November 14, 2008

COVER SHEET

AS093004369

SEC Registration Number

BENPRES HOLDINGS CORPORATION

(Company's Full Name)

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

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

Salvador G. Tirona

(Contact Person)

910-3040

(Company Telephone Number)

12 31

Month *Day*

(Fiscal Year)

17-Q

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

11,557

Total No. of Stockholders

₱2,012,397,073

Domestic

US$150,000,000

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. **September 30, 2008**
   Date of Report (Date of earliest event reported)

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

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

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

7. **4th Floor Benpres Building, Exchange Road cor. Meralco Ave. Pasig City**
   Address of principal office

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

9. **Not Applicable**
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 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	**4,581,544,408 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 accounting principles generally accepted in the Philippines as set forth in the Philippine Financial Reporting Standards (PFRSs). PFRS, include standards named PFRSs and Philippine Accounting Standards (PASs), including interpretations issued by the Philippine Accounting Standards Council. These are the Company's first consolidated financial statements prepared in compliance with PFRSs.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments that have been measured at fair value.

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

Benpres Holdings Corporation (Benpres) posted unaudited consolidated revenues of P16.540 billion in the first nine months of 2008, 14% higher than P14.512 billion in the same period last year.

However, the company recognized a net loss attributable to equity holders of the parent of P841 million, compared to a net income attributable to equity holders of the parent of P2.676 billion for January-September last year. This loss is primarily due to the 89% fall in equity in net earnings of investees to P251 million from P2.210 billion as core investee First Philippine Holdings Corporation (FPHC) reported a net loss for the period.

Foreign exchange adjustments for the period resulted in a loss of P1.274 billion compared to a gain of P824 million in the comparative period. The peso depreciated to P47.05 per US dollar in September 2008 from P41.28 in December 2007, compared to an appreciation to P45.04 per US dollar in September 2007 from P49.03 in December 2006.

Provisions for losses decreased by 7% to P104 million from P112 million due to lower debt related advances. Interest and other expenses-net dropped by 8% due to lower interest rates.

Other income grew by 120%, mainly from the P178 million gain on the sale of Medical City in April 2008. In addition, there were gains during the period from the buyback of certain debt at 40% discount.

On the revenue side, the following reflect ABS-CBN accounts: airtime revenues, sales and services, and license fees. On the expense side, the following are ABS-CBN accounts: production costs, general and administrative expenses, cost of sales and services, agency commission, incentives and co-producers' share.

Subsidiaries and Associates

ABS-CBN's net income attributable to equity holders of the parent for the first nine months of 2008 grew by 9% YoY to P1.201 billion from P1.104 billion. Similarly, earnings before interest, taxes, depreciation, and amortization (EBITDA) for the period increased by 12% to P4.433 billion, for an EBITDA margin of 27%. Consolidated revenues were up 15% to P16.540 billion largely driven by sale of services, which jumped 61% YoY, due to the consolidation of Sky Cable's revenues in ABS-CBN as well as the continued subscriber growth of ABS-CBN Global. This brings percentage contribution of sale of services to total revenues to 36% during the first nine months of 2008 versus 26% in the same period of last year.

FPHC reported P264 million net loss attributable to equity holders of the parent, compared to a P3.789 billion net income attributable to equity holders of the parent in the first three quarters of 2007. These financial results stem from (1) a decrease in share in net earnings of subsidiaries specifically lower earnings contribution from First Gen Corporation and FPII, (2) higher interest expense on account of higher debt levels acquired in the second half of 2007, and (3) significant foreign exchange losses from the restatement of foreign currency-denominated loans of FPHC and subsidiaries.

Bayan Telecommunications, Inc. (Bayan) recorded a net loss of P2.570 billion for the period, from a P595 million income in the first nine months of 2007. This is mainly due to the foreign exchange loss amounting to P2,482 million this year compared to recognized foreign exchange gains last year of P625 million. Benpres' investment in Bayan been fully written off. Thus, Benpres does not equitize income or loss from Bayan.

First Philippine Infrastructure, Inc. (FPII) posted a net income attributable to equity holders of parent of P506 million, 55% lower than P1.128 billion last year, mainly due to lower revenues and a foreign exchange loss this year after posting a foreign exchange gain last year. Revenues for the period were lower from the year ago level due to the 4% decrease in average daily traffic as fuel prices increased by 32% YoY. In addition, toll rates were reduced by an average of 3% beginning in July 2008.

Rockwell Land Corporation (Rockwell Land) continued to be strong with profits growing by 26% to P477 million for the period in review as total revenues increased by 9% YoY from sales of the One Rockwell residential condominium project.

Key Performance Indicator (Parent Company only)

Benpres derives revenues from asset sales and dividends from investees. Hence, the key performance indicator with the highest impact on Benpres is the net income of investees. For the period in review, the financial performance of investees was within expectations. In the same period, Benpres received dividends from ABS-CBN, and Rockwell Land Corporation based on their respective 2007 audited net income. It also disclosed the divestment of its interest in The Medical City on April 30, 2008 and in FPII on August 7, 2008.

Consolidated Financial Condition

Cash and cash equivalents increased by 49% to P4.419 billion from end-2007 levels due to the sale of Medical City in April 2008, as well as dividends received by Benpres during the first nine months of 2008. This primarily accounted for the 22% hike in total current assets and the 14% jump in total assets. Trade and other receivables-net (+21%), program rights and other intangible assets–current (+15%), other current assets-net (-7%), property and equipment-net (+39%), long-term receivables from related parties (-100%), noncurrent program rights and other intangible assets (+127%), and other noncurrent assets–net (-83%) reflect ABS-CBN accounts, which led to the 12% increase in total noncurrent assets.

In November 2007, Benpres and parent Lopez, Inc., together purchased US$43 million worth of debt held by Asian Infrastructure Fund, of which they are co-obligors. As of September 30, 2008, Benpres also purchased debt from various LTCP holders holding a total face value of P385 million. The debt was purchased for P234 million or at 60% of the principal amount of debt including capitalized interest.

Despite these debt purchases, trade and other payables (+44%) and current interest-bearing loans and borrowings (+11%) went up because of ABS-CBN's financing activities. Benpres also continued to accrue interest on debt subject to restructuring and restated Eurobond obligations at the current exchange rate. These raised total current liabilities by 22%. Benpres continues to pay 50% of interest due every May and November, as it has done since 2005 based on the revised terms of its Debt Restructuring Plan. Interest-bearing loans and borrowings–net of current portion (+26%) and other noncurrent liabilities (+87%) are ABS-CBN accounts. As a result, total noncurrent liabilities increased by 32% to P7.164 billion.

