UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2007

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from _____________to _____________

Commission file number 000-19949

TORRENT ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

Colorado	**84-1153522**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Suite 640, 1 SW Columbia Street, Portland, Oregon 97258
(Address of principal executive offices)

503.224.0072
(Issuer s telephone number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes **[X]** No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b 2 of the Exchange Act. (Check one):

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer **[X]**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No **[X]**

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date:

41,732,547 shares of common stock issued and outstanding as of February 15, 2008.

Transitional Small Business Disclosure Format (Check one): Yes [ ] No **[X]**

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

We have prepared the consolidated financial statements included herein without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such Securities and Exchange Commission rules and regulations. In our opinion, the accompanying statements contain all adjustments necessary to present fairly the financial position of Torrent Energy Corporation (the Company or Torrent) as of December 31, 2007, and its results of operations for the three and nine month periods ended December 31, 2007 and 2006 and its cash flows for the nine month periods ended December 31, 2007 and 2006. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of our annual report on Form 10-K.

TORRENT ENERGY CORPORATION
(formerly Scarab Systems, Inc.)
(An exploration stage enterprise)
Consolidated Balance Sheets

ASSETS		(Unaudited) December 31, 2007		March 31, 2007
Current Assets				
Cash and cash equivalents	$	171,128	$	5,941,577
Joint venture receivables		25,483		147,928
Inventory		552,970		906,208
Prepaid expenses and deposits		169,595		511,135
Total Current Assets		919,176		7,506,848
Oil and gas properties, unproven (Note 4)		34,861,287		31,234,262
Other assets, net of depreciation of $92,198 (March 31, 2007 - $43,762)		175,403		215,999
Total Assets	$	35,955,866	$	38,957,109
LIABILITIES AND STOCKHOLDERS EQUITY				
Current Liabilities				
Accounts payable	$	608,413	$	1,379,204
Accounts payable related parties (Note 3)		670		8,545
Convertible Series E preferred stock subject to mandatory redemption, 20,950 shares outstanding (March 31, 2007 2,350) (Note 5)		20,950,000		2,350,000
Preferred stock dividends payable		1,422,621		660,069
Current portion of long-term note		21,875		37,500
Total Current Liabilities		23,003,579		4,435,318
Long-term Liabilities				
Long-term liabilities		69,512		9,375
Total Liabilities		23,073,091		4,444,693
Commitments and Contingencies				
STOCKHOLDERS EQUITY				
Share Capital				
Convertible Series E preferred stock, $0.01 par value, 25,000 shares authorized, nil issued and outstanding (March 31, 2007 22,650)		-		226
Common stock, $0.001 par value, 100,000,000 shares authorized, 41,732,547 shares issued and outstanding (March 31, 2007 33,424,941)		41,733		33,425

Additional paid in capital	37,625,709	51,124,541
Deficit accumulated during the exploration stage	(24,784,667)	(16,645,776)
Total stockholders equity	12,882,775	34,512,416
Total liabilities and stockholders equity	$ 35,955,866	$ 38,957,109

The accompanying notes are an integral part of these consolidated financial statements.

TORRENT ENERGY CORPORATION
(formerly Scarab Systems, Inc.)
(An exploration stage enterprise)

Consolidated Statements of Stockholders Equity (Deficit)
For the period from October 8, 2001 (inception) to December 31, 2007
(UNAUDITED)

	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Share subscriptions received/ (receivable)	Deficit accumulated during exploration stage	Total Stockholders equity (deficit)
Stock issued for cash at $0.001 per share in October 2001	5,425,000	$ 5,425	$ -	$ -	$ -	$ 5,425
Stock issued for intangible asset acquisition at $0.001 per share in October 2001	200,000	200	-	-	-	200
Issued 1,440,000 common stock at $0.001 per share in October 2001	1,440,000	1,440	-	(1,440)	-	-
Stock issued at $0.50 per share in November 2001	675,000	675	336,825	(337,500)	-	-
Stock issued for cash at $0.50 per share in January 2002	390,000	390	194,610	-	-	195,000
Net(loss)for the period	-	-	-	-	(112,434)	(112,434)
Balance, March 31, 2002	8,130,000	8,130	531,435	(338,940)	(112,434)	88,191
Stock issued for cash at $0.25 to $0.50 per share in April 2002	130,000	130	39,870	-	-	40,000
Recapitalization to effect the acquisition of iRV, Inc.	1,446,299	1,446	(1,446)	-	-	-
Acquisition of MarketEdge Direct	-	-	-	337,500	-	337,500
Proceeds of share subscription	-	-	-	1,440	-	1,440
Return of stocks in connection with disposal of MarketEdge Direct	(540,000)	(540)	(358,042)	-	-	(358,582)
Proceeds of 96,000 share subscription at $0.40 to $0.50 per share	-	-	-	40,500	-	40,500
241,020 shares allotted for services rendered at	-	-	33,306	-	-	33,306

$0.10 to $0.40 per share						
Net (loss) for the year	-	-	-	-	(396,277)	(396,277)
Balance, March 31, 2003	9,166,299	9,166	245,123	40,500	(508,711)	(213,922)
Stocks issued for services rendered and recorded in fiscal year 2004	241,020	241	(241)	-	-	-
Stocks issued at $0.40 to $0.50 per share	96,000	96	40,404	(40,500)	-	-
Stocks issued for conversion of debt at $0.10 per share in February 2004	510,000	510	50,490	-	-	51,000
Stocks issued for cash at $0.10 per share in February and March 2004	1,200,000	1,200	118,800	-	-	120,000
Stocks issued for exercise of stock options at $0.10 per share in February and March 2004	960,000	960	95,040	-	-	96,000
Issuance of stock options as compensation	-	-	195,740	-	-	195,740
Forgiveness of debt related party	-	-	110,527	-	-	110,527
Net (loss) for the year	-	-	-	-	(374,606)	(374,606)
Balance, March 31, 2004	12,173,319	$ 12,173	$ 855,883	$ -	$ (883,317)	$ (15,261)

The accompanying notes are an integral part of these consolidated financial statements.

TORRENT ENERGY CORPORATION
(formerly Scarab Systems, Inc.)
(An exploration stage enterprise)

Consolidated Statements of Stockholders Equity (Deficit)
For the period from October 8, 2001 (inception) to December 31, 2007
(UNAUDITED)

	Series B Preferred Stock Shares	Series B Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Deficit accumulated during exploration stage	Total Stockholders equity (deficit)
Stocks issued for exercise of stock options at $0.10 per share in May, June and July 2004	-	$ -	640,000	$ 640	$ 63,360	$ -	$ 64,000
Stocks and warrants issued under a private placement at $0.35 per share in May 2004	-	-	1,442,930	1,443	503,582	-	505,025
Stocks issued for investor relations services at $0.54 per share in June 2004	-	-	300,000	300	161,700	-	162,000
Stocks issued for acquisition of oil and gas properties at $0.38 per share in June 2004 and January 2005	-	-	1,200,000	1,200	454,800	-	456,000
Stocks and warrants issued under a private placement at $0.40 per share in July 2004	-	-	500,000	500	199,500	-	200,000
Stocks issued under a private placement at $1.00 per share in 2005, net of share issue costs of $100,000	-	-	2,500,000	2,500	2,397,500	-	2,400,000
Stocks issued for exercise of warrants at $0.50 and $0.55 per share	-	-	1,614,359	1,614	825,565	-	827,179
Convertible Series B preferred stock	2,200	22	-	-	1,934,978	-	1,935,000

issued under a private placement at $1,000 per Series B share in August 2004, net of issuance costs							
Stocks issued for conversion of Series B preferred stock at prices ranging from $0.76 to $0.89 per share	(500)	(5)	614,358	615	(610)	-	-
Beneficial conversion feature on convertible Series B preferred stock	-	-	-	-	315,245	-	315,245
Accretion of Series B preferred stock beneficial conversion feature	-	-	-	-	-	(210,163)	(210,163)
Series B preferred stock dividend	-	-	-	-	-	(72,672)	(72,672)
Issuance of stock options as compensation	-	-	-	-	701,740	-	701,740
Net (loss) for the year	-	-	-	-	-	(2,418,625)	(2,418,625)
Balance, March 31, 2005	1,700	$ 17	20,984,966	$ 20,985	$ 8,413,243	$ (3,584,777)	$ 4,849,468

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Consolidated Statements of Stockholders Equity (Deficit)
For the period from October 8, 2001 (inception) to December 31, 2007
(UNAUDITED)

