27,393)	3,167
Others	**124,885**	133,459	**147,860**	113,803	17,915
	₱480,107	₱473,020	**₱214,377**	₱135,078	₱45,185

22. **Income Tax**

Significant components of deferred tax assets and liabilities are as follows:

	Parent Company and Consolidated	
	2004	2003 (As restated - see Note 2)
Deferred tax liabilities - net:		
Capitalized interest, duties and taxes (net of accumulated depreciation)	**(₱336,053)**	(₱355,107)
Accrued retirement expense and others	**78,430**	62,312
Allowance for doubtful accounts	**60,187**	35,527
Project development costs written off	**45,483**	68,226
Unrealized foreign exchange loss	**463**	13,633
Restatement of leases	**(3,883)**	10,226
	(₱155,373)	(₱165,183)

	Consolidated	
	2004	2003 (As restated - see Note 2)
Deferred tax assets - net:		
Allowance for doubtful accounts	**₱17,640**	₱6,987
Accrued retirement expense	**5,865**	–
Net operating loss carryover (NOLCO)	**5,254**	–
MCIT	**4,309**	–
Unrealized foreign exchange loss	**(320)**	(301)
Allowance for inventory obsolescence and others	**3,538**	2,900
	₱36,286	₱9,586

The provision for (benefit from) income tax is as follows:

	Parent Company		Consolidated		
	2004	2003 (As restated - see Note 2)	**2004**	2003 (As restated - see Note 2)	2002 (As restated - see Note 2)
Current	**₱ 236,644**	₱590,558	**₱320,929**	₱672,731	₱444,267
Deferred	**(9,810)**	(19,604)	**(36,510)**	(12,348)	(17,258)
	₱226,834	₱570,954	**₱284,419**	₱660,383	₱427,009

The details of the unrecognized deductible temporary differences, NOLCO, and MCIT of the subsidiaries are as follows:

	2004	2003
NOLCO	**₱285,884**	₱664,727
Allowance for doubtful accounts	**232,134**	101,350
MCIT	**2,355**	7,856
Accrued retirement expense and others	**2,669**	15,991
	₱523,042	₱789,924

Management believes that it is not probable that taxable income will be available against which temporary differences, NOLCO and MCIT will be utilized.

MCIT of the subsidiaries amounting to ₱6,664 can be claimed as tax credit against future regular corporate income tax as follows:

Year Incurred	Expiry Dates	Amount
2002	December 31, 2005	₱2,172
2003	December 31, 2006	3,099
2004	December 31, 2007	1,393
		₱6,664

NOLCO of the subsidiaries amounting to ₱302,303 can be claimed as deductions from regular corporate income tax as follows:

Year Incurred	Expiry Dates	Amount
2002	December 31, 2005	₱80,826
2003	December 31, 2006	161,424
2004	December 31, 2007	60,053
		₱302,303

The reconciliation of income from continuing operations before income tax computed at the statutory tax rate to provision for income tax as shown in the statements of income is as follows:

	Parent Company		Consolidated		
	2004	2003 (As restated - see Note 2)	**2004**	2003 (As restated - see Note 2)	2002 (As restated - see Note 2)
Statutory tax rate	**32%**	32%	**32%**	32%	32%
Additions to (reduction in) income taxes resulting from the tax effects of:					
Equity in net losses (earnings) of investees	**(8)**	4	**1**	2	5
Interest income subject to final tax	**(1)**	(1)	**(1)**	(1)	(1)
Unrecognized deferred tax assets	**–**	–	**(1)**	1	6
Nondeductible interest and others	**–**	1	**(4)**	6	8
Effective tax rates	**23%**	36%	**27%**	40%	50%

23. **Pension Plan**

The Company has a funded, noncontributory and actuarially computed pension plan covering substantially all of its employees. The benefits are based on years of service and compensation during the last year of employment.

As of December 31, 2004, the latest actuarial valuation of the Parent Company, the actuarial present value of pension benefits amounted to ₱422.1 million. The fair value of the plan assets amounted to ₱126.1 million. The unfunded present value of pension benefits amounted to ₱296.0 million.

On a consolidated basis, as of December 31, 2004, the latest actuarial valuation of the Company, the actuarial present value of pension benefits amounted to ₱435.6 million. The fair value of the plan assets amounted to ₱126.1 million. The unfunded present value of pension benefits amounted to ₱309.5 million.

