August 16, 2010

COVER SHEET

AS093-04369

SEC Registration Number

LOPEZ HOLDINGS CORPORATION AND SUBSIDIARIES (Formerly Benpres Holdings Corporation and Subsidiaries)

(Company's Full Name)

4th Floor, Benpres Building, Meralco Avenue, Pasig City 1605

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

Salvador G. Tirona	910-3040
(Contact Person)	(Company Telephone Number)

12 31	17-Q	06 10
Month *Day* (Fiscal Year)	(Form Type)	*Month* *Day* (Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

10,491	₱875 million	US$45 million
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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THE SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17- Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17 (2)(b) THEREUNDER

1. **June 30, 2010**
   Date of Report (Date of earliest event reported)

2. SEC Registration No. **AS093-04369** 3. BIR TIN. **002-825-058-000**

4. **Lopez Holdings Corporation**
   Exact name of registrant as specified in its Articles of Incorporation

5. **Metro Manila**
   Place of incorporation
   6. ______________
   Industry Classification Code

7. **4th Floor Lopez Building, Meralco Avenue, Ortigas Center, Pasig City 1605**
   Address of principal office

8. **(02) 910-3040**
   Registrant's telephone number, including area code

9. **Benpres Holdings Corporation**
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	**4,582,356,268 shares**
Long Term Commercial Papers	**P2,000,000,000.00**

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

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or 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 12 months (or for such shorter period the registrant was required to file such reports)

    Yes [X] No [ ]

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

    Yes [X] No [ ]

PART I – FINANCIAL INFORMATION

Item I. Financial Statements

The unaudited consolidated financial statements are filed as part of the Form. It is prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS), and Philippine interpretations issued by the FRSC.

The unaudited consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Parent Company. All values are rounded to the nearest million peso, except when otherwise indicated.

Item II. Management Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)

Lopez Holdings Corporation (LPZ), formerly Benpres Holdings Corporation, reported P11.376 billion in net income attributable to equity holders of the Parent for the first six months of 2010, an amount that is 24x the P475 million net income attributable to equity holders of the Parent in the first six months of 2009. Equity in net earnings of associates soared 22x to P10.641 billion from P474 million year-on-year (YoY) as associate First Philippine Holdings Corporation (FPHC) completed the sale of a 6.7% stake in Meralco in the first quarter of 2010. Meanwhile, net finance costs decreased by 23% to P564 million from P730 million due to lower debt levels, following a significant buyback in August 2009.

Unaudited consolidated revenues reached P16.839 billion in the first six months of 2010, an increase of 44% over the P11.686 billion posted in the same period last year. All revenue items (airtime +71%, sales of services +8%, sale of goods -3%) reflect the consolidation of ABS-CBN Broadcasting Corporation (ABS-CBN) accounts into Lopez Holdings. After deducting ABS-CBN expense accounts namely, agency commissions, incentives and co-producers' share (+101%), production costs (+31%) and cost of sales and services (+47%), net revenues (+38%) at P14.411 billion and gross profit (+37%) at P7.088 billion reflect ABS-CBN operations. General and administrative expenses (+6%), provision for losses (-100%) and other income (+3%) also represent ABS-CBN accounts.

Affiliates

ABS-CBN posted a 179% increase net income attributable to equity holders of the parent for the first semester of 2010 to P2.27 billion from P813 million in 1H2009. Consolidated revenues soared by 44% to P16.84 billion from P11.69 billion year-on-year (YoY) as total advertising minutes sold by flagship Channel 2 jumped by 42%, boosted by strong regular advertising minutes growth, and complemented by election-related advertising that contributed 11% of total minutes sold.

Bayan Telecommunications (Bayan) posted core revenues of P3.02 billion in the first half of 2010, or a 5% percent decrease over the P3.19 billion core revenue in the same period in 2009, due to lower voice revenues that is consistent with industry performance. Total voice revenues were lower by 13% during the period in 2010 at P1.56 billion compared to P1.80 billion in the first half of 2009. It also reported higher net loss at 9 percent to P666 million from P610 million year-on-year due to forex losses. The decrease in core revenue resulted in a 15% lower EBITDA at P865 million compared to P1.01 billion in 2009. Bayan's first half performance in 2009 included non-recurring revenue from a one time wholesale contract of available capacity. Bayan's financial results have no impact on Lopez Holdings' results as this investment has been fully written off. The discussion on Bayan's first quarter results is for information purpose only.

FPHC reported 27x net income attributable to equity holders of the Parent to P24.912 billion in the first six months of 2010, from a restated net income attributable to equity holders of the Parent of P849 million in the same period in 2009, primarily due to gain from sale of 6.7% Meralco shares.

Key Performance Indicator

As a holding company, Lopez Holdings receives revenues from asset sales and dividends from investees. Hence, the key performance indicator with the most direct impact on Benpres is the net income of investees. Any dividend received by Benpres is based on the investees' net income in the previous year. For the period in review, the financial performance of investees was within expectations.

Financial Condition

Cash and cash equivalents (+67%), trade and other receivable-net (+19%), inventories at net realizable value (+37%), current program rights and other intangible assets (-14%), noncurrent AFS financial assets (-6%), noncurrent program rights and other intangible assets (+3%), deferred tax assets (+29%), other noncurrent assets-net (-12%), trade and other payables (+24%), income tax payable (-28%), accrued pension obligation (-17%), deferred tax liabilities (-3%), and other noncurrent liabilities (+20%) reflect ABS-CBN accounts.

Net investments in and advances to associates (+60%) account for FPHC's sale of its 6.7% stake in Meralco. Retained earnings grew by 73% to P27.016 billion as of end-June 2010 from P15.640 billion as of year end-2009 as LPZ posted a net income attributable to Parent of P11.901 billion for the period.

There are no any known trends, demands, commitments, events or uncertainties that will have material impact on the Company's liquidity other than those disclosed above and in the notes to financial statements herein attached. Also, the Company has no material commitments for capital expenditures and for new investments.

Financial Risk Management Objectives and Policies

The Company's principal financial instruments, other than derivatives, comprise interest-bearing loans and borrowings, cash and cash equivalents, trade and other receivables, short-term investments, AFS financial assets, and trade and other payables. The main purpose of these financial instruments is to fund the Company's investments in associated companies and to raise fund for operations.

The Parent Company holds equity in subsidiaries and associates, which may or may not result in receipt of dividends in a given year and has various other financial assets and liabilities which arise directly from its operations.

ABS-CBN enters into derivative transactions, including principally interest rate swaps and cross currency swaps. The purpose is to manage the interest rate and currency risks arising from ABS-CBN's operations and its sources of finance.

The main risks that may arise from the Company's financial instruments are foreign currency exchange risk and revaluation risk, interest rate risk, cash flow (liquidity) risk, liquidity risk and credit risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below.

<u>Foreign Currency Exchange Risk and Revaluation Risk</u>
Volatility in foreign currency exchange rates may expose the Parent Company to economic and accounting losses related to large direct and indirect foreign currency-denominated obligations. Extraordinary fluctuations in foreign currency exchange rates may affect reported operational profits and deficit, potentially reducing the ability of subsidiaries and associates to declare dividends.

The risk was eased by the debt buyback undertaken in 2009, which directly reduced the Parent Company's foreign currency debt by US$249 million.

ABS-CBN's primary exposure to the risk in changes in foreign currency relates to ABS-CBN's long-term debt obligation. Before the prepayment of all outstanding dollar loan obligations under Tranche A of the SCA facility, approximately 26% of ABS-CBN's borrowings are denominated in currencies other than the functional currency of the operating unit. These were all covered by cross currency swaps which have all been terminated as a result of the prepayment of the underlying loan obligation. As of March 31, 2010 and December 31, 2009, there no outstanding derivative contracts and all of ABS-CBN's loan obligations are in Philippine currency.

It is ABS-CBN's policy to enter into cross currency swaps to manage this risk and eliminate the variability of cash flows due to changes in the fair value of the foreign currency-denominated debt with maturity of more than one year.

Other than the debt obligations, ABS-CBN has transactional currency exposures. Such exposure arises when the transaction is denominated in currencies other than the functional currency of the operating unit or the counterparty.

Interest Rate Risk

Fluctuations in interest rates affect the company's capital availability or cash flow risk as they expose the Parent Company to variable cash requirements in relation to debt with floating interest rates, including goodwill interest which is based on LIBOR and PDST-F.

The term sheet circulated by the Parent Company to creditors on December 19, 2008 includes fixed interest rates for both Philippine Peso and US$ obligations.

ABS-CBN's exposure to the risk for changes in market interest rates relates primarily to ABS-CBN's long-term receivable and debt obligations with floating interest rates.

To manage this mix in a cost-efficient manner, ABS-CBN entered into interest rate swaps, in which ABS-CBN agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. Before the prepayment of all outstanding loan obligations under Tranche A of the SCA facility and after taking into account the effect of interest rate swaps, approximately 43% of ABS-CBN's borrowings are at a fixed rate of interest. However, in 2007, the derivative contracts that cover these swaps have been terminated as a result of the prepayment of the underlying loan obligation. Without the existence of any swaps, ABS-CBN's loan with fixed rate of interest is at about 25% of the total loans at the end of 2009.

Interest on financial instruments classified as floating rate is repriced at intervals of less than three months. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of ABS-CBN that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.

On the average, benchmark interest rates, 3-month PDST-F, decrease by 270 basis points since the end of 2008. Looking at past trends, however, this has not always been the case with several periods showing some upward adjustments due to several market pressures. Based on these experiences, ABS-CBN provides the following table to demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of ABS-CBN's income before income tax (through the impact on floating rate borrowings). There is no impact on the ABS-CBN's equity other than those already affecting the net income.

Cash Flow (Liquidity) Risk

This risk refers to the Parent Company's exposure to the risk of lower returns on its investments or the necessity to borrow due to shortfalls in cash or expected cash flows, or variances in their timing. The restructuring plan is based on cash flows from dividends and asset sales and these may not come in as expected.

The Term Sheet circulated by the Parent Company to creditors on December 19, 2008 offers bullet payment of the principal amount at 12.5 years from Effective Date (the date on which such Signing Creditors accept the terms and conditions set out in the Term Sheet).

ABS-CBN seeks to manage its funds through cash planning on a weekly basis. This undertaking specifically considers the maturity of the both financial investments and financial assets and projected operational disbursements. As part of its liquidity risk management, ABS-CBN regularly evaluates its projected and actual cash flows. As a general rule, cash balance should be equal to ₱200 million at any given time to compensate for operation exigencies in the periodic absence of cash inflow.

It is ABS-CBN's objective is to maintain a balance between continuity of funding and flexibility through the use of bank credit and investment facilities. As such, ABS-CBN continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. In 2008, ABS-CBN closed two fund raising activities with final maturity of up to 2015. Currently, the debt maturity profile of the Company ranges from 3.7 years to 7.0 years.