Unaudited total consolidated equity as of September 30, 2008 stood at P15.549 billion, 4% less than the 2007 yearend balance of P16.134 billion, as the company incurred a deficit of P20 million following the net loss of P841 million for the period in review. Share in equity adjustment from translation was reduced by 5% as a result of Benpres's share in the negative balance of FPHC's Cumulative Translation Adjustment, related to the restatement of selected subsidiary accounts from Philippine peso to US dollar. Unrealized gain on fair value adjustments of available-for-sale investments slid by 37% due to the decline in the market price of Digitel (Digital Telecommunications Phils., Inc.) shares held. No Digitel shares were sold during the period.

Risk Management

The executive officers and staff members of Benpres Holdings Corporation have been implementing a corporate risk management program since 2002, in line with an enterprise-wide risk management system championed by chairman Oscar M. Lopez.

Risks that may hinder the achievement of corporate goals and objectives are identified and reviewed annually to ensure mitigation measures are in place to adequately respond to and manage such risks.

Top Risks

In 2008, the following risks were assessed to be most significant and/or most likely and appropriate mitigation strategies were prepared and/or implemented to address them:

Capital availability or cash flow (liquidity) risk
This risk refers to the 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.

To manage this, the company obtains the concurrence of associated companies on dividends forecast used in the restructuring plan and financial models were updated quarterly. In November 2007, Benpres bought back a portion of its principal US dollar-denominated obligations and a portion of Philippine peso-denominated debt at a 40% discount.

Foreign Currency Exchange Risk and Foreign Currency Revaluation Risk
Volatility in foreign currency exchange rates may expose Benpres 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 associated companies to declare dividends.

The risk was eased by the debt buyback undertaken in 2007, which directly reduced the company's foreign currency debt by US$43 million. The company continues to buyback debt at a discount to face value. It is also monitoring the mitigation plans of associated companies in relation to foreign currency revaluation risk.

Interest rate risk
Fluctuations in interest rates affect the company's capital availability or cash flow risk as they expose the company to variable cash requirements in relation to debt with floating interest rates.

Equity investment risk
This refers to the company's exposure to fluctuations in the value of equity securities or income streams from equity ownership in associated companies. Benpres has direct and indirect equity investments in the following publicly listed companies whose market value as measured by market capitalization changes daily: ABS-CBN Broadcasting Corporation, First Philippine Holdings Corporation, Manila Electric Company, First Gen Corporation, PNOC-EDC, First Philippine Infrastructure, Inc. (formerly City Resources (Phil.) Corp., and Digital Telecommunications (Phils.), Inc.

Strategic information/Valuation risk
This refers to the lack of relevant and reliable valuation information that may preclude prospective investors from making informed assessments of the value of the firm or any of its significant segments in a strategic context.

To manage this, the company is in constant communication with associated companies to obtain updated and realistic financial models of their operations, as well as how such relate to the company. In addition, key Benpres officers are either elected as a member of the board in associated companies or sit in as an observer in management committee or board meetings of associated companies to ensure the parent company is kept abreast of the latest developments in said companies.

Legal (Shareholder) risk
Since beginning the process of debt restructuring in June 2002, Benpres shareholders have faced the risk of losing control over the company's financial rehabilitation should creditors file for court-assisted corporate rehabilitation. As the success of the restructuring process will be based on consensual agreement, Benpres management keeps communication lines with creditors open.

Sovereign/Political risk
Many of the company's operating units are engaged in regulated businesses, subject to political pressure. Independent coverage by ABS-CBN News and Current Affairs of political events and personalities may lead to adverse regulatory action toward associated companies.

To mitigate this risk, Benpres supported the efforts of operating units for lawful, fair, and transparent rate-setting in power generation, power distribution and toll roads. ABS-CBN News and Current Affairs remains independent in its coverage of all newsworthy events and personalities. It adopted a world-class Standards and Ethics Manual to govern the actions of all news personnel and enhance the credibility and reputation of the institution for integrity and fairness. ABS-CBN provides all news subjects, regardless of political and/or business affiliation, with the opportunity to respond to unfavorable reports.

Customer (Stakeholder) Wants risk
Requirements of Benpres stakeholders vary and Benpres is unable to meet all requirements in a timely manner. Regulators require compliance with rules and regulations; creditors require the settlement of all obligations under restructuring; shareholders require a fair return on their investment; associated companies require financial and other forms of support; senior management requires current and accurate information on group-wide operations; employees require compensation and benefits.

To mitigate this risk, Benpres continues to work with creditors for the completion of a consensual financial restructuring. Completing the process will pave the way to address the needs of shareholders, employees, and associated companies. Regulatory and senior management needs were adequately served by Benpres officers and staff members in 2008.

<u>Other risks</u>

Also in 2008 and 2007, the following risks mandated for assessment by IFRS (International Financial Reporting Standards) were deemed to be less significant and/or less likely:

Capital management
Under the Balance Sheet Management Plan, cash is reserved for debt service and working capital requirements. The 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 company's ISO-certified Money Market Operations procedure. Payment requirements for goodwill interest and operating expenses are withdrawn using the same process.

Amendments to IAS 39 and IFRS, "Reclassification of Financial Assets"

As disclosed in Note 4 of the financial statement, Amendments to IAS 39 and IFRS, "Reclassification of Financial Assets, this interpretation has no significant impact on the consolidated financial statements of the Company.

Material Event After Balance Sheet Date

On November 13, 2008, Benpres received P6.0 billion from Metro Pacific Investments Corporation, buyer of Benpres's 49% stake in FPII.

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.

PART II – OTHER INFORMATION

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

BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Millions)

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	₱4,419	₱2,962
Trade and other receivable - net	6,026	4,984
Program rights and other intangible assets – current	1,162	1,007
Other current assets - net	2,248	2,411
Total Current Assets	13,855	11,364
Noncurrent Assets		
Investments and advances – net (Notes 2 and 3)	19,233	18,979
Property and equipment – net	13,778	9,905
Long-term receivables from related parties	–	3,892
Noncurrent program rights and other intangible assets	3,778	1,664
Other noncurrent assets – net	4,630	2,525
Total Noncurrent Assets	41,419	36,965
TOTAL ASSETS	₱55,274	₱48,329
Current Liabilities		
Trade and other payables	₱15,684	₱10,880
Interest-bearing loans and borrowings (Note 6)	9,775	8,770
Estimated liabilities from guarantees and commitments	7,103	7,107
Total Current Liabilities	32,562	26,757
Noncurrent Liabilities		
Interest-bearing loans and borrowings – net of current portion (Note 6)	6,235	4,940
Other noncurrent liabilities	927	498
Total Noncurrent Liabilities	7,162	5,438
Equity Attributable to Equity Holders of the Parent		
Capital stock	4,581	4,581
Capital in excess of par value	6,766	6,766
Share in equity adjustment from translation	(3,207)	(3,372)
Unrealized gain on fair value adjustments of available-for-sale (AFS) investments	560	895
Share in excess of acquisition cost over the carrying value of minority interests	(12)	(12)
Retained earnings (deficit)	(22)	819
	8,666	9,677
Minority interest	6,884	6,457
Total Equity	15,550	16,134
TOTAL LIABILITIES AND EQUITY	₱55,274	₱48,329

See accompanying Notes to Consolidated Financial Statements.

BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Millions, Except Per Share Amounts)

	Nine Months Ended September 30	
	2008 (Unaudited)	2007 (Unaudited)
REVENUES		
Airtime	**₱10,131**	₱9,866
Sales and services	**6,409**	4,140
License fees	**–**	419
	16,540	14,425
EXPENSES (INCOME)		
Production costs	**4,476**	4,741
General and administrative expenses	**4,815**	3,814
Costs of sales and services	**3,338**	2,070
Agency commission, incentives and co-producers' share	**1,845**	1,806
Equity in net earnings of investees	**(251)**	(2,210)
Foreign exchange adjustment	**1,274**	(824)
Provision for losses	**104**	112
Interest and others – net	**1,141**	1,239
Other income	**(732)**	(332)
	16,010	10,416
INCOME BEFORE INCOME TAX	**530**	4,009
PROVISION FOR INCOME TAX	**(844)**	(866)
NET INCOME (LOSS)	**(₱314)**	₱3,143
Attributable to:		
Equity holders of the parent	**(₱841)**	₱2,676
Minority interests	**527**	467
	(₱314)	₱3,143
Earnings (Loss) Per Share Attributable to Equity Holders of the Parent: (Note 7)		
Basic	**(₱0.1836)**	₱0.58439
Diluted	**(0.1836)**	0.5836

See accompanying Notes to Consolidated Financial Statements.

BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Millions, Except Per Share Amounts)

	Third Quarter Ended September 30	
	2008 (Unaudited)	2007 (Unaudited)
REVENUES		
Airtime	**₱3,766**	₱3,704
Sales and services	**2,540**	1,469
License fees	**–**	127
	6,306	5,300
EXPENSES (INCOME)		
Production costs	**1,527**	1,732
General and administrative	**1,717**	1,349
Costs of sales and services	**1,467**	793
Agency commission, incentives and co-producers' share	**702**	700
Equity in net earnings of investees	**(134)**	(735)
Foreign exchange adjustment	**529**	(191)
Provision for losses	**–**	–
Interest and others – net	**396**	383
Other income	**(243)**	(69)
	5,961	3,962
INCOME BEFORE INCOME TAX	**345**	1,338
PROVISION FOR INCOME TAX	**(349)**	(286)
NET INCOME (LOSS)	**(₱4)**	₱1,052
Attributable to:		
Equity holders of the parent	**(₱194)**	₱898
Minority interests	**190**	154
	(₱4)	₱1,052

BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Amounts in Millions, Except Number of Shares and Par Value Amounts)

	Nine Months Ended September 30	
	2008 (Unaudited)	2007 (Unaudited)
CAPITAL STOCK - ₱1 par value Authorized - 5,500,000,000 shares Issued - 4,581,544,408 shares	**₱4,581**	₱4,581
CAPITAL PAID IN EXCESS OF PAR VALUE	**6,766**	6,766
SHARE IN EQUITY ADJUSTMENT FROM TRANSLATION	**(3,207)**	(489)
SHARE IN UNREALIZED GAIN ON FAIR VALUE OF ADJUSTMENTS OF AVAILABLE-FOR-SALE INVESTMENTS	**560**	591
SHARE IN EXCESS OF ACQUISITION COST OVER THE CARRYING VALUE OF MINORITY INTERESTS	**(12)**	–
RETAINED EARNINGS (DEFICIT)		
Balance at beginning of period	**819**	(5,026)
Net income (loss) attributable to the equity holders of the Parent	**(841)**	2,676
Balance at end of period	**(22)**	(2,350)
	₱8,666	₱9,099

See accompanying Notes to Consolidated Financial Statements.

BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)

	Nine Months Ended September 30, 2008 (Unaudited)	2007 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (loss)	**(₱841)**	₱2,676
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in net earnings of investees	**(251)**	(2,210)
Depreciation and amortization	**1,252**	880
Provision for losses	**104**	112
Others	**–**	(786)
Changes in assets and liabilities:		
Increase in current assets	**(1,034)**	(1,200)
Increase in current liabilities	**4,800**	2,458
Net cash provided by operating activities	**4,030**	1,930
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in:		
Investments and advances	**(277)**	(761)
Property and equipment and other assets	**(5,452)**	(1,707)
Net cash used in investing activities	**(5,729)**	(2,468)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in long-term debt	**429**	935
Increase in:		
Other noncurrent liabilities	**2,300**	569
Minority interest	**427**	259
Net cash provided by financing activities	**3,156**	1,763
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,457**	1,225
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**2,962**	2,969
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱4,419**	₱4,194

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Status of Operations

a. Corporate Information

Benpres Holdings Corporation (the Parent Company) is incorporated in the Philippines. The Parent Company is a 54.61% owned subsidiary of Lopez, Inc. (Lopez), also a Philippine entity and the ultimate parent company. The Parent Company and its subsidiaries (collectively referred to as "the Company") are mainly involved in investment holdings, broadcasting and entertainment. The Company's associates are involved in telecommunications, power generation and distribution, cable television, real estate development and infrastructure.

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

b. Balance Sheet Management Plan

In June 2002, the Parent Company announced a plan called the Balance Sheet Management Plan (BSMP) to address all its financial obligations involving activities to reduce debt and dispose non-core assets.

On January 19, 2007, the Parent Company officially exited from Maynilad Water and wrote-off US$220 million of guaranteed obligations.

The Parent Company is recrafting a suitable debt restructuring plan to reflect current market conditions.

Long-term direct obligations of the Parent Company that are due for payment as of September 30, 2008 and December 31, 2007 amounted ₱8,673 and ₱8,182 million, respectively.

In November 2007, the Company and Lopez, Inc. together purchased US$43 million worth of debt held by Asian Infrastructure Fund, of which they are co-obligor. The debt has been purchased for US$32.3 million, with the Company paying US$25.8 million and Lopez, Inc. paying US$6.4 million.