The principal actuarial assumptions used to determine pension benefits were a discount rate of 12%, a salary increase of 6% and a return on plan assets of 10%. Actuarial valuations are made at least once every three years. The Company's annual contribution to the pension plan consists of payment covering the current service cost for the year plus payment towards funding the actuarial accrued liability.

Total pension expense of the Company amounted to ₱88.4 million in 2004, ₱87.6 million in 2003 and ₱59.0 million in 2002 (₱82.7 million in both 2004 and in 2003 for the parent company).

24. **Commitments and Contingencies**

a. The Parent Company and subsidiaries lease office facilities, space and satellite equipment. Future minimum rentals payable under non-cancelable operating leases are as follows as of December 31:

	2004	2003
Within one year	**₱361,373**	₱460,629
After one year but not more than five years	**1,078,456**	1,247,440
After five years	**571,139**	733,808
	₱2,010,968	₱2,441,877

b. The Parent Company has entered into commercial property leases on its building, consisting of the Parent Company's surplus office buildings. These non-cancelable leases have remaining non-cancelable lease terms of between 3 to 5 years. All leases include a clause to enable upward revision of the rental charge on a predetermined rate.

Future minimum rentals receivable under non-cancelable operating leases are as follows as of December 31:

	2004	2003
Within one year	**₱30,740**	₱27,351
After one year but not more than five years	**118,524**	–
After five years	**21,548**	–
	₱170,812	₱27,351

c. The Company has contingent liabilities with respect to claims and lawsuits filed by third parties. Management, after consultations with outside legal counsels, is of the opinion that the eventual liability from these claims cannot be presently determined, if any, and an adverse judgment in any one case will not materially affect its financial position and results of operations.

d. As a customer of the Meralco, the Company could expect to receive a refund for some of its previous billings. On April 30, 2003, the Third Division of the Supreme Court (SC) denied the Urgent Motion for Consideration filed by Meralco, rendering the SC decision dated November 15, 2002 final and executory. The decision mandates that Meralco refund its customers ₱0.167 per kilowatt-hour starting with the billing cycles from February 1998 until May 2003, or credit the refund in favor of the customers against their future power consumption.

   Meralco had reached an agreement with the Energy Regulatory Commission (ERC) on the manner and timing of the refund. The refund to the smaller, mostly residential, customers (Refund Phases I to III) will first be satisfied and is presently ongoing. Refunds to commercial and industrial customers (Refund Phase IV) are proposed to be paid over a period of approximately five years starting May 2005. Details of Refund Phase IV will require further ERC approval.

   The Company is covered by Refund Phase IV. It will recognize the Meralco refund when it is virtually certain of collection, both as to amount and timing of receipt.

25. EPS Computations

Basic EPS amounts are calculated by dividing the net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

The following table presents information necessary to calculate EPS:

	Parent Company		Consolidated		
	2004	2003 (As restated - see Note 2)	**2004**	2003 (As restated - see Note 2)	2002 (As restated - see Note 2)
(a) Income from continuing operations after income tax	**₱758,413**	₱1,010,441	**₱758,413**	₱1,010,441	₱428,715
(b) Loss from discontinuing operations after income tax	**(466)**	(2,253)	**(466)**	(2,253)	(272,314)
(c) Net income	**₱757,947**	₱1,008,188	**₱757,947**	₱1,008,188	₱156,401
(d) Weighted average shares outstanding	**769,583,312**	769,583,312	**769,583,312**	769,583,312	769,583,312
Basic EPS:					
Income from continuing operations after income tax (a/d)	**₱0.985**	₱1.313	**₱0.985**	₱1.313	₱0.557
Loss from discontinuing operations after income tax (b/d)	**–**	(0.003)	**–**	(0.003)	(0.354)
Basic EPS (c/d)	**₱0.985**	₱1.310	**₱0.985**	₱1.310	₱0.203