Also, ABS-CBN places funds in the money market only when there are surpluses from ABS-CBN's requirements. Placements are strictly made based on cash planning assumptions and as much as possible, covers only a short period of time.

The Company's cash and cash equivalents amounting to P7.441 billion and P4.454 billion as of June 30, 2010 and December 31, 2009, respectively, with maturity of less than one year are used to fund the Company's immediate liquidity requirements.

The financial liabilities of the Parent Company, except for trade and other payables, are due and demandable since the Parent Company defaulted at maturity date. Interest is accrued and is expected to be paid until such time that the liabilities are fully repaid. The Parent Company is currently negotiating with its creditors for a restructuring of the direct and indirect obligations, thus the maturity profile of financial liabilities above exclude interest.

Credit Risk

The Parent Company has advances in subsidiaries and associates but these comprise less than 5% of assets. Trade receivables refer to accounts under ABS-CBN, which are managed at the ABS-CBN level. The Parent Company does not offer credit terms for the provision of services as a holding company.

ABS-CBN is exposed to credit risk from operational and certain of its financing activities. On ABS-CBN's credit risk arising from operating activities, ABS-CBN only extends credit with recognized and accredited third parties. ABS-CBN implements a pay before broadcast policy to new customers. To improve collections over ABS-CBN's trade receivables, ABS-CBN grants discounts on early payment. In addition, receivable balances are monitored on an ongoing basis.

Such determination takes into consideration the age of the receivable and the current solvency of the individual accounts.

With regard to ABS-CBN's financing activities, as a general rule, ABS-CBN transacts these activities with counterparties that have a long credit history in the market and outstanding relationship with ABS-CBN. The policy of ABS-CBN is to have the BOD accredit these banks and/or financial institutions before any of these financing activities take place.
With respect to credit risk arising from the financial assets of ABS-CBN, which comprise trade and other receivables, cash and cash equivalents, AFS equity investments, and receivables from related parties, ABS-CBN's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

There is no requirement for collateral over trade receivables since ABS-CBN trades only with recognized and accredited counterparties.

The maximum exposure to credit risk is partly represented by the carrying amounts of the financial assets that are reported in the consolidated statements of financial position. The credit quality of the Parent Company's financial assets was determined as follows:

High Credit Quality. This includes deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers, as of report date, accounts with good credit standing.

Low Credit Quality. This includes deposits or placements and receivables to counterparties that are not classified as "high credit quality."

The credit quality of the financial assets of ABS-CBN was determined as follows:

High Credit Quality. This includes deposits or placements to counterparties with good credit rating or bank standing. For receivables, this covers, as of report date, accounts of good paying customers, with good credit standing and with no history of account treatment for a defined period. This also include claims from Elite subscribers, advance payers, airtime and channel lease with advance payment arrangements, related parties with offsetting arrangement and existing employees.

Moderate Credit Quality. For receivables, this covers accounts of standard paying customers, those whose payments are within the credit term, and new customers for which sufficient credit history has not been established. This also includes claims from Superior subscribers, airtime and channel lease and related parties without offsetting arrangement.

Low Credit Quality. For receivables, this covers accounts of slow paying customers and those whose payments are received upon demand at report date. This also includes claims from Special subscribers.

Trade Receivables
These represent amounts collectible from advertising agencies, advertisers or trade customers arising from the sale of airtime, subscription, services and/or goods in the ordinary course of business.

Airtime. This account refers to revenue generated from the sale of time or time block within the on-air broadcast hours on television and radio.

Subscription Fees. This account refers to revenue generated from regular subscriber's fees for either: (1) access to programs aired through DTH and cable television systems, or (2) direct sale of publications to subscribers.

Others. This account refers to other revenue generated from the sale of goods and services.

Nontrade Receivables
These represent claims, arising from sources other than the sale of airtime, subscription, services and goods in the ordinary course of business, that are reasonably expected to be realized in cash.

Based on the cash flow projection, past due receivables are expected to be collected within 2010.

<u>Capital Management</u>
The primary objective of the Company's capital management is to arrive at a debt restructuring agreement with its creditors in order to maximize shareholder value and to ensure that it maintains healthy capital ratios and strong credit ratings while viably supporting its business to maximize shareholder value.

Capital refers to the equity attributable to the equity holders of the Parent Company. As discussed above, the Parent Company defaulted on its principal and interest payments on its long-term direct and indirect obligations. The Parent Company's BSMP plans to address all its financial obligations.

Under the BSMP, cash is reserved for debt service and working capital requirements. The Parent Company has no material commitments for capital expenditures and has not made any major investments since 2002. Proceeds of asset sales are placed in short-term financial instruments under the Parent Company's ISO-certified Money Market Operations procedure. Payment requirements for goodwill interest and operating expenses are withdrawn using the same process.

ABS-CBN's approach focuses on efficiently allocating internally generated cash for operational requirements and investments to grow the existing business as well as to deliver on its commitment of a regular dividend payout at a maximum of 50% of the previous year's net income. Shortages if any and acquisitions or investments in new business are funded by the incurrence of additional debt largely capped by existing loan covenants on financial ratios.

As evidenced by the quarterly financial certificates that ABS-CBN issued to its lenders, all financial ratios are within the required limits for the period in review.

Sky Cable did not comply with the debt service coverage ratio as required by the creditors in the agreement. In December 2009 and on November 3, 2008, Sky Cable received a waiver of this ratio from the majority of its creditors as required by the agreement.

PART II – OTHER INFORMATION

The Company has no other information that needs to be disclosed other than disclosures made under SEC Form 17-C.

LOPEZ HOLDINGS CORPORATION AND SUBSIDIARIES
(Formerly Benpres Holdings Corporation and Subsidiaries)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30	December 31
	2010 (Unaudited)	2009 (Audited)
	(Amounts in Millions)	
ASSETS		
Current Assets		
Cash and cash equivalents	₱7,441	₱4,454
Trade and other receivables - net	6,806	5,722
Inventories - at net realizable value	231	169
Program rights and other intangible assets - current	813	949
Other current assets	1,126	1,121
Total Current Assets	16,417	12,415
Noncurrent Assets		
Investments in and advances to associates - net	27,729	17,336
Property and equipment - net	14,980	15,135
Investment properties - net	63	63
AFS financial assets - noncurrent	440	470
Program rights and other intangible assets - noncurrent	2,592	2,524
Goodwill	2,372	2,373
Deferred tax assets	831	642
Other noncurrent assets - net	2,704	3,073
Total Noncurrent Assets	51,711	41,616
TOTAL ASSETS	₱68,128	₱54,031
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	₱12,602	₱10,127
Income tax payable	350	487
Current portion of interest-bearing loans and borrowings	3,562	3,558
Total Current Liabilities	16,514	14,172
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion	8,287	8,352
Accrued pension obligation	924	790
Deferred tax liabilities	498	512
Other noncurrent liabilities	693	577
Total Noncurrent Liabilities	10,402	10,231
Equity		
Capital stock	4,582	4,581
Additional paid-in capital	6,768	6,766
Unrealized gain on AFS financial assets	56	59
Cumulative translation adjustments	(80)	(80)
Share in equity adjustment from translation of an associate	(4,362)	(4,366)
Share in unrealized gain on AFS financial assets of associates	4	4
Retained earnings	27,016	15,640
Equity attributable to Equity Holders of the Parent	33,984	22,604
Minority Interests	7,228	7,024
Total Equity	41,212	29,628
TOTAL LIABILITIES AND EQUITY	₱68,128	₱54,031

See accompanying Notes to Consolidated Financial Statements.

LOPEZ HOLDINGS CORPORATION AND SUBSIDIARIES
(Formerly Benpres Holdings Corporation and Subsidiaries)
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Six Months Ended June 30	
	2010	2009
	(Amounts in Millions, Except Earnings Per Share Amounts)	
REVENUE		
Airtime	**₱11,496**	₱6,719
Sales of services	**5,125**	4,742
Sale of goods	**218**	225
	16,839	11,686
LESS: AGENCY COMMISSIONS, INCENTIVES AND CO-PRODUCERS' SHARE	**2,428**	1,209
NET REVENUE	**14,411**	10,477
PRODUCTION COSTS	**3,835**	2,938
COST OF SALES AND SERVICES	**3,488**	2,365
GROSS PROFIT	**7,088**	5,174
OTHER INCOME (EXPENSES)		
General and administrative expenses	**(3,960)**	(3,748)
Finance cost -net	**(564)**	(730)
Equity in net earnings of associates	**10,641**	474
Foreign exchange gain(loss)	**(12)**	(123)
Provision for losses	**–**	(69)
Other income (expense)	**189**	295
	6,294	(3,901)
INCOME BEFORE INCOME TAX	**13,382**	1,273
PROVISION FOR INCOME TAX – Current	**(788)**	(444)
NET INCOME	**₱12,594**	829
Attributable to		
Equity holders of the Parent	**₱11,376**	₱475
Minority interests	**1,218**	354
	₱12,594	₱829
Earnings per Share attributable to Equity Holders of the Parent		
Basic	**₱2.4825**	₱0.1036
Diluted	**2.4809**	0.1037

See eccompanying Notes to Consolidated Financial Statements.

LOPEZ HOLDINGS CORPORATION AND SUBSIDIARIES
(Formerly Benpres Holdings Corporation and Subsidiaries)
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Second Quarter Ended June 30	
	2010	2009
	(Amounts in Millions)	
REVENUE		
Airtime	**₱6,438**	₱3,955
Sales of services	**2,544**	2,326
Sale of goods	**105**	116
	9,087	6,397
LESS: AGENCY COMMISSIONS, INCENTIVES AND CO-PRODUCERS' SHARE	**1,598**	697
NET REVENUE	**7,489**	5,700
PRODUCTION COSTS	**2,032**	1,486
COST OF SALES AND SERVICES	**1,786**	1,214
GROSS PROFIT	**3,671**	3,000
OTHER INCOME (EXPENSES)		
General and administrative expenses	**(2,066)**	(1,984)
Finance costs-net	**(269)**	(300)
Equity in net earnings of associates	**78**	359
Foreign exchange gain(loss)	**(54)**	22
Provision for losses	**–**	(69)
Other income (expense)	**56**	178
	(2,255)	(1,794)
INCOME BEFORE INCOME TAX	**1,416**	1,206
PROVISION FOR INCOME TAX – Current	**(405)**	(295)
NET INCOME	**₱1,011**	₱911
Attributable to		
Equity holders of the Parent	**₱353**	₱651
Minority interests	**658**	260
	₱1,011	₱911

See accompanying Notes to Consolidated Financial Statements.