In addition, by virtue of its guarantees and commitments, based on the BSMP, the Parent Company may be liable for certain obligations that already fell due amounting to approximately US$172 million and US$210 million as of September 30, 2008 and December 31, 2007 equivalent to ₱7,103 million. 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.

As of September 30, 2008 and December 31, 2007, consolidated current liabilities exceeded consolidated current assets by ₱18,707 million and ₱15,393 million, respectively.

Starting in 2002, the Parent Company defaulted on its principal and interest payments on its long-term direct obligations and guarantees and commitments. As proposed in the BSMP, all liabilities of the Parent Company were computed as of May 31, 2002 and since December 2002, the Parent Company has been making good faith semi-annual payments on its direct and contingent obligations.

On March 13, 2003, the Parent Company convened a Special Stockholders' Meeting to obtain stockholders' consent to delegate to the BOD the authority to take all actions and matters necessary and desirable for the restructuring of the Parent Company's obligations under the BSMP. The stockholders granted full authority to the BOD to negotiate with the creditors without the need for prior stockholders' approval.

In 2005, Ferrier Hodgson Corporate Advisory (WA) Pty Ltd. was appointed as financial adviser to assist the Parent Company in addressing its long-term direct obligations, as well as contingent obligations arising from outstanding guarantees and commitments. The creditors formed the Benpres Creditors' Committee to facilitate the overall process for the financial restructuring of the Parent Company.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue operating as a going concern. The ability of the Company to continue operating as a going concern depends on the success of its BSMP. This condition, along with other matters previously discussed, indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue operating as a going concern.

2. Transfer of Media Interest

On April 17, 1997, the stockholders of the Parent Company approved the transfer of its ownership interest in ABS-CBN Broadcasting Corporation (ABS-CBN) and SkyVision Corporation (SkyVision) to Lopez, a majority stockholder. On March 16, 1998, the National Telecommunications Commission (NTC) authorized the transfer of the ABS-CBN and SkyVision shares and on April 21, 1998, the transfer was approved by the creditors of the Parent Company, thus, the release of the ABS-CBN and SkyVision shares from the negative pledge covenants included in the terms of outstanding long-term commercial papers (LTCPs).

On April 24, 1998, the Parent Company transferred 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 SkyVision 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 (Notes) of ₱9,504 million (Convertible Notes of ₱5,504 million and Nonconvertible Notes of ₱4,000 million). The Notes are secured by a pledge of the shares transferred and all subsequent shares distributed to Lopez by reason of its holdings of ABS-CBN and SkyVision shares. After the transfer, Lopez assumed all voting rights associated with the shares.

The Notes shall be repaid on April 24, 2013 (Maturity Date). Lopez has the option to redeem the 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 Notes into 553,457,304 shares of ABS-CBN and 162,463,400 shares of SkyVision (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 Notes may be repaid in whole or in part on or before the Maturity Date. The Notes shall terminate on any earlier date if the Convertible Notes shall have been properly converted and Lopez has satisfied its obligations with respect to all such Convertible Notes. The Notes bear an annual interest of 1.5%, subject to adjustments as agreed by both parties.

As of September 30, 2008 and December 31, 2007, the outstanding Notes amounted to ₱8,598 and ₱8,120 million, respectively. The underlying shares totaled 446,800,022 ABS-CBN shares [including 568,415 Philippine Depositary Receipts (PDRs)] and 162,463,400 SkyVision shares.

As of this date, the shares of stock in ABS-CBN and SkyVision are still under the name of Lopez. Consequently, the power to vote those shares is with Lopez. The Parent Company has not exercised its option to convert the ABS-CBN and SkyVision Notes into ABS-CBN and SkyVision 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 distribution and telecommunication 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 ABS-CBN Notes 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 consolidation purposes, ABS-CBN is considered a subsidiary of the Parent Company. Accordingly, the issuance of the ABS-CBN Notes is eliminated for consolidation purposes.

<u>SkyVision</u>
SkyVision is mainly involved in cable television services in Metro Manila and in certain provincial areas in the Philippines.

The convertibility feature of the SkyVision Notes 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 consolidation purposes, SkyVision is considered an associate of the Parent Company. Accordingly, the Parent Company's investment in SkyVision is accounted for under the equity method.

a. Consolidation of Sky Cable Corporation (Sky Cable, formerly Central CATV, Inc.) and Philippine Home Cable Holdings, Inc. (Home Cable)

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

   Pursuant to the MCA, the Benpres Group and the PLDT Group shall, respectively, own 67% and 33% of Beyond upon the transfer of their respective ownership, rights and interests in SkyVision and Unilink to Beyond. Although the original MCA envisioned the transfer to be completed within six months from signing date, or by January 18, 2002, the Benpres Group and the PLDT Group agreed on January 16, 2002, to extend this closing date.

   In view of the above, a separate Memorandum of Agreement (Agreement) was executed on April 8, 2004, wherein the majority stockholders of Home Cable and SkyVision have agreed to consolidate the ownership of their respective shares in Home Cable and SkyVision and to combine the operations, assets and liabilities of Home Cable and Central. To effect the consolidation, Home Cable transferred its assets and liabilities to Central in exchange for a 33% ownership in Sky Cable. The issuance of shares was approved by the Philippine Securities and Exchange Commission (SEC) on August 30, 2004.

It is planned to transfer the minority shareholders of SkyVision to Central to put into effect in Sky Cable what was originally intended for Beyond. With this transfer and as stipulated in the MCA, the Minority shall hold 17.3% of Sky Cable while SkyVision will hold 55% and Home Cable holding the balance 27.7%. Barring any unforeseen impediments, it is expected that the transfer of the SkyVision Minority to Sky Cable be completed in 2008.

In relation to the consolidation discussed above, a competitor television broadcasting company filed a case before the NTC asking for it to declare as null and void the consolidation of the cable operating companies. On November 16, 2004, the NTC denied the motion for cease and desist order filed by the competitor broadcasting company. On November 30, 2004, the competitor television broadcasting company filed a motion for reconsideration which is still pending resolution with the NTC as of this date. It is the opinion of SkyVision's legal counsels that the case filed by the competitor television broadcasting company is without legal basis.

b. Debt Restructuring Agreement (DRA) and Acquisition of Sky Cable Debt

On October 17, 2003, the required majority of SkyVision and Sky Cable's creditors and a substantial majority of Home's creditors have signed the Memorandum of Agreement (MOA) covering the restructuring plan. The MOA provided the framework under which Central, SkyVision, Home Cable and the creditors mutually agreed to restructure the outstanding debt obligations which became the basis for the Debt Restructuring Agreement, and consent to the consolidation and merger of Central, SkyVision and Home Cable.

