

May 19, 2006

# COVER SHEET

**A S 0 9 3 0 0 4 3 6 9**

SEC Registration Number

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

(Company's Full Name)

**4 t h F l o o r , B e n p r e s B u i l d i n g , M e r a**

**l c O A v e n u e , P a s i g C i t y**

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

**Salvador G. Tirona**

(Contact Person)

**910-3040**

(Company Telephone Number)

**1 2**

Month Day  
(Fiscal Year)

**3 1**

Month Day  
(Annual Meeting)

**1 7 - Q**

(Form Type)

Month

Day

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

**12,843**

Total No. of Stockholders

Total Amount of Borrowings

**₱2,012,397,073**

Domestic

**US\$150,000,000**

Foreign

To be accomplished by SEC Personnel concerned

File Number

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LCU

Document ID

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# THE SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17- Q

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

1. **March 31, 2006**  
Date of Report (Date of earliest event reported)
2. SEC Registration No. **AS093-04369**
3. BIR TIN. **002-825-058-000**
4. **Benpres Holdings Corporation**  
Exact name of registrant as specified in its Articles of Incorporation
5. **Metro Manila**  
Place of incorporation
6. \_\_\_\_\_  
Industry Classification Code
7. **4th Floor Benpres Building, Exchange Road cor. Meralco Ave. Pasig City**  
Address of principal office
8. **(02) 910-3040**  
Registrant's telephone number, including area code
9. **Not Applicable**  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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<b><u>Common Shares</u></b>	<b><u>4,581,544,408 shares</u></b>
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<b><u>Long Term Commercial Papers</u></b>	<b><u>P2,000,000,000.00</u></b>
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11. Are any or all of the securities listed on the Philippine Stock Exchange:  
Yes []      No [  ]
12. Indicate by check mark whether the registrant:
  - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)  
Yes []      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 consolidated financial statements are filed as part of the Form. It is prepared in compliance with accounting principles generally accepted in the Philippines as set forth in the Philippine Financial Reporting Standards (PFRSs). PFRS, include standards named PFRSs and Philippine Accounting Standards (PASs), including interpretations issued by the Philippine Accounting Standards Council. These are the Company's first consolidated financial statements prepared in compliance with PFRSs.

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

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

Benpres Holdings Corporation (Benpres) posted unaudited consolidated revenues of P3.954 billion in the first three months of 2006, 14% higher than P3.457 billion (as restated) in the same period last year. First quarter 2006 unaudited financial statements were restated to reflect the deconsolidation of Maynilad Water Services, Inc., pursuant to the water utility's Court-approved Debt Capital and Restructuring Agreement (see Note 3 of the notes to consolidated financial statements herein attached).

Net income attributable to shareholders reached P2.081 billion from P281 million in the same quarter last year. Benpres's full year ending December 2006 net income, after provisioning and auditors' adjustments, may likely fall below the first quarter ended March 2006 unaudited level.

ABS-CBN Broadcasting Corporation (ABS-CBN) reported a net income for the first quarter this year against a net loss last year. ABS-CBN net income turned positive in the first quarter of 2006 to P121 million. ABS-CBN revenues were boosted by license fees from DirecTV amounting to P409 million as well as strong theater sales of Star Cinema's Valentine offering *Close to You*.

Benpres's net income in the first quarter is primarily derived from the equity share in net earnings of First Philippine Holdings Corporation (FPHC) as it reported a net income of P3.7 billion out of revenues of P13.4 billion. FPHC booked a one-time gain on dilution of its equity interest in First Gen Corporation (First Gen) in the amount of P2.7 billion after First Gen had its initial public offering (IPO) in February 2006. Also contributing to revenue growth was the sale of its SIRF shares in the first quarter. FPHC's unaudited consolidated costs and expenses totaled P10.5 billion. FPHC's performance also reflects higher contribution of First Gen and FPIDC.

As a result, equity in net earnings of investees amounted to P1.930 billion compared to P393 million in the first quarter of 2005.

Foreign exchange adjustments amounted to P409 million (+43%) due to the movement of the foreign exchange rate to P51.125 in March 2006 from P54.940 in March 2005. License fees (P409 million in revenues versus none in 1Q05), production costs (-8%), general and administrative expenses (+19%) and agency commission, incentives and co-producers' share (+14%) are all ABS-CBN accounts.

