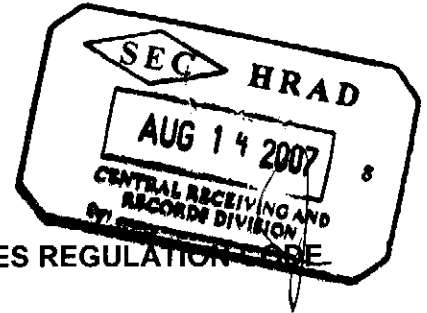




SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q



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

- 1 For the quarter ended JUNE 30, 2007
- 2 SEC Identification No. A1999-04544 3. BIR Tax Identification No. 203-420-423

4 Exact name of the registrant as specified in its charter  
**ABS-CBN HOLDINGS CORPORATION**

- 5 Philippines 6. \_\_\_\_\_ (SEC use only)  
Province, Country or other jurisdiction of Incorporation or organization Industry Classification code:

7 4/F Benpres Building, Meralco Ave. corner Exchange Road, Pasig City, 1605  
Address of principal office Postal code

8 (632) 631-3111  
Registrant's telephone number, including area code

9 Worldtech Holdings Corporation  
Former name, former address, and former fiscal year, if changed since last year

10 Securities registered pursuant to Sections 8 and 12 of the Code. Or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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<b>Philippine Depositary Receipts</b>	<b>271,941,600 shares</b>
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11 Are any or all of these securities listed on the Philippine Stock Exchange?

Yes  No

12 Check whether the registrant:

a) has filed all reports to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes  No

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

Yes  No

## Part I FINANCIAL INFORMATION

### Item I Financial Statements

The unaudited Financial Statements for the period ended June 30, 2007 with comparative to audited figures for year ended December 31, 2006 are filed as part of this form. It is prepared in conformity with accounting principles generally accepted in the Philippines.

### Item II Management Discussion and Analysis of Financial Condition and Results of Operations

The Company has undertaken not to conduct any business other than in connection with the issuance of Philippine Depositary Receipts [PDRs (see Note 3 of the financial statements)], the performance of obligations under the PDRs and the acquisition and holding of shares of ABS-CBN Broadcasting Corporation (ABS-CBN) in respect of which PDRs are issued.

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

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

In May 2007, the Company received cash dividends of P122.37 million for its investment in ABS-CBN shares and in turn distributed interest of P116.04 million or P0.4267 per PDRs to its holders.

#### **2<sup>nd</sup> Quarter Ended June 30, 2007**

The Company posted revenues of P122.5 million for the six months ended June 30, 2007, 134x from year ago level of P911,478 of the same period. It is mainly due to dividends received for its investment in ABS-CBN shares at P0.45 per PDRs that increased its cash and cash equivalents level to P5.1 million as of June 30, 2007 from P2.2 million as of June 30, 2006. Consequently, interest income increased by 134% to P125,360.

In 2006 excess of operating expenses over income in 2006 resulted in an accrual of "Reimbursement from PDR holders" of P837,879 whereas "Operating fund" of P5.5 million was set aside for the period ended June 30, 2007 representing excess of income over expenses. The foregoing respectively increased and decreased the Receivable from PDR holders and Trade and other payables accounts in the balance sheets. (See Notes 2 and 5 of the financial statements).

Exercise fees decreased by 85% to P3,000 for the first half of 2007 as there were only 3,000 PDRs converted into ABS-CBN shares versus 20,000 conversion of PDRs in 2006.

The Company declared interest of P116 million or P0.4267 per PDRs from its dividends received in 2007.

Operating expenses increased by 6% to P967,504 for period ended June 30, 2007 versus P911,478 of the same period last year mainly due to increase in the listing fee which is based on the market capitalization of the Company. Unexpired portion of said listing fee is shown as "prepaid expenses" in the 2007 balance sheet amounting to P308,416.

#### **2<sup>nd</sup> Quarter Ended June 30, 2006**

The Company posted revenues of P93,599 excluding reimbursement from PDR holders for the six months ended June 30, 2006 registering 6x decreased from the year ago level of P582,781. It is mainly due to lower

conversion of PDRs to ABS-CBN shares for the second quarter ended June 30, 2006. Consequently, exercise fees, realized deferred income and loss on conversion decline by 92%. Also interest income decreased by 32% due to lower interest rate on short-term investments and decreased in cash level.