	Series B Preferred Stock Shares	Series B Preferred Stock Amount	Series C Preferred Stock Shares	Series C Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Deficit accumulated during exploration stage	Total Stockholders equity (deficit)
Stock issued for conversion of Series B preferred stock at prices ranging from $0.77 to $1.20 per share	(1,700)	$ (17)	-	$ -	1,795,254	$ 1,795	$ (1,778)	$ -	$ -
Accretion of Series B preferred stock beneficial conversion feature	-	-	-	-	-	-	-	(105,081)	(105,081)
Common stock issued for cashless exercise of stock options	-	-	-	-	89,502	89	(89)	-	-
Cancellation of stock options as compensation	-	-	-	-	-	-	(99,641)	-	(99,641)
Common stock issued for exercise of warrants ranging from $0.50 to $0.55 per share	-	-	-	-	328,571	329	168,956	-	169,285
Common stock issued at $2 per share under a private placement in	-	-	-	-	1,650,000	1,650	3,273,350	-	3,275,000

July 2005, net of issuance cost									
Series C preferred stock issued under a private placement at $1,000 per Series C share in July 2005, net of issuance costs	-	-	12,500	125	-	-	11,551,875	-	11,552,000
Beneficial conversion feature on convertible Series C preferred stock	-	-	-	-	-	-	845,763	-	845,763
Accretion of Series C preferred stock beneficial conversion feature	-	-	-	-	-	-	-	(845,763)	(845,763)
Series C stock dividend			-	-	-	-	-	(308,442)	(308,442)
Common stock issued for conversion of Series C preferred stock ranging from $1.64 to $2.27 per share	-	-	(4,125)	(41)	2,083,614	2,084	(2,043)	-	-
Common stock issued for acquisition of oil and gas properties at $0.38 per share in February 2006	-	-	-	-	600,000	600	227,400	-	228,000
Stock based compensation for the period	-	-	-	-	-	-	2,075,422	-	2,075,422
	-	-	-	-	-	-	-	(4,036,286)	(4,036,286)

Net (loss) for the period														
Balance, March 31, 2006	-	$	-	8,375	$	84	27,531,907	$	27,532	$	26,452,458	$	(8,880,349)	$ 17,599,725

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Consolidated Statements of Stockholders Equity (Deficit)
For the period from October 8, 2001 (inception) to December 31, 2007
(UNAUDITED)

	Series C Preferred Stock Shares	Series C Preferred Stock Amount	Series E Preferred Stock Shares	Series E Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deficit accumulated during exploration stage	Total Stockholders' Equity (Deficit)
Beneficial conversion feature on convertible Series C preferred stock	-	$ -	-	$ -	-	$ -	$ 710,110	$ -	$ 710,110
Accretion of Series C beneficial conversion feature	-	-	-	-	-	-	-	(710,110)	(710,110)
Series C stock dividend	-	-	-	-	-	-	-	(35,270)	(35,270)
Common Stock Issued for conversion of Series C preferred stock ranging from $1.64 to $2.27 per share	(8,375)	(84)	-	-	5,339,320	5,339	(5,255)	-	-
Common Stock Issued in lieu of cash dividend on Series C preferred stock at a price of $1.50 per share	-	-	-	-	228,714	229	343,483	-	343,712
Series E preferred stock issued under Private Placement at	-	-	25,000	250	-	-	23,114,750	-	23,115,000

$1,000 per Series E share net of issuance costs (Note 5)									
Convertible Series E preferred stock reclassed to liability per SFAS No. 150 (Note 5)	-	-	(2,350)	(24)	-	-	(2,349,976)	-	(2,350,000)
Series E stock dividend	-	-	-	-	-	-	-	(660,069)	(660,069)
Stock based compensation for the period	-	-	-	-	-	-	2,465,796		2,465,796
Common stock issued for services	-	-	-	-	125,000	125	227,375	-	227,500
Exercise of stock options					200,000	200	165,800		166,000
Net (Loss) for the Period	-	-	-	-	-	-	-	(6,359,978)	(6,359,978)
Balance, March 31, 2007	-	$ -	22,650	$ 226	33,424,941	$ 33,425	$ 51,124,541	$ (16,645,776)	$ 34,512,416

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TORRENT ENERGY CORPORATION
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Consolidated Statements of Stockholders Equity (Deficit)
For the period from October 8, 2001 (inception) to December 31, 2007
(UNAUDITED)

	Series E Preferred Stock Shares	Series E Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deficit accumulated during exploration stage	Total Stockholders' Equity (Deficit)
Common stock issued for settlement of Preferred Stock liability at $0.50 per share (Note 5)	-	$ -	3,100,000	$ 3,100	$ 4,124,900	$ -	$ 4,128,000
Common stock issued in lieu of cash dividends on Series E preferred stock at a price of $0.50 per share (Note 5)	-	-	37,012	37	49,498	-	49,535
Series E stock reclassified to liability per SFAS No. 150 (Note 5)	(800)	(8)	-	-	(799,992)	-	(800,000)
Series E stock dividend	-	-	-	-	-	(272,596)	(272,596)
Stock based compensation for the period	-	-	-	-	239,597		239,597
Net (Loss) for the period	-	-	-	-	-	(3,733,955)	(3,733,955)
Balance, June 30, 2007	21,850	$ 218	36,561,953	$ 36,562	$ 54,738,544	$ (20,652,327)	$ 34,122,997
Common stock issued for settlement of Preferred Stock liability at $0.50 per share (Note 5)	-	-	3,200,000	3,200	3,068,800	-	3,072,000
Common stock issued in lieu of cash dividends on Series E preferred stock at a price of $0.50 per share (Note 5)	-	-	66,848	67	63,497	-	63,564
Series E stock reclassified to liability per SFAS No. 150 (Note 5)	(900)	(9)	-	-	(899,991)	-	(900,000)
Series E stock dividend	-	-	-	-	-	(256,205)	(256,205)
Stock based compensation for the period	-	-	-	-	215,752	-	215,752
Net (Loss) for the period	-	-	-	-	-	(2,639,787)	(2,639,787)
Balance, September 30, 2007	20,950	$ 209	39,828,801	$ 39,829	$ 57,186,602	$ (23,548,319)	$ 33,678,321
Common stock issued for settlement of Preferred	-	-	1,800,000	1,800	1,240,200	-	1,242,000

Stock liability at $0.50 per share (Note 5)							
Common stock issued in lieu of cash dividends on Series E preferred stock at a price of $0.50 per share (Note 5)	-	-	58,746	59	40,476	-	40,535
Series E stock reclassified to current liabilities	(20,950)	(209)	-	-	(20,949,791)	-	(20,950,000)
Series E stock dividend	-	-	-	-	-	(262,887)	(262,887)
Stock options exercised	-	-	45,000	45	22,455	-	22,500
Stock based compensation for the period	-	-	-	-	85,767	-	85,767
Net (Loss) for the period	-	-	-	-	-	(973,461)	(973,461)
Balance, December 31, 2007	-	$ -	41,732,547	$ 41,733	$ 12,882,775	$ (24,784,667)	$ 12,882,775

The accompanying notes are an integral part of these consolidated financial statements.

8

TORRENT ENERGY CORPORATION
(formerly Scarab Systems, Inc.)
(An exploration stage enterprise)

Consolidated Statements of Operations
(UNAUDITED)

	Cumulative October 8,2001 (inception) to December 31, 2007	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Nine Months Ended December 31, 2007	Nine Months Ended December 31, 2006
Expenses					
Consulting (Note 3)	$ 2,605,962	$ 1,225	$ 123,170	$ 228,760	$ 882,361
Payroll expense	1,922,804	146,116	274,428	861,977	645,623
Stock based compensation	5,979,813	85,767	690,009	541,116	2,053,337
Investor relations	1,890,586	50,215	113,303	271,597	496,564
Directors fees	170,000	-	30,000	60,000	47,500
Depreciation	96,234	15,984	14,194	46,699	25,855
Insurance	421,095	51,084	39,091	141,271	85,198
Legal and accounting	1,180,250	29,378	78,558	139,713	304,947
Lease rental expense	193,713	-	400	-	101,624
Office and Miscellaneous	489,482	6,291	61,396	69,799	126,790
Rent	372,330	38,251	52,312	117,682	92,982
Shareholder relations	219,782	761	13,093	5,301	67,279
Telephone	178,401	17,718	27,203	52,619	51,276
Travel	913,135	18,203	90,475	138,747	265,550
Inventory shrinkage / write-down	283,829	160,216	-	231,356	-
Purchase investigation costs	103,310	-	-	-	-
Interest expense	59,668	1,140	-	52,168	-
Accretion expense	4,096	1,365	-	4,096	-
Interest expense on long term debt	16,569	-	-	-	-
Operating (loss)	(17,101,059)	(623,714)	(1,607,632)	(2,962,901)	(5,246,886)
Other income (expense)					
Interest income	531,906	3,415	110,213	80,027	239,264
Gain on sale of equipment	261	-	-	-	-
Gain on settlement of debt	37,045	-	-	-	-
Loss on conversion of preferred stock	(4,464,329)	(353,162)	-	(4,464,329)	-
Write-off of goodwill	(70,314)	-	-	-	-