SKY Cable subscription revenues were slightly lower than the previous year due to a lower subscriber base, the result of a continuing clean up of delinquent accounts. Total operating expenses were lower by 15% year-on-year due primarily to lower programming costs as a result of the successful negotiations with the programmers. Lower programming cost was also helped by an improved forex rate. Lower doubtful accounts expense also brought down total operating expenses.

Bayantel net revenues were down by 6% from the first quarter last year due to decline in local service revenues, ILD and DLD. Other income increased by 27% due to foreign exchange gains with the restatement of dollar denominated accounts. As a result, net income grew by 52% to P378 million.

#### **Key Performance Indicator**

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

#### **Financial Condition**

Cash and cash equivalents decreased by 21% from end-2006 levels due to debt service. Investments and advances increased by 15% to P20.190 billion to reflect the equity share in net earnings of investee companies during the quarter. Trade and other receivables (-10%), program rights (-14%), other current assets (+35%), noncurrent program rights and other intangible assets (+9%) and other noncurrent assets (-19%) reflect ABS-CBN accounts.

Interest-bearing loans and borrowings as of end-March were down by 7% due to the appreciation of the peso against the dollar. Derivative liabilities (+116%), other noncurrent liabilities (-23%), are ABS-CBN accounts. Decreased in share in equity adjustment from translation by 8% resulted from amortization of translation adjustment by ABS-CBN.

Unaudited total consolidated equity as of March 31, 2006 stood at P10.706 billion, 23% better than 2005 yearend balance as the deficit was reduced by 22% to P7.187 billion given the net income for the quarter in review.

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

## **PART II – OTHER INFORMATION**

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

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

	March 31, 2006 (Unaudited)	December 31, 2005 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P1,844	P2,341
Trade and other receivable - net	4,225	4,695
Program rights - current	684	799
Derivative asset	193	193
Other current assets - net	1,126	828
Total Current Assets	8,072	8,856
<b>Noncurrent Assets</b>		
Investments and advances – net (Notes 3 and 4)	20,190	17,609
Property and equipment - net	10,577	10,761
Long-term receivables from related parties	2,311	2,342
Noncurrent program rights and other intangible assets	1,651	1,517
Other noncurrent assets – net	3,063	3,780
Total Noncurrent Assets	37,792	36,009
<b>TOTAL ASSETS</b>	<b>P45,864</b>	<b>P44,865</b>
<b>Current Liabilities</b>		
Trade and other payables	P8,603	P8,866
Interest-bearing loans and borrowings (Note 5)	10,815	11,646
Estimated liabilities from guarantees and commitments	10,361	10,361
Derivative liabilities	225	104
Total Current Liabilities	30,004	30,977
<b>Noncurrent Liabilities</b>		
Interest-bearing loans and borrowings – net of current portion (Note 5)	4,471	4,320
Other noncurrent liabilities	683	885
Total Noncurrent Liabilities	5,154	5,205
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock	4,581	4,581
Capital in excess of par value	6,766	6,766
Share in equity adjustment from translation	214	233
Share in unrealized gain on fair value of adjustments of available-for-sale investments	396	396
Deficit	(7,187)	(9,239)
Total Equity	4,770	2,737
Minority interest	5,936	5,946
Total Equity	10,706	8,683
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>P45,864</b>	<b>P44,865</b>

See accompanying Notes to Consolidated Financial Statements.

**BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****(UNAUDITED)****(Amounts in Millions, Except Per Share Amounts)**