*Financial condition.* Cash and cash equivalents decreased by ₱596,217 or 21% mainly due to payment of annual listing fee to Philippine Stock Exchange, where unexpired portion is booked under "Prepaid expenses" account in the 2006 balance sheet. Accrual of operating expenses in 2006 resulted to an increase in "Trade and other payables" account which includes unearned income due to deficiency of income over operating expenses of the company, see Notes 2 and 5.

## **Part II OTHER INFORMATION**

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

# ABS-CBN HOLDINGS CORPORATION

## BALANCE SHEETS

JUNE 30, 2007 AND DECEMBER 31, 2006

	JUNE 30		December 31
	2007		2006
	(Unaudited)		(Audited)
<b>ASSETS</b>			
Cash and cash equivalents	P 5,102,931	P	2,212,983
Receivable from PDR holders (Note 5)	-		511,296
Prepaid expenses	308,416		-
	P 5,411,347	P	2,724,279
<b>LIABILITY AND EQUITY</b>			
<b>Liability</b>			
Trade and other payables (Notes 5)	P 7,215,136	P	4,528,068
<b>Equity</b>			
Capital stock	30,000		30,000
Advances from a shareholder intended for equity conversion (Note 6)	21,310,515		21,310,515
Deficit	(23,144,304)		(23,144,304)
Total Equity	(1,803,789)		(1,803,789)
	P 5,411,347	P	2,724,279

See accompanying Notes to Financial Statements.

# ABS-CBN HOLDINGS CORPORATION

## STATEMENTS OF INCOME

FOR THE PERIODS ENDED JUNE 30, 2007 AND 2006

(UNAUDITED)

	2 <sup>ND</sup> Quarter ended JUNE 30		Six months ended JUNE 30	
	2007	2006	2007	2006
				(As restated- Note 2)
<b>REVENUES</b>				
Dividends	P 122,373,720	P -	P 122,373,720	P -
Interest income	112,602	43,230	125,360	53,599
Reimbursement from Philippine Depository Receipts (PDR) holders (Notes 2 and 5)	-	403,406	-	837,879
Exercise fees (Note 4)	-	-	3,000	20,000
	<b>122,486,322</b>	<b>446,636</b>	<b>122,502,080</b>	<b>911,478</b>
<b>EXPENSES</b>				
Interest	116,037,480	-	116,037,480	-
Operating Fund (Note 4)	5,973,700	-	5,497,096	-
Operating expenses (Note 5)	475,141	446,636	967,504	911,478
	<b>122,486,322</b>	<b>446,636</b>	<b>122,502,080</b>	<b>911,478</b>
<b>NET INCOME</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>
<b>Earnings Per Share</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>

See accompanying Notes to Financial Statements.

# ABS-CBN HOLDINGS CORPORATION

## STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

JUNE 30, 2007 AND 2006

(UNAUDITED)

	JUNE 30	
	2007	2006 (As Restated- Note 2)
<b>CAPITAL STOCK - P100 par value</b>		
Authorized - 1,000 shares		
Subscribed - 400 shares	P 40,000	P 40,000
Subscriptions receivable	(10,000)	(10,000)
	<u>30,000</u>	<u>30,000</u>
<b>ADVANCES FROM A SHAREHOLDER</b>		
<b>INTENDED FOR EQUITY CONVERSION</b> (Note 6)	21,310,515	21,310,515
<b>DEFICIT</b>		
Balance at beginning of periods	(23,144,304)	(23,144,304)
Net income	-	-
Balance at end of periods	<u>(23,144,304)</u>	<u>(23,144,304)</u>
	<u>P (1,803,789)</u>	<u>P (1,803,789)</u>

See accompanying Notes to Financial Statements.