Loss from continued operations	(21,066,490)	(973,461)	(1,497,419)	(7,347,203)	(5,007,622)
Net income from discontinued operations	21,082	-	-	-	-
Net loss and comprehensive loss for the period	(21,045,408)	(973,461)	(1,497,419)	(7,347,203)	(5,007,622)
Series B preferred stock dividend	(72,672)	-	-	-	-
Series C preferred stock dividend	(343,712)	-	-	-	(35,270)
Series E preferred stock dividend (Note 5)	(1,451,758)	(262,887)	(220,547)	(791,689)	(393,562)
Dividend accretion of Series B preferred stock beneficial conversion feature	(315,244)	-	-	-	-
Dividend accretion of Series C preferred stock beneficial conversion feature	(1,555,873)	-	-	-	(710,110)
Net loss for the period applicable to common stockholders	$ (24,784,667)	$ (1,236,348)	$ (1,717,966)	$ (8,138,892)	$ (6,146,564)
Basic and diluted (loss) per share		$ (0.03)	$ (0.05)	$ (0.21)	$ (0.19)
Weighted average number of common shares outstanding		41,465,306	33,154,289	39,633,242	32,479,178

The accompanying notes are an integral part of these consolidated financial statements

TORRENT ENERGY CORPORATION
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(An exploration stage enterprise)

Consolidated Statements of Cash Flows
(UNAUDITED)

	Cumulative October 8, 2001 (inception) to December 31, 2007	Nine Months Ended December 31, 2007	Nine Months Ended December 31, 2006
Cash flows provided by (used in) operating activities			
Net (loss) for the period	$ (21,045,408)	$ (7,347,203)	$ (5,007,622)
Adjustments to reconcile net loss to	-	-	
net cash used in operating activities:			
- depreciation and amortization	96,234	46,699	25,855
-accretion of well-site restoration	4,096	4,096	-
- stock-based compensation	5,979,813	541,116	2,053,337
-loss on conversion of preferred stock	4,464,329	4,464,329	-
- interest expense on Series E Stock subject to mandatory redemption	52,168	52,168	-
- inventory shrinkage / write-downs	283,829	231,356	-
- foreign exchange	1,398	-	-
- write-off of goodwill	70,314	-	-
- debt forgiven	37,045	-	-
-gain on sale of equipment	(261)	-	-
- net income from the discontinued operations	(21,082)	-	-
- common shares issued for service rendered	195,306	-	-
- reversal of option expense charged for services	(99,641)	-	-
Changes in non-cash working capital items:			
Joint venture receivables	(25,484)	122,444	(183,722)
Inventory	(836,799)	121,882	(735,343)
Prepaid expenses	(169,595)	281,358	880
Accounts payable	(3,074,811)	(1,364,221)	(1,955,561)
Net cash used in operating activities	(14,088,549)	(2,845,976)	(5,802,176)
Cash flows provided by (used in) investing activities			
Oil and gas properties	(30,134,380)	(2,915,870)	(7,605,198)
Loan	(62,684)	-	-
Proceeds from sale of equipment	7,415	-	-
Acquisition of other assets	(203,791)	(6,103)	(164,177)

Net cash used in investing activities	$	(30,393,440)	$	(2,921,973)	$	(7,769,375)

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TORRENT ENERGY CORPORATION
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Consolidated Statements of Cash Flows (continued)
(UNAUDITED)

	Cumulative October 8, 2001 (inception) to December 31, 2007	Nine Months Ended December 31, 2007	Nine Months Ended December 31, 2006
Cash flows provided by (used in) financing activities			
Proceeds from issuance of common stock	$ 7,988,414	$ -	$ -
Net proceeds from issuance of Series B preferred stock	1,935,000	-	-
Net proceeds from issuance of Series C preferred stock	11,552,000	-	-
Net proceeds from issuance of Series E			

	2004	
	(Expressed in millions of US$)	
Cash and temporary investments	127	115
Accounts receivable, net	38	23
Other assets	7	41
Accounts payable	(124)	(51)
Short and long-term debt	(81)	(107)
Net (liability) asset position in foreign currency	(33)	21

Effective February 5, 2003, the Venezuelan Government and BCV signed exchange control agreements that immediately established limits to foreign currency transactions (Note 21 - Exchange control).

NOTE 6 - ACCOUNTS RECEIVABLE, NET

The Company s accounts receivable, net as of March 31 were comprised of the following:

	2005	2004
Subscribers:		
Wireline telecommunications	413,618	379,202

Wireless telecommunications	81,157	59,571
Other telecommunications services	52,752	51,356
International carriers, net	52,267	17,822
Phonecard and prepaid card distributors	20,267	25,076
Accounts receivable from sale of INTELSAT	75,205	
Other	8,424	25,998
	703,690	559,025
Less: Provision for doubtful accounts	(107,139)	(103,563)
	596,551	455,462

Unbilled revenue of Bs 109,493 and Bs 102,940 is included in accounts receivable as of March 31, 2005 and 2004, respectively (Note 3 (j) - Revenue recognition).

NOTE 7 - ACCOUNTS RECEIVABLE FROM VENEZUELAN GOVERNMENT ENTITIES

The Company s largest customer is the Venezuelan public sector, including the central Government and its centralized and decentralized entities and agencies at both the state and municipal level (collectively, Government entities). Government entities generated approximately 8% and 7% of the Company s consolidated revenues for the three months ended March 31, 2005 and 2004, respectively.

The following table shows accounts receivable from Government entities as of March 31:

	2005	2004
Years:		
2005	66,839	
2004	97,689	62,452
2003 and prior	61,518	138,125
Total accounts receivable from Venezuelan Government entities	226,046	200,577
Less: Long-term portion	(62,860)	(36,315)
	163,186	164,262

During the three months ended March 31, changes in accounts receivable from Government entities are shown below:

	2005	2004
Balance at the beginning of the period	227,958	173,134
Billings	86,239	68,793
Collections	(80,808)	(31,009)
Monetary loss	(7,343)	(10,341)
Balance at the end of the period	226,046	200,577
Less: Long-term portion	(62,860)	(36,315)
	163,186	164,262

The amounts that central Government entities may pay for telecommunications services are established in annual budgets, which do not necessarily coincide with actual annual usage. As a result of these budgeting processes and for other macroeconomic reasons, a number of Government entities have not timely paid the Company for telecommunications services received. In addition, as a result of inflation and devaluation, the real value of these balances has substantially decreased.

To reduce the Government s debt to CANTV, management has taken actions to reduce additional usage and recover prior years balances, thereby reducing accrued debt in this connection. In addition, collections are being reinforced and payment agreements are being negotiated with Government entities to reduce payment delays. However, there is no guarantee that the Company will not continue to experience significant delays in the collection of these receivables or that inflation and devaluation will not continue to reduce the value of these assets.

During 2003, the Company received payments in the form of a promissory note in U.S. dollars

and Venezuelan National Public Debt Bonds in bolivars amounting to Bs 68,470 (Bs 70,191 in nominal amounts), of which Bs 41,592 was applicable to centralized Government entities and the remaining Bs 26,878 to decentralized entities. As of March 31, 2005, Bs 57,095 of these bonds has become due and of this amount Bs 36,540 has been used to pay certain taxes and the remaining portion was recorded as temporary investments.

During 2004, the Company received payments in the form of Venezuelan National Public Debt Bonds in bolivars amounting to Bs 7,731 (Bs 8,081 in nominal amounts). Bs 5,314 was applicable to centralized Government entities and the remaining Bs 2,417 to decentralized entities.

CANTV s management believes all amounts from Government entities will be collected either in cash or through Venezuelan National Public Debt Bonds and promissory notes issued by the Venezuelan Government.

