

SEC Number **A1999-0454**  
TIN **203-420-423**

**A 1 9 9 9 - 0 4 5 4 4**

SEC Registration Number

**A B S - C B N H O L D I N G S C O R P O R A T I O N**

(Company's Full Name)

**4 t h F l o o r , B e n p r e s B u i l d i n g , E x c h**

**a n g e R o a d c o r n e r M e r a l c o A v e n u e ,**

**P a s i g C i t y**

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

**Mr. Enrique I. Quiason**  
(Contact Person)

**631-0981**  
(Company Telephone Number)

**1 2 3 1**  
Month Day  
(Fiscal Year)

**1 7 - A**  
(Form Type)

**Month Day**  
(Annual Meeting)

**(Secondary License Type, If Applicable)**

**SEC**  
Dept. Requiring this Doc.

**Amended Articles Number/Section**

**Total No. of Stockholders**

**Total Amount of Borrowings**  
Domestic Foreign

To be accomplished by SEC Personnel concerned

**File Number**

\_\_\_\_\_  
LCU

**Document ID**

\_\_\_\_\_  
Cashier

**STAMPS**

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**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17A**

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

1. For the fiscal year ended **December 31, 2008**
2. SEC Identification No. **A1999-04544**                      3. BIR Tax Identification No. **203-420-423**
4. Exact name of the registrant as specified in its charter  
**ABS-CBN HOLDINGS CORPORATION**
5. **Philippines**    6. \_\_\_\_\_ (SEC use only)  
Province, Country or other jurisdiction of                      Industry Classification code:  
Incorporation or organization
7. **4/F Benpres Building, Meralco Ave. corner Exchange Road, Pasig City, 1600 .**  
Address of principal office    Postal code
8. **(632) 631-3111**  
Registrant's telephone number, including area code
9. **Worldtech Holdings Corporation**  
Former name, former address, and former fiscal year, if changed since last year
10. Securities registered pursuant to Sections 4 and 8 of the RSA
- | Title of Each Class                   | Number of Shares of Common Stock Outstanding<br>And Amount of Debt Outstanding |
|---------------------------------------|--|
| <b>Philippine Depositary Receipts</b> | <b>270,303,200 shares</b>  |
11. Are any or all of these securities listed on the Philippine Stock Exchange?  
Yes                       No
12. Check whether the registrant:
- a) has filed all reports to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):  
Yes                       No
- b) has been subject to such filing requirements for the past 90 days.  
Yes                       No
13. State the aggregate market value of the voting stock held by non-affiliates of the registrant:  
**Not applicable**  
(Note: Item No. 14 in the Form is Not Applicable)

# ABS-CBN HOLDINGS CORPORATION

April 14, 2009

**Securities and Exchange Commission**  
Money Market Operations Department  
SEC Building, EDSA near Ortigas Avenue  
Mandaluyong City

Attention: **Ms. Justina F. Callangan**  
Director – Corporate Finance Department

Gentlemen:

Attached is the Company's annual report for the year ended December 31, 2008.

There is no other information known to management that needs to be disclosed as of the coverage date of this report. If any required information is not disclosed, it is not applicable to the Company.

We hope you find everything in order.

Thank you.

Respectfully yours,



**Enrique I. Quiason**  
Corporate Secretary

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## **PART I - BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

ABS-CBN Holdings Corporation (the "Company") was incorporated on March 30, 1999 as Worldtech Holdings Corporation, for the primary purpose of investing, purchasing and holding real and personal property including but not limited to shares of stock, bonds, debentures, notes, evidences of indebtedness or other securities or obligations. On September 16, 1999, the Securities and Exchange Commission approved the change in the Company's corporate name to ABS-CBN Holdings Corporation.

The Company issued Philippine Deposit Receipts (PDRs) in September 1999. The PDRs were then listed on the Philippine Stock Exchange the following month.

For as long as the PDRs are outstanding, the Company will not engage in any activities other than in connection with the issuance of PDRs, the performance of obligations under the PDRs and the acquisition and holding of shares of ABS-CBN Broadcasting Corporation (ABS-CBN) in respect of which PDRs are issued.

Any cash dividends received or other cash distributions in respect of the underlying ABS-CBN shares shall be applied towards the operating expenses of the Company and any amounts remaining shall be distributed pro rata among outstanding PDR holders.

The PDRs unlocked the share value of ABS-CBN, allowing foreigners to participate in a media enterprise whose ownership is constitutionally limited to Filipinos. With foreigners allowed to buy PDRs, ABS-CBN shares which have long been undervalued, can now play catch-up with regional media counterparts.

#### Transaction with and/ or dependence on related parties

Not Applicable.

#### Employees

The Company has no full-time employees as of December 31, 2008 and anticipates no employee within the ensuing year. Labor union is not present in the Company.

### **Item 2. Properties**

The Company does not own any real property. It does not even lease any real property and has no intention of acquiring any real property in the next twelve months.

### **Item 3. Legal Proceedings**

The Company is not a party to any legal action.

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

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

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Registrant's PDRs and Related Stockholder Matters

#### Market Information

The Company offered PDRs relating to ABS-CBN shares since September 29, 1999. The following are share prices of PDRs:

	<u>Stock Prices</u>	
	<u>High</u>	<u>Low</u>
2009		
First Quarter	14.50	12.50
2008		
First Quarter	33.00	23.00
Second Quarter	29.00	19.00
Third Quarter	19.25	15.00
Fourth Quarter	16.50	12.00
2007		
First Quarter	26.50	18.75
Second Quarter	33.50	26.00
Third Quarter	37.50	29.50
Fourth Quarter	34.50	30.00
2006		
First Quarter	13.00	10.25
Second Quarter	17.75	11.50
Third Quarter	17.25	15.75
Fourth Quarter	22.75	16.50

#### Shareholder Information

The number of shareholders of record as of December 31, 2008 was 6. Common shares subscribed as of December 31, 2008 were 400 or ₱40,000, including subscriptions receivable of ₱10,000.

List of stockholders as of December 31, 2008:

<u>Name of Stockholders</u>	<u>No. of Shares Held</u>	<u>% to Total</u>
1. Lopez, Inc.	200	50
2. Oscar M. Lopez	40	10
3. Manuel M. Lopez	40	10
4. Presentacion L. Psinakis	40	10
5. Angel S. Ong	40	10
6. Eugenio Lopez III	40	10

#### Dividend Information

The Company is authorized to pay dividends on the shares in cash, in additional shares, in kind, or in a combination of the foregoing. Dividends paid in cash are subject to approval by the Board and no stockholder approval is required. Dividends paid in the form of additional shares are subject to approval by the Board and holders of at least two-thirds of the outstanding capital stock of the Company. Holders of outstanding Shares on a dividend record date for such Shares will be entitled to the full dividend declared without regard to any subsequent transfer of such Shares.