	<b>Three Months Ended March 31</b>	
	<b>2006</b>	2005 (As restated – Notes 3 and 4)
<b>CONTINUING OPERATIONS</b>		
<b>REVENUES</b>		
Net sales and services	<b>₱1,282</b>	₱1,273
Airtime – net	<b>2,263</b>	2,184
License Fees	<b>409</b>	–
	<b>3,954</b>	3,457
<b>EXPENSES (INCOME)</b>		
Production costs	<b>1,278</b>	1,393
General and administrative	<b>1,201</b>	1,013
Costs of sales and services	<b>622</b>	600
Agency commission, incentives and co-producers' share	<b>503</b>	443
Equity in net earnings of investees	<b>(1,930)</b>	(393)
Foreign exchange adjustment	<b>(409)</b>	(286)
Interest and others – net	<b>565</b>	600
Other income	<b>(71)</b>	(68)
	<b>1,759</b>	3,302
<b>INCOME BEFORE INCOME TAX</b>	<b>2,195</b>	155
<b>PROVISION FOR INCOME TAX</b>	<b>(114)</b>	(11)
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>2,081</b>	144
<b>INCOME FROM DISCONTINUED OPERATIONS</b>	<b>–</b>	122
<b>NET INCOME</b>	<b>₱2,081</b>	₱266
Attributable to:		
Equity holders of the parent	<b>₱2,052</b>	₱281
Minority interests	<b>29</b>	(15)
	<b>₱2,081</b>	₱266
<b>Income Per Share Attributable to Equity Holders of the Parent:</b>		
Basic	<b>₱0.4480</b>	₱0.0612
Diluted	<b>0.4481</b>	0.0613

*See accompanying Notes to Consolidated Financial Statements.*

**BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**  
(Amounts in Millions, Except Number of Shares and Par Value Amounts)

	Three Months Ended March 31	
	2006	2005
<b>CAPITAL STOCK</b> - ₱1 par value		
Authorized - 5,500,000,000 shares		
Issued - 4,581,544,408 shares	<b>₱4,581</b>	₱4,581
<b>CAPITAL PAID IN EXCESS OF PAR VALUE</b>	<b>6,766</b>	6,766
<b>SHARE IN UNREALIZED GAIN ON FAIR VALUE OF ADJUSTMENTS OF AVAILABLE-FOR-SALE INVESTMENTS</b>	<b>396</b>	-
<b>SHARE IN EQUITY ADJUSTMENT FROM TRANSLATION</b>	<b>214</b>	62
<b>DEFICIT</b>		
Balance at beginning of period	<b>(9,239)</b>	(9,634)
Net income	<b>2,052</b>	281
Balance at end of period	<b>(7,187)</b>	(9,353)
	<b>₱4,770</b>	₱2,056

*See accompanying Notes to Consolidated Financial Statements.*

**BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**  
**(Amounts in Millions)**

	<b>Three Months Ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	<b>₱2,052</b>	<b>₱281</b>
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in net earnings of investees	<b>(1,930)</b>	<b>(393)</b>
Depreciation and amortization	<b>493</b>	<b>568</b>
Others	<b>(295)</b>	<b>(264)</b>
Changes in assets and liabilities:		
Decrease (increase) in current assets	<b>172</b>	<b>(1,366)</b>
Increase (decrease) in current liabilities	<b>(142)</b>	<b>1,708</b>
<b>Net cash provided by operating activities</b>	<b>350</b>	<b>534</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in:		
Short-term investments	<b>–</b>	<b>279</b>
Investments and advances	<b>(670)</b>	<b>1,087</b>
Property and equipment and other assets	<b>420</b>	<b>1,044</b>
<b>Net cash provided by (used in ) investing activities</b>	<b>(250)</b>	<b>2,410</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in interest-bearing loans and borrowings	<b>(385)</b>	<b>280</b>
Increase (decrease) in:		
Other noncurrent liabilities	<b>(202)</b>	<b>109</b>
Minority interest	<b>(10)</b>	<b>(2,928)</b>
<b>Net cash used in financing activities</b>	<b>(597)</b>	<b>(2,539)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(497)</b>	<b>405</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIODS</b>	<b>2,341</b>	<b>4,527</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIODS</b>	<b>₱1,844</b>	<b>₱4,932</b>

*See accompanying Notes to Consolidated Financial Statements.*

## **BENPRES HOLDINGS CORPORATION AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Amounts in Millions, Except Par Value and Per Share Amounts, Percentage of Ownership, Number of Shares and Units, and Number of Employees)**

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

##### **a. Corporate Information**

Benpres Holdings Corporation (the Parent Company) is incorporated in the Philippines. The Parent Company is a 56% owned subsidiary of Lopez, Inc. (Lopez), also a Philippine entity. In the historical consolidated financial statements, the Parent Company and its subsidiaries (collectively referred to as "The Company") are mainly involved in investment holdings and water distribution. In the pro forma consolidated financial statements, the subsidiaries also include a broadcasting and entertainment company. In the historical and pro forma consolidated financial statements, the Company's associates are involved in telecommunications, power generation and distribution, cable television, real estate and infrastructure. The registered office address of the Parent Company is 4th Floor, Benpres Building, Meralco Avenue, Pasig City. The average number of employees of the Parent Company is 22.