LOPEZ HOLDINGS CORPORATION AND SUBSIDIARIES
(Formerly Benpres Holdings Corporation and Subsidiaries)

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended June 30	
	2010	2009
	(Amounts in Millions)	
NET INCOME	**₱12,594**	₱829
OTHER COMPREHENSIVE INCOME		
Share in equity adjustment from translation of an associate	**12**	215
Unrealized gain (loss) on fair value adjustments of AFS financial assets	**(8)**	41
	4	256
TOTAL COMPREHENSIVE INCOME	**₱12,598**	₱1,085
Attributable to		
Equity holders of the Parent Company	**₱11,377**	₱714
Minority interests	**1,221**	371
	₱12,598	₱1,085

See accompanying Notes to Consolidated Financial Statements.

LOPEZ HOLDINGS CORPORATION AND SUBSIDIARIES
(Formerly Benpres Holdings Corporation and Subsidiaries)

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Second Quarter Ended June 30	
	2010	2009
	(Amounts in Millions)	
NET INCOME	**₱1,011**	₱911
OTHER COMPREHENSIVE INCOME		
Share in equity adjustment from translation of an associate	**91**	154
Unrealized gain on fair value adjustments of AFS financial assets	**7**	–
	98	154
TOTAL COMPREHENSIVE INCOME	**₱1,109**	₱1,065
Attributable to		
Equity holders of the Parent Company	**₱412**	₱805
Minority interests	**697**	260
	₱1,109	₱1,065

See accompanying Notes to Consolidated Financial Statements.

LOPEZ HOLDINGS CORPORATION AND SUBSIDIARIES
(Formerly Benpres Holdings Corporation and Subsidiaries)
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30	
	2010	2009
	(Amounts in Millions)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**₱12,594**	₱829
Adjustments for:		
Equity in net earnings of associates	**(10,641)**	(474)
Depreciation and amortization	**1,206**	1,205
Others	**1,556**	69
Operating income before working capital changes	**4,715**	1,629
Changes in operating assets and liabilities:		
Increase in current assets	**(1,419)**	(1,073)
Increase in current liabilities:	**2,305**	1,426
Net cash flows from operations	**5,601**	1,982
Payments of income taxes	**(1,045)**	–
Net cash flows from operating activities	**4,556**	1,982
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (Increase) in:		
Property and equipment and other assets	**(1,179)**	(1,427)
Investments and advances	**1,487**	143
Net cash flows from (used in) investing activities	**308**	(1,284)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in interest-bearing loans and borrowings	**₱–**	(₱22)
Increase (decrease) in:		
Other noncurrent liabilities	**(1,576)**	729
Minority interests	**42**	(262)
Acquisition of Philippine depository receipts (PDRs)	**(305)**	–
Net cash from (used in) financing activities	**(1,839)**	445
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,025**	1,143
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(38)**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,454**	4,222
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱7,441**	₱5,365

See accompanying Notes to Consolidated Financial Statements.

LOPEZ HOLDINGS CORPORATION AND SUBSIDIARIES
(Formerly Benpres Holdings Corporation and Subsidiaries)

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009

	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock	**Additional Paid-in Capital**	**Unrealized Gain on AFS Financial Assets**	**Cumulative Translation Adjustments**	**Share in Equity Adjustment from Translation of an Associate**	**Share in Unrealized Gain (Loss) on AFS Financial Assets**	**Retained Earnings**	**Total**	**Minority Interests**	**Total Equity**
					(Amounts in Millions)					
At January 1, 2010	**₱4,581**	**₱6,766**	**₱59**	**(₱80)**	**(₱4,366)**	**₱4**	**₱15,640**	**₱22,604**	**₱7,024**	**₱29,628**
Total comprehensive income	–	–	(3)	–	4	–	11,376	11,377	1,221	12,598
Bond conversion	1	2	–	–	–	–	–	3	–	3
Dividends declared by a subsidiary	–	–	–	–	–	–	–	–	(370)	(370)
Acquisition of treasury shares of a subsidiary	–	–	–	–	–	–	–	–	(305)	(305)
Decrease in minority interests	–	–	–	–	–	–	–	–	(342)	(342)
At June 30, 2010	**₱4,582**	**₱6,768**	**₱56**	**(₱80)**	**(₱4,362)**	**₱4**	**₱27,016**	**₱33,984**	**₱7,228**	**₱41,212**

	Equity Attributable to Equity Holders of the Parent Company									
	Capital Stock	Additional Paid-in Capital	Unrealized Gain on Fair Value Adjustments of AFS Investments	Cumulative Translation Adjustments	Share in Equity Adjustment from Translation	Share in Unrealized Gain on Fair Value Adjustments of AFS Investments	Retained Earnings	Total	Minority Interests	Total Equity
					(Amounts in Millions)					
At January 1, 2009	₱4,581	₱6,766	₱285	(₱113)	(₱5,317)	₱22	₱3,746	₱9,970	₱6,653	₱16,623
Total comprehensive income	–	–	215	–	–	24	475	714	371	1,085
Dividends declared by a subsidiary	–	–	–	–	–	–	–	–	(285)	(285)
Decrease in minority interests	–	–	–	–	–	–	–	–	–	–
Acquisition of treasury shares of a subsidiary	–	–	–	–	–	–	–	–	6	6
At June 30, 2009	₱4,581	₱6,766	₱500	(₱113)	(₱5,317)	₱46	₱4,221	₱10,684	₱6,745	₱17,429

1. **Corporate Information and Status of Operations**

   a. Corporate Information

   Lopez Holdings Corporation (formerly Benpres Holdings Corporation) (Lopez or the Parent Company) is incorporated in the Philippines. The Parent Company is involved in management and investment holdings of subsidiaries and associates. The subsidiaries are mainly involved in the business of broadcasting and entertainment. The Parent Company and its subsidiaries are collectively referred to as "the Company". The Company's associates are involved in telecommunications, and power generation and distribution. The Company disposed of its equity interests in an associate involved in real estate development and roads and tollways in 2009 and 2008, respectively.

   The Parent Company is a 52.84% owned subsidiary of Lopez, Inc., a Philippine entity and the ultimate parent company.

   The common shares of the Parent Company were listed in November 1993 and have since been traded in the Philippine Stock Exchange (PSE).

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

   On June 23, 2010 the Securities and Exchange Commission approved the change in corporate name to "Lopez Holdings Corporation".

   b. Balance Sheet Management Plan (BSMP)

   In 2002, the Parent Company defaulted on its principal and interest payments on its long-term direct obligations and had guarantees and commitments to Bayan Telecommunications Holdings Corporation (Bayantel), an associate.

   The BSMP was created by the Parent Company in June 2002 to address all the outstanding financial obligations of the Parent Company, including its guarantees and commitments to Bayantel. The BSMP involves a series of activities, including restructuring of debt and disposal of non-core assets, with the aim of reducing the outstanding financial obligations of the Parent Company.

   Under the BSMP, all the outstanding financial obligations of the Parent Company as of May 31, 2002 were proposed to be restructured and since December 2002, the Parent Company has been making good faith semi-annual interest payments on its financial obligations. Interest for the US dollar obligations is based on 6-month LIBOR rate plus 1% and for the Philippine Peso obligation is based on 6-month PDST-F rate plus 1%, while interest paid on indirect obligations are treated as advance payment of principal based on the original contracted terms.

   On March 13, 2003, the stockholders granted full authority to the BOD to negotiate with the creditors without the need for prior approval from the stockholders. The BOD has the authority to take all actions and matters necessary and desirable for the restructuring of the Parent

Company's financial obligations under the BSMP. The Parent Company appointed Ferrier Hodgson Corporate Advisory (WA) Pty Ltd. as its financial adviser to assist the Parent Company in addressing its long-term direct and indirect obligations. To facilitate the overall process for the financial restructuring of the Parent Company, the Lopez Creditors' Committee was formed by the creditors. On December 19, 2008, the Parent Company circulated to its creditors a Term Sheet containing Primary Financial and Commercial Terms and Obligations for the restructuring of Lopez financial obligations (Term Sheet). The primary financial terms of the restructuring include the following, among others:

- Bullet payments of the principal amount of the Existing Obligations on Principal Repayment Date that is 12.5 years from Effective Date (the date on which such Signing Creditors' accept the terms and conditions set out in the Term Sheet), subject however to the Parent Company's right to refinance its outstanding obligations or conduct Debt Buyback in its sole and absolute discretion in any amount and at any time up to and including the Principal Repayment Date.

  The Existing Obligations include the long-term direct and indirect obligations of the Parent Company.

- Interest will be fixed at 4% per annum (gross of tax) for US$ Obligations and fixed at 7% per annum (gross of tax) for Philippine Peso Obligations.

- Subject to availability of cash, the Parent Company may make an offer to buyback all or any part of the Existing Obligations at a price that is no more than 60% of the principal amount.

- Priority of cash flows for payment of debt is in the following order: (1) operating expenses; (2) interest payments due to creditors; (3) any buyback proposal at the Parent Company's discretion, and; (4) bullet principal repayment on the Principal Repayment Date.

Pursuant to the Term Sheet, the Parent Company may endeavor to dispose of its investments in associates.

In connection with the BSMP, the Parent Company disposed of certain non-core assets or equity interests in various investments and settled certain borrowings:

- In 2005, the Parent Company officially exited from the business of Maynilad Water Services, Inc. (Maynilad Water) and wrote off the guaranteed obligations of the Parent Company. Maynilad Water was a subsidiary of the Company until July 20, 2005, when the Company lost its power to govern the financial and operating policies of Maynilad Water pursuant to the delivery to the Rehabilitation Receiver of Maynilad Water of an irrevocable proxy appointing Metropolitan Water Works and Sewerage System (MWSS) or any of MWSS's authorized representative as its proxy to attend, in the Company's stead, all meetings of Maynilad Water, and to vote all of the Lopez shares, specifically for the purpose of carrying out, or ensuring the completion of the capital restructuring of Maynilad Water.

- In November 2007, the Parent Company and Lopez together settled the US$43 million worth of debt held by Asian Infrastructure Fund (AIF), of which they are co-obligors. The debt was settled for US$32 million with the Parent Company paying US$26 million and Lopez paying US$6 million.

- In 2008, the Parent Company disposed of its equity interest in First Philippine Infrastructure, Inc. (FPII) to Metro Pacific Investments Corporation (MPIC) and certain AFS investments.

- In 2009, the Parent Company disposed of its equity interest in Rockwell Land Corporation (Rockwell) to First Philippine Holdings Corporation (FPHC) and all its available-for-sale (AFS) financial assets in Digital Telecommunications Philippines, Inc. (Digitel).

- On August 21, 2009, the Parent Company purchased from Avenue Capital Group, US$252 million and ₱467 million of principal of its own debts or debts guaranteed by it, at an overall price of 65% of the principal amount of those debts. The purchase price was settled in full. In addition, the Parent Company purchased US$23 million, of its 7.875% Notes from various creditors, at an overall price of 60% of the principal amounts in 2009. The Parent Company also purchased from various creditors ₱178 million of Long-term Commercial Papers (LTCP) at 60% of the principal amount.