Any cash dividends or other cash distributions in respect of the underlying ABS-CBN shares shall be applied by the Company towards its operating expenses and any amounts remaining shall be distributed pro rata among outstanding PDR holders.

Dividends declared as interest due to PDR holders – ₱220 million in 2008, ₱ 116 million in 2007, and none in 2006.

There are no restrictions that limit the ability to pay dividends on common equity.

Recent Sales of Unregistered Securities - None.

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

The Company has undertaken not to conduct any business other than in connection with the issuance of Philippine Depositary Receipts [PDRs (see Note 4 of the financial statements)], the performance of obligations under the PDRs and the acquisition and holding of shares of ABS-CBN Broadcasting Corporation (ABS-CBN) in respect of which PDRs are issued.

Any cash dividends or other cash distributions distributed in respect of ABS-CBN shares received by the Company (or the Security Agent on its behalf) shall be applied towards its operating expenses then due (including but not limited to applicable taxes, fees and maintenance costs charged by the Philippine Stock Exchange) of the Company (the "Operating Expenses") for the current and preceding year. Any further amount equal to the operating expenses in the preceding year (The "Operating Fund") shall be set aside to meet operating or other expenses for the succeeding year. Any amount in excess of the aggregate of the Operating Expenses paid and the Operating Fund for such period (referred to as "Interest") shall be distributed to Holders *pro rata* on the day after such cash dividends are received by the Company.

The Company's **key performance indicators** are focused only on the dividends received by the registrant to meet the PDR holders' expectation and monitor the cash and cash equivalents level to meet its obligations with respect to the Company's current and preceding year's operations.

The Company received cash dividends for its investment in ABS-CBN shares and in turn distributed interest to its PDRs holders as follows:

	<u>Cash Dividend</u>	<u>Interest Paid</u>	<u>Interest Paid Per Share</u>
May 2008	₱ 223,059,690	₱ 220,382,974	₱ 0.8151
May 2007	₱ 122,373,720	₱ 116,037,480	₱ 0.4267
May 2006	N/A	N/A	N/A

#### **Results of Operations of ABS-CBN Holdings Corporation for the year ended December 31, 2008 compared with year ended December 31, 2007**

The Company posted revenues of P2.59 million for the year ended December 31, 2008, 34% increased from year ago of ₱1.93 million. It is mainly due to exercise fees that increased by 61X to ₱184,490 as there were 1,844,900 shares converted into ABS-CBN shares in 2008 versus 30,000 conversion of PDRs in 2007. It is also due to accrual of "Reimbursement from PDR holders" and interest income earned on Money market placement resulting from receipts of cash dividends from ABS-CBN Broadcasting Corporation.

In 2008, the unearned income, exercise fees and interest income earned during the year is not enough to cover the actual operating expenses. As provided for under the agreement with the PDR holders, such deficiency will be applied against the future dividends that will be received from ABS-CBN .

Operating expenses increased by 34% primarily due to increase in listing fee that is based on market capitalization of the company of the previous year-end stock price and increase in outside services for its maintenance fee for the set up of the Company website.

Cash and cash equivalents level increased by 14% to ₱ 6 million and "Unearned income" under "Trade and other payables" account increased by 13% due to the effect of dividend received from ABS-CBN Broadcasting Corporation for its investment in ABS-CBN Common shares amounting to P223.06 million and interest paid to PDRs holder amounting to P220.38 million in May 2008.

Unearned income, shown as part of "Trade and Other Payables" account in 2008 pertains to "Operating fund".

### **Year ended December 31, 2007 compared with year ended December 31, 2006**

The Company posted revenues of ₱1.93 million for the year ended December 31, 2007, an increased from year ago of ₱1.79 million. It is mainly due to interest income earned from its money market placement coming from dividends received from its investment in ABS-CBN shares at P.045 per PDRs. Thus, cash and cash equivalents level increased by 140% to ₱5.3 million as of December 31, 2007 from ₱2.2 million as of December 31, 2006.

On the other hand, exercise fees decreased by 85% to ₱3,000 as there were only 30,000 PDRs converted into ABS-CBN shares versus 200,000 conversion of PDRs in 2006.

In 2006, the balance of unearned income, exercise fees and interest income earned during the year is not enough to cover the actual operating expenses. The deficiency amounted to P511,296 and is shown as part of "Other current assets – Receivable from PDR holders" account in the 2006 balance sheet. As provided for under the agreement with the PDR holders, such deficiency will be applied against the future dividends that will be received from ABS-CBN.

Operating expenses increased by 8% primarily due to increase in listing fee that is based in market capitalization of the company of the previous year-end stock price.

Unearned income, shown as part of "Trade and Other Payables" account in 2007 pertains to "Operating fund".

### **Item 7. Financial Statements**

The financial statements of the Company are incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of this Form 17-A.

The audited financial statements has been prepared in accordance with Section 17 of the Securities Regulations Code. The company has undertaken not to conduct any business other than in connection with the issuance of Philippine Depository Receipts (PDRs), the performance of obligations under the PDRs and the acquisition and holding of shares of ABS-CBN Broadcasting Corporation in respect of which PDRs are issued.

### **Item 8 Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

There are no changes in and disagreements with the external auditors on accounting and financial disclosures.

### **Compliance with Leading Practice on Corporate Governance**

The Board of Directors of the Issuer has adopted a Manual of Corporate Governance to institutionalize corporate governance principles. The Issuer has appointed a Compliance Officer who reports to the Board of Directors and monitors compliance of corporate governance matters. The Board of Directors has created an Audit Committee in accordance with its Manual of Corporate Governance. There were no deviations from the Manual of Corporate Governance reported during the year. The Company pursues initiatives to improve corporate governance of the Company such as risk management and improvement of inter auditing processes.

## PART III - CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Registrant

#### Board of Directors

Mr. Oscar M. Lopez  
Mr. Eugenio Lopez, III  
Mr. Manuel M. Lopez  
Ms. Presentacion L. Psinakis  
Mr. Angel S. Ong

#### Executive / Corporate Officers

Oscar M. Lopez	Chairman of the Board, President, Chief Executive Officer and Chief Operating Officer
Eugenio Lopez III	Treasurer and Comptroller
Enrique I. Quiason	Corporate Secretary

#### **OSCAR M. LOPEZ**

Mr. Oscar M. Lopez, aged 79, received a Bachelor of Arts degree from Harvard College and a Masters degree in Public Administration from Harvard University. He is chairman and chief Executive officer of FPHC, chairman and president of Lopez, Inc. and chairman of among others, Benpres Holdings Corporation, Sierra Tours, BayanTel, Sky Vision and RCPI. He is vice chairman of the Board at Rockwell Land and is a director of ABS-CBN.

#### **EUGENIO LOPEZ, III**

Mr. Eugenio Lopez III, aged 57, received a Bachelor of Arts degree in Political Science from Bowdoin College and a Masters degree in Business Administration from the Harvard Business School. He is chairman and chief executive officer of ABS-CBN, president and director of Sky Vision, vice chairman of the board at BayanTel and vice chairman and president of RCPI, among others.