On July 2, 2004, the Debt Restructuring Agreement between Central and its creditors has been formalized in the Facility Agreement. Under the provisions of the Facility Agreement, the outstanding principal on the existing secured and unsecured debt shall be paid by way of a term loan payable in seven years inclusive of a two-year grace period, in 20 unequal consecutive quarterly amortization immediately commencing from the end of the 9th quarter from the value date.

In November 2005, SkyVision met with its creditors to request for an extension of the grace period for another five (5) years, with principal amortization to start in 2011. The creditors have already formed a steering committee to address the request of SkyVision.

In September 2006, Central paid a token payment amounting to ₱5 million, upon which the principal payments due in September 2006, December 2006 and March 2007 were deferred. A second token payment amounting to ₱5 million shall be paid upon finalization of the debt restructuring.

In 2007, ABS-CBN invited holders of outstanding Sky Cable Debt to offer to (1) sell their Sky Cable Debt for up to 70% of the principal amount of the Sky Cable (Cash Offer); or (2) exchange their Sky Cable Debt for Notes up 100% of the principal amount of the Sky Cable (Debt Exchange offer). Holders of ₱944 million Sky Cable Debt opted for the Cash Offer, while holders of ₱854 million opted for the Exchange Offer. The total loans acquired by ABS-CBN became Sky Cable's creditor.

On September 20, 2007, related to the acquisition by ABS-CBN of about 66% of Sky Cable debt from third party creditors, Sky Cable issued two Promissory Notes to ABS-CBN in the aggregate amount of ₱1,798 million. As a consequence, ABS-CBN became the eventual lender on record of Sky Cable due to loans that were absorbed by it. The loan currently pays monthly interest at 90-day PDST-F plus 1% with a final maturity of June 30, 2011. The Promissory Notes are further governed by the terms and conditions of the Facility Agreement dated July 2, 2004. Interest income amounted to ₱25 million in 2007.

On February 21, 2008, ABS-CBN and the remaining party creditors of Sky Cable approved the Second Amendment to the Facility Agreement. The amendment mainly focused on the extension of the repayment period from December 2011 to September 2016 and amendment of certain terms and conditions related to the term loan agreement.

ABS-CBN recognized "Day 1" profit of ₱206 million (₱144 million net of tax) in 2007 which represents the difference between the fair value of Sky Cable Debt acquired and the fair value of the consideration given (i.e., ABS-CBN debt and cash).

c. Convertible Notes Issued by SkyVision to ABS-CBN

On June 30, 2004, SkyVision and Central ("Issuer") issued a convertible note (the "note") to ABS-CBN amounting to US$30 million equivalent to ₱1,579 million and ₱1,576 million as of December 31, 2006 and 2005, respectively. ABS-CBN's long-term receivable from SkyVision includes accrued interest receivable of ₱459 million and ₱344 million as of December 31, 2006 and 2005. The note is subject to interest of 13% compounded annually and matured on June 30, 2006. The principal and accrued interest as of maturity date shall be mandatorily converted, based on the prevailing U.S. Dollar to Philippine Peso exchange rate on Maturity Date, at a conversion price equivalent to a twenty percent (20%) discount of: (a) the market value of the Shares, in the event of a public offering of the Issuer before Maturity Date; (b) the valuation of the Shares by an independent third party appraiser that is a recognized banking firm, securities underwriter or one of the big three international accounting firms or their Philippine affiliate jointly appointed by the Benpres Group and the PLDT Group pursuant to the MCA dated July 18, 2001 as amended or supplemented

As of September 30, 2008, the valuation done by an independent third party appraiser has not been agreed by the Benpres Group and PLDT Group and accordingly, the conversion price has not been determined. Based on the provisions of the convertible note, its conversion cannot be completed without the determination of the conversion price, which in turn depends on the valuation of Sky Vision or Sky Cable, by an independent third party. Consequently, ABS-CBN cannot convert the notes without such valuation. The conversion date was effectively extended since the conversion date will effectively be the date when the conversion price will be set. ABS-CBN will gain control of Sky Cable upon conversion of the convertible note. Consequently, the voting rights on the underlying shares are retained by the original shareholders and ABS-CBN has no rights to exercise such voting rights.

On May 2008, the Benpres group and the PLDT group acknowledged the fairness and reasonableness of the valuation for Sky Cable. Based on this final valuation of the Company, the convertible note amounting to ₱2,499 million, and the advances from Unilink of ₱386 million, were classified as deposits for future stock subscriptions to 311,314,045 shares effective as of March 15, 2008.

The necessary corporate and Securities and Exchange Commission approvals for the increase in the authorized capital stock of Sky Cable has yet to be obtained before common shares for the conversion of the liabilities arising from the convertible notes and advances can be issued. Accordingly, these are presented as Deposit for Future Stock Subscriptions.

The Benpres group intends to assign its deposits for future stock subscriptions to Sky Vision Corporation in exchange Philippine Depositary Receipts (PDRs) to be issued by Sky Vision Corporation on the common shares of Sky Cable subject to securing the necessary corporate and regulatory approvals.

The resulting economic ownership structure after the approval of the increase in the authorized capital stock of Sky Cable and issuance of common shares through the application of the Deposit for Future Stock Subscription, as well as after the creation and issuance by Sky Vision Corporation of the PDRs shall be as follows:

Shareholder	Percentage Ownership Before Conversion	Percentage Ownership After Conversion
SkyVision	54.8%	9.8%
Home	27.6%	5.0%
Unilink	---	10.1%
Minority Shareholders	17.7%	3.2%
ABS-CBN	---	65.3%*
Benpres	---	6.6%*
TOTAL	**100.0%**	**100.0%**

* Through PDRs issued by Sky Vision Corporation

d. Shareholders' Agreement

On August 15, 1997, SkyVision entered into a Shareholders' Agreement with Telemondial Holdings, Inc. (THI) granting the latter certain rights and privileges as a minority shareholder in PCC. THI owns 49% of PCC. Under the agreement, THI has the option, under certain conditions, to require SkyVision to purchase THI's shares in PCC. THI exercised this option on October 2, 2001. As provided in the agreement, a process whereby the value of THI's shares in PCC will be established has been set in motion. To date, this valuation process has not been concluded.

3. Deconsolidation of Maynilad Water

Maynilad Water, formerly known as Benpres-Lyonnaise Waterworks, Inc., was incorporated on January 22, 1997 as a joint venture between the Parent Company and Suez-Lyonnaise Des Eaux, now known as Suez Environnement (Suez), primarily to bid for the operation of the privatized system of waterworks and sewerage services of the Metropolitan Waterworks and Sewerage System (MWSS) for Metropolitan Manila.