NOTE 8 - INVENTORIES, SPARE PARTS AND SUPPLIES, NET

Inventories, spare parts and supplies, net as of March 31 were comprised of the following:

	2005	2004
Network equipment inventories	206,232	105,478
Equipment for sale	163,383	46,031
Prepaid cards	3,054	5,015
	372,669	156,524
Less: Allowance for obsolescence	(62,271)	(34,387)
	310,398	122,137

Sales and inventory equipment for sale balances increased substantially during the effectiveness of the exchange control regime, since the Company has increased its participation as direct importer and distributor of cellular handsets.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net as of March 31 were comprised of the following:

	Useful lives (Years)	2005	2004
Plant			
Wireline telecommunications	3 to 32	14,876,544	16,243,541
Wireless telecommunications	2 to 20	1,364,497	1,180,314
Other telecommunications services	5 to 13	54,538	53,677
Buildings and facilities	5 to 25	3,716,834	3,254,224
Furniture and equipment	3 to 7	594,091	637,155
Vehicles	3 to 5	96,806	56,902
		20,703,310	21,425,813
Less: Accumulated depreciation		(16,880,979)	(17,218,461)
		3,822,331	4,207,352
Land		88,854	100,240
Construction work in progress		217,676	90,211
		4,128,861	4,397,803

Depreciation expense for the three months ended March 31, 2005 and 2004 amounted to Bs 192,543 and Bs 275,462, respectively.

Labor and overhead costs included under construction work in progress amounted to Bs 5,809 and Bs 3,239 for the three months ended March 31, 2005 and 2004, respectively.

As of March 31, 2005, work in progress mainly includes ongoing projects for the expansion of the new mobile technology network, expansion of the Internet broadband access network, and integration and transformation of the Company s information systems.

NOTE 10 - OTHER ASSETS

Other assets as of March 31 were comprised of the following:

	2005	2004
Information systems (software), net of accumulated amortization	309,925	332,566

Investments in equity	339	52,998
Investment in Government obligations		42,018
Prepaid taxes		9,297
Other	17,608	4,040
	327,872	440,919

Software includes the cost of computer systems for internal use, net of accumulated amortization and the cost of satellite usage rights that are amortized over three to seven years based upon the terms of contracts that grant such usage rights. Amortization expense amounted to Bs 19,832 and Bs 25,677, for the three months ended March 31, 2005 and 2004, respectively. Accumulated amortization amounted to Bs 1,174,462 and Bs 862,758 as of March 31, 2005 and 2004, respectively.

Investments in equity represent the Company s share in the International Satellite Telecommunications Organization (INTELSAT) and in New Skies Satellites N.V. representing 1.12% and 1.44% of their capital stock, respectively. The Company classifies these investments as Available for sale and the fluctuation in their fair value, including exchange differences, is presented in the statement of changes in stockholders equity under Translation and other adjustments.

In July 2004, CANTV s Board of Directors approved the sale of the investment in New Skies Satellites N.V. In November 2004, the effective sale was approved in the amount of US$11,479,355 (equivalent to Bs 22,040).

In September 2004, CANTV s Board of Directors also approved the sale of the investment in INTELSAT to Zeus Holdings Ltd. On October 20, 2004, the sale was approved at the annual Regular Stockholders Meeting. On January 28, 2005, INTELSAT announced the closing of negotiations with Zeus Holding Ltd. The effective sale was approved for an amount of US$34,978,950 equivalent to Bs. 75,205, which generated a net gain recorded in the Company s results of Bs. 121,337, including the realization of Bs. 76,986 previously included in translation adjustment and other in equity.

INTELSAT was initially an international telecommunications organization integrated by 148 member countries or their designated telecommunications entities. In July 2001 INTELSAT was privatized and converted into a private corporation. Until July 2001 this investment was recorded by CANTV under the equity method and the adjustment resulting from the translation into bolivars of the financial statements of INTELSAT was included in CANTV s stockholders equity.

As of March 31, 2004, investments in Government obligations include bonds received from the Venezuelan Government, the most significant one being for Bs 16,141 (Bs 19,411 in nominal amounts) with a variable interest rate, payable quarterly, due on November 18, 2005. As of March 31, 2005, bonds received from the Government are recorded as temporary investments based on due dates lower than three months. During 2004, management changed their classification from Investments held to maturity to Available for sale. Variations in the fair value of these investments are shown in the statement of changes in stockholders equity under Translation and other adjustment until their effective sale.

NOTE 11 - LONG-TERM DEBT

Long-term debt as of March 31 was comprised of the following:

	2005	2004
Bank loans in Japanese yen at a fixed annual rate of 5.8% at March 31, 2005 and 2004, maturing in 2009	87,160	115,799
IFC loans in U.S. dollars at variable interest rates:		
a. Six-month LIBOR plus a financial margin between 1.75% and 3%, (averaging 5.06% and 4.18% at March 31, 2005 and 2004, respectively), maturing through 2005	53,750	55,583
b. Six-month LIBOR plus a financial margin of 2% (averaging 3.86% and 3.11% at March 31, 2005 and 2004, respectively), maturing through 2007	23,516	34,044
c. Six-month LIBOR plus a financial margin of 1.75% and 3% (averaging 3.61% and 2.86% at March 31, 2005 and 2004, respectively), maturing through 2005	10,750	33,350
Promissory notes in bolivars, at a fixed annual rate of 23.5%, maturing through 2005		24,659
Bank loans in bolivars at fixed and variable annual rates of 22.20% and 22.52% at March 31, 2005 and 2004, respectively, maturing through 2010, partially guaranteed by a first mortgage on real property of the Company up to Bs 10,500	38,090	15,233
Notes payable and debt to suppliers in U.S. dollars at a fixed annual rate of 5.48% maturing in 2004	135	175
Commercial paper issued at discount at an annual rate of 12.59%, maturing in June 2005	87,259	
Total debt	300,660	278,843
Less: Current portion	(215,978)	(55,752)
Total long-term debt	84,682	223,091

In February 1997, the Company prepaid the outstanding debt balance under the refinancing agreement and Bs 48,240 of debt to suppliers with the proceeds from the sale of two Guaranteed Notes for US$100 million each, maturing in 2002 and 2004, respectively. These notes were issued by CANTV Finance Ltd., a wholly owned subsidiary of the Company. The Guaranteed Notes are unconditionally and irrevocably guaranteed by CANTV for the payment of principal and interest. In January 2004 and February 2002, the Company made payments of US$100 million in respect of such Guaranteed Notes.

In February 1990, the Company acquired a loan with the Japan Bank for International Cooperation (formerly The Export - Import Bank of Japan) for ¥16,228 million, which was used for technological changes in the transmission and urban connection network. This loan is being repaid semi-annually and as of March 31, 2005, the outstanding balance is ¥4,328 million.

On June 7, 1996, the Company entered into an agreement with International Finance Corporation (IFC). Pursuant to this agreement, the Company assumed loan commitments amounting to approximately US$261 million, of which US$175 million was received on that date. Of this amount, US$75 million was used in the Company s modernization and expansion program stipulated in the Concession and for other capital expenditures. The remaining US$100 million represents the conversion into longer-term debt of outstanding debt under the refinancing agreement with creditor banks.

In March 1998, the Company repaid US$150 million of this loan with the proceeds from the sale of variable-interest-rate notes issued by CANTV Finance Ltd., a wholly owned subsidiary of the Company, which are unconditionally and irrevocably guaranteed as to payment of principal and interest by CANTV. The IFC loan balance of US$25 million is due in a single payment in 2005. This loan bears interest at LIBOR plus a financial margin and an additional amount of up to 3%, based on the Company s annual net income expressed in U.S. dollars, payable semi-annually. Pursuant to the agreement with IFC, the Company may pay dividends only if it is current with its semi-annual payments. In addition, the Company is required to meet certain financial ratios, including a long-term debt-to-equity ratio, a liquidity ratio and a fixed-charge coverage ratio, as defined by the agreement. The Company has complied with these covenants as of March 31, 2005.

In 1997 Movilnet, a subsidiary providing cellular services, signed an agreement with the IFC for two loans totaling US$95 million, which were drawn down during 1998. These loans were used for expansion and modernization of the cellular network. As of March 31, 2005, the balance of this debt is US$16 million.

In September 2000, the Company issued at a discount promissory notes in bolivars amounting to Bs 28,000, which mature in five years. The promissory notes were placed at a 44% discount and a fixed annual interest rate of 23.5%. Additionally, in September and December 2000, two loan agreements were signed with local banks for Bs 7,000 each, with maturities between five and ten years.