#### **MANUEL M. LOPEZ**

Mr. Manuel M. Lopez, aged 67, is a holder of a Bachelor of Science degree in Business Administration and attended the Program for Management Development at the Harvard Business School. He is the president of Meralco, chairman of the board at Rockwell Land, and is a director of among others, ABS-CBN, Sierra Tours, FPHC, BayanTel, Sky Vision and Lopez, Inc.

#### **PRESENTACION L. PSINAKIS**

Ms. Psinakis, aged 73, attended St. Scholastica's College. She is currently a Director of ABS-CBN, Lopez, Inc., Benpres Insurance Agency and Sierra Tours.

#### **ANGEL S. ONG**

Mr. Angel S. Ong, aged 59, was elected director and president and chief operating officer of Benpres Holdings Corporation in 2004. He was the Company's EVP-chief financial officer from 2001 to 2004 and vice president for finance from 1998-2000. He received his Bachelor of Science in Commerce degree from the Philippine College of Commerce and a Masters degree in Business Administration from the University of the Philippines. He is also a director of ABS-CBN.

#### **ENRIQUE I. QUIASON**

Mr. Enrique I. Quiason, aged 48, received a Bachelor of Science degree in Business Economics and a Bachelor of Laws degree from the University of the Philippines, and a Master of Laws degree in Securities Regulation from Georgetown University. He is a senior partner of the Quiason Makalintal Barrot Torres & Ibarra Law Office. He is the corporate secretary of FPHC, Rockwell Land, BayanTel, Sky Vision, RCPI, Sierra Tours, and Lopez, Inc. He is also Assistant corporate secretary of ABS-CBN.

#### Term of Office as Directors and Executive Officers

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

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

#### Family Relationships

Mr. Oscar M. Lopez, Mr. Manuel M. Lopez and Ms. Presentacion L. Psinakis are brothers and sister while Mr. Eugenio Lopez III is their nephew. There are no other family relationships among the directors and officers listed above.

#### Brief description of the person's business experience during the past five years

The company was incorporated only in March 1999 and offered PDRs only in September 29, 1999.

The names mentioned above make significant contribution to the business and are expected by the Company to make their own contributions necessary to meet its organizational goals.

#### Involvement of Directors and Officers in Certain Legal Proceedings

The Company is not aware of: (i) 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 party of which any of their property is subject; (ii) 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, (iii) 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; nor, (iv) 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 of Directors and Executive Officers**

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 Executive Officer and four other most highly compensated executive officers: Not Applicable.

The directors receive standard per diem of ₱1,000 each per board meeting. There are no other arrangements for compensation either by way of payments for committee participation or consulting contracts.

There are no other arrangements or consulting contracts on which any director is compensated, whether directly or indirectly.

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

**Item 11: Security Ownership of Certain Beneficial Owners and Management**

**(a) Security Ownership of Certain Record and Beneficial Owners as at December 31, 2008**

As of December 31, 2008, the Company knows of no one who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below:

(1) Title of Class	(2) Name and address record/beneficial owner	(3) Amount and nature of beneficial ownership (indicate by "r" or "b")	(4) Percent of class
Common	Lopez, Inc. 5/F Benpres Building Meralco Avenue, Ortigas Center, Pasig City	20,000 r *	50%
Common	Oscar M. Lopez 6/F Benpres Building Meralco Avenue, Ortigas Center, Pasig City	4,000 r	10%
Common	Manuel M. Lopez 5/F Benpres Building Meralco Avenue, Ortigas Center, Pasig City	4,000 r	10%
Common	Eugenio Lopez III 5/F Benpres Building Meralco Avenue, Ortigas Center, Pasig City	4,000 r	10%
Common	Presentation Psinakis 5/F Benpres Building Meralco Avenue, Ortigas Center, Pasig City	4,000 r	10%
Common	Angel S. Ong 5/F Benpres Building Meralco Avenue, Ortigas Center, Pasig City	4,000 r	10%

- \* Lopez, Inc. is the holding company of the Lopez family. It is owned by the respective holding companies of the family of Eugenio Lopez, Jr., Oscar M. Lopez, Manuel M. Lopez and Presentacion L. Psinakis.

**(b) Security Ownership of Management as at December 31, 2008**

(1) Name of beneficial owner	(2) Position	(3) Amount and nature of beneficial ownership	(4) Percent ownership
Oscar M. Lopez	Chairman of the Board, President, CEO & COO	4,000 r (sole voting)	10%
Manuel M. Lopez	Board Member	4,000 r (sole voting)	10%
Eugenio Lopez III	Treasurer and Comptroller	4,000 r (sole voting)	10%
Presentation Psinakis	Board Member	4,000 r (sole voting)	10%
Angel S. Ong	Board Member	4,000 r (sole voting)	10%
All directors and executive officers as a group		20,000 r (sole voting)	50%

There have not been any arrangements which 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**

The Company hired the law firm of Quiason Makalintal Barrot Torres and Ibarra, from which Atty. Enrique I. Quiason is a senior partner, for legal services.

(Note: There is no Item No. 13 in the Form)

**PART IV - EXHIBITS AND SCHEDULES**

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

- (a) Exhibits - There are no accompanying exhibits for Parts I and III
- (b) Reports on SEC Form 17-C for the last six (6) months of 2008 - NONE

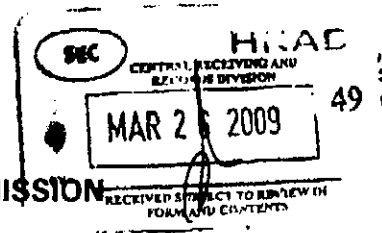
## INDEX TO EXHIBITS

### Form 17 - A

<u>No.</u>		<u>Page No</u>
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	*
(10)	Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders	*
(13)	Letter re change in Certifying Accountant	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	*
(19)	Published Report Regarding Matters submitted to Vote Of Security Holders	*
(20)	Consent of Experts and Independent Counsel	
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

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\* These exhibits are either not applicable to the Company or require no answer.



**THE SECURITIES AND EXCHANGE COMMISSION  
Mandaluyong City**

**SEC FORM 17- C**

**CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17(b)(3) THEREUNDER**

1. March 25 2009  
Date of Report (Date of earliest event reported)
  
2. SEC Registration No. AS1999-04544
3. BIR TIN. 203-420-423
  
4. ABS-CBN Holdings Corporation  
Exact name of registrant as specified in its Articles of Incorporation
  
5. Metro Manila  
Place of incorporation
6. \_\_\_\_\_  
Industry Classification Code
  
7. 5th Floor Benpres Building, Exchange Road cor. Meralco Ave. Pasig City  
Address of principal office
  
8. 631 3111  
Registrant's telephone number, including area code
  
9. Not Applicable  
Former name or former address, if changed since last report
  
10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class

Number of Philippine Depository Receipts  
Outstanding

Philippine Depository Shares

271,959,300 PDRs

11. Indicate Item numbers reported herein: **Item 9. Other Events**

ABS-CBN Broadcasting Corporation declared this afternoon, March 25, 2009, a cash dividend of ₱0.90 per share to stockholders of record as of May 5, 2009 and payable on or before May 29, 2009.