On February 21, 1997, Maynilad Water entered into a Concession Agreement with MWSS, a government-owned and controlled corporation organized and existing pursuant to Republic Act No. 6234 (the Charter), as amended, with respect to the MWSS West Service Area. The Concession Agreement sets forth the rights and obligations of Maynilad Water throughout the concession period. The MWSS Regulatory Office (MWSS-RO or Regulatory Office) acts as the regulatory body of the Concessionaires [Maynilad Water and the East Concessionaire - Manila Water Company, Inc. (Manila Water)] under the Concession Agreement with MWSS.

Under the Concession Agreement, MWSS grants Maynilad Water (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under the Charter), the sole right to manage, operate, repair, decommission and refurbish all fixed and movable assets (except certain retained assets of MWSS) required to provide water and sewerage services in the West Service Area for 25 years commencing on August 1, 1997 (the Commencement Date) to May 6, 2022 (the Expiration Date) or the Early Termination Date as the case may be. Maynilad Water officially took over the operations of the West Service Area on August 1, 1997.

<u>Debt Capital and Restructuring Agreement (DCRA)</u>

On April 29, 2005, Maynilad Water, its shareholders, bank creditors, and MWSS executed the DCRA to set out the terms and conditions of their understanding and to govern their respective rights and obligations in connection with the restructuring of the debt and capital of Maynilad Water. The DCRA provides, among others, the capital restructuring and restructuring of debt and concession fees of Maynilad Water. The DCRA took effect upon the satisfaction of the conditions precedent set forth in the DCRA. Conditions precedent include among others, the Court Approval. The Rehabilitation Court approved the DCRA on June 1, 2005. The Effective Date of the DCRA, wherein all the conditions precedent has been satisfied occurred on July 20, 2005.

The creditors of Maynilad Water has completely released the Parent Company from all its obligations as guarantor of the US$120 million Standby Letter of Credit Facility and the US$100 million term loan facility of Maynilad Water. A Deed of Release in relation to the US$120 million Standby Letter of Credit Facility Agreement and a Deed of Release in relation to US$100 million loan agreement were both executed as of April 29, 2005.

The capital restructuring provisions mainly involve write-off of shareholder advances, conversion of advances into equity and dilution of the shares of the Parent Company's equity interest in Maynilad Water, representing fifty-nine percent (59%) of the equity interest in Maynilad Water (BHC Shares).

The Capital Restructuring was completed on January 19, 2007 after the SEC approved all corporate actions of Maynilad Water required by Clause 2 of the DCRA for the full implementation of the Capital Restructuring.

As of December 31, 2006, based on the stock and transfer book of Maynilad Water, the Parent Company is still the registered owner of the BHC Shares. However, the said stock certificates covering the BHC Shares have already been endorsed and delivered to the Rehabilitation Receiver pursuant to the DCRA. In further compliance with the terms of the DCRA, the Parent Company delivered to the Rehabilitation Receiver, an irrevocable proxy dated July 21, 2005 (Proxy) appointing MWSS or any of MWSS' authorized representatives as its proxy to attend, in the Parent Company's name, place and stead, all meetings of Maynilad Water, and to vote all of the BHC Shares, specifically for the purpose of carrying out, or ensuring the completion of the capital restructuring of Maynilad Water as set out in the DCRA. Accordingly, the Parent Company has lost its power to govern the financial and operating policies of Maynilad Water as provided for in PAS 27, "Consolidated and Separate Financial Statements." In view of the above, the Parent Company deconsolidated Maynilad Water effective July 20, 2005.

Pending Cases on Maynilad Water's Corporate Rehabilitation Proceedings

A case involving two consolidated petitions previously filed by certain so called public interest groups and other persons claiming to be interested parties questioning the Rehabilitation Court's approval of the Company's 2005 Rehabilitation Plan and issuance of order barring such petitioners from participating in the rehabilitation proceedings, remains pending before the Second Division of the Supreme Court. However, the Company believes that the termination of its rehabilitation proceedings has now rendered this case moot and academic and is set to formally apprise the Supreme Court of such matter.

4. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and AFS investments that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest million pesos except as otherwise indicated.

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continue to be consolidated until the date that such control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Parent Company has control.

Amendments to IAS 39 and IFRS , "Reclassification of Financial Assets"
For Philippine Financial Reporting Standards (PFRS), the Philippine Financial Reporting Standards Council (FRSC) approved last October 29, 2008 the immediate adoption of the amendments to IAS 39, *Financial Instruments: Recognition and Measurement*, and IFRS 7, *Financial Instruments: Disclosures: Reclassification of Financial Assets*, issued by the International Accounting Standards Board (IASB) as amendments to Philippine Accounting Standard (PAS) 39 and Philippine Financial Reporting Standard (PFRS) 7. Adoption of the amendments enables Philippine entities applying PFRSs to avail of the allowed international accounting treatments. For Philippine financial reporting purposes, the amendments to PAS 39 are effective from July 1, 2008. Entities are not permitted to reclassify financial assets in accordance with the amendments before July 1, 2008. Any reclassification of a financial asset made in periods beginning on or after November 15, 2008 will take effect only from the date the reclassification is made.

The amendments to PAS 39 differ from the amendments to IAS 39 which uses a November 1, 2008 "cut-off date." Since the FRSC only adopted the amendments on October 29, 2008, it decided to change the "cut-off date" for Philippine financial reporting purposes to November 15, 2008. The November 15, 2008 "cut-off date" approximates the period between October 13, 2008, the date when IASB amendments were issued, and November 1, 2008.

Philippine reporting entities should note that use of the November 15, 2008 "cut-off date" would not be in accordance with IFRSs. Accordingly, a Philippine entity that will present financial statements in accordance with IFRSs (e.g., for IPO purposes) would have to use the November 1, 2008 cut-off date in the IAS 39 amendments to be compliant with IFRSs.

This interpretation has no significant impact on the consolidated financial statements of the Company.

Minority Interest
Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Company and is presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separate from the equity attributable to equity holders of the Parent Company. The losses applicable to minority may exceed the minority's investment in the subsidiary. 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 are able to, make good the losses.

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

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 owns 20% or more or has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, investments in associates are carried at cost plus post-acquisition changes in the Company's share of net assets of the associate in the consolidated balance sheet. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, 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 consolidated statement of income reflects the share in the results of operations of the associate. Intercompany revenues with associates are eliminated against the investment accounts. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The 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.