Long-term direct obligations of the Parent Company that are due for payment as of June 30, 2010 and December 31, 2009 amounted to ₱2,940 million and ₱2,933 million, respectively . As of August 12, 2010, four (4) creditors holding US$5.3 million (₱245 million) of outstanding debt accepted the Term Sheet.

The consolidated financial statements have been prepared on the basis that the Parent Company will continue to operate as a going concern even if there exists some uncertainty in the restructuring of the remaining debt of the Parent Company.

2. Transfer of Media Interest, Business Combination, Acquisition and Re-organization

On April 24, 1998, as approved by the National Telecommunications Commission (NTC) on March 16, 1998 and the creditors of the Parent Company on April 21, 1998, the Parent Company transferred its ownership in ABS-CBN and Sky Vision Corporation (Sky Vision) to Lopez, Inc. The transfer included 553,457,304 shares of ABS-CBN at its market value of ₱16.50 per share equivalent to ₱9,132 million and 162,463,400 shares of Sky Vision at its book value of ₱2.75 per share equivalent to ₱447 million in exchange for cash of ₱75 million and Convertible and Nonconvertible Notes (Lopez Notes) of ₱9,504 million (Convertible Notes of ₱5,504 million and Nonconvertible Notes of ₱4,000 million). The Lopez Notes are secured by a pledge of the shares transferred and all subsequent shares distributed to Lopez, Inc. by reason of its holdings of ABS-CBN and Sky Vision shares. After the transfer, Lopez, inc. assumed all voting rights associated with the shares. The ABS-CBN and Sky Vision shares were also released from negative pledge covenants included in the terms of outstanding LTCPs.

The Lopez Notes are payable on April 24, 2013 (Maturity Date). Lopez, Inc. has the option to redeem the Lopez Notes at any time, subject to certain conditions provided for in the Agreement by both parties. The Parent Company has the option to convert the Convertible Lopez Notes into 553,457,304 shares of ABS-CBN and 162,463,400 shares of Sky Vision (Conversion Quantity) at a conversion price of ₱5,504 million until Maturity Date or redemption date, as the case may be. The conversion quantity and price are subject to adjustments as provided for in the Agreement. The Lopez Notes may be repaid in whole or in part on or before the Maturity Date. The Lopez Notes are terminated on any earlier date if the Convertible Lopez Notes have been properly converted and Lopez has satisfied its obligations with respect to Convertible Lopez Notes. The Lopez Notes bear an annual interest of 1.5%, subject to adjustments as agreed by both parties.

As of June 30, 2010 and December 31, 2009, the outstanding Lopez Notes amounted to ₱10,049 million and ₱9,463 million, respectively. The underlying shares totaled 446,800,022 ABS-CBN shares [including 568,415 Philippine Depositary Receipts (PDRs)], and 162,463,400 Sky Vision shares.

As of August 12, 2010, the shares of stock in ABS-CBN and Sky Vision are still under the name of Lopez, Inc. Consequently, Lopez, Inc. has the power to vote over those shares. The Parent Company has not exercised its option to convert the Lopez Notes into ABS-CBN and Sky Vision shares, respectively.

<u>ABS-CBN</u>
ABS-CBN is incorporated in the Philippines. Its core business is television and radio broadcasting.

Its subsidiaries and associates are involved in the following related businesses: cable and direct-to-home (DTH) television satellite distribution and telecommunications services overseas, movie production, audio recording and distribution, video/audio post production, and film distribution. Other activities of the subsidiaries include merchandising, internet and mobile services and publishing.

The convertibility feature of the Lopez Notes pertaining to ABS-CBN qualifies as "potential voting rights" under PAS 27, *Consolidated and Separate Financial Statements*. Under PAS 27, the existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity has the power to govern the financial and operating policies of another entity. Consequently, for financial reporting purposes, ABS-CBN is considered a subsidiary of the Parent Company. Accordingly, the Lopez Notes pertaining to ABS-CBN is eliminated for consolidation purposes.

<u>Sky Vision</u>
Sky Vision is a holding company of various subsidiaries mainly involved in cable television services in Metro Manila and in certain provincial areas in the Philippines.

The convertibility feature of the Lopez Notes pertaining to Sky Vision qualifies as "potential voting rights" under PAS 28, *Investments in Associates*. Under PAS 28, the existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether an entity has significant influence. Consequently, for financial reporting purposes, Sky Vision is considered an associate of the Parent Company, which is accounted for under the equity method.

a. Conversion of Sky Cable Note issued to ABS-CBN and outstanding advances by ABS-CBN and Parent Company and Consolidation of Sky Cable Corporation (Sky Cable)

   On June 30, 2004, Sky Vision and Sky Cable ("Issuer") issued a Convertible Note (Sky Cable Note) to ABS-CBN amounting to US$30.0 million (equivalent to ₱1,581 million). The amount for conversion also includes advances and of the Parent Company to Sky Cable amounting to ₱253 million.

   The Sky Cable Note was subject to interest of 13.0% compounded annually and matured on June 30, 2006. The principal and accrued interest as of maturity date is mandatorily converted into common shares of the Issuer, based on the prevailing USD to Philippine Peso exchange rate on maturity date, at a conversion price equivalent to a 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 ABS-CBN and the Parent Company (collectively referred to as Lopez Group) and Philippine Long Distance Telephone Company and Mediaquest Holdings, Inc. (collectively referred to as PLDT Group) pursuant to the Master Consolidation Agreement dated July 18, 2001, as amended or supplemented.

   The Sky Cable Note does not specifically state that interest shall accrue after June 30, 2006 in the event that the Sky Cable Note is not converted for any reason. Thus, no interest was charged after June 30, 2006.

   As of December 31, 2007, the conversion price of the Sky Cable Note was not yet been determined. Based on the provisions of the Sky Cable Note, the conversion of the Sky Cable Note cannot be completed without the determination of the conversion price, which in turn depends on the valuation of Sky Cable by an independent third party. Thus, ABS-CBN and the Parent Company did not convert the Sky Cable Note at that time without such valuation. The conversion date was effectively extended until the final valuation of Sky Cable.

On May 20, 2008, the Lopez Group and the PLDT Group acknowledged the fairness and reasonableness of the valuation for Sky Cable as of March 15, 2008. Based on this final valuation, ABS-CBN's Sky Cable Note of ₱2,499 million, including advances and interest of ₱918 million, had an equivalent subscription of 269,645,828 Sky Cable shares, representing 65.3% effective interest in Sky Cable. On the other hand, the Parent Company's advances to Sky Vision amounting to ₱253 million had an equivalent subscription of 27,264,843 Sky Cable shares, representing 6.6% effective interest in Sky Cable. Consequently, for financial reporting purposes, effective March 15, 2008, Sky Cable is considered as a subsidiary of ABS-CBN. The combined interest of the Parent Company and ABS-CBN in Sky Cable is 71.8% while the effective interest of the Company in Sky Cable is 45.1%.

On December 23, 2008, ABS-CBN, the Parent Company, SkyVision and Sky Cable entered into an Assignment Agreement, where ABS-CBN and the Parent Company assigned the Sky Cable Note and advances in Sky Cable to Sky Vision in consideration of PDRs to be issued by Sky Vision upon approval by the Philippine Securities and Exchange Commission (SEC) of the increase in the authorized capital stock of Sky Cable. Pursuant to this Assignment Agreement, Sky Vision is contractually bound to issue the PDRs to ABS-CBN and the Parent Company upon issuance of the underlying Sky Cable shares to Sky Vision.

The PDRs will grant ABS-CBN and the Parent Company the right, upon payment of the exercise price and subject to certain other conditions, the delivery of Sky Cable shares or the sale of and delivery of the proceeds of such sale of Sky Cable shares. The PDRs may be exercised at any time by ABS-CBN and the Parent Company, thus, providing potential voting rights to ABS-CBN and the Parent Company. Any cash dividends or other cash distributions in respect of the underlying Sky Cable shares are received by Sky Vision. After deducting administrative expenses for the maintenance of the PDR structure, Sky Vision shall distribute the proceeds to ABS-CBN and the Parent Company.

While Sky Vision is the legal owner of the subscription to the 65.3% effective interest in Sky Cable, effectively, ABS-CBN and the Parent Company has the economic interest over the underlying Sky Cable shares by virtue of the PDRs. The voting rights will remain with Sky Vision as legal owner. However, by virtue of the PDRs, ABS-CBN and the Parent Company have economic benefits over the underlying Sky Cable shares and voting rights upon exercise of the PDRs.

The 296,910,671 Sky Cable shares were issued to Sky Vision in October 2009. However, as of August 12, 2010, the PDRs of Sky Vision have not yet been issued to ABS-CBN and the Parent Company.

The conversion of Sky Cable Note in 2008 was considered as a business combination and accounted for using purchase method. Accordingly, the consideration of ₱2,752 million was allocated to the identifiable assets and liabilities based on the fair values at conversion date. The fair value of the identifiable assets and liabilities of Sky Cable at the date of conversion and the corresponding carrying amounts immediately before the conversion were:

	Fair Value Recognized on Conversion	Carrying Value
	(Amounts in Millions)	
Cash and cash equivalents	₱837	₱837
Trade and other receivables	394	394
Prepaid expenses and other current assets	603	603
Property and equipment	4,960	3,548
Customer relationships	607	–
Other noncurrent assets	1,378	1,468

	Fair Value Recognized on Conversion	Carrying Value
	(Amounts in Millions)	
Trade and other current liabilities	(2,562)	(2,562)
Long-term debt	(2,920)	(2,920)
Due to related parties	(674)	(674)
Deferred tax liabilities	(615)	–
Other noncurrent liabilities	(213)	(213)
Net assets	1,795	₱481
Combined interest*	71.9%	
Net assets acquired	1,290	
Goodwill arising from the acquisition	1,462	
Consideration	₱2,752	

* *For purposes of computing goodwill, the combined interest represents 65.3% direct equity interest of ABS-CBN and 6.6% direct equity interest of the Parent Company.*

There is no cash outflow on the conversion of Sky Cable Note.

From the date of conversion of the Sky Cable Note up to December 31, 2008, Sky Cable has contributed ₱29 million to the net income of ABS-CBN. If the combination had taken place at the beginning of 2008, the net income of ABS-CBN for the year ended December 31, 2008 would have been ₱1,441 million and revenue would have been ₱25,868 million.

On February 19, 2009, the BOD of ABS-CBN approved the additional conversion of ₱1,798 million loan to Sky Cable and ₱900 million advances to Sky Vision to PDRs covering 278,588,814 Sky Cable shares at conversion price of ₱9.69 a share. The conversion was considered an acquisition of minority interest. Upon conversion of the foregoing loan and advances, the effective interest of ABS-CBN increased from 45.1% to 53.3%.