As in the past, the record date for PDR holders entitled to receive the cash amount shall also be on May 5, 2009. The cash dividends are expected to be received by ABS-CBN Holdings Corporation on May 29, 2009 and the cash amounts will be distributed to the PDR holders on the next business day, June 1, 2009.

The cash amounts will be determined based on the gross dividends received less the administrative expenses of ABS-CBN Holdings Corporation for 2008 and 2009.

**ABS-CBN HOLDINGS CORPORATION**  
**Registrant**

By:


  
**Enrique I. Quiason**  
**Corporate Secretary**


**SIGNATURES**

Pursuant to the requirements of the Revised Securities Act, this financial statements has been signed by the following persons in the capacities and on the dates indicated

Registrant: **ABS-CBN HOLDINGS CORPORATION**

By:

  
\_\_\_\_\_  
**OSCAR M. LOPEZ**  
Chairman, President, Chief Executive Officer and Chief Operating Officer  
Date: **14 APR 2009**

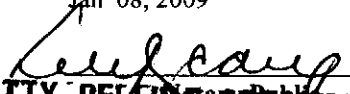
  
\_\_\_\_\_  
**EUGENIO LOPEZ III**  
Treasurer and Comptroller  
Date: **14 APR 2009**

  
\_\_\_\_\_  
**ENRIQUE I. QUIASON**  
Corporate Secretary  
Date: **14 APR 2009**

**SUBSCRIBED AND SWORN** to before me this **15 APR 2009** affiant(s) exhibiting to me their Community Tax Certificates, as follows:

<u>Names</u>	<u>Res. Cert. No.</u>	<u>Date</u>	<u>Place of Issue</u>
Oscar M. Lopez	26809289	Feb. 09, 2009	Pasig City
Eugenio Lopez III	16718592	Jan. 21, 2009	Quezon City
Enrique I. Quiason	13598314	Jan 08, 2009	Pasig City

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Page No. 60  
Book No. 511  
Series of 09

  
\_\_\_\_\_  
**ATTY. DELFINO P. CAVALI JR.**  
**NOTARY PUBLIC**  
ROLL NO. 24655  
TIN NO. 144-519-006  
PTR NO. 074549-B-01-06-09  
IBP NO. 754439-01-06-09  
MCLE NO. II-0015473  
COM. EXPIRED ON DEC. 09

**ABS-CBN HOLDINGS CORPORATION**  
**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**  
**FORM 17-A, Item 7**

Page No.

**Financial Statements**

Statement of Management's Responsibility for Financial Statements  
Report of Independent Public Accountants  
Balance Sheets as of December 31, 2008 and 2007  
Statements of Income and Retained Earnings  
    for the years ended December 31, 2008, 2007 and 2006  
Statements of Cash Flows  
    for the years ended December 31, 2008, 2007 and 2006  
Notes to Financial Statements

**Supplementary Schedules**

Report of Independent Public Accountants on Supplementary Schedules	*
A. Marketable Securities – (Current Marketable Equity Securities and Other Short term Cash Investments)	*
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)	*
C. Non-current Marketable Equity Securities, Other Long-term Investments, and Other Investments	*
D. Indebtedness to Unconsolidated Subsidiaries and Affiliates	*
E. Property, Plant and Equipment	*
F. Accumulated Depreciation	*
G. Intangible Assets – Other Assets	*
H. Long-term Debt	*
I. Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)	*
J. Guarantees of Securities of Other Issuers	*
K. Capital Stock	*

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*\* These schedules, which are required by Part IV (e) of SRC, 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 statement.*

# ABS-CBN HOLDINGS CORPORATION

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of ABS-CBN Holdings Corporation is responsible for all information and representations contained in the financial statements as of December 31, 2008 and 2007 and for each of the three in the period ended December 31, 2008. The financial statements have been prepared in conformity with generally accepted accounting principles and reflected amounts that are based on the best estimates and informed judgment of management with 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 auditors: (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 examined the 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 examination, in their report to the Board of Directors and stockholders.



**OSCAR M. LOPEZ**  
Chairman of the Board, President,  
Chief Executive Officer and Chief Operating Officer

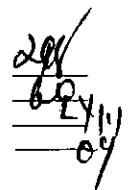


**EUGENIO LOPEZ, III**  
Treasurer and Comptroller

SUBSCRIBED AND SWORN to before me this 15 APR 2009 affiant(s) exhibiting to me their Community Tax Certificates, as follows:

<u>Names</u>	<u>Res. Cert. No.</u>	<u>Date</u>	<u>Place of Issue</u>
Oscar M. Lopez	26809289	Feb. 09, 2009	Pasig City
Eugenio Lopez III	16718592	Jan. 21, 2009	Quezon City
Enrique I. Quiason	13598314	Jan 08, 2009	Pasig City

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Page No. \_\_\_\_\_  
Book No. \_\_\_\_\_  
Series of \_\_\_\_\_



**ATTY. DELFIN R. ASCAOIL JR.**  
NOTARY PUBLIC

ROLL NO. 24655  
TIN NO. 124-510-056  
PTR NO. 1174010-B-01-06-09  
IBP NO. 754439-01-06-09  
MCLE NO. II-0015473  
COM. EXPIRED ON DEC '09



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-FR-1

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors  
ABS-CBN Holdings Corporation  
4th Floor, Benpres Building  
Exchange Road corner Meralco Avenue  
Pasig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of ABS-CBN Holdings Corporation included in this Form 17-A and have issued our report thereon dated April 1, 2009. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management and are presented for purposes of complying with the Securities and Exchange Commission's Rule 68.1 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Haydee M. Reyes  
Partner  
CPA Certificate No. 83522  
SEC Accreditation No. 0663-A  
Tax Identification No. 102-095-265  
PTR No. 1566461, January 5, 2009, Makati City

April 1, 2009



# COVER SHEET

A 1 9 9 9 - 0 4 5 4 4

SEC Registration Number

A B S - C B N H O L D I N G S C O R P O R A T I O N

(Company's Full Name)

4 t h F l o o r , B e n p r e s B u i l d i n g , E x c h  
 a n g e R o a d c o r n e r M e r a l c o A v e n u e ,  
 P a s i g C i t y

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

**Mr. Enrique I. Quiason**  
(Contact Person)

**631-3111**  
(Company Telephone Number)

1 2    3 1  
 Month    Day  
 (Fiscal Year)

1 7 - A  
(Form Type)