Equity adjustment from translation represents the Company share in the adjustments of an associate resulting from the translation into Philippine pesos of the foreign currency financial statements of an associate's investee.
Starting in 2001, the Parent Company discontinued the recognition of its 49% share in the losses of Bayan Telecommunications Holdings Corporation (Bayantel). The accumulated losses in

Bayantel reduced the carrying value of the Parent Company's investment in Bayantel to zero. Additional claims against the Parent Company arising from its guarantees and commitments have been provided for and credited to "Estimated liabilities from guarantees and commitments" account in the consolidated financial statements. If Bayantel subsequently reports profits, the

Parent Company will resume including its share of these profits only after its share of the profits equals the share of net losses not recognized.

In July 2003, Verizon, a 19% shareholder of Bayantel sold all of its equity interest in Bayantel to the Parent Company. As a result, the Parent Company's equity ownership in Bayantel increased from 49% to 68%. Lopez retained its direct equity ownership in Bayantel of 17%. On the same date, the Parent Company executed a Voting Trust Agreement with Lopez where the Parent Commpany assigned the voting rights of the additional 19% equity in Bayantel to Lopez while the Parent Company still has outstanding liabilities to Lopez. As a result, Lopez retained control of Bayantel and continues to consolidate Bayantel in its consolidated financial statements.

In November 2007, as a result of the purchase of the AIF Put Option, an additional 3.4 million shares of Bayantel, equivalent to 2.92% ownership in Bayantel, were transferred to the Parent Company. The Parent Company has entered into an agreement with Lopez to include the 2.92% additional ownership in Bayantel in the Voting Trust Agreement.

Earnings Per Share
Basic earnings per share is calculated by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net income attributable to common shareholders 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 on 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 the issue of the convertible bonds.

Business Segments
For management purposes, the Company is organized into two major operating businesses, namely, investment holdings, broadcasting. The Company's remaining activity of information service is shown as services. Financial information on business segments is presented in Note 8.

5. Management's Use of Judgments and Estimates

The Company's consolidated financial statements prepared under PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

6. Interest-Bearing Loans and Borrowings

	Effective Interest Rate %	**September 30, 2008**	December 31, 2007
Current			
Parent Company:			
7.875% Notes	7.875%	**₱7,058**	₱6,192
LTCPs		**1,615**	1,990
ABS-CBN:			
Bank loans	6.54%	**729**	400
Long-term debt under Senior Credit Agreement (SCA)	7.88%	**220**	10
Obligations under capital lease		**153**	178
		₱9,775	₱8,770
Noncurrent			
Parent Company:			
4.2% Perpetual Convertible Bonds	4.2%	**₱12**	₱12
ABS-CBN:			
Long-term debt under SCA (net of transaction costs and debt discount)	7.88%	**6,041**	4,685
Obligation under capital lease		**182**	243
		₱6,235	₱4,940

7. **Earnings (Loss) Per Share**

Basic earnings (loss) per share amounts are calculated by dividing net profit (loss) for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated by dividing the net profit (loss) attributable to equity holders of the parent (after deducting interest on the convertible bonds) by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into shares.

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

	or the Nine Months Ended September 30,	
	2008	2007
	(In Millions)	
(a) Income (loss) attributable to equity holders of the parent	**(₱841)**	₱2,676
Interest on convertible bonds and amortization of bond issue cost.	**1**	1
(b) Net income (loss) attributable to equity holders of the parent – diluted	**(₱842)**	₱2,677
(c) Weighted average number of common shares - basic	**4,581,544,408**	4,581,544,408
Conversion of bonds	**3,421,410**	3,421,410
(d) Adjusted weighted average common shares – diluted	**4,584,965,818**	4,584,965,818
Per Share Amounts Attributable to the equity holders of the Parent		
Basic (a/c)	**(₱0.1836)**	₱0.5839
Diluted (b/d)	**(0.1836)**	0.5836

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

The effect of conversion of the Perpetual Convertible Bonds is anti-dilutive for the period ended September 30, 2008. Accordingly, diluted earnings (loss) per share is the same as basic earnings (loss) per share.

8. **Segment Information**

The primary segment reporting format is determined to be business segments as the Company's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment information is prepared on the following bases:

Business segments: The Company's main businesses are investment holdings, broadcasting and entertainment and water distribution (up to July 20, 2005 – See Note 3). Broadcasting and entertainment is further segmented into three business activities - broadcasting, cable and satellite, and other businesses. This segmentation is the basis upon which ABS-CBN reports its primary segment information. The 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. Other businesses include movie production, consumer products and services. The Company's remaining activity includes information service.
Geographical segments: Although ABS-CBN is organized into three business activities, they operate 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 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.

Intersegment Transactions
Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

ABS-CBN's geographical segments are based on the location of ABS-CBN's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

9. Risk Management

The executive officers and staff members of Benpres Holdings Corporation have been implementing a corporate risk management program since 2002, in line with an enterprise-wide risk management system championed by chairman Oscar M. Lopez.

Risks that may hinder the achievement of corporate goals and objectives are identified and reviewed annually to ensure mitigation measures are in place to adequately respond to and manage such risks.

Top Risks

In 2008, the following risks were assessed to be most significant and/or most likely and appropriate mitigation strategies were prepared and/or implemented to address them:

Capital availability or cash flow (liquidity) risk
This risk refers to the 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.

To manage this, the company obtains the concurrence of associated companies on dividends forecast used in the restructuring plan and financial models were updated quarterly. In November 2007, Benpres bought back a portion of its principal US dollar-denominated obligations and a portion of Philippine peso-denominated debt at a 40% discount.

Foreign Currency Exchange Risk and Foreign Currency Revaluation Risk
Volatility in foreign currency exchange rates may expose Benpres 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 associated companies to declare dividends.

The risk was eased by the debt buyback undertaken in 2007, which directly reduced the company's foreign currency debt by US$43 million. The company continues to buyback debt at a discount to face value. It is also monitoring the mitigation plans of associated companies in relation to foreign currency revaluation risk.

Interest rate risk
Fluctuations in interest rates affect the company's capital availability or cash flow risk as they expose the company to variable cash requirements in relation to debt with floating interest rates.

Equity investment risk
This refers to the company's exposure to fluctuations in the value of equity securities or income streams from equity ownership in associated companies. Benpres has direct and indirect equity investments in the following publicly listed companies whose market value as measured by market capitalization changes daily: ABS-CBN Broadcasting Corporation, First Philippine Holdings Corporation, Manila Electric Company, First Gen Corporation, PNOC-EDC, First Philippine Infrastructure, Inc. (formerly City Resources (Phil.) Corp., and Digital Telecommunications (Phils.), Inc.