At a Stockholders Meeting held on March 31, 2004, the issuance of commercial paper for an amount up to US$100 million or the equivalent in bolivars was approved. On September 30, 2004, Comisión Nacional de Valores (the Venezuelan Securities and Exchange Commission) (CNV) approved the first issue of commercial paper for up to Bs 80,000. As of March 31, 2005, six series were issued for a total of Bs 80,000 in respect of the first issue, all of which was placed in the market at a discount and an annual interest rate of 12.50% and 12.59%, maturing in June and July 2005.

On December 22, 2004, the CNV approved the second issue of commercial paper for up to Bs 112,000. According to the Venezuelan Capital Markets Law, the Company is required to issue at least 10% of the approved maximum amount within ninety days following approval by

CNV. As of March 31, 2005, one series was issued for a total of Bs 11,200 in respect of the second issue, of which Bs. 10,356 has been placed in the market at a discount and an annual interest rate of 12.50%, maturing in September 2005. The remaining portion of Bs. 844 was placed in April 2005.

As of March 31, 2005, estimated debt payments are: Bs 200,387 in 2005, Bs 31,845 in 2006, Bs 31,999 in 2007, Bs 22,785 in 2008 and Bs 13,644 thereafter, translated into bolivars at the exchange rate at this date.

NOTE 12 - OTHER CURRENT LIABILITIES

Other current liabilities as of March 31 were comprised of the following:

	2005	**2004**
Concession tax	48,640	45,538
Subscriber rights	76,394	80,039
Accrued liabilities	73,703	50,694
Income, value added and other taxes (Note 16 - Taxes)	44,077	32,771
Interest payable	2,014	3,818
Technical and administrative services of stockholders affiliates	11,352	6,771
Other	19,712	8,813
	275,892	228,444

Subscriber rights represent up-front payment from wireline subscribers when services are activated.

NOTE 13 - RETIREMENT BENEFITS

Pension plan

The Company sponsors a defined benefit pension plan for its employees. The benefits to be paid under the plan are based on the employees years of service and final salary. As of March 31, 2005 and 2004, the Company has a trust fund related to this plan amounting to Bs 663,756 (includes US$263.3 million) and Bs 635,298 (includes US$243.7 million), respectively, to cover plan benefits for eligible employees.

Assumptions used to calculate the projected benefit obligations are shown below:

	2005	**2004**

Discount rate	6.62%	7%
Expected return on plan assets	7%	6%
Compensation increase rate	1.96%	2%

These assumptions represent estimates of actual interest and compensation increase rates rather than nominal rates.

Post-retirement benefits other than pensions

The Company records medical expenses related to accrued post-retirement benefits other than pensions, based on actuarial calculations.

Assumptions used to calculate post-retirement benefit obligations are shown below:

	2005	2004
Discount rate	6.61%	7%
Projected medical cost	1.96%	2%

These assumptions represent estimates of actual interest rates and actual increases of projected medical costs rather than nominal rates.

By the end of 2004, the Company had completed the review of the actuarial assumptions in light of the changing economic and business environment in Venezuela. The discount rate was set at 7% decreasing in the long term to 5%, equivalent to an effective rate of 6.62% for the pension plan and 6.61% for post-retirement benefits; compensation rate increase at 2% and decreasing in the long term to 1%, equivalent to an effective rate of 1.96%; employee turnover rate changed from 10% in accordance with years-of-service scales and the expected return on plan assets from 6% to 7%.

Protection plan

The Company has a pension benefit plan denominated Special Protection Plan for Eligible Retirees (Protection plan) which includes a supplementary monthly payment to normal benefit payments for the pension plan for retirees and survivors as of August 15, 1995, who receive a monthly pension equivalent to or below Bs 30,000 (in nominal amounts), as well as those retirees who are over sixty years old with pension payments between Bs 30,001 (in nominal amounts) and Bs 70,000 (in nominal amounts). Plan payments are made in accordance with the years of retirement of each beneficiary. Additionally, each retired employee can receive a one-time annual bonus of Bs 145,000 (in nominal amounts) at the Company s discretion. As of March 31, 2005 and 2004, the Company has a trust fund for this plan on behalf of employees of Bs 27,507 (includes US$4.0 million) and Bs 21,721 (includes US$3.9 million), respectively. The Company has no obligation to increase this plan.

Temporary support and solidarity program

In August 2004, the Company decided to create a new program for those pensioners and retirees who for some reason are not beneficiaries of the pension established by the Instituto Venezolano del Seguro Social (Venezuelan Institute of Social Security) (IVSS), with the purpose of mitigating the impact of inflation on former employees income. This program allows for the adjustment of their monthly income through the payment of a bonus, the benefit of which will cease upon the death of the beneficiary, once a pension is obtained from IVSS or from any other source. This program will benefit pensionees and retirees older than 49 years and six months.

This program is a benefit provided voluntarily by CANTV. As of March 31, 2005, the Company has a liability related to this program of Bs 8,313.

NOTE 14 - STOCKHOLDERS EQUITY

Dividends

The Venezuelan Code of Commerce, Capital Markets Law and the Rules issued by the CNV regulate the Company s ability to pay dividends. In addition, some of the Company s debt agreements contain certain restrictions limiting the Company s ability to pay cash dividends (Note 11 - Long-term debt). The Code of Commerce establishes that dividends shall be paid solely out of liquid and collected earnings. The Capital Markets Law stipulates that the Company must distribute annually no less than 50% of its net annual income to its stockholders, after income tax and legal reserve deductions. Likewise, the Capital Markets Law establishes that at least one half of this 50% shall be distributed in cash. However, should the Company have accumulated losses, net income shall be used to offset such deficit.

The Capital Markets Law establishes that dividends must be declared in a Stockholders Meeting at which the stockholders determine the amount, form and frequency of dividend payments. Furthermore, under CNV regulations, companies by-laws must state their dividend policies.

Beginning in 2002, the Company established guidelines for the annual dividend distribution. These guidelines call for the distribution to stockholders of 50% of the annual free cash flow, which is defined as cash flows provided by operating activities, less cash flows used in investment activities (based on the audited financial statements), net of debt and interest payments scheduled for the following year. In accordance with current Venezuelan legislation, annual payment of dividends will be made in bolivars in quarterly installments following recommendations by the Board of Directors and approval by the annual Stockholders Meeting.

On March 31, 2005, a Regular Stockholders Meeting declared a dividend of Bs 505 per share to be paid on April 27, 2005 to stockholders of record at April 20, 2005.

On December 7, 2004, a Special Stockholders Meeting declared a dividend of Bs 120 per share to be paid on December 22, 2004 to stockholders of record at December 15, 2004.

On March 31, 2004, a Regular Stockholders Meeting declared a cash dividend of Bs 550 per share to be paid on April 16, 2004 to stockholders of record at April 12, 2004.

Capital stock

Company capital stock is represented by 787,140,849 shares with a nominal value of Bs 36.9 each at March 31, 2005, as shown below:

Stockholders	Class	Number of shares (In thousands)
Verizon Communications, Inc. (GTE Venholdings B.V.)	A	196,401
Telefónica Venezuela Holding B.V.	A	54,407
Banco Mercantil	A	367
Inversiones TIDE, S.A.	A	3
Banco de Desarrollo Económico y Social de Venezuela	B	51,900
Workers Trusts and Employees	C	44,053
Verizon Communications, Inc. (GTE Venholdings B.V.)	D	28,009
Public Stockholders	D	401,185
		776,325
Worker s benefit shares	C	10,816
		787,141

Class A shares may only be held by former members of VenWorld Telecom, C.A. (VenWorld), the consortium that acquired 40% of CANTV s shares in 1991. On February 1, 2002, at a Special Stockholders Meeting of VenWorld, the liquidation of the Consortium was approved and shares were converted into CANTV Class A shares. Any Class A shares transferred to any entity, not a wholly owned subsidiary of former members of VenWorld, would be automatically converted into an equal number of Class D shares.

Class B shares may only be held by the Venezuelan Government. The transfer of Class B shares to any non-public individual or entity will cause these shares to be automatically converted to Class D shares, except if they are transferred to CANTV employees or retirees, in which case the shares will be converted to Class C shares. Until January 1, 2001, Class B stockholders had the right to elect two members of the Company s Board of Directors. Thereafter, they may elect only one member together with all other stockholders. A majority of Class B share holders is required to approve a number of corporate actions, including by-law amendments.