On March 2, 2009 by virtue of a separate Assignment Agreement, ABS-CBN assigned the ₱1,798 million loan to Sky Vision. As a consideration for the assignment, Sky Vision agreed to issue PDRs which shall be convertible into Sky Cable shares. The terms of the agreement are similar to the Assignment Agreement discussed in the foregoing. On March 2, 2009, the effective interest of ABS-CBN in Sky Cable increased from 65.3% to 79.3%. As of August 12, 2010, the additional PDRs of Sky Vision has not yet been issued to ABS-CBN.

b. Acquisition of Minority Interest of PCC

On May 23, 2008, Sky Vision acquired the minority interest in PCC through the purchase of all the common shares in and convertible notes and advances of Sun Cable Holdings, Incorporated (SCHI) for a cash payment of ₱1,248 million and an assumption of the outstanding loan obligation of Telemondial Holdings, Inc. (THI) in the amount of ₱100 million. SCHI owns THI, which in turn owns the minority interest in PCC. On the same date, Sky Vision and Sky Cable agreed that such shares and debt shall be transferred to Sky Cable. Consequently, for financial reporting purposes, PCC became a wholly owned subsidiary of Sky Cable as of that date. On December 23, 2008, Sky Vision assigned all its common shares in SCHI to Sky Cable pursuant to this agreement. The difference between the fair value of the consideration transferred and liability assumed and the carrying value of the minority interest in PCC, amounting to ₱558 million, is recognized as goodwill . Acquisition of Minority Interest in ABS-CBN International

In December 2009, ABS-CBN acquired from Bayan Telecommunications, Inc. (BTI) its 2% interest in ABS-CBN International for US$6 million (₱277 million) which is payable over a period of three years beginning January 2010 until December 2012 or as may be extended for a longer period as agreed by both parties. The parties also agreed that ABS-CBN shall have the option to pay the consideration by way of the following products and services of ABS-CBN which may be availed by BTI during the payment term:

- commercial advertising airtime for BTI's products and services;
- sponsorship in various ABS-CBN-produced programs and/or ABS-CBN-organized special events;
- co-branded marketing and promotional campaigns; and
- other media-related projects.

The excess of the consideration over the carrying value of the minority interest in ABS-CBN International amounting to ₱229 million was recognized as goodwill in the 2009 consolidated statement of financial position.

As of December 31, 2009, payable arising from the transaction amounted to ₱277 million. The current portion amounting to ₱92 million was presented as part of "Due to related parties" in the "Trade and other payables" account while the noncurrent portion amounting to ₱185 million was presented as part of "Due to a related party" in the "Other noncurrent liabilities" account.

In December 2009, ABS-CBN assigned its 2% share in ABS-CBN International to ABS-CBN Global in exchange for additional common shares in ABS-CBN Global. Consequently, ABS-CBN Global became the 100% owner of ABS-CBN International. This assignment has no impact on the consolidated financial statements.

c. Re-organization of ABS-CBN Global

On January 7, 2009, ABS-CBN Hungary was incorporated to be the holding company of certain international subsidiaries. On May 19, 2009 and June 19, 2009, ABS-CBN Hungary incorporated ABS-CBN Netherlands and established a branch in Luxembourg, respectively, which are intended to conduct the management of other business enterprises within the ABS-CBN Group.

In December 2009, ABS-CBN Global transferred its 100% ownership interest in ABS-CBN International to ABS-CBN Hungary in exchange for the issue of a US$81 million equity note and the assumption of an existing US$5 million note by ABS-CBN Hungary. Consequently, ABS-CBN Hungary became the new holding company for ABS-CBN International as of December 31, 2009. This has no impact on the consolidated financial statements.

3. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and AFS financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Parent Company. All values are rounded to the nearest million peso, except when otherwise indicated.

<u>Statement of Compliance</u>
The consolidated financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations issued by the FRSC.

Changes in Accounting Policies and Disclosures

The Company's accounting policies are consistent with those of the previous financial year, except for the adoption of PFRS 3 (Revised), *Business Combinations*, and PAS 27 (Revised), *Consolidated and Separate Financial Statements* which the Company adopted starting January 1, 2010. These standards superseded the existing PFRS 3 and PAS 27, respectively, with earlier application permitted. PFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period in which an acquisition occurs, and future reported results. PAS 27 (Revised) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by PFRS 3 (Revised) must be applied prospectively while PAS 27 (Revised) must be applied retrospectively subject to certain exceptions. These will affect future acquisitions and transactions with minority interest.

Adoption of the following new, revised and amended PFRS and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) did not have impact on the Company:

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives* and PAS 39, *Financial Instruments and Measurement - Embedded Derivatives*
- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*

Amendment to PFRS 2, *Share-based Payment - Group Cash-settled Share-based Payment Transactions*

Change in Presentation of Consolidated Statement of Income. In 2010, the Company changed the presentation of its interim consolidated statement of income to present gross profit. The 2009 interim consolidated statements of income were revised to conform with the 2010 presentation.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company as of December 31 each year. Control is normally evidenced when the Parent Company owns, either directly or indirectly, more than 50% of the voting rights of an entity's capital stock.

The following are the subsidiaries, which the Parent Company has direct control of, as of June 30, 2010 and December 31, 2009:

	Country of Incorporation	Principal Activities	Functional Currency	Percentage of Ownership
ABS-CBN Broadcasting Corporation (ABS-CBN) and Subsidiaries (see Note 4)*	Philippines	Broadcasting and film distribution	Philippine peso	57.3
Bayanmap Corporation (Bayanmap)	Philippines	Information service provider	Philippine peso	51.0

* *After the effect of Philippine Depository Receipts (PDRs) convertible to common shares, percentage of ownership is 58.97% in 2010 zmc 2009 and, 58.5% in 2008.*

The following are the entities in which the Parent Company has indirect control through its subsidiary, ABS-CBN, as of June 30, 2010 and December 31, 2009:

Company	Place of Incorporation	Principal Activities	Functional Currency	Indirect Ownership Through ABS-CBN 2010	2009
ABS-CBN Global Ltd.(ABS-CBN Global)[(a)(h)]	Cayman Islands	Holding company	United States Dollar (USD)	**100.0**	100.0

Company	Place of Incorporation	Principal Activities	Functional Currency	Indirect Ownership Through ABS-CBN 2010	2009
ABS-CBN Europe Ltd. (ABS-CBN Europe)(b)(h)	United Kingdom	Cable and satellite programming services	Great Britain Pound (GBP)	**100.0**	100.0
ABS-CBN Japan, Inc.(ABS-CBN Japan)(c)(h)	Japan	Cable and satellite programming services	Japanese Yen (JPY)	**100.0**	100.0
ABS-CBN Middle East FZ-LLC(ABS-CBN Middle East)(h)	Dubai, UAE	Cable and satellite programming services	USD	**100.0**	100.0
ABS-CBN Middle East LLC(h)	Dubai, UAE	Trading	USD	**100.0**	100.0
E-Money Plus, Inc.	Philippines	Services - money remittance	Philippine Peso	**100.0**	100.0
ABS-CBN Global Hungary Kft. (ABS-CBN Hungary)(d)(h)(j)	Budapest, Hungary	Holding company	USD	**100.0**	100.0
ABS-CBN International(e)(h)	California, USA	Cable and satellite programming services	USD	**100.0**	100.0
ABS-CBN Australia Pty. Ltd. (ABS-CBN Australia)(e)(h)(i)	Victoria, Australia	Cable and satellite programming services	Australian Dollar (AUD)	**100.0**	100.0
ABS-CBN Telecom North America, Inc.(e)(h)(i)	California, USA	Telecommunications	USD	**100.0**	100.0
ABS-CBN Canada, ULC (ABS-CBN Canada)(e)(h)(i)	Canada	Cable and satellite programming services	Canadian Dollar (CAD)	**100.0**	100.0
ABS-CBN Global Remittance Inc.(d)(h)(i)	California, USA	Services - money remittance	USD	**100.0**	100.0
ABS-CBN Global Netherlands B.V.(ABS-CBN Netherlands)(d)(h)	Amsterdam, Netherlands	Intermediate holding and financing company	European Monetary Union (EUR)	**100.0**	100.0
ABS-CBN Center for Communication Arts, Inc.(f)	Philippines	Educational/training	Philippine Peso	**100.0**	100.0
ABS-CBN Global Cargo Corporation(d)	Philippines	Non-vessel operations common carrier	USD	**100.0**	100.0
ABS-CBN Film Productions, Inc. (ABS-CBN Films)	Philippines	Movie production	Philippine Peso	**100.0**	100.0
ABS-CBN Interactive, Inc. (ABS-CBN Interactive)	Philippines	Services - interactive media	Philippine Peso	**100.0**	100.0
ABS-CBN Multimedia, Inc. (ABS-CBN Multimedia)	Philippines	Digital electronic content distribution	Philippine Peso	**100.0**	100.0
ABS-CBN Integrated and Strategic Property Holdings, Inc.	Philippines	Real estate	Philippine Peso	**100.0**	100.0
ABS-CBN Publishing, Inc. (ABS-CBN Publishing)	Philippines	Print publishing	Philippine Peso	**100.0**	100.0
Culinary Publications, Inc.	Philippines	Print publishing	Philippine Peso	**100.0**	100.0
ABS-CBN Shared Service Center PTE. Ltd.(h)(k)(l)	Singapore	Services-support	Singapore Dollar (SGD)	**100.0**	100.0
Creative Programs, Inc. (CPI)	Philippines	Content development and programming services	Philippine Peso	**100.0**	100.0
Professional Services for Television & Radio, Inc.	Philippines	Services - production	Philippine Peso	**100.0**	100.0
Sarimanok News Network, Inc.	Philippines	Content development and programming services	Philippine Peso	**100.0**	100.0
Star Recording, Inc.	Philippines	Audio and video production and distribution	Philippine Peso	**100.0**	100.0
Star Songs, Inc.	Philippines	Music publishing	Philippine Peso	**100.0**	100.0
Studio 23, Inc. (Studio 23)	Philippines	Content development and programming services	Philippine Peso	**100.0**	100.0
The Big Dipper Digital Content & Design, Inc. (Big Dipper)	Philippines	Digital film archiving and central library, content licensing and transmission	Philippine Peso	**100.0**	100.0
TV Food Chefs, Inc.	Philippines	Services - restaurant and food	Philippine Peso	**100.0**	100.0
Roadrunner Network, Inc. (Roadrunner)	Philippines	Services - post production	Philippine Peso	**98.9**	98.9
Sky Cable Corporation (Sky Cable)(n) (see Note 4a)	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
Bright Moon Cable Networks, Inc.	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
Cavite Cable Corporation	Philippines	Cable television services	Philippine Peso	**79.3**	79.3