**ABS-CBN HOLDINGS CORPORATION****STATEMENTS OF CASH FLOWS****FOR THE PERIODS ENDED JUNE 30, 2007 AND 2006****(UNAUDITED)**

	Six months ended	
	JUNE 30	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	P	P
Adjustment for :		
Dividend income	(122,373,720)	-
Interest expense	116,037,480	-
Interest income	(125,360)	(53,599)
Operating loss before working capital changes	(6,461,600)	(53,599)
Decrease (increase) in:		
Receivable from PDR holders	511,296	-
Prepaid expenses	(308,416)	(212,588)
Increase (decrease) in trade and other payable	2,687,068	(383,629)
Dividends received	122,373,720	-
Interest paid	(116,037,480)	-
Interest received	125,360	53,599
Net cash provided by (used in) operating activities	2,889,948	(596,217)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIODS</b>	2,212,983	2,862,508
<b>CASH AND CASH EQUIVALENTS AT END OF PERIODS</b>	P 5,102,931 P	2,266,291

*See accompanying Notes to Financial Statements.*



# ABS-CBN HOLDINGS CORPORATION

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## NOTES TO FINANCIAL STATEMENTS

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### 1. Corporate Information

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

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

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

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

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### 2. Summary of Significant Accounting Policies

#### Basis of Preparation

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

#### Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

#### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for Philippine Accounting Standards (PAS) 39, which was adopted in the current year. The Company availed of the exemption under PFRS 1 and applied PAS 39 effective January 1, 2005.

PAS 39 establishes the accounting and reporting standards for recognizing and measuring a company's financial assets and financial liabilities. It also establishes the conditions when financial assets and financial liabilities should be derecognized. A financial asset should be derecognized where:

- 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 ('pass through' test as discussed below); 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 (risks and rewards test), or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset (control test).

The Company retains its rights to receive cash flows from its investment in ABS-CBN and assumes a contractual obligation to pay those cash flows to the PDR holders (referred to as "Interest"), net of administrative expenses (a "pass-through" arrangement). The "pass-through" test is met because the

Company (a) has no obligation to the PDR holders unless it collects equivalent amounts from its investment in ABS-CBN, (b) is contractually prohibited from selling or pledging its investment in ABS-CBN other than as security to the PDR holders for the obligation to pay the cash flows net of expenses, and (c) has an obligation to remit any cash flows from the investment in ABS-CBN to the PDR holders without material delay.

Under this "pass-through" test, the Company is deemed to have transferred substantially the risks and rewards of its investment in ABS-CBN. Accordingly, the investment in ABS-CBN, the liabilities related to the issuance of the PDRs and deferred income were derecognized under PAS 39. Dividends received from ABS-CBN and the related interest due to PDR holders is no longer reflected in the statements of income. Any excess of the dividends received, exercise fees and interest income earned over the interest distribution to PDR holders and actual operating expenses is deferred (shown as "Unearned income" included under "Trade and other payables" account in the balance sheets) and amortized when applied to the actual operating expenses of the succeeding years. On the other hand, if the balance of the unearned income, exercise fees and the interest income earned during the year is not enough to cover the actual operating expenses for the year, the deficiency is reflected as "Receivable from PDR holders" (shown as part of "Other current assets" account in the balance sheets).

The following amendments to PFRS and Philippine Interpretations are effective for annual periods beginning on or after January 1, 2006 but are not relevant to the Company:

- Amendment to PAS 19, "Employee Benefits"
- Amendment to PAS 21, "The Effects of Changes in Foreign Exchange Rates"
- Amendments to PAS 39, "Financial Instruments: Recognition and Measurement"
- Philippine Interpretation IFRIC 4, "Determining Whether an Arrangement Contains a Lease"
- Philippine Interpretation IFRIC 5, "Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation of Funds"
- Philippine Interpretation IFRIC 6, "Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment"

#### Future Changes in Accounting Policies

The Company did not early adopt the following new and amended standards and Philippine Interpretations that have been approved but are not yet effective for the year ended December 31, 2006.

#### Cash and Cash Equivalents

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

#### Revenue

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

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

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

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

#### Financial Assets and Financial Liabilities

*Date of Recognition.* Purchases or sale of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Derivatives are recognized on trade date basis (i.e. the date that the Company commits to purchase or sell the asset).

*Initial Recognition of Financial Instruments.* Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss.

The Company recognizes a financial asset or a financial liability in the balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities are further classified into the following categories: financial asset or financial liability at fair value through profit or loss, loans and receivables, held-to-maturity, available-for-sale financial assets and other financial liabilities. The Company determines the classification at initial recognition and re-evaluates this designation at every reporting date, where appropriate.

All regular way purchases and sales of financial assets are recognized on the trade date (i.e., the date that the Company commits to purchase the asset). Regular way purchases or sales are purchases or sales of financial assets under a contract whose terms require delivery of assets within the period established generally by regulation or convention in the marketplace.