##### **b. Balance Sheet Management Plan**

In June 2002, the Parent Company announced a plan called Balance Sheet Management Plan (BSMP) to address all its financial obligations. The execution of the BSMP has a three-pronged approach:

- 1) Debt reduction by getting the relevant subsidiaries to repay their debts as guaranteed by the Company;
- 2) Raise cash through orderly asset sales; and
- 3) Cost reduction and suspension of capital investment.

This BSMP is also designed to accommodate various scenarios depending on the success of the Parent Company's asset sale and debt reduction initiatives.

Starting in 2002, the Parent Company defaulted on its principal and interest payments on its long-term direct obligations and guarantees and commitments. As proposed in the BSMP, all liabilities of the Parent Company were computed as of May 31, 2002.

As proposed in the BSMP, the Parent Company would make good faith semi-annual payments on its direct and contingent obligations. The first payment was made on December 2, 2002. Succeeding payments were made in June and December 2003, June and November 2004, and May and November 2005.

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

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

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## 2. Transfer of Media Interest and Presentation of Pro Forma Financial Statements

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

On April 24, 1998, the Parent Company transferred 553,457,304 shares of ABS-CBN at its market value of ₱16.50 per share equivalent to ₱9,132 million and 162,463,400 shares of SkyVision at its book value of ₱2.75 per share equivalent to ₱447 million in exchange for cash of ₱75 million and Convertible and Nonconvertible Notes (Notes) of ₱9,504 million (Convertible Notes of ₱5,504 million and Nonconvertible Notes of ₱4,000 million). The excess of the market value of ABS-CBN shares against its carrying value, amounting to ₱4,310 million, is credited to "Deferred income" and was offset against the value of the Notes in the historical consolidated balance sheets. The Notes are secured by a pledge of the shares transferred and all subsequent shares distributed to Lopez by reason of its holdings of ABS-CBN and SkyVision shares. After the transfer, Lopez assumed all voting rights associated with the shares.

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

As of March 31, 2005 and December 31, 2004, the carrying value of the Notes amounted to ₱7,885 million and ₱7,819 million, respectively. The underlying shares totaled 446,800,022 ABS-CBN shares [including 568,415 Philippine Depositary Receipts (PDRs)] and 162,463,400 SkyVision shares.

As of this date, the shares of stock in ABS-CBN and SkyVision are still under the name of Lopez. Consequently, the power to vote those shares is with Lopez. The Parent Company has not exercised its option to convert the ABS-CBN and SkyVision Notes into ABS-CBN and SkyVision shares, respectively.

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## 3. Deconsolidation of Maynilad Water

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

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

regulatory body of the Concessionaires [Maynilad Water and the East Concessionaire - Manila Water Company, Inc. (Manila Water)] under the Concession Agreement with MWSS.

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

#### Rehabilitation Plan

On August 6, 2004, Maynilad Water was ordered by the Rehabilitation Court to submit a revised rehabilitation plan with the Rehabilitation Court based on a full draw of the performance bond within a non-extendible period of thirty (30) days or until September 6, 2004 (Order). On September 9, 2004, in support of the rehabilitation petition, Maynilad Water, its shareholders, MWSS and the DOF set out their intents in a Memorandum of Understanding (MOU) relating to the restructuring of: (i) the financial obligation of Maynilad Water with various banks; and (ii) the unpaid Concession Fees of Maynilad Water under the Concession Agreement. As an integral part of the said restructuring, the parties also set out in the MOU their intended mechanics by which MWSS will acquire from certain creditors a transitional equity interest in Maynilad Water based on the following interdependent key elements: (a) implementation of full draw on the US\$120 million Performance Bond of Maynilad Water; (b) limitation of debt-to-equity conversions by MWSS; (c) avoidance of an early termination amount liability for the government; (d) resumption of full payment to MWSS of concession fees; (e) preservation of the national privatization policy; (f) assurance that there will be no disruption of essential water services in the West Service Area; (g) providing a transitional government take-over from certain creditors; (h) a viable repayment plan for all creditors; (i) deficit reduction and write-off of shareholders' receivables from Maynilad Water; and (j) the corresponding implementation of tariff increase as already approved by MWSS on October 2002, with no new application for additional tariff increases.