Company	Place of Incorporation	Principal Activities	Functional Currency	Indirect Ownership Through ABS-CBN 2010	2009
Cepsil Consultancy and Management Corporation	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
HM Cable Networks, Inc.	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
HM CATV, Inc.	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
Hotel Interactive Systems, Inc.	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
Isla Cable TV, Inc.	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
Satellite Cable TV, Inc.	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
Sunvision Cable, Inc.	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
Sun Cable Holdings, Incorporated (SCHI)	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
Tarlac Cable Television Network, Inc.	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
JMY Advantage Corporation	Philippines	Cable television services	Philippine Peso	**75.3**	75.3
Suburban Cable Network, Inc.	Philippines	Cable television services	Philippine Peso	**73.7**	73.7
Discovery Cable, Inc.	Philippines	Cable television services	Philippine Peso	**55.5**	55.5
Home-Lipa Cable, Inc.	Philippines	Cable television services	Philippine Peso	**47.6**	47.6
Pilipino Cable Corporation (PCC)	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
Bisaya Cable Television Network, Inc.	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
Moonsat Cable Television, Inc.	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
Sun Cable Systems Davao, Inc.	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
Telemondial Holdings, Inc.[g]	Philippines	Cable television services	Philippine Peso	**79.3**	79.3
First Ilocandia CATV, Inc.[m]	Philippines	Cable television services	Philippine Peso	**72.2**	72.2
Mactan CATV Network, Inc.[m]	Philippines	Cable television services	Philippine Peso	**72.2**	72.2
Pacific CATV, Inc.[m]	Philippines	Cable television services	Philippine Peso	**72.2**	72.2
Cebu Cable Television, Inc.[m]	Philippines	Cable television services	Philippine Peso	**50.8**	50.8
Davao Cableworld Network, Inc.	Philippines	Cable television services	Philippine Peso	**47.6**	47.6

(a) *With branches in the Philippines and Taiwan*
(b) *With branches in Italy and Spain*
(c) *Subsidiary of ABS-CBN Europe*
(d) *Incorporated and started commercial operations in 2009*
(e) *Through ABS-CBN Global in 2008 and 2007*
(f) *Nonstock ownership interest*
(g) *Subsidiary of SCHI*
(h) *Considered as foreign subsidiary*
(i) *Subsidiary of ABS-CBN International*
(j) *With a branch in Luxembourg*
(k) *Incorporated in 2008 and started commercial operations in 2009*
(l) *With a regional operating headquarters in the Philippines*
(m) *Subsidiary of PCC*
(n) *Pertains to the interest of ABS-CBN, the Parent Company has direct ownership of 6.6%. The effective interest of the Company is 53.3% in 2010and 2009.*

The financial statements of the subsidiaries are prepared for the same financial reporting year as the Parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets and liabilities, are eliminated in full on consolidation. Unrealized gains and losses are eliminated unless costs cannot be recovered.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether an entity has the power to govern the financial and operating policies of another entity.

Consolidation of subsidiaries ceases when control is transferred out of the Company. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

As a result of the conversion of Sky Cable Note in 2008, the related accounts of Sky Cable and its subsidiaries have been included in the consolidated financial statements effective March 15, 2008.

Minority Interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Company and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separate from the equity attributable to equity holders of the Parent Company.

Acquisition of minority interests is accounted for using the parent entity extension method, whereby, the difference between the fair value of the consideration and the carrying value of the share in the net assets acquired is recognized in goodwill.

The proportionate amount of the fair values of identifiable assets and liabilities upon acquisition of a consolidated subsidiary and any subsequent changes in equity of a consolidated subsidiary attributable to a minority shareholder's interest are shown separately as "Minority interests" account in the consolidated statement of financial position. A minority shareholder's interest in the results of operations of a subsidiary is shown as "Minority interests" account in the consolidated statement of income. Any losses applicable to a minority shareholder in a consolidated subsidiary in excess of the minority shareholder's equity in the subsidiary are charged against the minority interest to the extent that the minority shareholder has binding obligation to, and is able to, make good of the losses.

Business Combination and Goodwill

Business combinations are accounted for using the purchase accounting method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The minority interest is measured at the proportionate share of the acquiree's identifiable net assets. Business combinations achieved in stages are accounted for as separate step acquisition. Any additional acquired share of interest does not affect previously recognized goodwill.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated represents the lowest level within the Company at which goodwill is monitored for internal management purposes.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation in determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative exchange differences arising from the translation and goodwill is recognized in the consolidated statements of income.

Foreign Currency Translation and Transactions

Functional and Presentation Translation. The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Parent Company. Each entity determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of all the subsidiaries, except foreign subsidiaries, is the Philippine Peso. The functional currencies of the foreign subsidiaries are disclosed under the Basis of Consolidation section. As of financial reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Company (the Philippine Peso) at the rate of exchange ruling at reporting date and, their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to "Exchange differences on translation of foreign operations" in the consolidated statements of comprehensive income and "Cumulative translation adjustments" account within the equity section of the consolidated statements of financial position. Upon disposal of any of these foreign subsidiaries, the deferred cumulative amount recognized in equity relating to that particular foreign subsidiary will be recognized in the consolidated statement of income.

Foreign Currency-denominated Transactions. Transactions in foreign currencies are initially recorded in the functional currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate at financial reporting date. All differences are taken to the Consolidated Statement of Income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

<u>Financial Instruments</u>

Date of Recognition. Financial instruments are recognized in the consolidated statement of financial position 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 on trade date basis. Derivatives are recognized on trade date basis.

Initial Recognition of Financial Instruments. All financial assets and liabilities are recognized initially at fair value. The initial measurement of financial instruments includes transaction costs, except for financial instruments which are measured at fair value through profit or loss (FVPL).

The Company classifies its financial assets in the following categories: financial assets at FVPL, held to maturity (HTM) investments, AFS financial assets and loans and receivables. 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. The Company determines the classification of its instruments at initial recognition and where allowed and appropriate, re-evaluates this designation at every financial reporting date.

Determination of Fair Value. The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transactions costs, that are active at the close of business at the reporting date. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For investments where there is no active market, fair value is determined using appropriate valuation techniques. Such techniques include using reference to similar instruments for which observable prices exist, discounted cash flows analyses, and other relevant valuation models.

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

Financial Assets or Liabilities at FVPL. Financial assets and liabilities at FVPL include financial assets and liabilities held for trading, financial assets and liabilities designated upon initial recognition as at FVPL, and derivative instruments, unless these are designated as hedging instruments in an effective hedge.

Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term.

Financial assets or liabilities may be designated at initial recognition as at FVPL if any of the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; (ii) the assets or liabilities are part of a group of financial assets, or liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets or liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are accounted for in the consolidated statement of income. Interest earned or incurred and dividend income are recorded as income or expense, respectively while dividend income is recorded as other income according to the terms of the contract or when the right of payment has been established.

The Company's embedded derivatives are classified under this category (see Notes 10 and 33). Except for these embedded derivatives, there are no other financial assets and liabilities at FVPL.

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

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

Loans and receivables are included in current assets if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

This category includes the Company's cash and cash equivalents, notes receivable, trade and other receivables, and advances to associates.

HTM Investments. Quoted nonderivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM investments when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this category. After initial measurement, HTM investments are measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process.

The Company has no HTM investments as of June 30, 2010 and 2009.

AFS Financial Assets. AFS financial assets are those nonderivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. These are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial recognition, AFS financial assets are measured at fair value. The effective yield component of debt securities classified as AFS financial assets, as well as the impact of restatement on foreign currency-denominated debt securities classified as AFS, is reported in the consolidated statement of income. The unrealized gains and losses arising from the fair valuation of AFS financial assets are presented as other comprehensive income until the investment is derecognized or determined to be impaired, at which time, the cumulative gain or loss previously reported in the other comprehensive income is included in the consolidated statements of income. Assets under this category are classified as current assets if management intends to sell these financial assets within 12 months from financial reporting date. Otherwise these are classified as noncurrent assets.

The Company's AFS financial assets include investments in quoted and unquoted ordinary common shares.

Other Financial Liabilities. Financial liabilities are classified under 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 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 method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains or losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Expenditures incurred in connection with availments of long-term debt are deferred and amortized using effective interest method over the term of the loans. Debt issue costs are netted against the related long-term debt allocated correspondingly to the current and noncurrent portion.

The Company's other financial liabilities at amortized cost include trade and other payables, interest-bearing loans and borrowings, estimated liabilities from guarantees and commitments, obligations for program rights and customers' deposits.

Embedded Derivatives

An embedded derivative is separated from the host contract and accounted for as derivative if all the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and (c) the hybrid or combined instrument is not measured at FVPL.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. Re-assessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Impairment of Financial Assets
The Company assesses at each financial reporting date whether a financial asset or group of financial assets is impaired.

Loans and Receivables. For loans and receivables carried at amortized cost, the Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of income.

If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases and the increase or decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Likewise, it was also established that accounts outstanding for less than a year should have no provision for impairment but accounts outstanding over a year should have a 100% provision, which was arrived at after assessing individually significant balances. Provision for individually non-significant balances was made on a portfolio or group basis after performing the regular review of the age and status of the individual accounts and portfolio/group of accounts relative to historical collections, changes in payment terms and other factors that may affect ability to collect payments.

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

In the case of equity investments classified as AFS, an objective evidence of impairment include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

Assets Carried at Cost. If there is 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.

Derecognition of Financial Assets and Liabilities

Financial Asset. A financial asset (or, where 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 the 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 repay.

Financial Liability. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

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, the difference in the respective carrying amounts is recognized in the consolidated statements of income.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position 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 consolidated statements of financial position.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined on the weighted average method. NRV of inventories that are for sale, is the selling price in the ordinary course of business, less the costs of marketing and distribution. NRV of inventories not held for sale is the current replacement cost. Unrealizable inventories are written off.

Preproduction Expenses
Preproduction expenses, included under "Other current assets" account in the consolidated statement of financial position, represent costs incurred prior to the airing of the programs or episodes. These costs include talent fees of artists and production staff and other costs directly attributable to production of programs. These are charged to expense upon airing of the related programs or episodes. Costs related to previously taped episodes determined not to be aired are charged to expense.

Investments in Associates
The Company's investments in associates are accounted for under the equity method of accounting. An associate is an entity over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate (including share in other comprehensive income) less any impairment in value. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The consolidated statements of income reflects the share on the results of operations of an associate. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Where there has been a change recognized as other comprehensive income of the associate, the Company recognizes its share in any changes and discloses this, when applicable, in the consolidated statements of comprehensive income.

The financial reporting dates of the associates and the Company are identical and the associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances. Unrealized intercompany profits arising from the transactions with the associate are eliminated to the extent of the interest in the associate.

Property and Equipment
Property and equipment, except land, are carried at cost (including capitalized interest), excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and accumulated impairment in value. Land is stated at cost less any impairment in value.

Subscriber's initial installation costs, including materials, labor and overhead costs are capitalized as part of distribution equipment (included in the "Television, radio, movie and auxiliary equipment" account) and depreciated over a period no longer than the depreciation period of the distribution equipment. The costs of subsequent disconnection and reconnection are charged to the current operations.