Class C shares may be held only by employees, retirees, former employees and heirs and spouses of employees or retirees of CANTV and its subsidiaries, as well as workers companies and benefit plans. Any Class C shares transferred to any other individual or entity different from the aforementioned will be automatically converted to Class D shares. Holders of Class C shares have the right, voting as a separate class, to elect two members of the Board of Directors, provided such Class C shares represent at least 8% of CANTV s capital stock, and the right to elect one member, provided that such shares represent at least 3% of CANTV s capital stock.

Class D shares arise from the conversion of Class A , B and C shares as described above or of capital increases. There are no restrictions on the ownership or transfer of Class D shares. In accordance with CANTV s by-laws, holders of Class D shares will have the right to elect, in conjunction with other stockholders, any members of the Board of Directors at the moment Class B and C stockholders lose this right.

In November 1996, the Government sold in public offering 348.1 million shares representing 34.8% of CANTV s capital stock. Class D shares are traded on the Caracas Stock Exchange. They are also traded on the New York Stock Exchange in the form of American Depository Shares (ADS), each representing 7 Class D shares.

Repurchase programs

On October 24, 2001, a Special Stockholders Meeting approved a share repurchase program to acquire up to 138,905,608 shares or 15% of the Company s capital stock at US$30 per ADS, equivalent to US$4.29 per share. The program began on October 25, 2001 and ended on November 23, 2001. Upon completion of the repurchase program, a total of 138,896,536 shares had been repurchased and converted into treasury shares. On December 2, 2003, a Special Stockholders Meeting approved the reduction of capital stock by cancelling these shares. Legal formalities required for this reduction were completed during the first quarter of 2004.

Workers Benefit Fund

In 1993 the Company set up a trust fund known as the Benefit Fund with the purpose of acquiring Class C shares up to 1% of CANTV s capital stock as of December 2, 1991, to be distributed to its workers in accordance with benefit plans promoted by the Company, one of which is the Excellence Award. This contribution is recognized as expense to the extent that the workers earn stock awards. On October 24, 2001, a Special Stockholders Meeting approved the increase of this fund via the internal purchase of Class C shares of up to 2% of the Company s capital stock as of December 2, 1991. As of March 31, 2005 , the trust maintains 10,815,913 shares presented in a separate account as a reduction in the consolidated statement of changes in stockholders equity.

Trust fund assets are consolidated as part of the Company s consolidated balance sheet and these Class C shares are presented as a reduction of stockholders equity.

Legal reserve

The Company and its subsidiaries are required, under the Venezuelan Code of Commerce and corporate by-laws, to transfer at least 5% of each year s net income to a legal reserve in stockholders equity until such reserve equals at least 10% of capital stock.

In 2004, the Company released against retained earnings Bs 71,193 from the legal reserve in respect of an excess maintained over and above 10% of capital stock adjusted for inflation as of December 31, 2004. This excess is in respect of the portion of legal reserve which corresponded to the capital stock reductions which was not released at the time those reductions occurred.

NOTE 15 - FINANCING BENEFIT (COST), NET

Financing benefit (cost), net for the three months ended March 31 is shown below:

	2005	2004
Interest income	22,273	16,741
Interest expense	(5,409)	(6,444)
Exchange gain (loss), net	26,185	(5,111)
Monetary result for the period (Note 16)	(19,157)	(15,176)
Financing benefit (cost), net	23,892	(9,990)

Exchange gain (loss), net reflects the effect resulting from adjusting into bolivars temporary investments and debt in foreign currencies, mainly U.S. dollars and Japanese yen, at the exchange rates as of March 31, 2005 and 2004 (Note 5 - Balances in foreign currency). In addition, exchange gain (loss), net at March 31, 2005 includes Bs 39,412 from the translation adjustment recorded in stockholders equity in respect of the sale of INTELSAT (Note 10 - Other assets).

Effective February 12, 2002, the Government decreed free currency fluctuation, which effectively ended the band system. From that date, the exchange rate used for purchases and sales of currencies was fixed based on free market fluctuation resulting from supply and demand. The Central Bank of Venezuela (BCV) purchased and sold foreign currency in the market through an auction system with foreign exchange market operators. A significant devaluation of the bolivar took place during the initial business days of the free foreign currency fluctuation system. Effective January 21, 2003, the Venezuelan Government and BCV suspended the trading of foreign currency in the country and established the current exchange control regime (Note 21 - Exchange control).

The devaluation of the bolivar against the U.S. dollar was 12% and 20% for the three months ended March 31, 2005 and 2004, respectively.

Monetary result reflects the gain or loss from holding net monetary assets or liabilities during an inflationary period; inflation for the three months ended March 31, 2005 and 2004 was 3.3% and 6.4%, respectively.

NOTE 16 - MONETARY POSITION

For the years ended March 31 gain (loss) from exposure to inflation is shown below:

	2005	2004
Net monetary asset position at the beginning of the year	152,263	159,127
Income and expense, other than depreciation and amortization and other expenses generated by non-monetary assets and liabilities	605,676	171,161
Additions to non-monetary assets and liabilities	(365,008)	106,698
Pension plan and post-retirement benefits payments	(21,272)	(22,913)
Dividends declared	(392,044)	(494,237)
Exchange gain (loss), net	26,185	(5,111)
Estimated net monetary asset (liability) position at the end of the period	5,800	(85,275)
Net monetary liability position at the end of the year	(13,357)	(100,451)
Monetary result for the year	(19,157)	(15,176)

NOTE 17 - TAXES

Income tax

In accordance with current legislation, CANTV and its subsidiaries must individually pay income tax computed under the historic cost convention, plus or minus the inflation adjustment of non-monetary assets and liabilities and of initial stockholders equity. This tax inflation adjustment differs from the book inflation adjustment, which is not taken into account for tax purposes.

The main reconciling items between the financial and tax result relate to the effect of the regular tax inflation adjustment, the provision for doubtful accounts, pension plan and provisions for legal and tax contingencies.

The Income Tax Law authorizes a tax credit for new investments in property, plant and equipment. Any portion of the credit not used in the year it arises may be carried forward for three years. As of March 31, 2005 , CANTV does not have any carry-forward tax credits. Cantv.Net, however, has the following investment tax credit carry-forwards available:

	Origin	Bs	Carried forward until
Cantv.Net	2002	726	2005
	2003	397	2006
	2004	307	2007

	1,430

The Income Tax Law also allows tax losses to be carried forward and recovered over three years from the year they were incurred and over one year for tax losses from tax inflation adjustments.

On December 28, 2001, Law No. 71 containing the Income Tax Law Amendment was published in Official Gazette No. 5,566. The following are the most significant changes:

a. Compensation of foreign losses with domestic income or losses will not be admitted.

b. Dividend tax regulations establish that the book income to be taken into account is that approved by the Stockholders Meeting based on the consolidated financial statements prepared in conformity with VenGAAP.

c. The implementation of a 1% tax advance in the event that share dividends are paid. This tax advance will be computed based on the total value of the dividend declared.

d. Elimination of the expense rejection rule for payments where income tax withholding agents do not abide by formal duties established in the special tax withholding regime.

e. Certain standards were modified and others included in the tax inflation adjustment regime.

On September 24, 2003, Decree No. 2,507 of the Income Tax Law Regulations was published in the Official Gazette No. 5,662, superseding Decree No. 2,940 dated May 13, 1993. These regulations are based on the current Income Tax Law.

Business assets tax (BAT)

Business assets tax was enacted as a complementary tax to Venezuelan income tax and is calculated on the simple average tax base of the taxpayer s tangible and intangible assets located in Venezuela and used in the production of income derived from commercial or industrial activities. The tax rate applicable to the tax base is 1% a year, which is reduced in proportion to the percentage of export sales to total sales. The Business Asset Tax Law allows any business asset tax paid as an income tax credit to be carried forward for the following three years.

As of March 31, 2005, CANTV does not have any carry-forward tax credits. However, its subsidiary Cantv.Net has tax credits amounting to Bs 946 (in nominal amounts), of which Bs 357 may be used until 2005 and BAT credits generated in 2004 amounting to Bs 588 may be used until 2007.

On August 17, 2004, the Law repealing this tax was published in Official Gazette No. 38,002, effective beginning September 1, 2004.

Value added tax (VAT)

In May 1999, the Venezuelan Government enacted by decree the Value Added Tax Law. This tax is based on a tax credit system and applies to the different stages of production and sales. It is payable based on the value added at each of these stages. The VAT rate is set annually through the Venezuelan Budget Law and as of March 31, 2005 the applicable rate is 15% (16% from

December 2003 until August 2004). This Law also introduced, effective September 2002, an additional 10% tax on defined luxury goods and services.