As a result of the MOU, a revised rehabilitation plan (September 2004 Rehabilitation Plan) was submitted by Maynilad Water to the Rehabilitation Court and at the same time, Maynilad Water withdrew all previous rehabilitation plans that it had submitted. On September 29, 2004, the Rehabilitation Court ruled that there is merit to the Petition for Rehabilitation and referred the Petition, Annexes and the September 2004 Rehabilitation Receiver for evaluation and the latter to report not later than November 29, 2004. In a separate Order, the Rehabilitation Court extended the 180-day period up to February 28, 2005.

On December 17, 2004, MWSS sent a notice to Maynilad Water to draw on the US\$120 million SBLC and a new tariff of ₱30.19 per cubic meter (average all-in) was published. Thereafter, on

December 20, 2004, the Rehabilitation Receiver submitted its "Report and Recommendation" to the Rehabilitation Court, recommending approval of the September 2004 Rehabilitation Plan provided that Maynilad Water, its shareholders, bank creditors, and MWSS, execute the implementing agreements on December 31, 2004. Otherwise, Maynilad Water should be ordered to submit a revised rehabilitation plan.

On January 1, 2005, Maynilad Water started implementing the rebased tariff rate of ₱30.19 per cubic meter. On January 14, 2005, MWSS sent a demand for the full US\$120 million SBLC to Citicorp International Ltd. by way of a "Written Certification." In the meantime, Maynilad Water and its shareholders, the bank creditors and MWSS, failed to execute the implementing agreements that would give effect to the September 2004 Rehabilitation Plan. On January 20, 2005, MWSS received the entire proceeds of the US\$120 million Performance Bond.

On January 31, 2005, a hearing was conducted by the Rehabilitation Court regarding the Rehabilitation Receiver's Report and Recommendation. Maynilad Water was ordered to submit a "Modified Rehabilitation Plan" on February 28, 2005. Maynilad Water failed to submit the said

Modified Rehabilitation Plan on February 28, 2005. Accordingly, the Rehabilitation Court gave Maynilad Water a non-extendible deadline of April 29, 2005 to submit the Modified Rehabilitation Plan.

Debt Capital and Restructuring Agreement (DCRA)

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

The capital restructuring provisions mainly involve write-off of shareholder advances, conversion of advances into equity and dilution of the shares of the Parent Company's equity interest in Maynilad Water, representing fifty-nine percent (59%) of the equity interest in Maynilad Water (BHC Shares). Under Section 24 of the DCRA, MWSS is given the right, subject to the prior approval of Maynilad Water's bank lenders and the Suez Group, to assign its right and obligation to subscribe to 83.97% of the shares of Maynilad Water or to assign any portion or all of the said shares (in the event the subscription has been exercised), provided that the assignee of the MWSS shall assume all the obligations and undertakings of MWSS under the DCRA in connection with, relating to, or arising from, such right. On September 8, 2005, the MWSS Board of Trustees resolved that MWSS shall assign its right and obligation to subscribe to shares in Maynilad Water by way of public bidding (MWSS BOT Resolution No. 2005-203). At present, Maynilad Water, its shareholders, its creditors and MWSS are in the process of establishing and determining the procedure for the public bidding. Since MWSS did not exercise its right to subscribe to the shares of Maynilad Water and instead opted to assign said right, the capital restructuring provisions in the DCRA cannot be fully implemented until the assignee subscribes to the shares of Maynilad Water in substitution of MWSS.