Month    Day  
 (Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

5  
 Total No. of Stockholders

Total Amount of Borrowings

-	-
Domestic	Foreign

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 To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_ LCU

Document ID

\_\_\_\_\_ Cashier

STAMPS

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## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
ABS-CBN Holdings Corporation  
4th Floor, Benpres Building  
Exchange Road corner Meralco Avenue  
Pasig City

We have audited the accompanying financial statements of ABS-CBN Holdings Corporation, which comprise the balance sheets as at December 31, 2008 and 2007, and the statements of income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of ABS-CBN Holdings Corporation as of December 31, 2008 and 2007, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Haydee M. Reyes

Partner

CPA Certificate No. 83522

SEC Accreditation No. 0663-A

Tax Identification No. 102-095-265

PTR No. 1566461, January 5, 2009, Makati City

April 1, 2009



**ABS-CBN HOLDINGS CORPORATION**  
**BALANCE SHEETS**

	December 31	
	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents (Notes 5, 10 and 11)	<b>₱6,090,289</b>	<b>₱5,319,538</b>
	<b>₱6,090,289</b>	<b>₱5,319,538</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Trade and other payables (Notes 6, 10 and 11)	<b>₱6,135,237</b>	<b>₱5,364,486</b>
<b>EQUITY</b>		
Capital stock	<b>30,000</b>	<b>30,000</b>
Additional paid-in capital	<b>23,069,356</b>	<b>23,069,356</b>
Deficit	<b>(23,144,304)</b>	<b>(23,144,304)</b>
Total Equity	<b>(44,948)</b>	<b>(44,948)</b>
	<b>₱6,090,289</b>	<b>₱5,319,538</b>

*See accompanying Notes to Financial Statements.*



**ABS-CBN HOLDINGS CORPORATION**  
**STATEMENTS OF INCOME**

	Years Ended December 31		
	2008	2007	2006
<b>REVENUE</b>			
Reimbursements from Philippine Depository Receipts (PDR) holders (Notes 4 and 6)	₱2,147,999	₱1,698,575	₱1,655,440
Interest (Note 5)	256,838	229,575	116,735
Exercise fees (Note 4)	184,490	3,000	20,000
	<b>2,589,327</b>	<b>1,931,150</b>	<b>1,792,175</b>
<b>OPERATING EXPENSES (Notes 4 and 8)</b>	<b>2,589,327</b>	<b>1,931,150</b>	<b>1,792,175</b>
<b>NET INCOME</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>
<b>Basic/Diluted Earnings Per Share (Note 12)</b>	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>

*See accompanying Notes to Financial Statements.*



**ABS-CBN HOLDINGS CORPORATION**  
**STATEMENTS OF CHANGES EQUITY**

	Years Ended December 31		
	2008	2007	2006
<b>CAPITAL STOCK - ₱100 par value</b>			
Authorized - 1,000 shares			
Subscribed - 400 shares	₱40,000	₱40,000	₱40,000
Subscriptions receivable	(10,000)	(10,000)	(10,000)
	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance at beginning of the year	23,069,356	23,069,356	-
Addition during the year	-	-	23,069,356
Balance at end of year	<u>23,069,356</u>	<u>23,069,356</u>	<u>23,069,356</u>
<b>ADVANCES FROM A SHAREHOLDER INTENDED FOR EQUITY CONVERSION</b>			
(Note 7)			
Balance at beginning of the year	-	-	23,069,356
Conversion during the year	-	-	(23,069,356)
Balance at end of year	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFICIT</b>			
Balance at beginning of the year	(23,144,304)	(23,144,304)	(23,144,304)
Net income	-	-	-
Balance at end of year	<u>(23,144,304)</u>	<u>(23,144,304)</u>	<u>(23,144,304)</u>
	<u>(₱44,948)</u>	<u>(₱44,948)</u>	<u>(₱44,948)</u>

*See accompanying Notes to Financial Statements.*



**ABS-CBN HOLDINGS CORPORATION**  
**STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2008	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	P-	P-	P-
Adjustment for interest income	(256,838)	(229,575)	(116,735)
Operating loss before working capital changes	(256,838)	(229,575)	(116,735)
Decrease (increase) in other current assets	-	511,296	(500,080)
Increase (decrease) in trade and other payables	770,751	2,595,259	(149,445)
Interest received	256,838	229,575	116,735
Net cash provided by (used in) operating activities	770,751	3,106,555	(649,525)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>770,751</b>	<b>3,106,555</b>	<b>(649,525)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>5,319,538</b>	<b>2,212,983</b>	<b>2,862,508</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)</b>	<b>P6,090,289</b>	<b>P5,319,538</b>	<b>P2,212,983</b>

*See accompanying Notes to Financial Statements.*



# **ABS-CBN HOLDINGS CORPORATION**

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## **NOTES TO FINANCIAL STATEMENTS**

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### **1. Corporate Information**

The Company is incorporated in the Philippines for the primary purpose of investing, purchasing and holding real and personal properties, including but not limited to, shares of stock, bonds, debentures, notes, evidences of indebtedness or other securities or obligations.

The Company has not conducted any business other than in connection with the issuance of Philippine Depository Receipts (PDRs), the performance of obligations under the PDRs and the acquisition and holding of shares of ABS-CBN Broadcasting Corporation (ABS-CBN) in respect of PDRs issued (see Note 4).

The Company is 50%-owned by Lopez, Inc., a Philippine entity, and 50%-owned by certain directors and officers of Lopez, Inc.

The registered office address of the Company is 4th Floor, Benpres Building, Exchange Road corner Meralco Avenue, Pasig City.

The accompanying financial statements were approved and authorized for issue by the Board of Directors (BOD) on April 1, 2009.

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### **2. Summary of Significant Accounting Policies**

#### Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis and are presented in Philippine Peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

#### Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) issued by the Financial Reporting Standards Council.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following Philippine Interpretations which became effective on January 1, 2008, and an amendment to existing standards which became effective on July 1, 2008. Adoption of these changes did not have any significant effect to the Company.

- Philippine Interpretation IFRIC 11, "PFRS 2 - Group and Treasury Share Transactions" — This interpretation requires arrangements whereby an employee is granted rights to the Company's equity instruments to be accounted for as an equity-settled scheme by the Company even if (a) the Company chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholder(s) of the Company provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent.



- Philippine Interpretation IFRIC 12, "Service Concession Arrangements" — This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service arrangements.
- Philippine Interpretation IFRIC 14, "PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" — This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19 "Employee Benefits."
- Amendments to PAS 39, "Financial Instruments: Recognition and Measurement," and PFRS 7, "Financial Instruments: Disclosures" — This amendment permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss (FVPL) by the entity upon initial recognition) out of the FVPL category in particular circumstances. The amendment also allows an entity to transfer, from the available-for-sale (AFS) category to the loans and receivables category, a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as AFS), if the entity has the intention and ability to hold that financial asset in the foreseeable future.