Bank debit tax

In March 2002 the Venezuelan Government enacted by decree the Bank Debit Tax Law. This tax is levied upon debits or withdrawals made from current and savings accounts, custody deposits, or any other type of demand deposit, liquid asset funds, trust funds and other financial market funds or financial instruments transacted by individuals or corporations with Venezuelan banks and financial institutions for transactions in excess of 32 tax units per month (equivalent to Bs 790,400 in nominal amounts). Beginning December 16, 2004, this amount changed to 40 tax units (equivalent to Bs 988,000 in nominal amounts). The applicable tax rate was 0.75% until December 31, 2003 (1% until June 2003) and changed to 0.5% from January 1, 2004 until December 2004. During the three month ended March 31, 2005 and 2004, CANTV and its subsidiaries incurred bank debit tax expense of Bs 4,238 and 4,946, respectively.

NOTE 18 - TRANSACTIONS WITH RELATED PARTIES

In the normal course of business and as limited by applicable refinancing agreements, the Company enters into transactions with certain of its stockholders and their respective affiliates. In addition, the Government has significant influence over the Company s tariffs, regulations, labor contracts and other matters involving the Company. The Government is also the largest customer of the Company (Note 7 - Accounts receivable from Venezuelan Government entities).

Transactions with stockholders affiliates include purchases of inventories, supplies, plant and equipment, technical and administrative assistance and net revenue related to settlement of international telephone traffic with these affiliates of Verizon Communications Inc (Verizon). Balances of these transactions for the three months ended March 31 are shown below:

	2005	**2004**
Purchase of inventories, supplies, plant and equipment of stockholders affiliates	38,241	432
Technical and administrative assistance expenses	205	22,832
Net expense related to the settlement of international telephone traffic with affiliates	(284)	(1,031)

Transactions for technical and administrative assistance are in respect of consulting services, development of technologies, strategic planning and analysis, training and personnel services, among others.

As of March 31, 2005 and 2004, the Company has interest-free accounts payable to Verizon of Bs 38,861 and Bs 42,215, respectively.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

The Company has the following commitments and contingencies:

a) Capital expenditures

The Company s payment commitments as of March 31, 2005 in respect of capital expenditures amount to approximately US$92 million.

b) Operating leases

The Company leases equipment and real property under operating leases for periods of one year or less. Lease agreements generally include automatic extension clauses for equal terms, unless written termination notification is provided. Lease commitments for real property and equipment amounted to Bs 25,259 as of March 31, 2005.

c) Litigation

The Company is a party to a number of legal and administrative proceedings which are presented below:

In May 2000 and December 1999, the Venezuelan Tax Authorities (SENIAT) notified CANTV and Movilnet of additional tax assessments amounting to Bs 271,179 and Bs 26,954, respectively, in nominal amounts. These assessments were mainly related to the rejection of investment tax credits used for fiscal years ended December 31, 1994, 1995, 1996 and 1997. SENIAT objected to these credits claiming that telecommunications activities do not qualify as industrial activities. These assessments were appealed before the Sixth Court of Appeals on Litigious Matters and, in the opinion of management and its legal counsel, there is a high probability of a ruling in favor of CANTV and Movilnet. It is important to note that in 1999 this Court ruled in favor of another telecommunications company. However, that decision was appealed by SENIAT and a final ruling is pending.

In June 2002, Caveguías was subject to a similar additional tax assessment by SENIAT of approximately Bs 44,312, expressed in nominal amounts. These assessments were in respect of income tax returns for the years ended December 31, 1996, 1997, 1998 and 1999. The Tax Authorities objected to the deferral of revenue in respect of the sale of advertising space. The Company appealed these assessments before the Eighth Court of Appeals on Litigious Matters. In the opinion of management and its legal counsel, there is a high probability of a favorable decision.

In June 2003, a commercial associate introduced a request for arbitration before the Caracas Arbitration Center of the Chamber of Commerce, claiming default in compliance with an agreement and damages of Bs 20,399 against Movilnet. On October 8, 2003, Movilnet responded to this claim and on January 16, 2004 a proceeding began in the Arbitration Court. In September 2004, this Arbitration Center decided in favor of the commercial associate and required a payment by the Company of Bs 8,000, which was paid in January 2005.

During February 2004, CANTV Telecommunications Centers were subject to additional tax assessments by the Tax Authorities in two states of the central region of the country. As a result of this assessment, 37 centers received sanctions including fines and were closed for 48 and 72 hours as a result of their non-compliance with certain value added tax matters. Some of the sanctions were effective at that moment while others are currently being appealed. There is a risk for CANTV that Telecommunications Centers could call on CANTV s responsibility as business allies. Damages might be attributable to both CANTV and the Telecommunications Centers as co-participants. The portion to be assigned to each party is currently being determined. During 2004 CANTV has set aside a provision for this contingent liability.

In May 2004, Digitel filed a lawsuit against CANTV with the Supreme Tribunal claiming damages in the amount of Bs 9,600 (in nominal amounts) for differences in the exchange rate applicable to interconnection charges. Management and its legal counsel believe there is a high probability that a final decision will be favorable to CANTV.

In December 2004, CONATEL notified CANTV of inspection reports resulting from their review of tax payments called for by the Telecommunications Law, made by CANTV in 2000 and Movilnet and Cantv.Net for 2000 to 2003. The main concepts objected to by CONATEL in determining the tax base for computation of this tax are the deduction of uncollectible write-offs and discounts granted to customers. In addition, CONATEL objected to Movilnet s exclusion of net interconnection revenue from the tax base for the Special Telecommunications Tax for wireless services. In the case that these inspection reports turn into tax assessments, the total amount objected would be Bs 4,689 for CANTV, Bs 36,564 for Movilnet and Bs 381 for Cantv.Net. The issuance of the final resolution by CONATEL in respect of the Administrative Summary is currently being awaited to assess filing the respective appeals. Based on the opinion of its external legal counsel, the Company has not set aside a provision in respect of these inspection reports.

In September 2004, the Social Chamber of the Supreme Court ruled against a lawsuit in connection with pension payments filed against CANTV by the Venezuelan National Telephone Federation of Retirees and Pensionees (FETRAJUPTEL).

Later, in January 2005, the Constitutional Chamber of the Supreme Court declared admissible an appeal filed by the Venezuelan National Telephone Association of Retirees and Pensionees (AJUPTEL-Caracas) against the aforementioned decision of September 2004 and, consequently, the Constitutional Chamber declared the decision annulled and submitted the case to the Social Chamber for a new ruling.

The Constitutional Chamber s decision issued in January 2005 also indicates that if retiree pensions are lower than the minimum urban wage, they should be adjusted to the minimum wage. CANTV s management, based on the advice of its external legal counsel, considers that certain matters subject to review will again be ruled in favor of CANTV, and for the other matters the Company has estimated the additional contingent liability. In accordance with applicable accounting principles, this contingency is considered probable and, therefore, this contingent liability was recorded in the consolidated financial statements as a provision for contingencies as of March 31, 2005.

The provision was estimated by CANTV s management based on what the Company considers will be the most probable outcome of this labor-related lawsuit. However, it is not possible to determine the exact amount of this potential liability until a new ruling by the Social Chamber is issued.

In addition, CANTV is defendant in an important number of labor-related lawsuits and claims for approximately Bs 176,676, in nominal amounts, most of which are in respect of special retirement initiatives, employee severance benefits and other benefits related to early retirement. These lawsuits are currently pending and, as of the date of these financial statements, their final outcome is not predictable. CANTV has settled a number of these cases through mediation and negotiation between the parties involved and is currently in the process of resolving claims and lawsuits filed by former employees.

Based on the opinion of legal counsel handling these proceedings, Company management believes that most of these cases will be resolved in the Company s favor and that provisions set aside for Bs 114,855 are reasonable as of March 31, 2005 to cover these contingent risks.

d) Concession mandates

No mandatory plant modernization is currently required under the concessions.

Current regulations require that Basic Service Telecommunications Operators install and maintain public telephone equipment equivalent to 3% of their subscriber base. As of March 31, 2005, the Company has complied with the obligations established in these regulations.