26. **Note to Statements of Cash Flow**

	Parent Company		Consolidated		
	2004	2003 (As restated - see Note 2)	**2004**	2003 (As restated - see Note 2)	2002 (As restated - see Note 2)
Noncash investing and financing activities:					
Acquisition of program rights on account	**₱140,490**	₱106,308	**₱315,284**	₱195,410	₱–
Acquisition of property and equipment under capital lease	**82,244**	72,475	**82,244**	72,475	13,482
Acquisition of property and equipment on account	**21,100**	163,002	**21,100**	163,002	–
Conversion of short-term loans to long-term debt	**–**	190,908	**–**	190,908	3,437,726
Transfer of TCC from a subsidiary and an associate	**–**	–	**–**	–	201,305

27. **Other Matters**

a. In 1972, the Parent Company discontinued its operations when the government took possession of its property and equipment. In the succeeding years, the property and equipment were used without compensation to the Parent Company by Radio Philippines Network, Inc. (RPN) from 1972 to 1979, and Maharlika Broadcasting System (MBS) from 1980 to 1986. A substantial portion of these property and equipment was also used from 1986 to 1992 without compensation to the Parent Company by People’s Television 4, another government entity. In 1986, the Parent Company resumed commercial operations and was granted temporary permits by the government to operate several television and radio stations.

The Parent Company, together with Chronicle Broadcasting System, filed a civil case on January 14, 1988 against Ferdinand E. Marcos and his family, RPN, MBS, et. al, before the Sandiganbayan to press collection of the unpaid rentals for the use of its facilities from September 1972 to February 1986 totaling ₱305,400 plus legal interest compounded quarterly and exemplary damages of ₱100,000.

The BOD resolved on June 27, 1991 to declare as scrip dividends, in favor of all stockholders of record as of that date, whatever amount that may be recovered from the foregoing pending claims and the rentals subsequently settled in 1995. The scrip dividends were declared on March 29, 2000. In 2003, additional scrip dividends of ₱13,290 were recognized for the said stockholders.

On April 28, 1995, the Parent Company and the government entered into a compromise settlement of rental claims from 1986 to 1992. The compromise agreement includes payment to the Parent Company of ₱29,914 (net of the government's counterclaim against the Parent Company of ₱67,586) by way of tax credits or other forms of noncash settlement as full and final settlement of the rentals from 1986 to 1992. The TCCs were issued in 1998.

b. In 2002, following the rigid review of the operations of the various subsidiaries, the Parent Company's BOD approved the discontinuance of operations of ABS-CBN Consumer Products, Inc., ABS-CBN Europe Societa Per Azioni, Cinemagica, Inc., ABS-CBN Hongkong, Ltd. and Shopping Network, Inc., which have been incurring losses. These subsidiaries were engaged in varied businesses including operating retail stores and direct sales service centers, cable shopping network, concert production, remittances and telecom retail, and local and foreign film productions, which were deemed not aligned with the Parent Company's core businesses.

The results of operations of the above-mentioned subsidiaries for the period until discontinuance have been presented in the statements of income as "Loss from Discontinuing Operations After Income Tax."

As of December 31, 2004, assets and liabilities of discontinued subsidiaries have been reduced to zero. As of December 31, 2003, the remaining assets and liabilities follows:

Assets:	
Cash	₱13,191
Receivables - net	1,023
Other current assets	653
Due from related parties	67
Property and equipment at cost - net	167
Other noncurrent assets	2,017
	₱17,118

Liabilities:	
Accounts payable and other current liabilities	₱12,645
Due to related parties	4,007
	₱16,652

Total assets and liabilities of the discontinued subsidiaries in 2003 are presented in the consolidated balance sheets as part of “Other noncurrent assets - net” and “Other noncurrent liabilities” accounts.

The results of discontinuing operations are as follows:

	2004	2003	2002
Net sales and services	**₱–**	₱4,129	₱47,197
Costs and expenses:			
Cost of sales and services	**–**	246	37,858
General and administrative	**–**	6,098	290,538
	–	6,344	328,396
Loss from discontinuing operations	**–**	(2,215)	(281,199)
Other income (expenses) - net:			
Interest and other financial charges	**–**	(306)	1,004
Miscellaneous	**466**	268	8,900
	(466)	(38)	9,904
Loss from discontinuing operations before income tax	**(466)**	(2,253)	(271,295)
Provision for income tax	**–**	–	1,019
Loss from discontinuing operations after income tax	**(₱466)**	(₱2,253)	(₱272,314)