#### Future Changes in Accounting Standards

The Company did not adopt early the following standards and interpretations that have been approved, but are not yet effective for the year ended December 31, 2008:

- Philippine Interpretation IFRIC 13, "Customer Loyalty Programmes" (effective July 1, 2008), which requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Company expects that this interpretation will have no impact on the financial statements as no such schemes currently exist.
- Philippine Interpretation IFRIC 16, "Hedges of a Net Investment in a Foreign Corporation" (effective October 1, 2008), which provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This interpretation is to be applied prospectively. The Company expects that this amendment will have no effect on the financial statements.
- Amendments to PAS 1, "Presentation of Financial Statements: Statement of Comprehensive Income" (effective January 1, 2009), which requires the statement of changes in equity to include only transactions with owners, while all non-owner changes will be presented in equity as a single line with details included in a separate statement. Owners are defined as holders of instruments classified as equity.



In addition, the amendment to PAS 1 provides for the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in the statement of income together with "other comprehensive income." The revisions specify what is included in other comprehensive income, such as gains and losses on available-for-sale (AFS) financial assets, actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. The Company will assess the impact of the standard on its current manner of reporting all items of income and expenses.

- Amendments to PAS 23, "Borrowing Costs" (effective January 1, 2009), which removes the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalize borrowing costs as part of the cost of such assets. The Company will assess the impact of the amendment on its financial statements when it adopts the amendment.
- Amendments to PAS 27, "Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate Amendments" (effective January 1, 2009) — This standard has been amended in respect of the holding companies separate financial statements including (a) the deletion of "cost method," making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in the statement of income. Amendments are to be applied retrospectively. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. The Company does not expect this amended standard to have an impact on its financial statements upon adoption.
- Amendments to PAS 32, "Financial Instruments: Presentation" and PAS 1, "Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation" (effective January 1, 2009), which provide a limited scope exception for puttable instruments to be classified as equity if they fulfill a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Company, as the Company has not issued such instruments.
- PFRS 8, "Operating Segments" (effective January 1, 2009), which adopts a full management approach to reporting segment information. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the balance sheet and statement of income and companies will need to provide explanations and reconciliations of the differences. PFRS 8 will replace PAS 14, "Segment Reporting," which is required to be adopted only by entities whose debt or equity instruments are publicly traded, or are in the process of filing with the SEC for purposes of issuing any class of instruments in a public market. The Company will adopt this change prospectively.



- Amendment to PFRS 1, “First-time Adoption of Philippine Financial Reporting Standards” (effective January 1, 2009), which allows an entity to determine the “cost” of investments in subsidiaries, jointly controlled entities or associates in its opening PFRS financial statements in accordance with PAS 27 or using a deemed cost. The Company does not expect this revised standard to have an impact on its financial statements upon adoption.
- Amendments to PFRS 2, “Share-based Payment - Vesting Condition and Cancellations” (effective July 1, 2009) — This amended standard clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation. The Company currently does not have any stock option plan, therefore, does not expect this interpretation to have an impact on its financial statements.
- PAS 39, Amendments - “Financial Instruments: Recognition and Measurement - Eligible hedged items,” (effective July 1, 2009) which addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Company does not expect this amendment to have an impact on its financial statements upon adoption.
- Revised PFRS 3, “Business Combinations” (effective July 1, 2009), which introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Other consequential amendments were made to PAS 7, “Statement of Cash Flows,” PAS 12, “Income Taxes,” PAS 21, “The Effects of Changes in Foreign Exchange Rates,” PAS 28, “Investment in Associates” and PAS 31, “Interests in Joint Ventures.” The changes by this revised standard will affect future acquisitions or loss of control and transactions with minority interests. The Company does not expect this revised standard to have an impact on its financial statements upon adoption.

*Improvements to PFRS.* In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain standards, primarily with a view of removing inconsistencies and clarifying wordings. These improvements will be effective for annual periods beginning on or after January 1, 2009, except for the amendment to PFRS 5, “Noncurrent Assets Held for Sale and Discontinued Operations,” which will be effective for annual periods beginning on or after July 1, 2009. The Company has not yet adopted the following improvements to PFRS and anticipates that these will have no significant impact on its financial statements.

- PAS 1, “Presentation of Financial Statements” — This improvement provides that assets and liabilities classified as held for trading in accordance with PAS 39, “Financial Instruments: Recognition and Measurement” are not automatically classified as current in the balance sheet.



- PAS 8, "Accounting Policies, Change in Accounting Estimates and Errors" — This improvement clarifies that only implementation guidance that is an integral part of a PFRS is mandatory when selecting accounting policies.
- PAS 10, "Events after the Balance Sheet Date" — This improvement clarifies that dividends declared after the end of the reporting period are not obligations.
- PAS 16, "Property, Plant and Equipment" — The improvement replaces the term 'net selling price' with 'fair value less costs to sell,' to be consistent with PFRS 5, "Noncurrent Assets Held for Sale and Discontinued Operations" and PAS 36, "Impairment of Assets." Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales of such assets are all shown as cash flows from operating activities.
- PAS 18, "Revenue" — This improvement replaces the term "direct costs" with "transaction costs" as defined in PAS 39.
- PAS 19, "Employee Benefits" — The improvement revises the definition of "past service costs" to include reductions in benefits related to past services ("negative past service costs") and to exclude reductions in benefits related to future services that arise from plan amendments. It also provided amendment to plans that result in a reduction in benefits related to future services are accounted for as a curtailment. The improvement further revises the definition of "return on plan assets" to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation. It also revises the definition of "short-term" and "other long-term" employee benefits to focus on the point in time at which the liability is due to be settled. And, it deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, "Provisions, Contingent Liabilities and Contingent Assets."
- PAS 20, "Accounting for Government Grants and Disclosures of Government Assistance" — This improvement provides that loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, this improvement revises various terms used to be consistent with other PFRS.
- PAS 23, "Borrowing Costs" — The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one - the interest expense calculated using the effective interest method calculated in accordance with PAS 39.
- PAS 27, "Consolidated and Separate Financial Statements" — This improvement provides that when a parent entity accounts for a subsidiary at fair value in accordance PAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- PAS 28, "Investments in Associates" — This improvement provides that if an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to



transfer funds to the entity in the form of cash or repayment of loans applies. An investment in associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

- PAS 29, "Financial Reporting in Hyperinflationary Economies" — This improvement revises the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, this improvement revises various terms used to be consistent with other PFRS.
- PAS 31, "Interests in Joint Ventures" — This improvement provides that if a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as a summary of financial information about the assets, liabilities, income and expense will apply.
- PAS 34, "Interim Financial Reporting" — This improvement requires that earnings per share be disclosed in interim financial reports if an entity is within the scope of PAS 33, "Earnings per Share."
- PAS 36, "Impairment of Assets" — This improvement provides that when discounted cash flows are used to estimate "fair value less cost to sell," additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use."
- PAS 38, "Intangible Assets" — This improvement provides that expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method has been removed.
- PAS 39, "Financial Instruments: Recognition and Measurement" — This improvement provides that changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the FVPL classification after initial recognition. This improvement also removes the reference in PAS 39 to a "segment" when determining whether an instrument qualifies as a hedge and requires the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- PAS 40, "Investment Property" — This improvement revises the scope that such any property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, this improvement revises the conditions for a voluntary change in accounting policy to be consistent with PAS 8 and clarifies that the carrying amount of investment property held under lease is the valuation obtained increased by any recognized liability. This improvement removes the reference to the use of a pre-tax discount rate to determine fair value. This improvement also removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value and replaces the term "point-of-sale costs" with "costs to sell."