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

Based on the stock and transfer book of Maynilad Water, the Parent Company is still the registered owner of the BHC Shares. However, the said stock certificates covering the BHC

Shares have already been endorsed and delivered to the Rehabilitation Receiver pursuant to the DCRA. In further compliance with the terms of the DCRA, the Parent Company delivered to the Rehabilitation Receiver, an irrevocable proxy dated July 21, 2005 (Proxy) appointing MWSS or any of MWSS' authorized representatives as its proxy to attend, in the Parent Company's name, place and stead, all meetings of Maynilad Water, and to vote all of the BHC Shares, specifically for the purpose of carrying out, or ensuring the completion of the capital restructuring of Maynilad Water as set out in the DCRA. The terms of the Proxy state that it is coupled with an interest and may not be revoked until such time as the capital restructuring of Maynilad Water is completed. On January 9, 2006, MWSS called a special meeting of the stockholders of Maynilad Water where MWSS exercised the Proxy and elected its representative directors to the Board of Directors of Maynilad Water in replacement of the Parent Company's directors. An organizational meeting of

the new Board of Directors of Maynilad Water was subsequently held on January 12, 2006 to elect the new officers of Maynilad Water.

Accordingly, the Parent Company has lost its power to govern the financial and operating policies of Maynilad Water as provided for in PAS 27, "Consolidated and Separate Financial Statements." In view of the above, the Parent Company deconsolidated Maynilad Water effective July 20, 2005.

#### Pending Cases on Maynilad Water's Corporate Rehabilitation Proceedings

Two petitions relating to the corporate rehabilitation proceedings of Maynilad Water have been filed, consolidated and are currently pending before the Second Division of the Supreme court (SC).

The first petition involves a Petition for Certiorari and Mandamus instituted by certain so called public interest groups, three members of congress identified with these groups and some individuals who claim to be Maynilad Water consumers in the West Service Area against the presiding judge of the Rehabilitation Court, seeking to nullify the resolution issued by the Rehabilitation Court barring the said petitioners from further participating in the rehabilitation proceedings and refusing to declare them as interested parties, and praying for the issuance of an order allowing them to take part in the case.

The second petition involves a Petition for Certiorari under Rule 65 of the Rules of Court filed by the same petitioners against the same respondents but including MWSS, the Parent Company, Suez SA, Suez Environment, Lyonnaise Asia Water (Holdings) Pte. Ltd., Ondeo Services (Philippines) Inc., and certain lenders and creditor banks who are signatories to the DCRA, questioning the approval of Maynilad Water's 2005 Rehabilitation Plan and the DCRA by the Rehabilitation Court, on the ground that the same are allegedly "void, unlawful and contrary to public policy". In support of their prayer for the issuance of a preliminary injunction, the petitioners reiterate their position that the implementation of the Rehabilitation Plan and the DCRA allows Maynilad Water to avoid its obligations under the Concession Agreement, to the detriment of the government and the consuming public. They also claim that such implementation will result in the dissipation of public funds. On October 17, 2005, Maynilad Water filed its Comment to this petition. The Parent Company filed a Special Appearance with Manifestation on November 17, 2005.

As of May 19, 2006, no resolution has yet been issued by the SC in respect of the above-mentioned consolidated cases.

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#### **4. Basis of Preparation of Financial Statements and Significant Accounting Policies**

##### Basis of Preparation

The consolidated financial statements of the Company have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in the Philippine Financial Reporting Standards (PFRSs). PFRS, include standards named PFRSs and Philippine Accounting Standards (PASs), including interpretations issued by the Philippine Accounting Standards Council. These are the Company's first consolidated financial statements prepared in compliance with PFRSs.

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

The consolidated financial statements are presented in Philippine pesos, which is the Company's functional and presentation currency, and all values are rounded to the nearest million (P000,000) except when otherwise indicated.

#### Accounting Policies

The same accounting policies are followed in the interim financial statements as compared in the most recent annual audited financial statements of the Company.

#### Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries as of December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

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

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

#### Minority Interest

Minority interest represents the portion of profit or loss and net assets in subsidiaries, not held by the Company and are presented separately in the consolidated statements of income and within equity in the consolidated balance sheets, separately from the equity attributable to the equity holders of the Parent Company. The losses applicable to minority may exceed the minority's investment in the subsidiary. Any losses applicable to a minority shareholder in a consolidated subsidiary in excess of the minority shareholder's equity in the subsidiary are charged against the minority interest to the extent that the minority shareholder has binding obligation to, and are able to, make good the losses.