*Financial Asset or Financial Liability at Fair Value through Profit or Loss.* Financial assets and financial liabilities at fair value through profit or loss include financial assets and liabilities held for trading purposes, financial assets and financial liabilities designated upon initial recognition as at fair value through profit or loss, and derivative instruments.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Included in this classification are debt and equity securities which have been acquired principally for trading purposes.

Financial assets and financial liabilities are designated as at fair value through profit or loss by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- 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.

The Company has no financial asset or financial liability at fair value through profit or loss.

*Held-to-Maturity Investments.* Nonderivative financial assets that are quoted in the market with fixed or determinable payments and fixed maturity are classified as held-to-maturity 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 classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortized cost. This 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. 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. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

The Company has no held-to-maturity investments.

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale, are not classified as financial assets at fair value through profit or loss, designated as available-for-sale financial assets or held-to-maturity investments.

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

The Company's receivable from PDR holders is included under this category.

*Available-for-Sale Financial Assets.*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial recognition, available-for-sale financial assets are measured at fair value. The effective yield component of debt securities classified as available-for-sale financial assets, as well as the impact of restatement on foreign currency-denominated debt securities classified as available-for-sale, is reported in the statement of income. The unrealized gains and losses arising from the fair valuation of available-for-sale financial assets are excluded, net of applicable tax, from the statement of income and are reported as cumulative translation adjustments in the equity section of the balance sheet and in the statement of changes in equity.

The Company has no available-for-sale financial assets.

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

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

Impairment of Financial Assets

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

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

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

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

*Assets Carried at Cost.* If there is 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.

*Available-for-Sale Financial Assets.* If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of income, is transferred from equity to the statement of income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the statement of income. Reversals of impairment losses on debt instruments are reversed through the statement of income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the statement of income.

#### Derecognition of Financial Assets and Liabilities

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

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

#### Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

## Income Tax

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

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

*Deferred tax.* Deferred income tax is provided, using the balance sheet liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

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

## Earnings Per Share

Basic earnings per share amounts are calculated by dividing the net income for the period attributable to shareholders by the weighted average number of common shares outstanding during the period. The Company has no dilutive potential common shares outstanding.

## Subsequent Events

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

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

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

circumstances as of the date of the financial statements. Actual results could differ from such estimates.

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

Recognition of Deferred Tax Assets

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

Deferred tax assets not recognized by the Company amounted to ₱60,696,472 and ₱61,257,267 as of December 31, 2006 and 2005, respectively.

Fair Value of Financial Instruments

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

The fair values of the Company's financial instruments are set out in Note 10.

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#### **4. Philippine Depositary Receipts (PDRs)**

On September 29, 1999, the Company offered 132,000,000 PDRs relating to 132,000,000 ABS-CBN shares. Each PDR was issued for a total consideration of ₱46.00, which consists of a deposit of ₱45.90 and a PDR option price of ₱0.10. Prior to adoption of PAS 39, "Financial Instruments: Recognition and Measurement" on January 1, 2005, the deposits were shown as "Philippine Depositary Receipts" while the PDR option price was shown as "Deferred income" in the balance sheet. The deferred income is realized upon exercise of the PDRs (shown as "Realized deferred income" in the 2004 statement of income). The difference between the PDR and investment in ABS-CBN shares at the time of PDR exercise is shown as "Loss on conversion of PDRs" in the 2004 statement of income.

Each PDR grants the holders, upon payment of the exercise price and subject to certain other conditions, the delivery of one ABS-CBN share or the sale of and delivery of the proceeds of such sale of one ABS-CBN share. The Company remains to be the registered owner of the ABS-CBN shares covered by the PDRs. The Company also retains the voting rights over the ABS-CBN shares.

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

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

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

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

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

	Number of Shares	Investment in ABS-CBN Shares	PDRs
Balance at December 31, 2005	268,014,800	₱12,615,155,286	₱12,588,353,806
Conversion of PDRs s	(200,000)	(2,250,000)	(2,230,000)
Exchanges of ABS-CBN shares with PDRs	4,156,800	74,988,800	74,573,120
Balance at December 31, 2006	271,971,600	₱12,687,894,08	₱12,660,696,926
Conversion of PDRs s	(30,000)	(615,000)	(612,000)
Exchanges of ABS-CBN shares with PDRs	-	-	-
Balance at June 30, 2007	271,941,600	₱12,687,279,086	₱12,660,084,9

ABS-CBN shares were converted into PDRs at a price ranging from ₱18.75 to ₱26.50 in 2007 and from ₱13.00 to ₱23.50 in 2006.