Strategic information/Valuation risk
This refers to the lack of relevant and reliable valuation information that may preclude prospective investors from making informed assessments of the value of the firm or any of its significant segments in a strategic context.

To manage this, the company is in constant communication with associated companies to obtain updated and realistic financial models of their operations, as well as how such relate to the company. In addition, key Benpres officers are either elected as a member of the board in associated companies or sit in as an observer in management committee or board meetings of associated companies to ensure the parent company is kept abreast of the latest developments in said companies.

Legal (Shareholder) risk
Since beginning the process of debt restructuring in June 2002, Benpres shareholders have faced the risk of losing control over the company's financial rehabilitation should creditors file for court-assisted corporate rehabilitation. As the success of the restructuring process will be based on consensual agreement, Benpres management keeps communication line with creditors open.

Sovereign/Political risk
Many of the company's operating units are engaged in regulated businesses, subject to political pressure. Independent coverage by ABS-CBN News and Current Affairs of political events and personalities may lead to adverse regulatory action toward associated companies.

To mitigate this risk, Benpres supported the efforts of operating units for lawful, fair, and transparent rate-setting in power generation, power distribution and toll roads. ABS-CBN News and Current Affairs remains independent in its coverage of all newsworthy events and personalities. It adopted a world-class Standards and Ethics Manual to govern the actions of all news personnel and enhance the credibility and reputation of the institution for integrity and fairness. ABS-CBN provides all news subjects, regardless of political and/or business affiliation, with the opportunity to respond to unfavorable reports.

Customer (Stakeholder) Wants risk
Requirements of Benpres stakeholders vary and Benpres is unable to meet all requirements in a timely manner. Regulators require compliance with rules and regulations; creditors require the settlement of all obligations under restructuring; shareholders require a fair return on their investment; associated companies require financial and other forms of support; senior management requires current and accurate information on group-wide operations; employees require compensation and benefits.

To mitigate this risk, Benpres continues to work with creditors for the completion of a consensual financial restructuring. Completing the process will pave the way to address the needs of shareholders, employees, and associated companies. Regulatory and senior management needs were adequately served by Benpres officers and staff members in 2008.

Other risks

Also in 2008 and 2007, the following risks mandated for assessment by IFRS (International Financial Reporting Standards) were deemed to be less significant and/or less likely:

Capital management
Under the Balance Sheet Management Plan, cash is reserved for debt service and working capital requirements. The 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 company's ISO-certified Money Market Operations procedure. Payment requirements for goodwill interest and operating expenses are withdrawn using the same process.

10. **Material Event After Balance Sheet Date**

On November 13, 2008, Benpres received P6.0 billion from Metro Pacific Investments Corporation, buyer of Benpres's 49% stake in FPII.

Business Segment Data
(Amounts In Millions)

The following tables present revenue and income information and certain asset and liability information regarding business segments for the period ended September 30, 2008 and 2007:

	Investment Holdings		Services		Broadcasting		Cable Satellite		Other Business of ABS-CBN		Elimination		Consolidated	
	September 30		September 30		September 30		September 30		September 30		September 30		September 30	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Revenues	**₱–**	₱–	**₱–**	₱–	**₱9,572**	₱9,887	**₱5,709**	₱3,459	**₱1,259**	₱1,166	**₱–**	₱–	**₱16,540**	₱14,512
Intersegment-sales	**–**	–	**–**	–	**36**	57	**145**	83	**81**	130	**(262)**	(270)	**–**	–
Total revenues	**₱–**	₱–	**₱–**	₱–	**₱9,608**	₱9,944	**₱5,854**	₱3,542	**₱1,340**	₱1,296	**(₱262)**	(₱270)	**₱16,540**	₱14,512
Results														
Segment result	**₱130**	(₱50)			**₱1,328**	₱1,341	**₱356**	₱240	**₱176**	₱126	**₱235**	(₱77)	**₱2,225**	₱1,579
Investment income	**946**	2,841	**–**	–	**–**	–	**5**	9	**–**	–	**(1,202)**	(640)	**(251)**	2,210
Interest income													**108**	282
Other income													**335**	171
Interest and financing charges													**(1,140)**	(1,524)
Foreign exchange gain (loss)													**(1,274)**	824
Income before income tax													**3**	3,542
Income tax													**(844)**	(866)
Minority interest													**527**	467
Net income													**(₱314)**	₱3,143
Segment Assets and Liabilities														
Segment assets	**₱2,850**	₱3,4711	**₱1**	₱4	**₱21,189**	₱21,189	**₱5,306**	₱5,306	**₱6,363**	₱6,363	**₱332**	(₱6,280)	**₱36,041**	₱30,053
Investment in associates	**27,975**	22,050	**5**	11	**3,478**	3,478	**–**	–	**–**	–	**(12,225)**	(3,434)	**19,233**	22,105
Consolidated total assets													**₱55,274**	₱52,158
Segment liabilities	**₱22,159**	₱10,669	**₱16**	₱10	**₱5,783**	₱5,783	**₱2,477**	₱2,477	**₱5,584**	₱5,584	**(₱3,396)**	(₱1,982)	**₱32,623**	₱22,541
Bank loans and long-term debt													**6,235**	14,095
Income tax payable													**866**	808
Consolidated total liabilities													**₱39,724**	₱37,444
Other Segment Information														
Depreciation and amortization	**13**	13	**–**	–	**1,255**	1,379	**685**	208	**39**	71	**–**	–	**1,992**	1,671
Noncash expenses other than depreciation and amortization	**–**	–	**–**	–	**39**	124	**102**	39	**3**	10	**–**	7	**144**	180

AGING OF ACCOUNTS RECEIVABLES
AS OF SEPTEMBER 30, 2008
(Amounts in Millions)

TYPE OF ACCOUNTS RECEIVABLES	TOTAL	NOT YET DUE	CURRENT	30 DAYS AND OVER	IMPAIRED
I. TRADE RECEIVABLES					
Trade	**6,110**	3,069	908	1,743	390
Allowance	**390**				
Net A/R	**5,720**				
II. NON - TRADE RECEIVABLES					
Advances to related parties	**303**				
Others	**3**				
	306				
	6,026				

ACCOUNTS RECEIVABLE DESCRIPTION

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

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

NORMAL OPERATING CYCLE - *calendar year*

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.

BENPRES HOLDINGS CORPORATION

By:

MA. VICTORIA M. MARCELINO AVP - Financial Controls	November 14, 2008 Date
SALVADOR G. TIRONA Senior Vice-President	November 14, 2008 Date
ANGEL S. ONG President and COO	November 14, 2008 Date