- PAS 41, "Agriculture" — The improvement removes the reference to the use of a pre-tax discount rate to determine fair value, thereby allowing use of either a pre-tax or post-tax discount rate depending on the valuation methodology used. It further removes the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Instead, cash flows that are expected to be generated in the "most relevant market" are taken into account.
- PFRS 5, "Noncurrent Assets Held for Sale and Discontinued Operations" — The improvement clarifies when a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.
- PFRS 7, "Financial Instruments: Disclosures" — This improvement removes the reference to "total interest income" as a component of finance costs.

### Financial Instruments

*Date of Recognition.* Financial instruments are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using the settlement accounting date. Derivatives are recognized on trade date basis (i.e. the date that the Company commits to purchase or sell the asset).

*Initial Recognition of Financial Instruments.* All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for securities at FVPL.

*Determination of Fair Value of Financial Instruments.* The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction is used since it provides evidence of current fair value as long as there has not been significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which observable prices exist, options pricing models, and other relevant valuation models.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Company further classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and AFS investments. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities



at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Company has no financial asset or liability at FVPL, HTM investments or AFS investments as of December 31, 2008 and 2007.

*Loans and Receivables.* Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and, are not classified as financial assets at FVPL, designated as AFS financial assets or HTM investments.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included in the interest income in the statement of income. The losses arising from impairment are recognized in provision for doubtful accounts in the statement of income.

The Company's cash and cash equivalents are included under this category.

*Other Financial Liabilities.* Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the statement of income when the liabilities are derecognized, as well as through the amortization process.

The Company's trade and other payables are classified under this category.

#### Impairment of Financial Assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

*Assets Carried at Amortized Cost.* If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognized in the statement of income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of



impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

#### Offsetting Financial Instruments

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

#### Derecognition of Financial Assets and Liabilities

*Financial Assets.* A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.



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

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 are subject to an insignificant risk of change in value.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and it can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

*Unearned Revenue.* This represents any cash dividend or other cash distributions distributed in respect of ABS-CBN shares withheld by the Company to be applied against operating expenses for the current and preceding years.

*Reimbursements from PDR Holders.* This represents the amortization of unearned revenue when it is applied to the actual operating expenses. If the balance of unearned revenue, exercise fees and interest income earned during the year is not enough to cover the actual operating expenses for the year, the reimbursement is accrued and is reflected as "Receivable from PDR holders."

*Exercise Fees.* Revenue is recognized upon payment of exercise price by the PDR holders.

*Interest Income.* Revenue is recognized as interest accrues based on effective interest method.

Income Taxes

*Current Income Tax.* Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of balance sheet date.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or 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 tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

#### Earnings per share

Basic earnings per share amounts are calculated by dividing the net income for the year attributable to shareholders by the weighted average number of common shares outstanding during the year. The Company has no dilutive potential common shares outstanding. Hence, the basic earnings per share is equal to the diluted earnings per share.

#### Events after Balance Sheet Date

Any event after balance sheet date that provides additional information about the Company's financial position at balance sheet date (adjusting event) is reflected in the financial statements. Events after balance sheet date that are not adjusting events, if any, are disclosed, in the notes to financial statements, when material.

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### **3. Management's Use of Judgments and Estimates**

The Company's financial statements prepared under PFRS require management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. In preparing the Company's financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.



The Company believes that the following represents a summary of these significant estimates and related impact and associated risks in its financial statements:

Recognition of Deferred Tax Assets

The carrying amount of the Company's deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that sufficient taxable profit will be generated against which all or part of deferred tax assets can be applied.

Deferred tax assets not recognized by the Company amounted to ₱1,678,160 and ₱1,656,150 as of December 31, 2008 and 2007, respectively (see Note 9).

Fair Value of Financial Instruments

PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the timing and amount of changes in fair value would differ with the methodology used. Any change in the fair values of these financial assets and liabilities would directly affect the statement of income and equity.

The fair values of the Company's financial instruments are set out in Note 11.

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**4. Philippine Depository Receipts (PDR)**

On September 29, 1999, the Company offered 132,000,000 PDRs relating to 132,000,000 ABS-CBN shares. Each PDR was issued for a total consideration of ₱46.00, which consists of a deposit of ₱45.90 and a PDR option price of ₱0.10.

Each PDR grants the holders, 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 Company remains to be the registered owner of the ABS-CBN shares covered by the PDRs. The Company also retains the voting rights over the ABS-CBN shares.

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 were listed in the Philippine Stock Exchange (PSE) on October 7, 1999, and it may be exercised at any time from said date. Any cash dividend or other cash distributions distributed in respect of ABS-CBN shares received by the Company (or the Security Agent on its behalf) shall be applied towards the operating expenses then due of the Company (including but not limited to applicable taxes, fees and maintenance costs charged by the PSE shown as "Operating expenses" in the statement of income) for the current and preceding years. Any further amount equal to the operating expenses in the preceding year (the "Operating Fund") is set aside to meet operating or other expenses for the succeeding years. Any amount in excess of the aggregate of the operating expenses paid and the Operating Fund for such period (referred to as "Interest") is distributed to Holders pro-rata on the day after such cash dividends are received by the Company.



Upon exercise of the PDRs, an exercise price of ₱0.10 per share is paid by the PDR holders. This exercise price is shown as "Exercise fees" account in the statement of income.

Immediately prior to the closing of the PDR offering described above, Lopez, Inc., to which the Company is affiliated, transferred 132,000,000 ABS-CBN shares to the Company in relation to which the PDRs were issued. For as long as the PDRs are not exercised, these shares underlying the PDRs are, and will continue to be registered in the name of and owned by, and all rights pertaining to these shares, including voting rights, shall be exercised by the Company. The obligations of the Company to deliver the ABS-CBN shares on exercise of the right contained in the PDRs are secured by the Pledge of Shares in favor of the Security Agent acting on behalf of each holder of a PDR over the ABS-CBN shares.

At any time after the initial offering, a shareholder may, at his option and from time to time, deliver shares to the Company in exchange for an equal number of PDRs. The exchanges are based on prevailing traded values of ABS-CBN shares at the time of transaction with the corresponding PDR option price.