Minority interest represents the interest in subsidiaries not held by the Company.

#### Investments in Associates

The Company's investments in associates are accounted for under the equity method of accounting. An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, investments in associates are carried in the consolidated balance sheets at cost plus post-acquisition changes in the Company's share of net assets of the

associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the associate. The consolidated statements of income reflect the share in the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity.

The reporting dates of the associate and the Company are identical and the associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Equity adjustment from translation represents the Company's share in the adjustments of an associate resulting from the translation into Philippine pesos of the foreign currency financial statements of an associate's investee.

Business Segments

For management purposes, the Company is organized into 2 major operating businesses, namely, investment holdings and water distribution. Financial information on business segments is presented in Note 8.

For purposes of pro forma information, ABS-CBN is considered as another operating business. ABS-CBN recognizes three business activities - broadcasting, cable and satellite and other businesses. Other business activities of ABS-CBN include movie production, consumer products and services. ABS-CBN operates in three major geographical areas namely, the Philippines, Unites States and other locations (which include Middle East and Milan). Financial information on ABS-CBN's business and geographical segments is presented in Note 8.

**5. Interest-Bearing Loans and Borrowings**

	Effective Interest Rate %	March 31, 2006	December 31, 2005
<u>Current</u>			
Parent Company:			
7.875% Notes	7.875%	<b>₱7,669</b>	₱7,963
LTCPs		<b>2,000</b>	2,000
ABS-CBN:			
Bank loans	11.17%	<b>355</b>	355
Long-term debt under Senior Credit Agreement (SCA)	13.01%	<b>786</b>	1,323
Bayanmap:			
Peso-denominated loans		<b>5</b>	5
		<b>₱10,815</b>	₱11,646
<hr/>			
	Effective Interest Rate %	March 31, 2006	December 31, 2005
<u>Noncurrent</u>			
Parent Company:			
4.2% Perpetual Convertible Bonds	4.2%	<b>₱12</b>	₱12
ABS-CBN:			
Long-term debt under SCA (net of transaction costs amounting to ₱198 million in 2005)	12.87%	<b>4,459</b>	4,308
		<b>₱4,471</b>	₱4,320

## 6. Earnings Per Share

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

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

	For the Three Months Ended March 31,	
	2006	2005
	<i>(In Millions)</i>	
(a) Income attributable to equity holders of the parent	<b>P2,052</b>	P281
Interest on convertible bonds and amortization of bond issue cost.	<b>1</b>	1
(b) Net income attributable to equity holders of the parent – diluted	<b>P2,053</b>	P282
(c) Weighted average number of common shares - basic (see Note 30)	<b>4,581,544,408</b>	4,581,544,408
Conversion of bonds (see Note 16)	<b>3,421,410</b>	3,421,410
(d) Adjusted weighted average common shares – diluted	<b>4,584,965,818</b>	4,584,965,818
Per Share Amounts Attributable to the equity holders of the Parent		
Basic (a/c)	<b>P0.4480</b>	(P0.0612)
Diluted (b/d)	<b>0.4481</b>	(0.0613)

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

## 6. Segment Information

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

Segment information is prepared on the following bases:

Business segments: The Company's main businesses are investment holdings, broadcasting and entertainment and water distribution (up to July 20, 2005 - see Note 3). Broadcasting and entertainment is further segmented into three business activities - broadcasting, cable and satellite, and other businesses. This segmentation is the basis upon which ABS-CBN reports its primary

segment information. The broadcasting segment is principally the television and radio broadcasting activities which generate revenue from sale of national and regional advertising time. Cable and satellite business primarily develops and produces programs for cable television, including delivery of television programming outside the Philippines through its DTH satellite service, cable television channels and blocked time on television stations. Other businesses include movie production, consumer products and services. The Company's remaining activity includes information service.