As discussed in Note 2, the Company adopted PAS 39 effective January 1, 2005. Had the Company not applied PAS 39, the Company would still have recognized its investment in ABS-CBN shares (₱12.69 billion) and the corresponding PDRs (₱12.66 billion) and deferred income (₱27 million).

#### 5. Trade and Other Payables

This account consists of:

	JUNE 30, 2007	DECEMBER 31, 2006
Trade	₱220,395	₱221,028
Accrued expense	250,100	2,548,199
Due to affiliate	1,758,841	1,758,841
Unearned Income (Notes 2 and 5)	4,985,800	-
	<b>7,215,136</b>	<b>4,528,068</b>

#### 6. Advances from a Shareholder

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

On April 26, 2006, the BOD approved a resolution to convert these advances into equity. These advances, amounting to ₱21,310,515, are shown separately as "Advances from a shareholder intended for equity conversion" in the balance sheet.



**7. Operating Expenses**

Operating expenses consist of:

	<b>JUNE 30</b>	
	2007	2006
Outside services	P296,476	P320,000
Security and general services	210,000	210,000
Listing fees	308,416	187,987
Professional services	109,700	126,250
Others	42,912	67,241
	<b>P967,504</b>	<b>P911,478</b>

**8. Income Tax**

Deferred tax asset represents NOLCO.

As of JUNE 30, 2007, NOLCO that can be applied as deductions from normal taxable income follows:

Dates Incurred	Expiry Dates	Amounts
December 31, 2004	December 31, 2007	P170,614,784
December 31, 2005	December 31, 2008	1,542,827
December 31, 2006	December 31, 2009	1,260,879
		<b>P173,418,490</b>

NOLCO amounting to P1,719,008 expired during the year.

On May 24, 2005, the President signed into law Republic Act (R.A.) No. 9337, amending certain provisions of the National Revenue Code of 1997, as amended, which took effect on November 1, 2005, introducing the following changes:

- a. RCIT rate for domestic corporations and resident and non-resident foreign corporations is increased to 35% (from 32%) beginning November 1, 2005 and the rate will be reduced to 30% beginning January 1, 2009. RCIT rate shall be applied on the amount computed by multiplying the number of months covered by the new rate within the fiscal year by the taxable income of the corporation for the period, divided by 12 months.
- b. Power of the President upon the recommendation of the Secretary of Finance to increase the rate of value added tax (VAT) to 12% (from 10%), after any of the following conditions has been satisfied:
  - VAT collection as a percentage of GDP of the previous year exceeds two and four-fifth percent (2 4/5%); or
  - National government deficit as a percentage of GDP of the previous year exceeds one and one-half percent (1 1/2%).

On January 31, 2006, a Revenue Memorandum Circular No. 7-2006 was issued approving the recommendation of the Secretary of Finance to increase VAT to 12% (from 10%) effective February 1, 2006.

- c. Input VAT on completed or finished capital goods should be spread evenly over the useful life or 60 months, whichever is shorter, if the acquisition costs, excluding the VAT component thereof, exceeds P1 million. On the other hand, input tax on assembled or constructed capital goods shall be recognized at the time of payment to the independent constructors as it involves a sale of service.
- d. Input VAT credit shall not exceed output VAT, otherwise, VAT liability before withholding VAT credits shall be computed equivalent to 30% of output VAT.

On November 21, 2006, the President of the Philippines has signed R.A. No. 9361 which lifted the 70% cap on input VAT allowing companies to again charge 100% of input VAT to output VAT per quarter. This new ruling took effect on December 13, 2006.

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**9. Financial Risk Management Objectives and Policies**

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

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

The main risks arising from the Company's financial instruments are liquidity risk and interest rate risk. The BOD reviews and approves the policies for managing each of these risks. Liquidity risk and interest rate risk on financial liabilities are minimal since funding is from related parties and such is noninterest-bearing.

**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.

**ABS-CBN HOLDINGS CORPORATION**

By:



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

14 AUG 2007

Date



**ENRIQUE I. QUIASON**  
Corporate Secretary *mq*

14 AUG 2007

Date