Unissued spare parts and supplies represent major spare parts that can be used only in connection with the distribution equipment. Unissued spare parts and supplies are not depreciated but tested for impairment until these become available for use. These are included in the "Other equipment" account.

When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Depreciation and amortization are computed on a straight-line method over the property and equipment's useful lives. The useful lives of the Company's assets are estimated as follows:

Asset Type	Number of Years
Land improvements	5 to 10 or term of the lease, whichever is shorter
Buildings and improvements	15 to 40 or term of the lease,

		whichever is shorter
Television, radio, movie and auxiliary equipment	5 to 15	
Other equipment	2 to 11	

Each component of an item of property and equipment with a cost that is significant in relation to the total cost of the item of property and equipment is depreciated separately.

The property and equipment's residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year end.

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 available for operational use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of income in the year the asset is derecognized.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization on intangible assets with finite lives is recognized in the consolidated statement of income in those expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

A summary of the policies applied to ABS-CBN's acquired intangible assets is as follows:

Intangible Asset	**Useful Lives**	**Amortization Method Used**	**Impairment Testing/ Recoverable Amount Testing**	**Current and Noncurrent Portion**
Program Rights	Finite (license term or economic life, whichever is shorter)	Amortized on the basis of program usage, except for program rights of CPI, which is amortized on a straight-line	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company	Based on the estimated year of usage except CPI, which is based on license term

Intangible Asset	Useful Lives	Amortization Method Used	Impairment Testing/ Recoverable Amount Testing	Current and Noncurrent Portion
		method over the license term or economic life, whichever is shorter. Expired program rights are fully amortized on the date of expiry. Unaired program rights with no definite expiration date are amortized after 5 years from acquisition date (i.e., equally over the next five years)	accelerates amortization of the purchase price or license fee. Program rights are written off when no future economic benefits are expected to flow from the assets.	
Story, Music and Publication Rights	Finite (useful economic benefit)	Amortized on the basis of the useful economic life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Based on the estimated year of usage
Movie In-process	Finite	No amortization, recognized as expense upon showing	If the unamortized film cost is less than the fair value of the film, the asset is written down to its recoverable amount.	Based on the estimated year of usage
Video Rights and Record Master	Finite (six months or 10,000 copies sold of video discs and tapes, whichever comes first)	Amortized on the basis of number of copies sold.	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Current

Intangible Asset	Useful Lives	Amortization Method Used	Impairment Testing/ Recoverable Amount Testing	Current and Noncurrent Portion
Customer Relationships (see Note 4a)	Finite - 25 years	Amortized on a straight-line basis over the estimated customer service life	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Noncurrent
Cable Channels - CPI	Indefinite	No amortization	Annually and more frequently when an indication of impairment exists	Noncurrent
Production and Distribution Business - Middle East	Finite - 25 years	Amortized on a straight-line basis over the period of 25 years	If the remaining expected benefit period is shorter than the Company's initial estimates, the Company accelerates amortization of the cost.	Noncurrent

Investment Properties

Investment properties, except land, are measured at cost, including transaction costs, less accumulated depreciation and any impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met, and excludes day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under "Property and equipment" up to the date of change in use.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Tax Credits
Tax credits from government airtime sales availed under Presidential Decree (PD) No. 1362 are recognized upon actual airing of government commercials and advertisements. These are included under "Other noncurrent assets" account in the consolidated statements of financial position.

Impairment of Nonfinancial Assets
The Company assesses at each financial reporting date whether there is an indication that property and equipment, investment properties, program rights and other intangible assets with finite lives and tax credits may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The fair value less costs to sell 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 assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For nonfinancial assets, other than goodwill and cable channels, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific nonfinancial assets:

Goodwill and Cable Channels. Goodwill and cable channels are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash generating units) to which the goodwill and cable channels has been allocated, an impairment loss is recognized in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in subsequent increases in its recoverable amount in future periods. The Company performs its annual impairment test of goodwill and cable channels as of December 31 of each year.

Investments in Associates. After application of the equity method of accounting, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the associate. The Company determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the recoverable amount of the associate and its carrying value and recognizes the impairment in the consolidated statement of income.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

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 revenue can be measured reliably. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognized:

- Airtime revenue is recognized as income on the dates the advertisements are aired. Such revenues are adjusted for agency commissions, incentives, and co-producers' share for presentation in the consolidated statement of income. The fair values of barter transactions from advertising time exchanged for program materials, merchandise or service are included in airtime revenue and the related accounts. Payments received before broadcast (pay before broadcast) for customers without credit terms are initially recognized as liability and are included as part of "Trade and other payables" account in the consolidated statement of financial position. These are applied against receivables upon airing and recognition of related revenue. Pay before broadcast for customers with credit terms are credited directly to "Trade receivables" under "Trade and other receivables" account in the consolidated statement of financial position. These are recognized as income on the dates the advertisements are aired.

- Sale of services include:

  a. Subscription fees which are recognized as follows:

     DTH Subscribers and Cable Operators. Subscription fees are recognized under the accrual basis in accordance with the terms of the agreements.

     Share in DirecTV Subscription Revenue. Subscription revenue from subscribers of DirecTV who subscribe to the "The Filipino Channel" is recognized in accordance with the Deal Memorandum..

     Subscription Revenue from ABS-CBN Now. Subscription revenue from online streaming services of Filipino-oriented content and programming is received in advance (included as "Deferred revenue" under "Trade and other payables" account in the consolidated statement of financial position) and is deferred and recognized as revenue over the period during which the service is performed.

     Cable Subscribers. Subscription fees are recognized under the accrual basis in accordance with the terms of the agreements. Subscription fees billed or collected in advance are deferred (included as "Deferred revenue" under "Trade and other payables" account in the consolidated statement of financial position) and recognized as revenue when service is rendered.

  b. Telecommunications revenue is 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 financial reporting date is presented as "Other payables" under "Trade and other payables" account in the consolidated statement of financial position.

c. Channel lease revenue is recognized as income on a straight-line basis over the lease term.

d. Income from film exhibition is recognized, net of theater shares on the dates the film are shown.

e. Income from TV rights and cable rights are recognized on the dates the films are permitted to be publicly shown as stipulated in the agreement.

f. Pay-per-view fees are recognized on the date the movies or special programs are viewed.

g. Short-messaging-system/text-based revenue, sale of news materials and Company-produced programs, included under "Sale of Services" account in the consolidated statement of income, are recognized upon delivery.

- Sale of goods is recognized when delivery has taken place and transfer of risks and rewards has been completed. These are stated net of sales discounts, returns and allowances.

- License fees earned from DirecTV are recognized upon migration of the DTH subscribers of ABS-CBN International to DirecTV. The additional license fees for each migrated subscriber that will remain for 14 consecutive months from the date of activation, will be recognized on the 14th month.

Other income is recognized as follows:

- Royalty income, included under "Sale of Services" account in the consolidated statement of income, is recognized upon rendering of service based on the terms of the agreement and is reduced to the extent of the share of the composers or co-publishers of the songs produced for original sound recording.

- Income and related costs pertaining to installation of decoders and set-top boxes which has no stand alone value without the subscription revenue 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" (under "Deferred charges") and "Trade and other payables" account (under "Deferred revenue"), respectively, in the consolidated statements of financial position.

- Connection /reconnection/disconnection fees, included as part of "Other income" account in the consolidated statements of income are recognized when the services are rendered.

- Management fees, included as part of "Other income" account in the consolidated statement of income, are recognized based on the terms of the management agreement.

- Rental income, included as part of "Other income" account in the consolidated statement of income, is recognized as income on a straight-line basis over the lease term.

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

- Dividends, included as part of "Other income" account in the consolidated statement of income, are recognized when the shareholders' right to receive payment is established.

<u>Agency Commissions, Incentives and Co-producers' Share</u>
These represent deductions from gross airtime revenues in the consolidated statement of income.

Agency commissions are recognized at a standard rate of 15%.

Incentives include early payment and early placement discounts as well as commissions paid to the Company's account executives and cable operators. Early payment discount is recognized upon payment. Early placement discount, which represents discount given to agencies and advertisers as a result of early request for telecast order, is recognized upon airing.

Co-producers' share on revenues of specific programs is recognized upon airing.

Leases
The determination whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset.

Company as a Lessee

Finance 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 the consolidated statements of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Company as a Lessor

Operating Leases. Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term.

Cost and Expense Recognition
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participant. Cost and expenses other than those with specific policies are recognized in the consolidated statement of income in the year these are incurred.

Channel License Fees
Channel license fees included under "Cost of sales and services" account in the consolidated statements of income are charged to operations in the year these fees are incurred.

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 under "Finance costs" in the consolidated statements of income.

Customers' Deposits
Customers' deposits, included as part of "Other noncurrent liabilities" account in the consolidated statement of financial position, are initially recognized at fair value. The discount is recognized as deferred credits and amortized over the estimated remaining term of the deposit using the effective interest method.

Asset Retirement Obligation
The net present value of legal obligations associated with the retirement of an item of property and equipment that resulted from the acquisition, construction or development and the normal operations of property and equipment is recognized in the period in which it is incurred and a reasonable estimate of the obligation can be made. This is included as part of "Other noncurrent liabilities" account in the consolidated statement of financial position. The related asset retirement cost is capitalized under "Property and equipment" account in the consolidated statements of financial position and is being depreciated on a straight-line basis.

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

Pension Costs
The Company has funded (the Parent Company, ABS-CBN and Sky Cable) and unfunded (other subsidiaries), noncontributory defined pension benefit plans, except for ABS-CBN International which has a defined contribution pension plan. The cost of providing benefits under the defined benefit plan is determined separately for each plan using the projected unit credit method of actuarial valuation. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous financial reporting year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The defined benefit asset or liability is the aggregate of the present value of the defined benefit obligation (using a discount rate based on Philippine bonds) and actuarial gains and losses not recognized reduced by past service cost not yet recognized, and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

For ABS-CBN International, the defined contribution pension plan is composed of the contribution of ABS-CBN International or employee (or both) to the employee's individual account. These contributions generally are invested on behalf of the employee through American Funds. Employees ultimately receive the balance in their account, which is based on contributions plus or minus investment gains or losses. The value of each account will fluctuate due to changes in the value of investments.

The amount of the Company's contribution to the defined contribution pension plan is recognized as expense in the period incurred.

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 the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of income.

Deferred Income Tax. Deferred income tax is provided, using the liability method, on all temporary differences at the reporting 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) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credit from excess MCIT over RCIT and unused NOLCO 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.

Deferred income tax liabilities are not provided on nontaxable 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 reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are measured at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred income tax to be recovered.

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 as at reporting date.

Deferred income tax relating to items recognized outside the profit or loss is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity and not in the consolidated statements of income.

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

Retained Earnings

The amount included in retained earnings includes profit attributable to the Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the Company's stockholders. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date.