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

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

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

Business Segment Data  
(Amounts In Millions)

The following tables present revenue and income information and certain asset and liability information regarding business segments for the period ended March 31, 2006 and 2005:

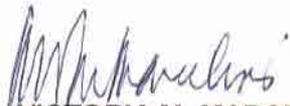
	Investment Holdings		Services		Broadcasting		Cable Satellite		Other Business of ABS-		Elimination		Consolidated	
	March 31		March 31		March 31		March 31		March 31		March 31		March 31	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenues	P-	P-	P-	P-	P2,572	P2,125	P1,045	P1,097	P338	P235	P-	(P-)	P3,955	P3,457
Intersegment-sales	-	-	-	-	24	15	22	19	26	31	(72)	(65)	-	-
Total revenues	P-	P-	P-	P-	P2,596	P2,140	P1,067	P1,116	P364	P266	(P72)	(P65)	P3,955	P3,457
<b>Results</b>														
Segment result	P27	(P301)		(P17)	P276	(P122)	(P88)	P87	P53	P2	P111	P1,054	P379	P703
Investment income	2,022	711	-	-	(38)	14	-	-	-	-	(54)	(332)	1,930	393
Interest income													65	47
Other income													71	68
Interest and financing charges													(630)	(647)
Foreign exchange gain (loss)													409	(287)
Income before income tax													2,224	277
Income tax													(114)	(11)
Minority interest													(29)	15
Net income													P2,081	P281
<b>Segment Assets and Liabilities</b>														
Segment assets	P2,052	P4,071	P-	P1	P19,644	P20,434	P5,354	P4,918	P1,212	P888	(P2,588)	(P6,287)	P25,674	P24,025
Investment in associates	26,633	25,038	10	10	3,598	2,636	-	-	-	-	(10,051)	(2,444)	20,190	25,240
Consolidated total assets													P45,864	P49,265
Segment liabilities	P14,645	P18,122	P9	P12	P4,038	P2,915	P2,722	P3,300	P637	P503	(P2,340)	(P2,606)	P19,711	P22,246
Bank loans and long-term debt													16,257	23,982
Income tax payable													28	-
Consolidated total liabilities													P35,996	P46,228
<b>Other Segment Information</b>														
Depreciation and amortization	4	4	-	4	416	451	52	45	20	21	-	-	492	525
Noncash expenses other than depreciation and amortization	-	-	-	-	11	19	8	44	1	1	-	-	20	64

## SIGNATURES

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

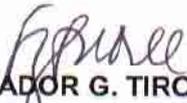
### BENPRES HOLDINGS CORPORATION

By:



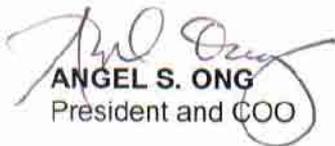
**MA. VICTORIA M. MARCELINO**  
AVP - Financial Controls

May 19, 2005  
Date



**SALVADOR G. TIRONA**  
Chief Finance Officer

May 19, 2005  
Date



**ANGEL S. ONG**  
President and COO

May 19, 2005  
Date

**BENPRES HOLDINGS CORPORATION**  
**AGING OF ACCOUNTS RECEIVABLES**  
**AS OF MARCH 31, 2006**  
**(Amounts in Thousands)**

<b>TYPE OF ACCOUNTS RECEIVABLES</b>	<b>TOTAL</b>	<b>NOT YET DUE</b>	<b>CURRENT</b>	<b>30 DAYS</b>	<b>60 DAYS</b>	<b>90 DAYS</b>	<b>120-360 DAYS</b>	<b>OVER 360</b>
<b><u>I. TRADE RECEIVABLES</u></b>								
Trade	<b>3,952</b>	1,240	386	144	110	1,134	150	788
Allowance	<b>562</b>							
Net A/R	<b><u>3,390</u></b>							
<b><u>II. NON - TRADE RECEIVABLES</u></b>								
Accrued interest	-							
Advances to suppliers	<b>130</b>							
Advances to talents	<b>42</b>							
Advances against claims - sss	<b>8</b>							
Others	<b>656</b>							
	<b><u>835</u></b>							
	<b><u>4,225</u></b>							

**ACCOUNTS RECEIVABLE DESCRIPTION**

- 1 TRADE RECEIVABLES
- 2 NON TRADE RECEIVABLES

- accumulated through the normal course of business, i.e. sale of airing spots

- accumulated through transactions other than the normal course of business, i.e. sale of airing spots