The guidelines for the market opening in Venezuela (Note 4 - Regulation) included certain quality service standards that incorporate minimum and maximum targets. These targets were CONATEL s basis to issue the Administrative Ruling on quality service applicable to all basic services operators. This Administrative Ruling was published in the Official Gazette No. 37,968 as of June 28, 2004, and established a period of 120 days for the operators to adapt their systems and measuring mechanisms, after which operators have an adaptation period of up to three quarters to reach minimum and maximum targets established in this Administrative Ruling. Through the Administrative Ruling No. 530, published on December 13, 2004, CONATEL granted an extension until December 31, 2004 for operators to adapt their measurement systems and mechanisms.

NOTE 20 - SEGMENT REPORTING

The identifiable segments are strategic business units offering different products and services in the telecommunications industry and related services. These segments are managed separately since each business requires different technology and marketing strategies. The Company manages its operations mainly in two business segments: wireline and wireless services. The wireline services segment provides domestic telephone services, international long-distance services and other telecommunications-related services. The wireless services segment provides nationwide cellular mobile services. Substantially all of the Company s businesses are conducted in Venezuela.

Segment results for three months ended March 31, 2005 and 2004, and assets as of March 31, 2005 and 2004, are shown below:

	2005	2004
Wireline services:		
Operating revenue	225,017	255,312
Local services	74,863	73,926
Domestic long-distance	299,880	329,238
Local and domestic long-distance	28,303	29,092
International long-distance	222	(901)
International carriers, net	28,525	28,191
Total international long-distance	175,198	158,973
Fixed to mobile outgoing calls	31,811	25,908
Interconnection incoming	227,038	268,230
Other services		
Total operating revenue	762,452	810,540
Intersegment operating revenue	(94,173)	(153,589)
Operating income (loss)	42,792	68,915
Depreciation and amortization	167,762	258,305
Capital expenditures, net	62,208	29,300
Assets at the end of the period	6,760,614	6,945,934
Wireless services:		
Operating revenue		
Access	27,979	18,556
Airtime	166,989	124,404
Interconnection	125,825	90,506
Special services	83,581	62,610
Equipment sales	47,081	27,694
Other	23,859	15,307
Total operating income	475,314	339,077
Intersegment income	(85,857)	(65,324)
Operating income	141,232	(984)
Depreciation and amortization	42,198	38,611

Capital expenditures, net	67,292	38,386
Assets at the end of the period	2,281,717	2,218,311

The reconciliation of segment operating revenues, operating income and assets to the consolidated financial statements as of March 31 are shown below:

Reconciliation of operating revenues:

	2005	2004
Reported segments	1,237,766	1,149,617
Other telecommunications-related services	68,954	45,529
Elimination of intersegment operating revenues	(195,116)	(239,270)
Total operating revenues	1,111,604	955,876

Reconciliation of operating income:

	2005	2004
Reported segments	184,024	67,931
Other telecommunications-related services	17,807	2,920
Elimination of intersegment operating income	765	550
Total operating income	202,596	71,401

Reconciliation of assets:

	2005	2004
Reported segments	9,042,331	9,164,245
Elimination of assets	(2,367,498)	(2,806,185)
Other telecommunications-related services	307,853	359,771
Assets at the end of the period	6,982,686	6,717,831

NOTE 21 - EXCHANGE CONTROL

By means of an agreement between the Venezuelan Government and BCV, published in the Official Gazette No. 37,614 of January 21, 2003, the trading of foreign currencies in the country was suspended for five business days. This agreement was then extended for five additional business days as reported in the Official Gazette No. 37,618 of January 27, 2003.

On February 5, 2003, Exchange Agreements No. 1 and 2 were published in the Official Gazette No. 37,625 and, on February 7, 2003, Exchange Agreement No. 3 was published in the Official Gazette No. 37,627 (collectively the Agreements). The Agreements set out the rules for the Foreign Currency Administration Regime and established the exchange rate applicable for transactions set forth in the Agreements. The Agreements, among other things, establish the following conditions:

a) BCV will centralize the purchase and sale of currencies in the country under the terms agreed upon;

b) The Commission for the Administration of Foreign Currency (CADIVI) will coordinate, manage, control and establish the requirements, procedures and restrictions for the execution of the Agreements;

c) The applicable exchange rates subsequent to the Agreements effective dates were Bs 1,596/US$1 for purchase and Bs 1,600/US$1 for sale; and,

d) The purchase and sale in local currency of Venezuelan Government securities issued in foreign currency would be discontinued until the BCV and the Venezuelan Government establish regulations for these transactions.

Additionally, the Venezuelan Government issued Decree No. 2,302 on February 5, 2003, subsequently amended by Decree No. 2,330 of March 6, 2003**,** that established the functions of CADIVI as well as the Rules for Administration and Control of Foreign Currencies. As provided by this Decree, the President of the Republic, in Council of Ministers, approved the general guidelines for the distribution of foreign currencies in the currency exchange market, based on CADIVI s opinion and the foreign currencies budget prepared under the application of the exchange agreement. This Decree also establishes that the acquisition of foreign currencies is subject to prior registration of the interested party at the registry, authorization to participate in the exchange regime with the supporting documentation and other requirements to be established by CADIVI.

On April 22, 2003 and June 18, 2003, Rulings No. 25 and No. 34 were published in Official Gazettes No. 37,674 and No. 37,714, respectively, by means of which CADIVI manages the administration and formalities for foreign currency acquisition to pay private foreign debt acquired before January 22, 2003. External debt registered by CANTV and Movilnet with CADIVI was US$212 million and US$52 million, respectively.

On February 6, 2004, the Finance Ministry, together with the BCV, modified the exchange rate set out under Agreement No. 2 dated February 5, 2003 and established new exchange rates effective as of that date of Bs 1,915.20/US$1 for purchase and Bs 1,920/US$1 for sale.

On May 31, 2004, CADIVI published a resolution concerning requests for currency for the import of goods and services for the telecommunications industry, effective beginning that date. Accordingly, the Company must apply for foreign currency each semester with an estimate of its requirements for the period. The approvals from CADIVI will be granted on a monthly basis.

The Government has issued Decrees and Rulings establishing requirements, controls and steps for authorization for foreign currency purchases, as well as the general guidelines for the distribution and administration of this foreign currency destined for the currency exchange market.

In order to guarantee access to foreign currency for essential goods and services and debt payments, should CADIVI fail to timely approve the purchase of foreign currency, the Company acquired US$74.2 million (nominal value) of Venezuelan National Public Debt Bonds in August

2003. These bonds were denominated in U.S. dollars and paid in bolivars at the official exchange rate of Bs 1,600/US$1. In September 2003 these bonds were sold at market value, and a loss of Bs 47,781 was recognized in the results of the Company and included in the consolidated statement of operations as Other expenses, net in that month.

As of March 31, 2005, the Company had applied to CADIVI for a total of US$974.9 million, since the establishment of the exchange control regime. As of March 31, 2005, CADIVI has approved US$883.4 million, of which US$706.6 million has been received.

The Company continues to process the necessary formalities to comply with the requirements of CADIVI in order to apply for additional foreign currency.

NOTE 22 - INTENT FOR THE ACQUISITION OF DIGITEL

On November 5, 2004, CANTV s Board of Directors approved a Letter of Intent with TIM International N.V. for the acquisition of 100% of the telecommunications company Digitel at a total value of US$450 million, which includes granting a loan to Digitel in the equivalent amount in bolivars of US$225 million for the prepayment of Digitel s debt, subject to the approval of CADIVI for the receipt of foreign currency by Digitel; and the payment for the value of the shares. This transaction is subject to the approval of CONATEL and Pro-Competencia and, to date, no approval has been obtained and no payment has been made in this connection.

NOTE 23 - ADOPTION OF INTERNATIONAL REPORTING FINANCIAL STANDARDS

Pursuant to Resolution No. 157-2004 published on the Official Gazette No. 38,085 dated December 13, 2004, CNV resolved that companies making public securities offers under the Capital Markets Law must prepare and present their financial statements adjusted to International Financial Reporting Standards (IFRS) beginning January 6, 2006 with IFRS s effective on January 1, 2005. In addition, these companies must prepare and present to CNV a balance sheet as of December 31, 2004 according to IFRS together with notes related to the main accounting policies used, and a detailed description of the adjustments performed to convert the balance sheet to IFRS, which will be only used to evaluate the effects of this adoption.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPAÑIA ANONIMA NACIONAL
TELEFONOS DE VENEZUELA, (CANTV)

By: /s/ ARMANDO YAÑES
Armando Yañes
Chief Financial Officer

Date: May 16, 2005