Retained earnings may also include effect of changes in accounting policy as may be required by new standards' transitional provisions.

Earnings Per Share (EPS) Attributable to Equity Holders of the Parent Company
Basic EPS is calculated by dividing the net income attributable to the equity holders of the Parent Company for the year by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends and stock split.

For the purpose of calculating diluted earnings per share, the net income attributable to the equity holders of the Parent Company and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares from the conversion of Perpetual Convertible Bonds. The number of common shares is the weighted average number of common shares plus the weighted average number of common shares which would be issued upon the conversion of all the dilutive potential common shares into common shares. For calculation purposes, Perpetual Convertible Bonds are deemed to have been converted into common shares at the date of issuance of the convertible bonds.

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

Event after Reporting Date
Post yearend events that provide additional information about the Company's financial position at financial reporting date (adjusting events) is reflected in the consolidated financial statements. Post yearend events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Reporting
For management purposes, the Company's operating businesses are organized and managed separately according to nature of business activities. Such business segments are the bases upon which the Company reports its operating segment information. The Company operates in three geographical areas where it derives its revenue.

Financial information on segment reporting is presented in Note 4 - Segment Information.

4. Segment Information

Segment information is prepared on the following bases:

Business Segments
For management purposes, the Company's main businesses are investment holdings and broadcasting and entertainment. Broadcasting and entertainment is further segmented 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.

Broadcasting segment is principally the television and radio broadcasting activities which generate 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. In 2008, as a result of the conversion of Sky Cable Note issued to ABS-CBN (see Note 2a), the cable and satellite business include cable television services of Sky Cable and its subsidiaries in Metro Manila and in certain provincial areas in the Philippines.

Other businesses include movie production, consumer products and services. The Company's remaining activity includes information service.

Geographical Segments
Although the Company is organized into three business activities, it operates in three major geographical areas. In the Philippines, its home country, ABS-CBN is involved in broadcasting, cable operations and other businesses. In the United States and in other locations (which includes Middle East, Europe, Australia, Canada and Japan), ABS-CBN operates its cable and satellite operations to bring television programming outside the Philippines.

Inter-segment Transactions
Segment revenue, segment expense and segment results include transfers among business segments and geographical segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated in consolidation.

Management monitors operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit and loss in the consolidated financial statements.

On a consolidated basis, the Company's performance is evaluated based on consolidated net income for the year and earnings before interest, taxes and depreciation and amortization (EBITDA). Net income for the year is measured consistent with consolidated net income in the consolidated financial statements.

5. Interest-Bearing Loans and Borrowings

	Effective Interest	**June 30, 2010**	December 31, 2009
Current			
Parent Company:			
7.875% Notes	7.875%	**₱2,065**	₱2,058
LTCPs		**875**	875
ABS-CBN:			
Bank loans	5.00%	**400**	400
Long-term debt under Senior Credit Agreement (SCA)	6.76%	**131**	106
Obligations under capital lease		**91**	119
		₱3,562	₱3,558
Noncurrent			
Parent Company:			
4.2% Perpetual Convertible Bonds	4.2%	**₱9**	₱12
ABS-CBN:			
Long-term debt under SCA (net of transaction costs and debt discount)	6.95%	**8,247**	8,264
Obligation under capital lease		**31**	76
		₱8,287	₱8,352

6. Earnings(loss) Per Share (EPS) attributable to Equity Holders of the Parent Company

The following reflects the income (loss) and share data used in the basic and diluted earnings(loss) per share computations:

	2010	2009
	(Amounts in Millions, except Number of Shares)	
(a) Income attributable to equity holders of the parent	**₱11,376**	₱475
Interest on convertible bonds and amortization of bond issue cost	**1**	1
(b) Net income(loss) attributable to equity holders of the Parent Company - diluted	**₱11,377**	₱476
(c) Weighted average number of common shares - basic	**4,582,356,268**	4,581,544,408
Conversion of bonds	**3,421,410**	3,421,410
(d) Adjusted weighted average common shares – diluted	**4,585,777,678**	4,584,965,818
Per Share Amounts		
Basic (a/c)	**₱2.4825**	₱0.1036
Diluted (b/d)	**2.4809**	0.1037

There have been no other transactions involving shares or potential shares between the financial reporting date and the date of completion of these consolidated financial statements.

<u>Business Segment Data</u>

The following tables present revenue and income information and certain assets and liabilities information regarding business segments for each of the period ended June 30, 2010 and 2009:

	Investment Holding		Broadcasting		Cable Satellite		Broadcasting and Entertainment Other Businesses		Elimination		Consolidated	
	June 30,		June 30,		June 30,		June 30,		June 30,			
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
					(Amounts in Millions)							
Revenue												
External revenue	-	-	**10,851**	6,200	**5,195**	4,678	**792**	808	-	-	**16,838**	11,686
Intersegment-revenue	-	-	**98**	27	**137**	119	**551**	58	**(786)**	(204)	-	-
Total revenue	-	-	**10,950**	6,226	**5,332**	4,797	**1,343**	866	**(786)**	(204)	**16,838**	11,686
Results												
Operating results	**1,188**	430	**2,088**	800	**830**	254	**474**	114	**(1,452)**	(122)	**3,128**	1,476
Equity in net earnings of associates	**10,641**	474	-	-	-	-	-	-	-	-	**10,641**	474
Interest income	-	182	**52**	76	**14**	21	**1**	1	**(10)**	(36)	**57**	243
Finance costs	**(222)**	(488)	**(330)**	(384)	**(73)**	(115)	-	-	**4**	15	**(621)**	(973)
Foreign exchange losses/gains and others - net	**(12)**	(123)	**1**	(32)	**(9)**	(22)	**6**	(3)	**(45)**	-	**(59)**	(180)
Other income - net	**(221)**	-	**341**	352	**57**	76	**87**	55	**(27)**	(311)	**237**	172
Income tax	-	-	**(644)**	(250)	**(81)**	(102)	**(65)**	(59)	**2**	28	**(788)**	(383)
Net income	**11,375**	475	**1,507**	561	**738**	111	**503**	107	**(1,529)**	(426)	**12,594**	829
Assets and Liabilities												
Operating assets	**1,889**	8,385	**20,066**	21,947	**15,692**	14,465	**3,260**	2,281	**(1,339)**	(3,830)	**39,568**	43,248
Investments in and advances to associates	**37,928**	23,876	**12,764**	6,977	-	-	-	-	**(22,963)**	(16,085)	**27,729**	14,768
Deferred tax assets	-	48	**223**	42	**538**	509	**70**	-	-	-	**831**	600
Total assets	**39,817**	32,309	**33,054**	28,966	**16,230**	14,974	**3,330**	2,281	**(24,303)**	(19,915)	**68,128**	58,616
Operating liabilities	**2,883**	13,047	**7,035**	5,681	**5,396**	6,282	**926**	769	**1,419**	(3,566)	**17,659**	22,214
Interest-bearing loans and borrowings	**2,949**	8,585	**7,540**	7,847	**1,410**	3,272	-	-	**(3,262)**	(1,607)	**8,637**	18,097
Deferred tax liabilities	-	-	-	-	**468**	551	**6**	-	**24**	112	**498**	663
Obligations under finance lease	-	-	**122**	214	-	-	-	-	-	-	**122**	214
Total liabilities	**5,832**	21,632	**14,698**	13,742	**7,274**	10,105	**932**	769	**(1,820)**	(5,061)	**26,916**	41,187
Other Segment Information												
Capital expenditures:												
Property and equipment	-	-	**960**	450	**407**	982	**37**	149	-	-	**1,405**	1,581
Intangible assets	-	-	**213**	546	**218**	8	**(8)**	(19)	-	-	**423**	535
Depreciation and amortization	**7**	8	**943**	970	**682**	708	**136**	32	**(74)**	195	**1,694**	1,913
Noncash expenses other than depreciation and amortization	-	-	**99**	25	**104**	66	**6**	5	-	-	**209**	96

Geographical Segment Data

The following tables present revenue and expenditures and certain assets information regarding geographical segments of ABS-CBN for each of the period ended June 30, 2010 and 2009.

	PHILIPPINES		UNITED STATES		OTHERS		ELIMINATIONS		CONSOLIDATED	
	Period ended 30-Jun		Period ended 30-Jun		Period ended 30-Jun		Period ended 30-Jun		Period ended 30-Jun	
-	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
					(Amounts in Millions Php)					
Revenues										
External Sales	**14,207**	9,277	**1,811**	1,675	**821**	734	**-**	-	**16,838**	11,686
Inter-segment sales	**786**	204	**-**	-	**-**	-	**(786)**	(204)	**-**	-
Total Revenues	**14,993**	9,481	**1,811**	1,675	**821**	734	**(786)**	(204)	**16,838**	11,686
Other Segment Information										
Segment Assets	**35,473**	42,664	**3,322**	3,155	**2,113**	1,259	**(1,339)**	(3,830)	**39,568**	43,248
Investment in equity method associat	**50,693**	30,853	**-**	-	**-**	-	**(22,963)**	(16,085)	**27,729**	14,768
Deferred Tax Assets	**737**	540	**78**	60	**16**	-	**-**	-	**831**	599
Total Assets	**86,902**	74,057	**3,400**	3,214	**2,129**	1,259	**(24,303)**	(19,915)	**68,128**	58,615
Other Segment Information										
Capital Expenditures :										
Property and Equipment	**1,337**	1,492	**28**	19	**39**	70	**-**	-	**1,405**	1,581
Intangible Assets	**423**	535	**-**	-	**-**	-	**-**	-	**423**	535

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LOPEZ HOLDINGS CORPORATION

By:

MA. VICTORIA M. MARCELINO SAVP - Financial Controls	August 16, 2010 Date
for **FEDERICO R. LOPEZ** Treasurer	August 16, 2010 Date
SALVADOR G. TIRONA President and COO	August 16, 2010 Date

LOPEZ HOLDINGS CORPORATION
(Formerly Benpres Holdings Corporation)
AGING OF ACCOUNTS RECEIVABLES
AS OF JUNE 30, 2010
(Amounts in Millions)

TYPE OF ACCOUNTS RECEIVABLES	TOTAL	NOT YET DUE	CURRENT	30 DAYS AND OVER	IMPAIRED
I. TRADE RECEIVABLES					
Trade	**6,508**	3,203	434	2,074	797
Allowance	**561**				
Net A/R	**5,947**				
II. NON - TRADE RECEIVABLES					
Advances to related parties	**25**				
Advances to suppliers, employees, talents and others	**892**				
Allowance	**(58)**				
	859				
	6,806				

ACCOUNTS RECEIVABLE DESCRIPTION

1 TRADE RECEIVABLES - *accumulated through the normal course of business, i.e. sale of airing spoi*

2 NON TRADE RECEIVABLES - *accumulated through transactions other than the normal course of business, i.e. sale of airing spots*