The details and movements of PDRs and the underlying ABS-CBN shares follow:

	Number of Shares	Investment in ABS-CBN	PDRs
Balance at December 31, 2006	271,971,600	₱12,687,894,086	₱12,660,696,926
Exchanges of ABS-CBN shares with PDRs	17,700	575,250	573,480
Conversion of PDRs	(30,000)	(615,000)	(612,000)
Balance at December 31, 2007	271,959,300	12,687,854,336	12,660,658,406
Exchanges of ABS-CBN shares with PDRs	188,800	2,926,400	2,907,520
Conversion of PDRs	(1,844,900)	(29,125,950)	(28,941,460)
Balance at December 31, 2008	270,303,200	₱12,661,654,786	₱12,634,624,466

ABS-CBN shares were converted into PDRs at ₱15.50 and ₱32.50 in 2008 and 2007, respectively.

## 5. Cash and Cash Equivalents

This account consists of:

	2008	2007
Cash on hand and in bank	₱3,765,934	₱418,359
Cash equivalents	2,324,355	4,901,179
	₱6,090,289	₱5,319,538



Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are short-term investments which are made for varying periods between one day to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term investment rates.

Interest income earned from cash and cash equivalents amounted to ₱256,838 in 2008 and ₱229,575 in 2007.

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#### 6. Trade and Other Payables

This account consists of:

	2008	2007
Trade	₱711,273	₱470,758
Unearned revenue	4,655,086	4,126,369
Accrued expenses and others	768,878	767,359
	<b>₱6,135,237</b>	<b>₱5,364,486</b>

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#### 7. Advances from a Shareholder Intended for Equity Conversion

This account represents advances and additional funding made in 1999, 2003 and 2004 by Lopez, Inc. for the Company's operating expenses.

On April 26, 2006, the BOD of the Company approved a resolution to convert these advances as of December 31, 2005 into equity.

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#### 8. Operating Expenses

This account consists of:

	2008	2007	2006
Listing fees	₱1,020,753	₱616,832	₱375,975
Outside services	637,287	614,876	647,270
Professional services	432,686	214,400	258,900
Security and general services	420,000	420,000	420,000
Others	78,601	65,042	90,030
	<b>₱2,589,327</b>	<b>₱1,931,150</b>	<b>₱1,792,175</b>



## 9. Income Tax

The NOLCO amounting to ₱5,593,866 and ₱4,731,856 as of December 31, 2008 and 2007, respectively, were not recognized because management believes that the corresponding benefits will not be realized in the future.

As of December 31, 2008, NOLCO that can be applied as deductions from normal taxable income follows:

Dates Incurred	Expiry Dates	Amounts
December 31, 2006	December 31, 2009	₱1,260,879
December 31, 2007	December 31, 2010	1,928,150
December 31, 2008	December 31, 2011	2,404,837
		<b>₱5,593,866</b>

NOLCO amounting to ₱1,542,827 and ₱170,614,784 expired in 2008 and 2007.

A reconciliation between the provision for income tax computed at statutory rate of 35% and provision for income tax as shown in the statement of income is as follows:

	2008	2007	2006
Income tax at statutory tax rate	₱-	₱-	₱-
Income tax effects of:			
Reimbursements from PDRs	(751,800)	(594,501)	-
Expired NOLCO	539,989	59,715,174	601,653
Change in tax rate	279,694	-	-
Interest income already subjected to final tax	(89,893)	(80,351)	(40,858)
Change in value of unrecognized deferred tax asset	22,010	(59,040,322)	(560,795)
	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>

Republic Act No. 9337 was signed into law in May 2005 and amended certain provisions of Tax Reform Act of 1997. The amendment includes the reduction in the regular corporate income tax from 35% to 30% effective January 1, 2009. Accordingly, the deferred tax asset as of December 31, 2008 and 2007 was measured using the appropriate corporate income tax rate on the year it is expected to be reversed or settled.

## 10. Financial Risk Management Objectives and Policies

The Company's principal financial instrument is cash and cash equivalents which are used to finance the Company's operations. Other financial liabilities of the Company are trade and other payables which arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.



The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk. The BOD reviews and approves the policies for managing each of these risks and these are summarized below.

Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates is minimal since it relates primarily to the Company's cash and cash equivalents.

Credit Risk

The Company's exposure to credit risk is currently limited to the carrying value of cash and cash equivalents amounting to totaling ₱6,090,289 and ₱5,319,538 as of December 31, 2008 and 2007, respectively.

The Company trades only with related parties. It is the Company's policy to continuously review credit process and implement various actions, depending on assessed risks, to minimize credit exposure. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

As of December 31, 2008, the Company's financial assets are neither past due nor impaired and are considered to be of high quality since these are deposits or placements to counterparties with good credit rating or bank standing.

Liquidity Risk

The Company's liquidity risk arises from its financial liabilities. Liquidity risk on financial liabilities is minimal since funding is from related party.

The Company's trade payable and accrued expenses amounting to ₱1,480,151 and ₱1,238,117 as of December 31, 2008 and 2007, respectively, are classified as current and payable on demand.

Capital Management

The Company has not conducted any business other than in connection with the issuance of PDRs, the performance of obligations under the PDRs and the acquisition and holding of shares of ABS-CBN in respect of PDRs issued.

Dividends received from ABS-CBN, exercise fees and the related interests are distributed to PDR holders less operating expenses incurred. Any excess over the interest distribution to PDR holders and actual operating expenses is deferred and amortized when applied to the actual operating expenses of the succeeding years. On the other hand, if the balance of the unearned revenue, exercise fees and the interest income earned during the year is not enough to cover the actual operating expenses for the year, the expenses are reimbursed from the PDR holders.



## 11. Financial Assets and Liabilities

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as of December 31, 2008 and 2007:

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Loans and receivables -				
Cash and cash equivalents	<b>₱6,090,289</b>	<b>₱6,090,289</b>	<b>₱5,319,538</b>	<b>₱5,319,538</b>
<b>Financial Liabilities</b>				
Other financial liabilities -				
Trade payable and accrued expenses*	<b>₱1,480,151</b>	<b>₱1,480,151</b>	<b>₱1,238,117</b>	<b>₱1,238,117</b>

\* Carrying amount is exclusive of "Unearned Revenue," which is a non-financial liability, amounting to ₱4,655,086 and ₱4,126,369 as of December 31, 2008 and 2007, respectively.

Due to the short-term nature of the related transactions, the carrying amounts of these instruments approximate their fair values as of balance sheet date.

## 12. Earnings Per Share

	2008	2007	2006
Net income	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>
Divide by weighted average shares outstanding	<b>400</b>	<b>400</b>	<b>400</b>
Basic/diluted earnings per share	<b>₱-</b>	<b>₱-</b>	<b>₱-</b>

